

This Offering Memorandum constitutes an offering of securities only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale. This Offering is not made to, nor will subscriptions be accepted from, any non-resident of Canada or any person in the United States of America. This Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus or advertisement or a public offering of these securities. Other than as disclosed in this Offering Memorandum and any marketing materials of the Trust, no person has been authorized to give any information or make any representation in respect of the Trust or the securities offered herein and any such information or representation must not be relied upon.

Private Placement

OFFERING MEMORANDUM

April 30, 2020



Trez Capital Yield Trust
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Trez Capital Yield Trust (the "Trust") is not a reporting issuer and its securities do not trade on any exchange or market.

Issuer	The Trust is a private open-ended investment trust established under the laws of British Columbia on March 20, 2013
SEDAR Filer:	The Trust is only a SEDAR filer as required under Section 2.9 of National Instrument 45-106 - <i>Prospectus Exemptions</i> and does not file continuous disclosure documents on SEDAR required to be filed by reporting issuers.
Securities offered:	Series A, F and I Units.
Price per security:	The subscription price per Unit is \$10 per Unit.
Minimum/Maximum offering:	There is no Minimum or Maximum Offering. You may be the only purchaser. Funds available under this Offering may not be sufficient to accomplish our proposed objectives.
Minimum Purchase:	500 Units (\$5,000)
Payment terms:	Bank draft, certified cheques or wire transfer on closing.
Proposed closing date(s):	Continuous offering. Closings may occur from time to time as subscriptions are received.
Income tax consequences:	There are important tax consequences to these securities. See "Income Tax Considerations".
Selling agent:	No. The Trust may pay a sales fee to registered dealers, or where permitted, non-registrants, in an amount determined by the Manager in its discretion, acting reasonably, payable at the time of the initial investment.
Resale restrictions:	You will be restricted from selling your securities for an indefinite period. See "Resale Restrictions".
Purchaser Rights:	You have two business days to cancel your agreement to purchase these securities. If a misrepresentation is made in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See "Purchasers' Contractual and Statutory Rights of Action".
Redemption Rights:	<p>An investment in Units should be considered a medium or long-term investment. Unitholders will not have any expected liquidity event in the short-term other than receiving cash distributions from the Trust. The Units have rights of redemption that are subject to certain important restrictions.</p> <p>The Redemption Price payable to Unitholders redeeming Units may be lower than the price per Unit paid by the Unitholder for such Unit. Units are redeemable at the demand of the Unitholders, upon thirty days' written notice, at a Redemption price equal to: (i) at any time up to the first anniversary of their issuance, 99% of the Subscription Price; and (ii) thereafter, at the Subscription Price. In addition, the Trustee, on advice of the Manager, may suspend the redemption of Units or payment of redemption proceeds. See "Securities Offered – Unitholder's Right To Redeem". Effective March 23, 2020, the Manager suspended redemptions of Units of the Trust. As of the date of this Offering Memorandum, the suspension of redemptions of Units of the Trust is still in effect. See "Recent Developments – Suspension of Redemptions".</p>

No securities regulatory authority has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See "Risk Factors".

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SUMMARY

The following is a summary of certain information contained in this Offering Memorandum, and reference should be made to the more detailed and additional information contained elsewhere in this Offering Memorandum.

Offering: A continuous offering of Series A, F and I Trust Units. There is no minimum or maximum offering amount. See "Subscription for Units". A subscriber whose subscription is accepted will become a Unitholder of the Trust.

Subscription Price: The subscription price per Unit is \$10.00.

Minimum Subscription: There is a minimum subscription of 500 Units (\$5,000). Residents of certain provinces may be restricted in the amount they can invest when relying on this Offering Memorandum. See "Subscription for Units".

Business Objective: The business objective of the Trust is to preserve invested capital and generate a steady stream of income to investors by investing in a portfolio of Mortgages selected by the Mortgage Broker and secured by Real Property in Canada and the United States. The Trust may also buy or sell such Mortgages. The Trust is a source of funding for the Mortgage Broker's mortgage lending business. See "Objectives and Policies - Investment Strategies" and "Conflicts of Interest and Interest of Management and Others in Material Transactions".

The Trust will seek to accomplish its business objective through prudent investments in Mortgages focused on short term financing to qualified real estate investors and developers. The Manager will use the Mortgage Broker's well-established lending strategies and competitive advantages, namely: (i) flexible structure terms; (ii) speed and certainty of execution; and (iii) its ability to generate proprietary deal flow.

In general, Mortgages will generate income through a rate of interest, which is typically payable periodically throughout the term of the Mortgages. All Mortgages will be secured by Real Property consisting primarily of residential (generally not including single family homes), office, retail, industrial, hotel or other commercial property. Mortgages may be either first ranking, a junior position in a first ranking Mortgage, or a subsequent ranking Mortgage, and individual Mortgages may be secured by more than one property owned by the same mortgagor. See "Objectives and Policies – Investment Restrictions".

Loan Sharing: The Manager may arrange for third parties and/or other mortgage investment entities managed by it to participate in a senior portion of a first Mortgage or to share in loans on a pari passu or junior basis. These arrangements with third parties and other mortgage investment entities managed by the Manager allow the Manager to further diversify its investments in Mortgages and apportion the risks associated with the Mortgages appropriately.

In some cases, the Manager may permit a third party (such as a Canadian bank, US bank, a trust company or other mortgage investor) or other mortgage investment entities it manages to participate in a senior portion of a first Mortgage at a reduced interest rate, thereby enabling the Trust to retain a disproportionately large amount of interest revenue when compared to the portion of the Mortgage it retains. This practice – sometimes referred to as "tranching" – will enable the Trust to effectively increase its returns while using less capital for each Mortgage investment (thereby facilitating greater diversification for the Trust) and, in all cases, retain the Manager's control over administering the entire Mortgage. The senior participant will be given priority for payment on its "senior" position in the

Mortgage in return for receiving less interest than the stipulated rate of the Mortgage and the Manager believes the Trust receives a disproportionately larger amount of interest revenue compared to the change in risk associated with the portion of the Mortgage it retains. See "The Trust – Loan Sharing".

An investment by the Trust in a subsequent ranking Mortgage differs from a junior position in a first Mortgage in that a second or subsequent ranking Mortgage has a lower priority for repayment and the Manager does not have control over administering the first Mortgage should a default occur. The Mortgages will be arranged by the Mortgage Broker. See "The Trust – Loan Sharing".

Series:

Units are issuable in series ("**Series**"). The outstanding Series are of the same class and have the same objectives, strategies and restrictions, but differ with respect to one or more of their features, such as fees and distributions, as set out in this Offering Memorandum. The Net Asset Value per Unit of each Series will be the same, but distributions allocable to each Series of Units will differ, as a result of the deduction of the amounts payable in respect of Trailer Fees for the Series A Units and the lower Management Fee payable in respect of the Series I Units. The Manager may, at any time and from time to time, authorize the Trust to issue additional Series without the authorization of Unitholders. Each Series will share in the same pool of Mortgages and Authorized Interim Investments on a pari passu basis. See "Summary of Declaration of Trust" and "Securities Offered".

Purchases of Units may be effected through the settlement network operated by FundSERV Inc. using the following codes:

Series A Units: TRZ 100
Series F Units: TRZ 110
Series I Units: TRZ 120

Distribution Policy:

The Trust will make a distribution to each Unitholder of record on each calendar month end on a monthly basis. For each month end (other than the month ending December 31), the Manager will distribute an amount it deems appropriate. Such monthly distributions will be paid in arrears by the 10th day following the month to which the distribution relates.

The distribution to be made in respect of the December 31 year end (the "**Final Year End Distribution**") will equal 100% of the Trust's Taxable Income for the applicable Series, less non-capital losses incurred in the year or prior years and carried forward, if any, less any reserves that the Manager deems appropriate and any previous distributions made in that year.

The Final Year End Distribution will be made in two payments. The first payment for the Final Year End Distribution will be made by the 10th day following the year end in an amount determined in the same manner as the month end distributions. The second payment, if any, for the Final Year End Distribution will be paid in arrears not later than March 15 following the year end in an amount equal to any amount payable in excess of the distributions previously paid. Pursuant to the terms of the Declaration of Trust, the Manager has consistently determined that Unitholders of record on December 31 of each year shall be entitled to the Final Year End Distribution.

In each Fiscal Year, the monthly distributions will be proportionate to the number of days the Units have been issued and outstanding in the month to which the

distribution relates. The second payment of the Final Year End Distribution will be proportionate to the number of days the Units have been issued and outstanding in the year to which the distribution relates.

Unitholders who redeem their Units prior to a month end or year-end will not participate in distributions for that month end or the Final Year End Distribution, as the case may be.

Subject to a Unitholder's election to receive distributions in cash, distributions by the Trust will be paid in Units. A Unitholder will thereby, by default, receive distributions in Units. In order to receive distributions in cash, the Unitholder must elect to receive distributions in cash at the time of purchase or notify the Manager in writing at least five (5) business days in advance of distribution's record date.

If the Trust has taxable income for which it has not received cash the Trust may make distributions of such taxable income in Units. Such a distribution would be followed by a consolidation of the Units to maintain the Net Asset Value per Unit at \$10.00. Payment of income by the distribution of Units can result in Unitholders having a tax liability without a corresponding distribution of cash to pay that tax liability.

The Trust intends to distribute its net income and net realized capital gains, if any, in the year they are earned or realized to ensure that no income taxes payable by the Trust. If distributions to Unitholders are in excess of net income and net realized capital gains, if any, of the Trust, the adjusted cost base of the Unitholders' Units will generally be reduced. Alternatively, the Trust may record these excess distributions as advances to Unitholders which are repaid by way of reducing subsequent year's distributions. See "Distributions" and "Income Tax Considerations."

Foreign Exchange and Hedging Policy:

The Trust may invest in US dollar denominated Mortgage loan investments. In order to mitigate the adverse effects of a decline in the US dollar versus the Canadian dollar from the time that the Trust acquires a US dollar denominated Mortgage loan investment and the time that a US dollar denominated loan investment is repaid, the Trust will undertake currency hedging transactions. See "Securities Offered – Foreign Exchange and Hedging Policy".

Redemption by Unitholder:

Subject to the restrictions below, Units are redeemable at the demand of the Unitholders, upon thirty days' written notice, at a Redemption price equal to:

- (i) at any time up to the first anniversary of their issuance, 99% of the Subscription Price; and
- (ii) thereafter, at the Subscription Price.

The Manager may from time to time suspend Redemptions and/or terminate the Trust when the Redemption price exceeds the Net Asset Value per Unit. The Manager is not obligated to accept Redemption notices for amounts exceeding, in aggregate, 5% of the Net Asset Value of the Trust at such time, in any one calendar month.

The Manager also may suspend the Redemption of Units, or postpone the day of payment or right of Redemption, for a period of not more than 180 days, for or during any period during which the Manager determines that conditions exist

which render impractical the sale of the assets of the Trust or impair the ability of the Manager to determine the value of the assets held by the Trust. Any such suspension shall take effect at such time as the Manager specifies and thereafter there shall be no Redemption of Units during the 180 day period until the Manager declares the suspension at an end.

Closing:

Closings will take place on such dates as the Manager determines.

Manager Fees:

Pursuant to the Declaration of Trust, for the purposes of calculation of the Manager's Fees, each Series is deemed to be entitled to its Proportionate Share of the Average Annual Gross Assets. The Manager will be entitled to receive an annual fee equal to 1.5% of the Proportionate Share of the Series A Units and the Series F Units of the Average Annual Gross Assets (the "**Series A and Series F Management Fee**") and an annual fee equal to a percentage to be negotiated by the Manager and the Unitholder of the Proportionate Share of the Series I Units of the Average Annual Gross Assets (the "**Series I Management Fee**"). As well, the Manager is entitled to receive an annual fee (the "**Incentive Fee**") equal to 10% of the Incentive Fee Revenue of the Trust. The Management Fee is paid monthly, in arrears, and is to be estimated and paid for each month (other than the month ending December 31), 15 days following the end of each such month. The payment due for the month ending December 31st will be determined taking into consideration the previous payments made on an estimated basis and will be paid not later than March 15 following that month. The Incentive Fee is paid at the same time as the final year end payment to Unitholders. The Trust will be obligated to pay any applicable GST or other taxes on such fees.

See "Directors, Management, Promoters and Principal Holders – Manager's Fees".

Mortgage Broker Fees:

The Mortgage Broker will arrange Mortgages on behalf of the Trust and will act as mortgage broker of the Trust. Affiliates of the Mortgage Broker, Trez Capital Texas L.P. ("**Trez Texas**") and Trez Forman Capital Group LP ("**Trez Florida**") (collectively, the "**Originators**") will also originate Mortgages on behalf of the Trust under the supervision of the Mortgage Broker and the Mortgage Broker will undertake its customary due diligence review of the proposed investment.

The Mortgage Broker may earn brokerage fees from placing Mortgages against properties and performing due diligence. In the case of Mortgages which are originated by the Mortgage Broker, such fees will generally be paid by the borrower and the Mortgage Broker will not charge any fees to the Trust. In some instances where the Trust agrees to participate in a loan which has no brokerage fee, the Mortgage Broker will charge the brokerage fee to the Trust, and the brokerage fee may be deducted from interest payments otherwise payable to the Trust. In the case of Mortgages, or interests in Mortgages, which have been purchased by the Mortgage Broker from third parties either on its own behalf or on behalf of the Trust, such fees may also be deducted from interest payments otherwise payable to the Trust, or may be paid directly by the Trust as a result of the difference between the purchase price paid by the Mortgage Broker and the purchase price paid by the Trust. The brokerage fees charged to the Trust in such instances will vary depending on the size of the transaction and the amount of any fees otherwise payable to the Mortgage Broker. The Originators will receive a share of the originating fees, commitment fees and renewal fees on Mortgages it originates for the Trust.

See "Directors, Management, Promoters and Principal Holders - Mortgage Broker's Fees".

Trailer Fees:

The Trust will pay an annual servicing fee equal to 1.00% per annum of the Subscription Price of the Units (the "**Trailer Fee**") to registered dealers in respect of the Series A Units, payable monthly in arrears. The amount of the Trailer Fee will be deducted from distributions to Series A Unitholders.

Use of Proceeds:

The Net Subscription Proceeds will be invested in Mortgages. Investments in Mortgages will be made as set out in "Objectives and Policies - Investment Restrictions". Pending investment in Mortgages, the Net Subscription Proceeds will be invested in Authorized Interim Investments. The Manager will use its reasonable commercial efforts to make suitable investments of the Net Subscription Proceeds in Mortgages as soon as possible following each Closing.

The Trust will pay the expenses of this Offering.

Distribution on Termination:

On the termination of the Trust, the assets of the Trust will be liquidated and the proceeds distributed in the following order: (a) firstly, to pay the liabilities of the Trust (including unpaid fees and expenses of the Manager) and to establish reserves for the contingent liabilities of the Trust; and (b) secondly, to redeem the Units on a pro rata basis from the Unitholders. See "Distributions - Distribution on Termination of the Trust".

Taxation of the Trust and Unitholders:

Generally, the Trust will not pay tax under Part I of the Tax Act on its Taxable Income to the extent it is distributed to its Unitholders. In limited circumstances, foreign income tax may be payable by the Trust. The Trust will not be liable to tax as a "specified investment flow-through trust" or "SIFT trust". In computing their taxable income, Unitholders will be required to include the Taxable Income distributed to them by the Trust. Distributions not included in a Unitholder's income, other than the non-taxable portion of net realized capital gains, will generally reduce a Unitholder's adjusted cost base of the Units held. On a redemption or other disposition of Units, the Unitholder will realize a capital gain or loss to the extent that the proceeds of disposition exceed or are exceeded by the adjusted cost base of the Units. One-half of a capital gain must be included in income as a taxable capital gain. One-half of a capital loss is an allowable capital loss which may be applied against taxable capital gains realized in the year, with any excess available for carry back three years, or forward indefinitely, and applied against taxable capital gains realized in those earlier or later years.

To the extent the Trust's investments include assets denominated in currencies other than Canadian dollars, the income derived from those assets must be determined for purposes of the Tax Act in Canadian dollars, and the Trust may therefore recognize gains or losses by virtue of fluctuations in the value of foreign currencies relative to Canadian dollars. The Trust will also carry out hedging transactions in respect of investments in Mortgages denominated in currencies other than Canadian dollars which are intended to reduce gains or losses resulting from fluctuations in the value of foreign currencies relative to Canadian dollars.

If the Trust has income that is liable to United States income tax, such tax will be paid by the Trust, which will then make a designation that generally will provide Unitholders with a foreign tax credit for foreign tax paid by the Trust.

Investment by Deferred Plans:

The Trust is a mutual fund trust as defined in the Tax Act. As such, the Units of the Trust are qualified investments for Deferred Plans. See "Income Tax Considerations" for discussion regarding the qualification of the Trust as a mutual fund trust.

No Transferability:

Units will not be transferable, except by operation of law (such as the death or bankruptcy of a Unitholder) or in circumstances where the Manager deems it appropriate to do so in its absolute discretion. As well, securities laws will restrict, and may prohibit, transfer of Units. Units will not be listed on any stock exchange. See "Resale Restrictions".

Risk Factors:

Investment in the Trust entails a number of risks. This Offering is not suitable for investors who cannot afford to assume moderate risks in connection with their investments. These risks include the following:

- a) Unitholders' returns will be determined by the returns generated by the Mortgage Portfolio. These investments are affected by general economic conditions, local real estate markets, the attractiveness of the property to tenants/purchasers, competition from other available properties, fluctuations in market pricing and occupancy rates, operating expenses and other factors. It is possible that credit market deterioration could affect the Trust's returns. See "Directors, Management, Promoters and Principal Holders – The Mortgage Broker – Due Diligence Procedures and Risk Reduction".
- b) The Trust's investments in Mortgage loans will be secured by Real Property, the value of which can fluctuate. Changes in market conditions may decrease the value of the secured property and reduce the actual or projected cash flow from the property, thereby affecting the ability of the borrower to service the debt and/or repay the loan.
- c) As at December 31, 2019, 9.77% of the Trust's Mortgage Portfolio by number of Mortgages and 12.65% of the Trust's Mortgage Portfolio by dollar amount relate to Mortgages granted to a single borrower. Given the concentration of the Trust's exposure to this borrower, the Trust will be more susceptible to adverse financial circumstances affecting this borrower than a mortgage investment entity that does not have its Mortgage investments concentrated with a small number of borrowers.
- d) Given the concentration of the Trust's exposure to the Mortgage lending sector, the Trust will be more susceptible to adverse economic or regulatory occurrences affecting that sector than an investment entity that is not concentrated in a single sector. Investments in Mortgages are relatively illiquid. This lack of liquidity may result in the Trust suspending the Redemption of Units from time to time. The Mortgage Portfolio will be invested and may from time to time be concentrated by location of the properties, type of property, or other factors resulting in the Mortgage Portfolio being less diversified than at other times.
- e) An impairment of liquidity within the financial markets could affect the ability of the Trust's borrowers to refinance and pay out Mortgages when due. This lack of liquidity may result in the Trust suspending the Redemption of Units from time to time.
- f) There is no market for the Units and a market for the Units is not expected to develop. Units will not be transferable, except by operation of law (such as the death or bankruptcy of a Unitholder) or in circumstances where the

Manager deems it appropriate to do so in its absolute discretion. As well, securities laws will restrict, and may prohibit, transfer of Units. See "Resale Restrictions".

- g) The Trust makes no representation as to any return that will be generated from the Mortgage Portfolio. There can be no assurance that past returns achieved by funds managed by the Manager will be, in any respect, indicative of how the Trust's Mortgage Portfolio will perform (either in terms of profitability, volatility or low correlation with other investments) in the future.
- h) Subordinate financing, which will be carried on by the Trust, is generally considered a higher risk than primary financing.
- i) If there is a decline in interest rates (as measured by the indices upon which the interest rates of the Trust's Mortgages are based), the Trust may find it difficult to originate additional Mortgages bearing rates sufficient to achieve distributions on the Units at the rates previously achieved by the Trust.
- j) If there is an increase in interest rates, property values may decline and adversely affect the value of the Mortgage Portfolio.
- k) The Trust may borrow funds and secure such borrowings by Mortgages in the portfolio or may participate in a junior position in a Mortgage which could increase the risk of the Trust's insolvency and the risk of Unitholder liability.
- l) The Trust will be highly dependent upon the expertise and abilities of the Manager and the Mortgage Broker. The loss of services of key personnel of the Manager or the Mortgage Broker could adversely affect the Trust.
- m) The role of the Board of Governors is generally advisory in nature and it does not involve itself in the day to day management of the Trust. Its duties differ from those of the board of directors of a corporation. Its responsibilities are limited to those expressly set forth in the Declaration of Trust and substantially all powers, authorities and responsibilities in respect of the Trust are those of the Manager.
- n) Conditions may arise which would cause the Manager to suspend the Redemption of Units, or postpone the day of payment or right of Redemption, for a period of not more than 180 days, for or during any period during which the Manager determines that conditions exist which render impractical the sale of the assets of the Trust or impair the ability of the Manager to determine the value of the assets held by the Trust. If the Manager receives a Redemption Notice or is required to make a Redemption for an amount exceeding the Net Asset Value per Unit, the Manager may, in its discretion, give notice to terminate the Trust as of the Termination Date which precedes the intended date of such Redemption or Redemptions. See "Securities Offered – Unitholder's Right to Redeem".
- o) The Trust enters into hedging transactions relating to investments denominated in U.S. dollars to manage the risks from changes in currency conversion. Hedging instruments allow the Manager to reduce, but not eliminate, the potential effects of the variability in cash flow from

fluctuations in currency conversion. The Manager's hedging strategy and future hedging transactions will be determined at its discretion.

- p) The Trust's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics, pandemics or other health crises, such as the COVID-19 novel coronavirus ("COVID-19"). As at the date of this prospectus, the global reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, quarantines, temporary business closures and a general reduction in consumer activity. While these effects are expected to be temporary, the duration of the disruptions to business internationally and the related financial impact cannot be estimated with any degree of certainty at this time. Such public health crises can result in disruptions and volatility in financial markets and global supply chains as well as declining trade and market sentiment and reduced mobility of people, all of which could impact Real Property prices, interest rates, credit ratings, credit risk and inflation. The risks to the Trust of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak. At this point, the extent to which COVID-19 may impact the Trust is uncertain; however, it is possible that COVID-19 could have a material adverse effect on the Trust's business, results of operations and financial condition.
- q) The Units share certain attributes common to equity securities. The Units represent an undivided interest in the assets of the Trust. However, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions.
- r) The Manager is required to satisfy a standard of care in exercising its duties with respect to the Trust. However, neither the Manager nor its officers, directors, Affiliates or employees are required to devote all or any specified portion of their time to their responsibilities relating to the Trust. The Manager and its officers, directors, Affiliates, or employees may undertake financial, investment or professional activities which give rise to conflicts of interest with respect to the Trust.
- s) Payment of income by the distribution of Units, for example, in satisfaction of a Unitholder's income distribution, can result in Unitholders having a tax liability without a corresponding distribution of cash to pay that tax liability.

You should carefully consider whether your financial condition and/or retirement savings objectives permit you to invest in the Trust. The Units involve a moderate degree of risk. An investment in Units of the Trust is appropriate only for investors who have the ability to absorb a loss of some or all of their investment. See "Risk Factors".

Certificates:

Certificates for Units will not be issued to Unitholders.

GLOSSARY

The following terms appear throughout this Offering Memorandum. Care should be taken to read each term in the context of the particular provision of this Offering Memorandum in which such term is used.

"**Affiliate**" or "**Affiliates**" has the same meaning as in the *Securities Act* (British Columbia);

"**Audit Committee**" means the audit committee of the Board of Governors;

"**Auditor(s)**" means the firm of Chartered Professional Accountants appointed as auditor(s) of the Trust from time to time by the Board of Governors;

"**Authorized Interim Investments**" means such investments that are "qualified investments" for a trust governed by a Deferred Plan;

"**Average Annual Gross Assets**" means, for a particular period, the sum of the value of all assets held by the Trust, as valued in accordance with the Valuation Policy, determined as of the end of each month in such period, divided by the number of months in such period;

"**Board of Governors**" means the board named as such and established pursuant to the Declaration of Trust;

"**Business Day**" means a day other than a Saturday, Sunday or any day on which the principal office of the Trust's bankers located in Vancouver, British Columbia, is not open for business during normal banking hours;

"**Calculation Date**" means the last day of each month in a calendar year;

"**Closing**" means a closing of the sale of Units as the Manager may determine from time to time;

"**Credit Committee**" means the credit committee of the Board of Governors;

"**Custodial Agreement**" means the agreement made as of March 21, 2013, among the Trust, the Manager and the Custodian;

"**Custodian**" means Computershare Trust Company of Canada;

"**Declaration of Trust**" means the declaration of trust made as of March 20, 2013, as amended and restated effective March 8, 2016, as further amended at a special meeting of Unitholders held on August 14, 2018, made by the Trustee, creating the Trust under the laws of the Province of British Columbia;

"**Deferred Plan**" means a "registered retirement savings plan", a "registered retirement income fund", a "registered education savings plan", a "tax-free savings account", a "registered disability savings plan" or a "deferred profit sharing plan" as such terms are defined under the Tax Act;

"**Distribution Payment Date**" means, for each of the first eleven calendar months, the 10th day of the month following the Calculation Date for such calendar month and for the calendar month ending December 31, the Distribution Payment Date will be not later than the following March 15;

"**Fiscal Year**" means each such consecutive period of twelve (12) months commencing on January 1, and ending on December 31;

"**FundSERV**" means the facility maintained and operated by FundSERV Inc. for electronic communication with participating companies, including the receiving of orders, order matching, contracting, registrations, settlement of orders, transmission of confirmation of purchases and the redemption of investments or instruments;

"**IFRS**" means International Financial Reporting Standards;

"**Incentive Fee**" means a fee to be paid to the Manager pursuant to the Declaration of Trust, consisting of an annual fee equal to 10% of the Incentive Fee Revenue for such period;

"**Incentive Fee Revenue**", in respect of a period, means the net income and capital gains for a Series of the Trust for that period prior to the deduction of the Incentive Fee payable for that period and after the deduction of the Management Fee payable in respect of that Series;

"**Independent Review Committee**" means the independent review committee of the Board of Governors;

"**Management Fee**" means, collectively, the Series A and Series F Management Fee and the Series I Management Fee and the management fee for any Series which may be created subsequently;

"**Manager**" means Trez Capital Fund Management Limited Partnership, a limited partnership validly existing under the laws of the Province of British Columbia, or such other entity appointed to serve as Manager hereunder from time to time;

"**Manager's Fees**" means, collectively, the Management Fee and the Incentive Fee;

"**Mortgage**" or "**Mortgages**" means a mortgage, a mortgage of a mortgage or a mortgage of a leasehold interest (or other like instrument, including an assignment of or an acknowledgement of an interest in a mortgage), hypothecation, deed of trust, charge or other security interest of or in Real Property used to secure obligations to repay money by a charge upon the underlying Real Property;

"**Mortgage Broker**" means Trez Capital Limited Partnership, a limited partnership validly existing under the laws of the Province of British Columbia;

"**Mortgage Broker Agreement**" means the agreement made as of March 20, 2013 between the Mortgage Broker and the Trust, pursuant to which the Mortgage Broker provides its services to the Trust;

"**Mortgage Portfolio**" means the portfolio of Mortgages held by the Trust;

"**Net Asset Value**" means the value of all assets of the Trust less the value of all liabilities of the Trust, in each case determined in accordance with the Valuation Policy;

"**Net Asset Value per Unit**" means the quotient obtained by dividing the amount equal to the Net Asset Value by the total number of outstanding Units;

"**Net Subscription Proceeds**" means the gross proceeds to the Trust from the sale of the Units, less the payment of any costs associated with the closing of the offering, including legal expenses, and any other costs.

"**Offering**" means the offering of Series A, F and I Units pursuant to this Offering Memorandum;

"**Ordinary Resolution**" means a resolution consented to, in writing, by holders of more than 50% of all outstanding Units of the Trust or where Series are differently affected by the resolution, then 50% of each Series, or approved by at least 50% of the votes cast by Unitholders (or Unitholders of that Series) present in person or by proxy at a meeting of Unitholders which has been duly called and at which a quorum is present, as provided herein and excluding the votes of Units owned by the Manager or any Affiliate thereof in respect of any matter in which they have a financial interest (other than as Unitholders);

"**Proportionate Share**" when used to describe a Unitholder's, or a Series', interest in any amount, means the portion of that amount obtained by multiplying that amount by a fraction, the numerator of which is the number of Units of the Trust registered in the name of that Unitholder, or that Series, as the case may be, and the denominator of which is the total number of Units of the Trust then outstanding;

"Real Property" means land, lots, rights or interest in land or lots (including without limitation leaseholds, air rights and rights in condominiums, but excluding Mortgages) and any buildings, structures, improvements and fixtures located thereon;

"Redemption" means a redemption of Units by the Trust or by a Unitholder on his or her written request and subject to the limitations described herein;

"Registrar and Transfer Agent" means TrezCapital Limited Partnership.

"Sales Fee" means a fee to registered dealers, or where permitted, non-registrants in an amount determined by the Manager in its discretion acting reasonably, payable at the time of the initial investment;

"Securities Authorities" means, collectively, the British Columbia Securities Commission, the Alberta Securities Commission, the Saskatchewan Securities Commission, the Manitoba Securities Commission and the Ontario Securities Commission, and equivalent regulatory authorities in each Province or Territory of Canada in which the Units are qualified for distribution;

"Series" means a series of Units of the same class created by the Manager pursuant to the Declaration of Trust;

"Series A and Series F Management Fee" means a fee to be paid to the Manager pursuant to the Declaration of Trust, consisting of an annual fee, as estimated monthly, equal to 1.5% of the Proportionate Share of the Series A Units and Series F Units of the Average Annual Gross Assets of the Trust as of the date same is calculated;

"Series A Units" means a Series, designated as Series A;

"Series F Units" means a Series, designated as Series F;

"Series I Management Fee" means a fee to be paid to the Manager pursuant to the Declaration of Trust, consisting of an annual fee, as estimated monthly, equal to a percentage to be negotiated by the Manager and the Unitholder of the Proportionate Share of the Series I Units of the Average Annual Gross Assets of the Trust as of the date same is calculated;

"Series I Units" means a Series, designated as Series I;

"Special Resolution" means a resolution consented to, in writing, by holders of more than 66 $\frac{2}{3}$ % of all outstanding Units of the Trust or where Series are differently affected by the resolution, then 66 $\frac{2}{3}$ % of each Series, or approved by at least 66 $\frac{2}{3}$ % of the votes cast by Unitholders present in person or by proxy at a meeting of Unitholders (or Unitholders of that Series) which has been duly called for that purpose and at which a quorum is present, as provided herein and excluding the votes of Units owned by the Manager or any Affiliate thereof in respect of any matter in which they have a financial interest (other than as Unitholders);

"Subscriber" means a subscriber for Units;

"Subscription Agreement" means the subscription agreement for Units, the form of which can be found at www.trezcapital.com;

"Subscription Price" means \$10.00 per Unit;

"Subscription Proceeds" means the gross proceeds to the Trust from the sale of the Units;

"Tax Act" means the *Income Tax Act* (Canada), R.S.C. 1985 (5th Supp.) c.1, as amended, and the regulations thereunder;

"Taxable Income" of the Trust for a year means the net income and net realized taxable capital gains of the Trust (as those terms are defined in the Declaration of Trust and the Tax Act) determined without any gross-up in respect of

taxable dividends from corporations resident in Canada and without deduction for distributions by the Trust to Unitholders during the year;

"Termination Date" means the date on which the Trust is terminated in accordance with the provisions of the Declaration of Trust;

"Termination Event" has the meaning attributed thereto under the title "Termination of the Trust";

"Trailer Fee" means a fee payable to registered dealers, in an amount equal to 1.0% per annum of the Subscription Price payable in respect of Series A Units, payable in arrears;

"Trust" means Trez Capital Yield Trust, a trust created pursuant to the Declaration of Trust;

"Trust Property" means:

- (a) all moneys, securities, property, assets and investments paid or transferred to and accepted by or in any manner acquired by the Trustee and held by the Trustee on the trust herein declared;
- (b) all income which may hereafter be accumulated under the powers herein contained; and
- (c) all moneys, securities, property, assets or investments substituted for or representing all or any part of the foregoing;

less any money, securities, property, assets or investments distributed, expended, sold, transferred or otherwise disposed of in accordance with the provisions of the Declaration of Trust;

"Trustee" means Computershare Trust Company of Canada, the trustee named under the Declaration of Trust;

"Unanimous Resolution" means a resolution consented to, in writing, by all Unitholders, or approved by 100% of the votes cast by Unitholders present in person or by proxy at a meeting of Unitholders which has been duly called for that purpose and at which a quorum is present;

"Unit" means a unit of beneficial interest in the Trust;

"Unitholders" means those investors whose subscriptions to purchase Units offered by this Offering Memorandum are accepted by the Trust and thereafter at any particular time the persons entered in the register or registers of the Trust as holders of Units and the singular form means one such registered holder;

"Valuation Date" means any day on which a subscription form or a request for Redemption is received by the Manager and includes any other day on which the Trustee or the Manager elects, in its discretion, to calculate the Net Asset Value per Unit; and

"Valuation Policy" means the policy of the Manager, as described under the heading "Calculation of Net Asset Value - Valuation Policy".

CANADIAN CURRENCY

All dollar amounts stated herein, unless otherwise stated, are expressed in Canadian currency.

FORWARD LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "proposes", "expects", "estimates", "intends", "anticipates" or "believes", or variations (including negative and grammatical variations) of such words and phrases or state that certain

actions, events or results "may", "could", "would", "might", "likely" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Trust to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Actual results, performance and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Offering Memorandum. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect including, but not limited to: the completion of this Offering, the ability of the Trust to acquire and maintain a Mortgage Portfolio capable of generating the necessary annual yield or returns to enable the Trust to achieve its investment objectives, the ability of the Trust to establish and maintain relationships and agreements with key strategic partners, the maintenance of prevailing interest rates at favourable levels, the ability of borrowers to service their obligations under the Mortgages, the ability of the Manager to effectively perform its obligations to the Trust, anticipated costs and expenses, competition, and changes in general economic conditions. While the Trust anticipates that subsequent events and developments may cause its views to change, the Trust specifically disclaims any obligation to update these forward-looking statements, except as required by applicable law. These forward-looking statements should not be relied upon as representing the Trust's views as of any date subsequent to the date of this Offering Memorandum. Although the Trust has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results, performance and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Trust. Additional factors are noted under "Risk Factors".

INTERPRETATION

As used in this offering memorandum, unless the context otherwise indicates or requires, the term "Trust" is referring to the Trust, as managed by the Manager and in the context of the Trust's operations, is referring to the Trust's operations as carried out by the Manager on behalf of the Trust.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference as part of this Offering Memorandum:

- (a) the marketing materials related to this Offering prepared as at the date of this Offering Memorandum delivered or made reasonably available to a prospective purchaser; and
- (b) the marketing materials related to this Offering which may be prepared after the date of this Offering Memorandum and delivered or made reasonably available to a prospective purchaser prior to the termination of this Offering.

USE OF AVAILABLE FUNDS

Subscription Proceeds and Available Funds

	Assuming \$1,000,000 Offering	Assuming \$20,000,000 Offering
A. Amount to be Raised by this Offering	\$1,000,000 ⁽¹⁾	\$20,000,000 ⁽¹⁾
B. Selling Commissions and Fees	\$Nil	\$Nil
C. Estimated Offering Costs (legal, accounting)	\$Nil ⁽²⁾	\$Nil ⁽²⁾

	Assuming \$1,000,000 Offering	Assuming \$20,000,000 Offering
D. Net Proceeds (D= A – B)	\$1,000,000	\$20,000,000
E. Investment Capital – Redeemable Units (as at December 31, 2019)	\$1,140,318,352	\$1,140,318,352
F. Working Capital Deficiency	\$Nil	\$Nil
G. Available Funds (G=D + E - F) (as at December 31, 2019)	\$1,141,318,352	\$1,160,318,352

- (1) There is no minimum or maximum offering. The sums of \$1,000,000 and \$20,000,000 have been used for illustrative purposes.
- (2) The Trust will pay the expenses of this Offering, estimated to be approximately \$10,000, which will not be deducted from the amount to be raised by this Offering.

Use of Net Subscription Proceeds

The Net Subscription Proceeds will be invested in Mortgages. Investments in Mortgages will be made as set out in "Objectives and Policies". Pending investment in Mortgages, the Net Subscription Proceeds will be invested in Authorized Interim Investments. The Manager will use its reasonable commercial efforts to make suitable investments of the Net Subscription Proceeds in Mortgages as soon as possible following each Closing.

THE TRUST

Structure

The Trust is an open-ended investment trust created under the laws of the Province of British Columbia pursuant to a Declaration of Trust made as of March 20, 2013, as amended and restated effective March 8, 2016, and as amended at a special meeting of Unitholders held on August 14, 2018 (the "**Declaration of Trust**"). The principal place of business of the Trust is located at 1700-745 Thurlow Street, Vancouver, British Columbia, V6E 0C5. The Trust is not a "mutual fund" as defined by applicable securities legislation. The Trust differs from a mutual fund in that Units are redeemable monthly by the Unitholder at 99% of the Subscription Price during the first year after purchase, and at the Subscription Price thereafter, rather than based on their Net Asset Value or market value. Redemptions are processed 30 days after the requested redemption. The Trust is not subject to the prescribed investment restrictions for mutual funds as defined by applicable securities legislation and, accordingly, is permitted to invest in Mortgages and to borrow funds.

The beneficial interest in the assets of the Trust is divided into Units issued in Series. Only Series A Units, Series F Units and Series I Units are offered hereby. The Manager may issue additional Series without the approval of the Unitholders, provided same are within the investment objectives of the Trust. All of the Series of Units have the same investment objective, strategies and restrictions but differ with respect to one or more of their features, such as fees or distributions, as set out in this Offering Memorandum. The Trust's Net Asset Value is calculated as the value of the Trust's assets, less its liabilities, computed on a particular date in accordance with the Declaration of Trust. The Manager will calculate the Net Asset Value for each Unit. The Net Asset Value per Unit will be the same for all Series.

Computershare Trust Company of Canada is the Trustee of the Trust for certain limited purposes under the Declaration of Trust. Trez Capital Fund Management Limited Partnership is the Manager of the Trust under the Declaration of Trust. Trez Capital Limited Partnership acts as the Mortgage Broker of the Trust pursuant to the Mortgage Broker Agreement. The telephone number of the Manager is (604) 689-0821, the email address of the Manager is investor-services@trezcapital.com, the facsimile number is (604) 638-2775 and the website of the Mortgage Broker is www.trezcapital.com. The principal place of business of the Manager and the Mortgage Broker is located at Suite

1700 – 745 Thurlow Street, Vancouver BC V6E 0C5. The registered office of the Manager and the Mortgage Broker is 2900-595 Burrard Street, Vancouver, British Columbia, V7X 1J5.

The Trust's Business

The Trust has been created for the purpose of generating revenues from interests acquired in a portfolio of Mortgages secured by Real Property in Canada and the United States. These Mortgages may be either first position or subsequent ranking Mortgages. The Mortgages to be invested in by the Trust are a common form of financing within the real estate industry. The Trust may from time to time invest in Mortgages secured by more than one property, which are owned by the same mortgagor, or by different mortgagors.

Investment Strategies

The Trust's strategy is to make prudent investments in Mortgages to qualified real estate investors and developers. Canadian and U.S. financial institutions are generally reluctant to dedicate resources to originating and structuring Mortgages to real estate investors and developers and typically cannot provide the customization or timeliness required to meet the needs of these borrowers. As a result of the under-servicing of such borrowers, there is reduced competition in this market sector, thereby providing the Trust with an opportunity to provide well structured, secured Mortgages with attractive pricing.

The Mortgages will be arranged by the Mortgage Broker. The Mortgage Broker can benefit borrowers by providing (a) the ability to execute quickly on real estate investment opportunities, (b) loan terms that are in line with the real estate investor's business model, and (c) potentially lower monthly payments relative to traditional financing. As a result of the above, borrowers are generally willing to pay higher interest rates for such short term Mortgages. The Mortgage Broker will use its well-established lending strategies and competitive advantages, namely (i) flexible structure terms, (ii) speed and certainty of execution, and (iii) its ability to generate proprietary deal flow.

Once these Mortgages are structured, the Trust has the opportunity to increase its returns by permitting third parties (including Canadian or US banks, trust companies and other mortgage investment entities) to participate in such Mortgages on a senior basis at reduced interest rates, thereby enabling the Trust to retain a disproportionate amount of interest in respect of the portions of the Mortgages it retains. Alternatively, the Manager may retain the entire Mortgage for the Trust and other mortgage investment entities it manages. The Manager may also structure the Mortgage into a senior portion and junior portion to offer attractive returns to each mortgage investment entity it manages on a risk adjusted basis based on the fulfillment of each mortgage investment entity's investment objectives. When the Trust takes a junior portion of a Mortgage, which by agreement with other investors will be subordinate to those other investors in terms of priority of payment, the Trust will earn a higher interest rate for doing so, commensurate with the additional risk. See "Loan Sharing".

An investment by the Trust in a second Mortgage differs from a junior position in a first Mortgage in that the Manager does not have control over administering the first Mortgage should a default occur.

In other cases where the Manager may retain the entire Mortgage for the Trust and other mortgage investment entities it manages, the Manager may allocate the Mortgage across its mortgage investment entities in pari passu position, thereby reducing the risk of the single Mortgage to the Trust and facilitating greater diversification. The Manager may also arrange for third parties to share in a pari passu or junior basis of a Mortgage in order to provide further diversification or reduce risk. See "Loan Sharing".

In general, the Mortgages will generate income through a rate of interest, which is typically payable periodically throughout the terms of the Mortgages. All Mortgages will be secured by Real Property consisting primarily of residential (generally not including single family homes), office, retail, industrial, hotel or other commercial property. The Trust may co-invest with a third party or third parties in a Mortgage. Mortgages may be either first ranking, a junior position in a first ranking Mortgage, or a subsequent ranking Mortgage, and individual Mortgages may be secured by more than one property owned by the same mortgagor. See "Objectives and Policies - Investment Restrictions".

For over 20 years, the Mortgage Broker and its predecessor, Trez Capital Corporation, have managed a series of mortgage investment entities previously offered to investors on a prospectus-exempt basis, as well as TG Income Trust, TG Income Trust II, and TG Income Trust III, which have been offered in the Provinces of British Columbia and Alberta by prospectus. In 2012, the Manager offered shares in Trez Capital Mortgage Investment Corporation and Trez Capital Senior Mortgage Investment Corporation by prospectus in all the provinces and territories of Canada, except Québec.

The current investment opportunity allows investors to access the Mortgage Broker's extensive experience and track record in order to indirectly invest in a fully-secured, risk-adjusted portfolio of Mortgage assets. With its strong platform and Mortgage lending expertise, the Mortgage Broker is able to issue Mortgages in as little as four to six weeks to meet short deadlines for qualified real estate investors and/or developers.

Investment Process

The Mortgage Broker will utilize an investment process that is characterized by a top-down approach to identify attractive Mortgage opportunities, beginning first with a macro-level economic analysis of various geographic markets and asset classes, and followed by the identification and initial evaluation of individual Mortgage opportunities. Once a Mortgage opportunity is determined by the Mortgage Broker to be satisfactory based on an initial review, the Mortgage Broker performs comprehensive due diligence on the underlying assets. This top-down approach to Mortgage selection is expected to result in Mortgage investments by the Trust that are high quality and offer attractive returns on a risk adjusted basis.

Due diligence procedures undertaken by the Mortgage Broker prior to funding Mortgages have resulted in a strong record of return of principal and interest from Mortgages placed by the Mortgage Broker. The Mortgage Broker's core strategy of lending on traditional real estate in major markets and with multiple-contingent exit strategies has proven to be successful over the long-term.

The Mortgage Broker manages the risks associated with defaulting Mortgages through initial due diligence and careful monitoring of its Mortgage portfolio, active communication with borrowers and the prompt institution of enforcement procedures on defaulting Mortgages. All properties are evaluated on the basis of location, quality, source of repayment, prospects for value-add, and cash flow profile. In addition, the creditworthiness of the borrower is reviewed and personal covenants are often obtained from the principals of the borrower. Once funded, the Mortgage Broker regularly monitors the status of each Mortgage and performance of the borrower. The Mortgage Broker communicates regularly with borrowers to understand how their Real Property is performing and to discuss and monitor their repayment strategies and redevelopment strategies, where appropriate. The Mortgage Broker believes that a strong relationship with borrowers is critical to the success of the Mortgages and to the development of a good quality and repeat borrowers.

The Mortgage Broker monitors the performance of the Mortgage portfolio, including tracking the status of outstanding payments due and maturity dates, progress of construction projects, pay down requirements from sales and the calculation and assessment of other applicable charges. Each member of management of the Manager and the Mortgage Broker has extensive knowledge and understanding of the Mortgage and real estate industries that has enabled them to have a strong track record of making prudent investment decisions and identifying sound investment opportunities. As part of approving each Mortgage, the Mortgage Broker generally follows the mortgage approval process summarized below:

<u>Mortgage Approval Stage</u>	<u>Mortgage Approval Activity</u>
Credit Committee First Review	The Mortgage Broker's credit committee reviews a comprehensive written analysis (a " New Business Summary ") prepared by the individual who is the relevant Mortgage originator (who will generally be an employee, officer or an agent of the Mortgage Broker) which details the proposed loan terms and provides preliminary assessment based on the preliminary information

<u>Mortgage Approval Stage</u>	<u>Mortgage Approval Activity</u>
	<p>received from the prospective borrower, together with some initial due diligence evidentiary materials.</p> <p>Prior to preparing a New Business Summary, in situations where a potential Mortgage is complex or non-standard compared to the normal course of business, the Mortgage originator (who will generally be an employee, officer or an agent of the Mortgage Broker) is encouraged to discuss the Mortgage with a credit committee member. Early discussion will generally be accompanied by a written analysis which includes high level deal characteristics and an outline of key risks and mitigants. Early stage discussion is intended to improve the alignment of risk appetite with Mortgage originators.</p>
Letter of Intent	<p>Upon review of the New Business Summary, if the preliminary assessment is positive, the credit committee may authorize the issuance of a letter of intent. The letter of intent then sent to the proposed borrower for signature and return, together with a deposit cheque from the borrower sufficient to cover third party due diligence, legal and other costs.</p>
Deal Team Meeting	<p>The underwriter assigned to the proposed transaction, the originator, the Vice President, Credit Risk & Underwriting, and the Senior Manager, Mortgage Funding & Administration, conduct a meeting to develop a strategy for the due diligence process. This includes discussions on timing, roles and responsibilities, underwriting tactics, and potential issues.</p>
Due Diligence	<p>The underwriter conducts due diligence including a review of: credit checks, financial statements and personal net worth statements of the prospective borrower(s) and any guarantor(s); internet searches; third party reports (such as valuation appraisals, environmental, building condition assessment and geotechnical appraisals, and quantity surveyor reports); rent rolls, leases, and estoppel certificates; a development budget and schedules, zoning and permits; and prior and subsequent ranking mortgage balances. The underwriter also reviews the remainder of the information in the Mortgage Broker's due diligence checklist and completes an underwriting analysis model. The underwriter proceeds with completion of an Underwriting Transaction Report which details the loan terms, underwriting and due diligence, and comprises a complete analysis of the Mortgage.</p>
Underwriting Review Meeting	<p>The Underwriting Transaction Report is submitted to the Vice President, Credit Risk & Underwriting for first review. The Vice President, Credit Risk & Underwriting analyzes the underwriting inputs, assumptions, supporting due diligence and output analysis. The Vice President, Credit Risk & Underwriting approves the submission prior to submission for credit approval.</p> <p>Note: Any changes to transaction terms and conditions or changes in perceived risk that occur during due diligence require that the transaction be returned to the credit committee for approval.</p>
Credit Approval	<p>Once the due diligence is approved by the Vice President, Credit Risk & Underwriting, and the transaction is deemed to meet the expectations of set out by the committee during the first committee review, it is submitted to the</p>

<u>Mortgage Approval Stage</u>	<u>Mortgage Approval Activity</u>
	Chief Credit Officer for approval, then to the Vice President of Loan Administration (or delegate) for concurrence.
Commitment Letter	Once the transaction is approved, a commitment letter is sent to the borrower for signature. Where a commitment letter is not applicable in certain jurisdictions, the Mortgage Broker's legal counsel will prepare and conclude a loan agreement with the borrower.
Mortgage Funding Process	The Mortgage Broker's legal counsel prepares legal documents, obtains title insurance, and conducts the required enquiries and searches. The Mortgage Broker obtains advice from an insurance consultant whether the current and/or proposed insurance coverage is adequate. The Mortgage Broker obtains transmittal and reliance letters from various consultants who provided reports concerning the transaction.
Final Due Diligence Meeting and Funding	The underwriter, the Mortgage Broker's Mortgage funding department, the originator and the Vice-President of Loan Administration confirm that all due diligence and funding requirements have been completed. The Mortgage Broker's treasury department, as directed by the Manager, identifies the source of the funds and funding parties for the Mortgage. Legal counsel registers the Mortgage and other security documents and ensures all conditions are satisfied before releasing funds to the borrower.

The Mortgage Broker intends to manage the risk to Unitholders by diversifying the Mortgage Portfolio geographically and across residential, industrial, hotel, retail, office and other commercial sectors. To manage and diversify risk, the Mortgage Broker may permit one or more investors to participate in Mortgages.

As new Mortgage investments are approved by the Mortgage Broker following the procedures summarized above, the Manager will determine whether the Mortgage investment opportunity is suitable for the Trust, having regard for the Trust's investment objectives, strategies and restrictions and the Manager's goal of maintaining a diversified, fully-invested portfolio for the Trust. Where the Manager determines that a new Mortgage investment opportunity is suitable for more than one mortgage investment entity managed by the Manager, the mortgage investment entities, when practicable, participate pro rata in that opportunity based upon, among other things, the relative importance of the investment opportunity to the fulfillment of each mortgage investment entity's objectives and the relative amount of assets under management in each mortgage investment entity. See "Objectives and Policies".

Loan Sharing

The Manager may arrange for third parties or other mortgage investment entities managed by the Manager to participate in a senior portion of a first Mortgage or share in loans on a pari passu or junior basis. These arrangements with third parties and other mortgage investment entities managed by the Manager allow the Manager to further diversify its investments in Mortgages and apportion the risks associated with the Mortgages appropriately.

For instance, the Trust may hold interests in Mortgages in which the Manager has permitted third parties (typically Canadian or US banks, trust companies and other mortgage investors) or other mortgage investment entities it manages to participate in senior portions at reduced interest rates. The "senior" portion in the Mortgage will be given priority for payment in return for receiving less interest than the stipulated rate of the Mortgage and the Manager believes the Trust receives a disproportionately larger amount of interest revenue compared to the change in risk as associated with the portion of the Mortgage it retains. This practice – sometimes referred to as "tranching" – enables the Trust to effectively increase its returns while using less capital for each Mortgage investment (thereby facilitating greater diversification for the Trust) and, retaining the Manager's control over administering the entire Mortgage. The Manager believes that tranching will enhance risk-adjusted returns as the interest rate received by the Trust will be significantly higher than the rate it would have obtained under an equivalent non-tranched Mortgage.

Additionally, the Trust may permit a third party to participate in a senior portion of a first Mortgage and the Manager may tranche the junior portion into a "junior B portion" and a "junior C portion". The Trust describes a "junior portion" as being subordinate to the "senior portion" and describes a "junior B portion" as being senior to a "junior C portion".

In certain circumstances, the Manager may determine that a Mortgage investment has a higher element of risk than appropriate or that the entire loan is too large for the Trust. In these circumstances, the Manager may allocate the loan across its various mortgage investment entities to reduce the position to a single investment entity or sell off a portion of the loan to a third party which has a higher risk tolerance. The syndication process facilitates the ability to provide a more secure senior portion of a Mortgage to a lower risk entity, with progressively higher risk/ higher return junior portions to those with higher risk tolerances.

In certain mortgage tranching arrangements, generally with respect to U.S. third parties which require the Mortgages to be held by a U.S. subsidiary of the Trust, the Trust may, at the discretion of the Manager, make investments in Mortgages through one or more corporations, trusts or persons, the shares or interests of which may be directly or indirectly owned or controlled by or for the benefit of the Trust and which corporation, trust or person shall hold equity, limited partnership or other interests in the entity that holds legal or beneficial title to such Mortgages.

The participation interests of the Trust, other mortgage investment entities, and third parties in Mortgages generally will be represented through participation agreements under which the Manager retains control over administering the entire Mortgage. The standard participation agreements used with respect to Mortgages provide that, in the event of a failure by the borrower to pay any amount owing under a Mortgage, the mortgagees will be entitled to enforce the Mortgage in accordance with applicable law. In the event of a failure by a mortgagor to make a scheduled payment of interest and/or principal, the mortgagee will immediately communicate with the mortgagor and, failing prompt rectification, will issue a notice of the mortgagee's intent to exercise such remedy or remedies available to the mortgagee which the Manager considers appropriate. All legal costs, costs related to registration of Mortgages and costs relating to obtaining appraisals of Real Property, as allowed by law, will be for the account of the mortgagors.

The participation agreements will provide a legal entitlement of the Trust in the subject Mortgage, although not a directly registered interest. Where appropriate and in most cases, title insurance will be obtained. Any title insurance will be held in the name of the Manager and not the Trust. In addition, the lender of record will obtain standard security in respect of commercial Mortgages which, depending on the specific Mortgage, may include one or more of an assignment of rents, an assignment of purchase agreements (on residential development projects), a general security agreement and personal covenants from borrowers.

Certain arrangements with third parties described above may potentially include contractual agreements or covenants such as fund level liquidity and debt covenants, funding and/or repayment guaranty agreements, reporting requirements and other such obligations associated with a specific Mortgage investment.

The Trust's Operating Facility

The Trust has a revolving demand loan with a Canadian bank providing for borrowings up to \$65,000,000 by way of direct advances and can increase at any time. The facility was renegotiated and increased from \$50,000,000 on March 4, 2019. The amount available under the loan is further limited by a borrowing base. Interest is calculated at the bank's prime rate plus 1.5% per annum on demand draws, and a standby fee of 0.33% per annum is charged on the undrawn portion of the loan.

The credit facility has financial tests and other covenants with which the Trust must comply. The Trust shall not, without the prior written consent of the bank: (a) permit its ratio of bank debt to tangible net worth at any time to exceed 0.2 to 1.00; or (b) permit its tangible net worth at any time to be less than \$350,000,000; or (c) permit its ratio of debt to EBITDA on a rolling 12 month basis to at any time exceed 2.5 to 1.00. These covenants place restrictions on, among other things, the ability of the Trust to incur additional indebtedness, and to sell or otherwise dispose of assets. During the year, the Trust was in compliance with all such covenants.

The credit facility is collateralized by a general security agreement representing a fixed and floating charge on all current and future mortgages receivables and all other accounts and assets of the Trust and an assignment of the Trust's

beneficial interest in all mortgages held. As at December 31, 2019, nil (2018 - \$2,500,000) was drawn down on the credit facility

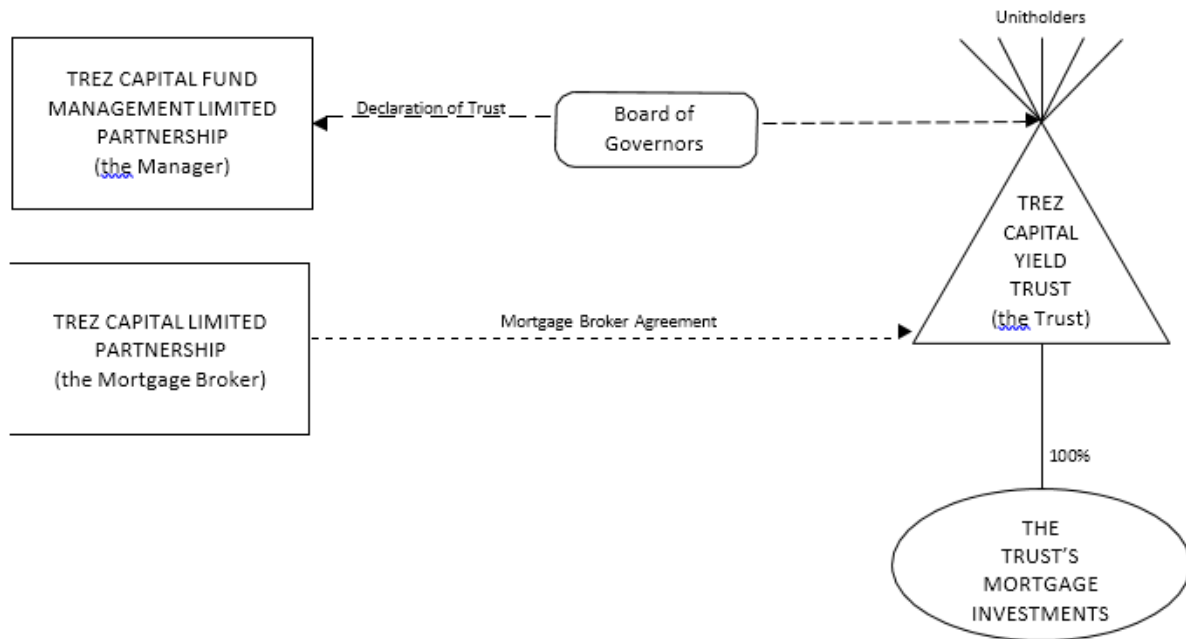
Management

The Trust has retained the services of the Mortgage Broker to provide advice to the Trust with respect to the acquisition of interests in Mortgages. The Manager is responsible for carrying out all the transactions of the Trust, providing management services for the Trust, and, as portfolio advisor, supervising the investment and Mortgage Portfolio of the Trust. Investments in Mortgages are reviewed by the Board of Governors of the Trust, through its Credit Committee, on a quarterly basis to ensure compliance with the Trust's investment objectives. Upon receipt of advice from the Mortgage Broker and subject to any required approvals of the Credit Committee, the Manager will, from time to time sell investments in Mortgages and reinvest the proceeds or exchange such investments for other investments in Mortgages. See "Directors, Management, Promoters and Principal Holders – Trez Capital Limited Partnership (the Mortgage Broker)"; and "Directors, Management, Promoters and Principal Holders – The Independent Review Committee".

The Mortgage Broker is well known in the non-bank real estate lending industry in Canada. It identifies potential transactions principally through a network of existing business contacts, repeat borrowers and its reputation. The Mortgage Broker seeks out, reviews and presents to the Trust, Mortgage investment opportunities which are consistent with the investment objectives and operating policies of the Trust and services such Mortgages on its behalf. Trez Capital Corporation, the predecessor to the Mortgage Broker, has successfully originated, underwritten and serviced Mortgage investments on behalf of, and syndicated Mortgage investments with, numerous investor clients and financial institutions for over 20 years. See "Directors, Management, Promoters and Principal Holders – Trez Capital Limited Partnership (the Mortgage Broker)".

Organizational Relationships

The investment structure of the Trust and the Mortgage Portfolio are illustrated below. This diagram is provided for illustration purposes only and is qualified by the information set forth elsewhere in this Offering Memorandum.



Mortgage Portfolio of the Trust as at December 31, 2019

The following are details of the Mortgage Portfolio of the Trust as at December 31, 2019 by type of Mortgage.

Type of Mortgage	Number of Mortgage Investments	Outstanding Balance (\$)	Weighted Average Interest Rate	Percentage of Total Investments
First Mortgage	128	670,264,784	8.78%	71.62%
Second Mortgage	35	208,716,297	10.14%	22.30%
Blanket Mortgage	11	56,874,538	8.44%	6.08%
	174	935,855,619		100.00%

The following are details of the Mortgage Portfolio of the Trust as at December 31, 2019 by nature of underlying property.

Nature of Underlying Property	Number of Mortgage Investments	Outstanding Balance (\$)	Weighted Average Interest Rate	Percentage of Total Investments
Residential	122	613,049,667	9.26%	65.51%
Industrial	25	110,336,201	8.10%	11.79%
Office	14	113,612,716	7.95%	12.14%
Retail	10	44,854,349	9.29%	4.79%
Other	3	54,002,686	10.96%	5.77%
	174	935,855,619		100.00%

The following are details of the Mortgage Portfolio of the Trust as at December 31, 2019 by location of underlying property.

Location of Underlying Property	Number of Mortgage Investments	Outstanding Balance (\$)	Weighted Average Interest Rate	Percentage of Total Investments
Alberta	43	341,631,104	9.06%	36.50%
BC	43	221,638,769	9.27%	23.68%
Ontario	17	59,189,227	8.85%	6.32%
Nova Scotia	2	13,174,394	7.42%	1.41%
California	4	17,590,698	8.84%	1.88%
Florida	12	31,209,930	10.09%	3.33%
Oregon	1	81,452,626	6.75%	8.70%
Washington	4	18,861,328	9.06%	2.02%
Texas	33	116,563,210	10.36%	12.46%
Georgia	4	20,154,882	8.72%	2.15%
Connecticut	1	2,727,900	8.00%	0.29%
Arizona	5	4,616,475	10.95%	0.49%
Tennessee	1	3,315,100	8.00%	0.35%
Minnesota	1	2,116,380	10.50%	0.23%
Alabama	1	1,599,285	8.50%	0.17%
Kentucky	1	13,012	8.00%	0.00%
Utah	<u>1</u>	<u>1,299</u>	<u>8.00%</u>	<u>0.00%</u>
	174	935,855,619		100.00%

Recent Developments

Suspension of Redemptions

Effective March 23, 2020, the Manager suspended redemptions of Units of the Trust. After due consideration of the economic interruption caused by the COVID-19 pandemic, including the Manager's ability to determine the value of the assets held by the Trust, the Manager determined to suspend Unit redemptions in accordance with the Declaration of Trust until such time as the Manager further determines. The suspension of redemptions will be lifted at the determination of the Manager which is anticipated to occur later this year.

Additionally, the Mortgage Broker has currently paused lending operations for new loan commitments given the instability caused by the COVID-19 health pandemic. It is anticipated that lending operations will recommence later this year.

Loans in Default

As at December 31, 2019, the Trust had a total of seven Mortgages that were in default (2018 - no mortgages). All the Mortgages were with one borrower. The Trust has a total of seventeen loans with the borrower. Subsequent to year-end, an entity affiliated with the Trust assumed ownership of five of the loans and provided guarantees to the Trust in the amount of the Mortgages. Mortgages that are in default are not provided against if they are fully secured and collection efforts are reasonably expected to result in repayment of principal plus all associated costs and accrued interest.

During 2018, a company affiliated with the Trust foreclosed on the property that was in default in the previous year. The foreclosure occurred due to the borrower's missed mandatory principal payment and the borrower's failure to cure that default. The foreclosed upon property consists of 66 lots that are complete and ready to have homes built on them. The Trust currently holds an unsecured note from the affiliated company in the amount \$833,342 (2018 - \$875,105).

OBJECTIVES AND POLICIES

Business Objective

The business objective of the Trust is to preserve invested capital and generate a steady stream of income to investors by investing in a portfolio of Mortgages selected by the Mortgage Broker and secured by Real Property in Canada and the United States. The Trust may also buy or sell such Mortgages.

Investment Strategies

The Trust's strategy is to make prudent investments in Mortgages selected by the Mortgage Broker and focused on short term financing to qualified real estate investors and developers. The Mortgage Broker will use its well-established lending strategies and competitive advantages, namely (i) flexible structure terms, (ii) speed and certainty of execution, and (iii) its ability to generate proprietary deal flow. The Trust is a source of funding for the Mortgage Broker's mortgage lending business.

Investment Restrictions

Pursuant to the Declaration of Trust, the following are the investment restrictions applied by the Trust in selecting Mortgages:

- (a) The Trust will not invest in any Mortgage where the Manager or an Affiliate of the Manager holds a prior charge or other security interest on the underlying Real Property which forms the security of such Mortgage.
- (b) The Trust will not invest in Real Property, and will be subject to the investment requirements that must be met for certain trusts, as set out below under paragraph (d). However, the Trust may hold

Real Property acquired as a result of foreclosure where such foreclosure was necessary to protect the Mortgage investment of the Trust as a result of a default by the mortgagor. The Trust will use its reasonable best efforts to dispose of such Real Property acquired on foreclosure.

- (c) The Trust will not make loans to, nor invest in securities issued by the Manager or its Affiliates nor make loans to the directors or officers of the Manager.
- (d) The Trust may, at the discretion of the Manager, make investments in Mortgages through one or more corporations, trusts or persons, the shares or interests of which may be directly or indirectly owned or controlled by or for the benefit of the Trust and which corporation, trust or person shall hold equity, limited partnership or other interests in the entity that holds legal or beneficial title to such Mortgages;
- (e) The Trust will not invest in or hold any asset which in any way does not qualify as a "qualified investment" for a trust governed by a Deferred Plan, unless the Trust qualifies as a "mutual fund trust" under the Tax Act.
- (f) The Trust will not invest in any asset, or conduct its affairs in a way, that would disqualify the Units as a "qualified investment" for a trust governed by a Deferred Plan.

INDUSTRY AND SECTOR OVERVIEW

Investment Real Estate Market in Canada and the United States

The investment real estate market in Canada and the United States is generally comprised of residential (including multi-residential, condominiums, residential lots, and retirement and student residences), office, retail, hotel and industrial real estate, other commercial property, as well as development land. Real estate investors or developers typically are either large institutional investors, such as pension funds and public companies, or smaller entrepreneurial investors, such as privately managed and commingled investment funds and individuals. Most investors and developers in the Canadian and U.S. real estate industry require (or benefit from) some form of Mortgage financing to acquire, develop or re-position real property or a portfolio of real property. The Manager believes that the fundamentals for real estate investment will be favourable in Canada and the United States once there is a stabilization from the impacts of COVID-19.

Canadian Economy

The Canadian economy continued to demonstrate steady, but mixed signals through the end of 2019. Overall real GDP for the year grew at 1.64%, although growth had softened by the third and fourth quarters, down to a 0.34% annual rate in Q4 (Source: Oxford Economics; Statistics Canada). On the other hand, employment growth outpaced GDP growth, with Q4 ending with 1.88 million jobs, an expansion of 224,160 jobs over Q4 2018; overall 2019 Canada employment grew 2.1% for the year. However, early Covid-19 impacts show that in March 2020, the Canadian economy shed 1.01 million jobs year-over-year, with unemployment rising from 5.6% to 7.8%. This will likely reflect in GDP growth of less than 1 percent for Q1 2020, and a recession for Q2 and Q3, with declines of 3.0% and 2.5%, respectively (Source: Oxford Economics). CBRE's own forecasts indicate a potential decline of over 6% for the Canadian economy in 2020 (Source: CBRE, April 7 Global Economic Outlook).

Canadian Real Estate

Canadian equity markets remained stable through 2019 with the Bank of Canada keeping interest rates at 1.75%. The Bank of Canada reduced interest rates to 1.25% March 4, 2020. The 10-year Canadian bond rate fell to 1.61% by December 2019, falling 31 basis points from the beginning of the year. Despite low interest rates, commercial real estate capital markets slowed by 12.7% in sales volume for 2019, with \$8.75 billion in investment activity (Source: Real Capital Analytics). However, residential home sale prices continued an upward trend for 2019, growing by 2.3% for the year, and 7.6% quarter-over-quarter in Q4 (Source: Oxford Economics). The Toronto region continued to lead the country with \$6.7 billion in acquisitions in Q4, more than twice the volume of the Montreal market (Source:

CBRE). Prime office, industrial and multifamily rents grew steadily in 2019 in the major Vancouver, Toronto and Montreal markets, with as high as 20.9% rent growth for Toronto prime office. With 5 of the top 10 tightest North American markets being Canadian markets (Source: CBRE), commercial real estate in Canada should be poised to weather the coming downturn from a relatively stronger position.

U.S. Economy

The U.S. economy in 2019 grew commensurate with trends since the last 2009 recession, with real GDP growing at 2.33% for the year. Most of the growth continued to be driven by consumer expenditures, as fixed investment has not grown significantly despite recent corporate tax relief. Employment grew by 2,045,000 jobs on the year (+1.37%), with Q4 seeing an uptick in holiday-season employment and growth of 1.6%. Despite this, March and April of 2020 have seen historic unemployment claims, with over 16 million new unemployment claims made in the four weeks ending April 4th; this has caused economists to estimate an unemployment rate above 13% (Source: New York Times). The CBRE's current view is that U.S. GDP will decline by 4.5% in Q1, followed by a severe decline of 32.9% in Q2 and a "bounce" to positive 25.6% growth in Q3 (Source: CBRE).

U.S. Real Estate

The Federal Reserve steadily lowered the effective federal funds rate to 1.55% by the end of 2019, down from 2.45% in April, 2019. However, as Q2 2020 opened, the effective federal funds interest rate stood at near-zero in response to Covid-19 impacts. Despite low interest rates, capital investment in commercial real estate fell in Q4 2019 by 8.1% year-over-year to \$152.7 billion, and down 1.8% on the year with \$542.4 billion in volume (Source: CBRE). Capitalization rates remained stable, however, with modest increases, remaining at 6.65% for Central Business District office product, for example. On the residential side, Fannie Mae and Freddie Mac mortgage production was down 43.6% and 15.0% (Source: CBRE), while single-family home prices increased 3.48% in 2019 (Source: Case-Shiller Index). Early indications on the multifamily side portend decreases in housing prices, with multifamily rents decreasing at an annualized rate of 8.9% from their March 11 peak through the week starting April 13 (Source: CBRE; CoStar).

U.S. office assets continued adding new supply in 2019, and asking rents grew by 5.2%; meanwhile multifamily rents increased 2.6% in Q4 2019. The overall U.S. commercial real estate market was on steady footing entering 2020, although the recent Covid-19 economic concerns are expected to lead to headwinds in retail, hotel and multifamily assets. We expect U.S. industrial assets to identify additional opportunities for distribution of goods, with minimal impact on office (Source: CBRE).

Mortgage Lending Industry in Canada and the U.S.

In both Canada and the U.S., traditional financial institutions, pension funds, insurance companies, and other institutional lenders have reduced their available credit for commercial Mortgages for a variety of reasons, including increasingly strict impositions by Canadian and U.S. regulatory agencies on lending practices. Additionally, especially in the U.S., the conservatism in underwriting criteria at the banks has resulted in constraints on a loan-to-cost or loan-to-value basis which has created a void in financing to qualified real estate developers and investors. Traditional Canadian and U.S. financial institutions have particularly underserved borrowers who require funding in the transition phase of the investment process, including construction, development and lease-up financing, due to the short term in nature of the Mortgages, the limited size of the loans, and the perceived higher risk profile of such loans. The Trust benefits from this transition phase where investors need interim funding to add value to a property prior to obtaining long-term financing. With a limited supply of financing available in the transitional phase of real estate investments, borrowers are often willing to pay higher interest rates over the corresponding Government of Canada bonds in Canada and the corresponding U.S. Government 3-year bond yields in the U.S. Once the transitional phase of the underlying property is complete, the properties can be refinanced with longer-term, lower interest Mortgage loans from traditional Canadian and U.S. financial institutions.

Overall, the Mortgage Broker believes that the above factors have created an opportunity for non-financial institution lenders to charge premium interest rates for high quality Mortgage loans, which, prior to the credit crisis, were available at relatively low conventional rates from a variety of financial institutions, both domestically and globally.

The Manager believes that this reduction of available Mortgage capital has contributed to the increased number of attractive investment opportunities available to the Trust.

Overview of the Real Estate Sectors in Which the Trust May Invest

Residential

Residential real estate primarily consists of single family homes, apartments, duplexes, townhomes, condominiums, residential lots, retirement residences and student residences. The Mortgage Broker's focus is on the multi-residential for-rent and for-sale housing market wherein multiple housing units are contained within a single building or complex as is characteristic of apartment buildings, duplexes, townhome residences and condominium towers. The Mortgage Broker does not generally provide financing on single family homes. In particular, the Mortgage Broker concentrates primarily on major metropolitan centers and the affordable housing segment, with projects targeted at first-time or move-up home buyers, for which the greatest levels of disequilibrium in supply versus demand exists. The demand in residential real estate is driven by various community characteristics including security, access to public transportation, education, and well-maintained infrastructure.

The rental apartment asset class is considered to have consistently high demand and a relatively low level of risk despite the considerable tenant turnover. The impact of turnover to the investor's profitability is often low as the turnover is spread across a large tenant base. In rental, residential leases rates can change annually, as compared to alternative sectors that generally lock in rental rates for longer-term leases (5 to 10 years). Residential properties also require less capital expenditure in order to continue ongoing operations and generate income.

In addition to lending against residential rental properties, the Trust may also participate in residential for-sale product loans such as for strata duplexes, townhome and condominium projects. For construction loans, the focus is on loans where the developer has secured substantial pre-sale deposits in advance of construction. The Mortgage Broker's preference is for wood-frame, lower storey affordably priced development projects whereby there is lower execution risk and less speculative investors. The Mortgage Broker primarily pursues residential for-sale loans in major metropolitan centers with developed markets.

Industrial

Industrial real estate consists primarily of buildings for warehousing and distribution, manufacturing and assembly, research and development, showrooms, and other general uses which may include back office operations, post-production film studios, call centres and low cost office alternatives. Industrial properties are, for the most part, one-storey buildings located near major metropolitan regions and thoroughfares, ranging in size from 5,000 square feet of gross leasable area to over 500,000 square feet of gross leasable area. Industrial buildings tend to be more homogeneous than other commercial real estate asset classes and can accommodate a relatively diverse tenant base. Due to the significant scale and diversity of the tenant base, the industrial real estate sector generally tracks the overall performance of the economy. The industrial real estate market tends to operate near its demand/supply equilibrium, which leads to stable availability rates, facilitated by a shorter development cycle (9 to 12 months). Developments are typically build-to-suit projects, with limited speculative development, which further facilitates demand/supply equilibrium. Industrial properties can be either single-tenant or multi-tenant, and industrial investments often require smaller average investments, are less management intensive and have lower operating costs than residential or retail properties. Industrial buildings tend to have long-term leases, and tenant rollover is not a significant risk as the cost of relocating is too high. Specific factors to take into account with regards to industrial properties include functionality, location relative to major transportation routes, and the degree of specialization. When evaluating a Mortgage on an industrial property, a thorough assessment of the tenant's creditworthiness is important, as securing a replacement tenant can take significant time.

Office

Office buildings generally have multiple tenants, are typically located in downtown cores, sprawling suburban office parks, or near an airport. Office leases are generally mid-to-long-term, providing stable cash flows to service Mortgages. However, returns from office properties can be more variable than residential and industrial properties as the market is more sensitive to economic performance. Similar to industrial properties, thorough due diligence on the

tenants' creditworthiness is a critical factor with regards to Mortgage lending against the asset. The Mortgage Broker has strong relationships with owners and operators of office properties across the country that are often instrumental in assisting the Mortgage Broker with third party due diligence and/or market intelligence.

Development Land

Mortgages on undeveloped land often relate to land servicing and normally are used to finance the acquisition of the land and the installation and construction thereon of roads, drainage and sewage systems, utilities, recreational facilities and similar improvements. Land servicing loan advances are made pursuant to a stipulated schedule after an inspection and review of the project's progress by the lender or its agent and the furnishing of reports by professional engineers, architects or quantity surveyors. In some instances, land servicing loans may be made to finance the acquisition of more land than will be improved immediately, or land on which development is contemplated at a later date. Developers seeking financing for small housing projects in developed areas have fewer financing options as the small scale of these types of projects are of limited appeal to the larger financial institutions. Land servicing loans are generally for terms of 12 months to 36 months. The Mortgage Broker will generally not consider loans against development land where zoning has not been completed.

Hotel

Hotel buildings offer a place to stay for guests at a variable daily room rate and are generally located in primary or secondary urban zones often with close proximity to employment centers, conventions, entertainment venues and sporting events. Hotels can be either full-service, select service or limited-service, offering guests a variety of services and amenities depending on their budgets and needs.

The Mortgage Broker classifies hotels into three principal types:

1. Full-Service Hotels – Offer guests a full-suite of services and amenities to ensure total fulfilment of guests' needs including features such as swimming pools, fitness centres, conference rooms, laundry services, room service, in-house restaurants and so on. These hotels are often considered luxury with higher average daily room rates.
2. Limited-Service Hotels – Offer guests the minimum services and are meant to accommodate the budget conscious traveller. These hotels have the lowest operating costs as they do not have high fixed overhead as they require a limited staff to provide the basic requirements to guests.
3. Select Service Hotels - Offer guests services in between that of full-service hotels and limited-service hotels. Select service hotels provide the features of limited-service hotels along with select amenities, facilities, and services of full-service hotels, usually on a more limited and budgeted scale.

The Mortgage Broker's focus is on limited-service and select service hotels from nationally recognized flag carriers in major U.S. markets that exhibit high growth and balanced supply/demand metrics. The Mortgage Broker's preference is for these hotels as the limited-service and select service sector is less volatile than the full-service sector and functions at higher gross operating profit margins primarily due to the lower labour costs associated with operating with less service options.

Retail

The demand for retail real estate is driven by location, visibility, population density and traffic. Returns from retail investments tend to be stable as retail leases are generally longer terms compared to office tenants. Investment risk can also be mitigated due to the diversity of retailers in a given property. The large anchors in a shopping centre may pay lower rental rates, but will increase traffic for smaller retailers that pay higher rates.

Retail buildings are leased to businesses that sell products and services directly to consumers for their personal consumption. The Mortgage Broker classifies shopping centres into six principal types:

- **Power Centres** – Specific purpose-built retail centres that are typically open-air and are comprised of three or more large-format retailers that are mostly freestanding.
- **Retail Malls** – An all-purpose centre that is typically fully enclosed and includes retailers usually selling fashion apparel, accessories and other discretionary goods but also provides services in full depth and variety. Its main attraction is generally a combination of anchors.
- **Factory Outlet Centres** – Consists of separate manufacturers and retailers' outlet stores selling goods at discount prices. Could be either open-air or enclosed/ covered.
- **Neighbourhood Centres** – A general-purpose centre that could be either open-air or enclosed/ covered and provides convenience shopping for the daily needs of consumers in the immediate neighbourhood, and is typically anchored by a supermarket or drugstore.
- **Convenience Centres** – A limited-purpose centre that could be either open-air or enclosed/ covered that provides a narrow mix of goods and personal services to a very limited trade area, including walk-in traffic. A typical anchor would be a convenience store.
- **Freestanding Stores** – Single store or multi-stores that are stand-alone, self-contained, not physically connected to other stores in the vicinity.

The Mortgage Broker may provide financing to proven owners and operators of retail centres where a repositioning of the centre is planned, as the Mortgage Broker believes that it has a competitive advantage in instances such as this, as financial institutions typically do not evaluate these opportunities. For example, a retail property owner may require financing in the event of a tenant departure, whereby a significant retrofit of existing space is required over a period of months in order to prepare for a new tenant to enter the space— in these instances, the Mortgage Broker will evaluate a loan against the property which proceeds are used to retrofit the space over the vacancy period, with the intention of getting refinanced with traditional bank debt once the new tenant is in place and is paying regular rental payments. Other examples of repositioning may include financing tenant improvements such as flooring, electrical improvements, and parking lots repairs.

Types of Mortgages

The Trust will focus on short term as well as development and construction financing Mortgages to qualified real estate investors and developers. Mortgages may be first ranking, a junior position in a first ranking Mortgage, subsequent ranking or a blanket Mortgage.

Bridge mortgages are short term loans, typically borrowed to bridge a short period of time, generally ranging between 6 months and 3 years. Bridge loans are often used for capital repairs to a property, redevelopment of a property, or the purchase of another investment. Bridge loans typically bear higher rates of interest than other financing. A sale of the property or a debt refinancing will often provide sufficient proceeds to repay the bridge mortgage.

Mortgages may also finance Real Property development or construction. Development mortgages are typically loans secured against development lands prior to development or with existing buildings that are slated for redevelopment in the short term. In either case, the majority of the value of the asset is in the underlying land. Development mortgages are frequently used to assist in funding site acquisitions, predevelopment costs, and costs associated with servicing sites with infrastructure. Construction loans are used to finance the construction of Real Property. Often, construction loans contain features such as interest reserves where repayment ability may be based on an event that can occur only once the project is built, and/or interest-only payments, and in either case often become due upon completion of the project. Construction loans are variable-rate, and often require special monitoring and guidelines to ensure that the project is completed and that repayment can begin to take place.

DISTRIBUTIONS

Monthly Distributions

The Trust will make a distribution to each Unitholder of record of each calendar month end on a monthly basis. For each month end (other than the month ending December 31), the Manager will distribute an amount it deems appropriate. Such monthly distributions will be paid in arrears by the 10th day following the month to which the distribution relates.

The distribution to be made in respect of the December 31 year end (the "**Final Year End Distribution**") will equal 100% of the Trust's Taxable Income for the applicable Series, less non-capital losses incurred in the year or prior years and carried forward, if any, less any reserves that the Manager deems appropriate and any previous distributions made in that year.

The Final Year End Distribution will be made in two payments. The first payment for the Final Year End Distribution will be made by the 10th day following the year end in an amount determined in the same manner as the month end distributions. The second payment, if any, for the Final Year End Distribution will be paid in arrears not later than March 15 following the year end in an amount equal to any amount payable in excess of the distributions previously paid. Pursuant to the terms of the Declaration of Trust, the Manager has consistently determined that Unitholders of record on December 31 of each year shall be entitled to the Final Year End Distribution.

Subject to a Unitholder's election to receive distributions in cash, distributions by the Trust will be paid in Units. If the Trust has Taxable Income for which it has not received cash the Trust may make distributions of such Taxable Income in Units. Such a distribution would be followed by a consolidation of the Units to maintain the Net Asset Value per Unit at \$10.00. Payment of income by the distribution of Units can result in Unitholders having a tax liability without a corresponding distribution of cash to pay that tax liability.

A Unitholder holding a Unit will only be entitled to a proportionate share based on the proportion that the number of days between the date of the first issuance of such Unit and the last day of the calendar month bears to the total number of days in such calendar month. Subscribers of Units who do not hold such Units throughout a month will receive reduced distributions in respect of such month based on the number of the days in the month that the Units were held. In respect to second payment of the Final Year End Distribution, a Unitholder will only be entitled to a proportionate share based on the portion that the number of days between the date of first issuance of such Unit and the last day of the calendar year bears to the total number of days in such calendar year. Subscribers of Units who do not hold such Units through a year will receive reduced distributions in respect of the second payment of the Final Year End Distribution based on the number of the days in the year that the Units were held.

Unitholders who redeem their Units prior to a month end or year-end will not participate in distributions for that calendar month or the Final Year End Distribution, as the case may be.

The Trust intends to distribute all of the Taxable Income of the Trust to Unitholders, so that the Trust will not be liable to pay income tax pursuant to the Tax Act during any year. Distributions to Unitholders in excess of the Taxable Income of the Trust, will generally result in a reduction in the adjusted cost base of the Units to the Unitholder. See "Income Tax Considerations".

On each monthly distribution, 0.0833% (1.00% annually) of such distribution is deducted from the distribution otherwise payable to Series A Unitholders, in order to provide the funds available to pay the Trailer Fee. If at any Distribution Payment Date there are insufficient funds to pay the Trailer Fee from the distribution otherwise payable to Series A Unitholders, the Manager will redeem a sufficient number of Units from each Series A Unitholder to pay the Trailer Fee payable by such Series A Unitholder.

The Manager will be paid the Management Fee at the same time that distributions are made to Unitholders on a monthly basis. The Incentive Fee will be paid at the same time as the final year end payment to Unitholders. See "Directors, Management, Promoters and Principal Holders – Manager's Fees".

To the extent distributions are calculated in respect of a period and payable at the end of such period, if for any reason, including the termination of the Trust, such period is not completed or such amounts are no longer payable, then the distribution will be pro-rated to the end of the shortened period and be payable at the end of such shortened period.

If, on a Distribution Payment Date, the Trust does not have cash in an amount sufficient to pay the cash distribution to be made on such Distribution Payment Date, the Manager may, in its discretion, borrow sufficient funds on such terms as it deems appropriate to make such cash distributions. In the event that the Manager is unable to, or determines that it is not in the best interests of the Trust and the Unitholders to borrow funds in order to make a distribution wholly in cash, the distribution payable to the Unitholders on such Distribution Payment Date may, at the option of the Manager and subject to the provision of an officers' certificate and to the approval of the Trustee, include a distribution of additional Units (at \$10.00 per Unit) having a value equal to the cash shortfall. If the Manager determines that the value of a Unit is materially different than \$10.00, in which case each additional Unit shall be issued at such different value. The distribution of Units shall be subject to the requirements of the applicable Securities Authorities and if not permitted, distributions will be made in cash. The Manager may, in exceptional circumstances, consolidate the number of outstanding Units after a distribution of additional Units, so that each Unitholder holds the same number of Units held before the distribution of additional Units.

The Trust has adopted a distribution reinvestment plan (the "**DRIP**"), pursuant to which Unitholders are entitled to have all distributions of the Trust automatically reinvested in additional Units. A Unitholder will thereby, by default, receive distributions in Units. In order to receive distributions in cash, the Unitholder must elect to receive distributions in cash at the time of purchase or notify the Manager in writing at least five (5) business days in advance of distribution's record date. No brokerage commission will be payable in connection with the purchase of Units under the DRIP and all administrative costs will be borne by the Trust. Unitholders resident outside of Canada will not be entitled to participate in the DRIP. Upon ceasing to be a resident of Canada, a Unitholder must terminate his or her participation in the DRIP.

Distribution on Termination of the Trust

On the termination of the Trust, the assets of the Trust will be liquidated and the proceeds distributed in the following order:

- (a) firstly, to pay the liabilities of the Trust (including unpaid fees and expenses of the Manager) and to establish reserves for the contingent liabilities of the Trust; and
- (b) secondly, to redeem the Units on a pro rata basis from the Unitholders.

MATERIAL AGREEMENTS

The following is a list of agreements, which are material to this Offering and to the Trust, all of which are in effect:

- (a) the Declaration of Trust made as of March 20, 2013, as amended and restated effective March 8, 2016, as further amended at a special meeting of Unitholders held on August 14, 2018, creating the Trust under the laws of the Province of British Columbia. For details, see the heading "The Declaration of Trust and Description of Units";
- (b) the Mortgage Broker Agreement made as of March 20, 2013, between the Mortgage Broker and the Trust with respect to the provision of services by the Mortgage Broker to the Trust. For details, see the heading "Organization and Management Details of the Trust – The Mortgage Broker – The Mortgage Broker Agreement"; and
- (c) the Custodial Agreement made as of March 21, 2013, among the Trust, the Manager and Computershare Trust Company of Canada. For details, see the heading "Directors, Management, Promoters and Principal Holders – Custodian and Registrar".

Copies of all agreements referred to above may be inspected during normal business hours at the principal office of the Manager, 1700 – 745 Thurlow Street, Vancouver, British Columbia, V6E 0C5.

SUMMARY OF DECLARATION OF TRUST

The following is only a summary of certain of the provisions of the Declaration of Trust. This summary is qualified in its entirety by reference to the provisions of the Declaration of Trust, a copy of which may be inspected during normal business hours at the principal office of the Manager.

Meetings of Unitholders and Resolutions

The Trustee may, at any time, convene a meeting of the Unitholders and will be required to convene a meeting on receipt of a request in writing of the Manager or of Unitholders holding, in aggregate, 50% or more of the Units outstanding (or in the case of a Series meetings, of that Series).

Any matter to be considered at a meeting of Unitholders, other than certain matters requiring the approval of Unitholders by Special Resolution or Unanimous Resolution, as discussed below, will require the approval of Unitholders by Ordinary Resolution. A quorum for any meeting convened to consider such matter will consist of two or more Unitholders present in person or by proxy and representing not less than 5% of the Units (or of that Series) outstanding on the record date. If a quorum is not present at a meeting within 30 minutes after the time fixed for the meeting, the meeting, if convened pursuant to a request of Unitholders, will be cancelled, but otherwise will be adjourned to another day, not less than 10 days later, selected by the Manager and notice will be given to the Unitholders of such adjourned meeting. The Unitholders present at any adjourned meeting will constitute a quorum.

Each Unitholder is entitled to one vote per Unit held.

Matters Requiring Unitholder Approval

The following matters require approval by Ordinary Resolution and shall be deemed approved, consented to or confirmed, as the case may be, upon the adoption of such Ordinary Resolution:

- (a) matters relating to the administration of the Trust for which the approval of the Unitholders is required by policies of the securities regulatory authorities in effect from time to time;
- (b) subject to the requirements for a Special Resolution and a Unanimous Resolution, any matter or thing stated herein to be required to be consented to or approved by the Unitholders; and
- (c) any matter which the Manager or Trustee considers appropriate to present to the Unitholders for their confirmation or approval.

Each of the following actions requires approval by Special Resolution, the terms of which shall specify the date upon which the proposed action shall be undertaken and the party who shall undertake the action:

- (a) the amendment of the Declaration of Trust (except as provided under "Amendments to the Declaration of Trust" below) or changes to the Trust, including the investment objectives of the Trust (for greater certainty, the establishment of a new Series, provided same are within the investment objectives of the Trust, will not require Unitholder approval);
- (b) an increase in the fees payable to the Manager;
- (c) the removal of the Trustee;
- (d) the appointment of a new trustee;
- (e) the termination of the Manager; and

- (f) subject to the right of the Manager to do so, the termination of the Trust.

Notwithstanding the foregoing, any amendment to the Declaration of Trust which would have any of the following effects requires approval by Unanimous Resolution, the terms of which shall specify the date upon which the proposed amendment shall be undertaken and the party who shall undertake the amendment:

- (g) a reduction in the interest in the Trust of any Unitholder (other than a reduction arising through an issuance of additional Units);
- (h) a reduction in the amount payable on any outstanding Units of the Trust upon liquidation of the Trust;
- (i) an increase in the liability of any Unitholder; or
- (j) the alteration or elimination of any voting rights pertaining to any outstanding Units of the Trust.

Amendments to the Declaration of Trust by the Manager

Subject to the restrictions described under "Matters Requiring Unitholder Approval" above, any provision of the Declaration of Trust may be amended, deleted, expanded or varied by the Trustee without the consent of the Unitholders:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law or regulation applicable to or affecting the Trust;
- (b) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained herein;
- (c) bring the Declaration of Trust into conformity with applicable laws, including the rules and policies of Securities Authorities or with current practice within the securities or investment fund industries provided that any such amendment does not adversely affect the rights, privileges or interests of Unitholders;
- (d) maintain, or permit the Manager to take such steps as may be desirable or necessary to maintain, the status of the Trust as a "mutual fund trust" and a "unit trust" for the purposes of the Tax Act or to respond to amendments to the Tax Act or to the interpretation thereof;
- (e) effect a Permitted Merger; and
- (f) if the amendment is not a material change which adversely affects the pecuniary value of the interest of any Unitholder in the Trust.

The Declaration of Trust may also be amended by the Trustee without the consent of the Unitholders for the purpose of changing the Trust's taxation year-end as permitted under the Tax Act or providing the Trust with the right to acquire Units from any Unitholder for the purpose of maintaining the status of the Trust as a "mutual fund trust" for purposes of the Tax Act.

Notwithstanding the above or any other provision herein, no confirmation, consent or approval will be sought or have any effect and no Unitholder will be permitted to effect, confirm, consent to or approve, in any manner whatsoever, where the same increases the obligations of or reduces the compensation payable to or protection provided to either the Manager, Board of Governors or the Trustee or which terminates the Manager, except with the prior respective written consent of the Manager, Board of Governors or the Trustee, as the case may be.

Any matter affecting a particular Series alone or affecting such Series differently than other Series requires a separate vote of the Unitholders of such Series. The Manager may not, without the approval by Special Resolution of the Unitholders of the affected Series:

- (g) create a Series which will be entitled to a preference over that Series; or
- (h) abrogate, affect or alter any rights, privileges, restrictions or conditions attaching to that Series.

Permitted Mergers

The Manager may, without obtaining Unitholder approval, merge the Trust (a "**Permitted Merger**") with another fund or funds, provided that:

- (a) the fund(s) with which the Trust is merged must be managed by the Manager or an affiliate of the Manager (the "**Affiliated Trust(s)**");
- (b) Unitholders are permitted to redeem their Units at a redemption price equal to the Subscription Price, less any costs of funding the redemption, including commissions, prior to the effective date of the merger;
- (c) the funds being merged have similar investment objectives as set forth in their respective declarations of trust, as determined in good faith by the Manager and by the manager of the Affiliated Trust(s) in their sole discretion;
- (d) the Manager must have determined in good faith that there will be no increase in the management expense ratio borne by the Unitholders as a result of the merger;
- (e) the merger of the funds is completed on the basis of an exchange ratio determined with reference to the redemption value per unit of each fund; and
- (f) the merger of the funds must be accomplished on a tax-deferred rollover basis for unitholders of each of the funds.

Reporting to Unitholders

The Trust will furnish to Unitholders such financial statements as are from time to time required by applicable law to be furnished by the Trust, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial or territorial legislation. As required by applicable securities laws, these financial statements and reports will include financial information relating to the Trust. The audited annual financial statements of the Trust will be audited by the Trust's Auditor in accordance with IFRS. The Manager will ensure that the Trust complies with all applicable reporting and administrative requirements.

No Certificates

An investor who purchases Units will receive a customary confirmation from the registered dealer from or through whom Units are purchased in accordance with the book-based system. No physical paper certificates for Units will be issued.

Liability of Unitholders

The Declaration of Trust provides that it is intended that no Unitholder will be held to have any personal liability as such, and no resort will be had to a Unitholder's private property, for satisfaction of any obligation in respect of or claim arising out of or in connection with any contract or obligation of the Trust or of the Trustee or any obligation in respect of which a Unitholder might otherwise have to indemnify the Trustee for any liability incurred by the Trustee,

but rather only the Trust Property is intended to be subject to any levy or execution for satisfaction of any obligation or claim.

Because of uncertainties in the law relating to investment trusts such as the Trust, there is a remote risk that a Unitholder could be held personally liable, notwithstanding the foregoing statement in the Declaration of Trust, for obligations in connection with the Trust (to the extent that claims cannot be satisfied by the Trust). It is intended that the Trust's operations be conducted in such a way as to minimize any such risk and, in particular and where practical, to cause every written contract or commitment of the Trust to contain an express statement that liability under such contract or commitment is limited to the value of the assets of the Trust.

Under the *Income Trust Liability Act* (British Columbia), Unitholders are not liable, as beneficiaries of a trust, for any act, default, obligation or liability of the Trustee. This statute has not yet been judicially considered and it is possible that reliance on the statute by a Unitholder could be successfully challenged on jurisdictional or other grounds. Unitholders who are resident in jurisdictions which have not enacted legislation similar to the British Columbia legislation may not be entitled to the protection of the British Columbia legislation. As a general rule, the Mortgage Broker, when making investments for the Trust, contracts as principal and therefore, subject to contract, the Mortgage Broker is liable for all obligations incurred in carrying out such investments for the Trust. Legal title to Mortgages will be held in the name of the Custodian, in the case of Canadian Mortgages, or a subsidiary of the Mortgage Broker in the case of US Mortgages, and the Trust's legal entitlement thereto held pursuant to participation agreements. As well, in conducting its affairs, the Trust has acquired and will be acquiring Mortgage investments, subject to existing contractual obligations. The Manager will use all reasonable efforts to have any such obligations, other than leases, modified so as not to have such obligations become binding upon any of the Unitholders.

However, in cases where the Manager is unable to obtain written agreement that a material obligation assumed by the Trust is not binding upon the Unitholders personally, there is a risk that if the claims made in respect thereof are to be satisfied by the Trust, a Unitholder will be held personally liable for the obligations of the Trust. Such risk is believed by the Manager to be very limited since, as indicated above, the Manager intends to act in all transactions as principal and not as agent for the Trust or the Unitholders.

In case of claims made against the Trust, which do not arise out of contracts, for example, claims for taxes or claims in tort, personal liability may also arise against Unitholders. However, in accordance with prudent real estate practice, the Manager will maintain insurance in respect of the above-mentioned perils and in amounts sufficiently large as to protect the Trust against any foreseeable non-contractual liability. The Manager intends to cause the operations of the Trust to be conducted, with the advice of counsel, in such a way, as far as possible, as to avoid any material risk of liability to Unitholders for claims against the Trust. In the event that a Unitholder should be required to satisfy any obligation of the Trust, such Unitholder will be entitled to reimbursement from any available net assets of the Trust.

Termination of the Trust

The Trust does not have a fixed Termination Date. However, the Trust may be terminated at any time upon not less than 90 days' written notice by the Trustee provided that the prior approval of Unitholders has been obtained by Special Resolution at a meeting of Unitholders called for that purpose; provided, however, that the Manager may, in its discretion, on 60 days' notice to Unitholders, terminate the Trust without the approval of Unitholders if, in the opinion of the Manager:

- (a) it would be in the best interests of the Trust and the Unitholders to terminate the Trust;
- (b) the Manager determines to terminate the Trust in connection with a Permitted Merger;
- (c) the Net Asset Value of the Trust is less than the aggregate Subscription Price of all outstanding Units; or
- (d) it is no longer economically feasible to continue the Trust.

Upon termination, the net assets of the Trust will be distributed to Unitholders on a pro rata basis up to an amount equal to the Subscription Price of the Units held by each Unitholder. Immediately prior to the termination of the Trust, including on the Termination Date, the Trustee will, to the extent possible, convert the assets of the Trust to cash and after paying or making adequate provision for all of the Trust's liabilities, distribute the net assets of the Trust to the Unitholders (up to the Subscription Price) as soon as practicable after the Termination Date or any unliquidated assets may be distributed in specie rather than in cash, subject to compliance with any securities or other laws applicable to such distributions. The Manager may, in its discretion, defer the Termination Date for up to 90 days if the Manager provides written notice of such deferral to the Unitholders at least 30 days prior to the Termination Date and advises the Trust that the Manager deems it important or is unable to convert all of the Trust's assets to cash and that it would be in the best interests of the Unitholders to do so.

If the Manager receives a Redemption notice or is required to make a redemption for an amount exceeding the Net Asset Value of such Units, the Manager may, in its discretion, give notice to terminate the Trust as of a Termination Date which precedes the intended date of such Redemption or Redemptions.

The Declaration of Trust will be terminated immediately following the occurrence of a Termination Event. On such termination, the Trust Property will be distributed. Each of the following events is a "Termination Event":

- (e) the Manager is, in the opinion of the Board of Governors, in material default of its obligations under the Declaration of Trust and such default continues for 30 days from the date that the Manager receives written notice of such material default from the Board of Governors, unless the Manager is taking steps to remedy such default and such default is remedied within 120 days from the date of such notice and there is no reasonable basis for believing that such default cannot be remedied within such 120 day period;
- (f) the Manager has been declared bankrupt or insolvent or has entered into liquidation or winding up, whether compulsory or voluntary (and not merely a voluntary liquidation for the purposes of amalgamation or reconstruction);
- (g) the Manager makes a general assignment for the benefit of creditors or otherwise acknowledges its insolvency; or
- (h) the assets of the Manager have become subject to seizure or confiscation by any public or governmental authority.

CALCULATION OF NET ASSET VALUE

Valuation Policy

The Manager will value the assets of the Trust in accordance with the following policy (the "**Valuation Policy**"):

The Manager will calculate the net asset value of the Units and net asset value per Unit on each Valuation Date in accordance with the Valuation Policy as set out in the Declaration of Trust. In determining the Net Asset Value for such purpose, net assets will be calculated in accordance with the Declaration of Trust and will follow the significant accounting policies disclosed in the audited financial statements of the Trust for the period ended December 31, 2019, except modified as follows.

For foreign equity investments that have a functional currency different from that of the Trust, foreign exchange gains or losses on translation of the equity investments into the Trust's presentation currency are recorded under IFRS as accumulated other comprehensive income (loss) on the audited statements. Also unrealized mark to market foreign exchange gains and losses on foreign equity investments are recorded under IFRS as accumulated other comprehensive income (loss) on the audited financial statements. Such foreign exchange gains or losses will be allocated to the net asset value calculation for the purposes of the Valuation Policy.

For purposes of inclusion in the net asset value calculation, the value of equity investments and any other property, will be the value determined by the Manager, or its delegate, which most accurately reflects its fair value.

Effective January 1, 2018, the Trust adopted International Financial Reporting Standard 9 *Financial Instruments* ("IFRS 9"). The Trust continues to classify its investments in Mortgages as financial instruments measured at amortized cost by using the effective interest method, less any expected credit losses. Expected credit losses on performing investments in mortgages classified under IFRS 9 as Stage 1 and Stage 2, which are not related to a specific credit impaired or defaulted mortgage will be removed from the net asset value calculation for the purposes of the Valuation Policy. No adjustment to the net asset value calculation will be made for expected credit losses related to a specific investment in a credit impaired defaulted mortgage.

Due to the aforementioned IFRS accounting policies, the Net Asset Value of the Trust as calculated for financial reporting purposes per the audited IFRS statements may be different than the transactional Net Asset Value of the Trust.

Net Asset Value of the Trust

The Manager will calculate the net asset value of the Units and net asset value per Unit as at each Valuation Date in accordance with the Valuation Policy.

Net Asset Value per Unit

The Net Asset Value per Unit on a particular date shall be the quotient obtained by dividing the Net Asset Value of the Trust on a given day by the total number of outstanding Units at the end of such date (for greater certainty, after giving effect to all issuances, purchases, redemptions and consolidations of Units occurring, or deemed to occur, on such date).

The Net Asset Value per Unit will be calculated by the Manager as at each Valuation Date. The most recently calculated Net Asset Value per Unit will be available to the public upon request and will be posted at www.trezcapital.com.

For information concerning the Redemption of Units, see "Securities Offered – Unitholder's Right to Redeem" and "Risk Factors – Restrictions on Redemption".

Reporting of Net Asset Value

The Net Asset Value of each Series of Units is included in the quarterly report of the Trust that is available to the public on the Manager's website and upon request by contacting the Manager at investor-services@trezcapital.com or by calling toll free 1-877-689-0821.

Suspension of Redemptions

For a period of not more than 180 days, the Manager may suspend the Redemption of Units, for or during a period during which the Manager determines that conditions exist which render impractical the sale of the assets of the Trust or impair the ability of the Manager to determine the value of the assets held by the Trust. The Manager may from time to time limit or suspend redemptions and/or terminate the Trust when the Redemption price exceeds the Net Asset Value per Unit. See "Recent Developments – Suspension of Redemptions".

DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

Trez Capital Fund Management Limited Partnership (the Manager)

Pursuant to the terms and conditions of the Declaration of Trust, the Manager is the manager and portfolio advisor of the Trust. In performing its services, the Manager will, at all times, on the terms and conditions of the Declaration of Trust, be subject to the continuing and ultimate authority of the Unitholders. The head office of the Manager is located

at 1700-745 Thurlow Street, Vancouver, British Columbia, V6E 0C5. Trez Capital Fund Management Limited Partnership is a limited partnership formed under the laws of British Columbia on August 11, 2011.

Trez Capital Group

Trez Capital Group Limited Partnership operates principally through four limited partnerships. Trez Capital Fund Management Limited Partnership is registered as an exempt market dealer, investment fund manager and portfolio manager (restricted to buying and selling Mortgages and interests in Mortgages) under applicable securities legislation. See "The Trust – Regulatory Changes". Trez Capital Limited Partnership is registered as a mortgage broker in British Columbia, Alberta and Ontario. Trez Capital Asset Management Limited Partnership is registered as a mortgage administrator in Ontario and a mortgage broker in British Columbia. Trez Capital US Limited Partnership was formed to hold certain investments in the United States.

Duties and Services to be Provided by the Manager

The Manager employs a conservative and risk-averse approach to real estate-based investments. The Manager has taken the initiative in founding and organizing the Trust and, accordingly, may be considered to be a "promoter" of the Trust within the meaning of the securities legislation of certain provinces of Canada.

Subject to the terms of the Declaration of Trust, the Manager will be responsible for managing the business and administration of the Trust. The Manager has coordinated the organization of the Trust and will manage the ongoing business and administration of the Trust and will monitor the investment portfolio of the Trust. The Manager will be responsible for ensuring that the net proceeds of this Offering are invested as described under "Use of Proceeds" and in accordance with the investment objectives of the Trust. Funds of the Trust will not be commingled with the Manager's funds, or with any other funds.

The Manager has exclusive authority to manage the operations and affairs of the Trust and to make all decisions regarding the business of the Trust, and has authority to bind the Trust. The Manager may, pursuant to the terms of the Declaration of Trust, delegate its powers to third parties where it deems it advisable. The Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Trust and to exercise the degree of care, diligence and skill that a reasonably prudent professional manager would exercise in comparable circumstances.

The Manager's duties include, without limitation, appointing the registrar and transfer agent for, the Trust, appointing the bankers of the Trust, valuing the assets of the Trust, calculating the income and capital gains of the Trust, authorizing all contractual arrangements relating to the Trust, providing or causing to be provided services in respect of the Trust's daily operations, distributing or causing to be distributed Units, ensuring compliance with applicable securities legislation, preparing and filing or causing to be prepared and filed all requisite returns, reports and filings, providing all requisite office accommodation and associated facilities and services, providing or causing to be provided to the Trust all other administrative and other services and facilities required by the Trust and maintaining or causing to be maintained complete records of all transactions in respect of the investment portfolio of the Trust.

Directors and Officers

The name and municipality of residence of each of the directors and senior officers of the general partner of the Manager, the office held by them and principal occupation in the last five years are as follows:

<u>Name and Municipality</u>	<u>Office</u>	<u>Principal Occupation</u>	<u>Year First Became a Director/Officer</u>
Morley Greene, B.A., LLB Vancouver, B.C.	Chairman, Chief Executive Officer and Director	Business Executive	1997 ⁽¹⁾
Robert Perkins, B. Comm. Vancouver, B.C.	Managing Director and Director	Business Executive	2000 ⁽¹⁾

<u>Name and Municipality</u>	<u>Office</u>	<u>Principal Occupation</u>	<u>Year First Became a Director/Officer</u>
Alexander (Sandy) Manson, B. Comm., CPA, CA West Vancouver, B.C.	Chief Financial Officer and Director	Business Executive	2006 ⁽¹⁾
Ken Lai, B. Comm., CPA, CA Richmond, B.C.	Vice-President, Loan Administration and Director	Business Executive	2005 ⁽¹⁾

(1) Refers to the date the individual first became a director or officer of Trez Capital Corporation.

Each director is appointed for a one year term, with their term of office to expire at the next annual general meeting of the shareholders of the Manager.

As at March 31, 2020, the directors and senior officers of Trez Capital Fund Management Limited Partnership, as a group, beneficially own, or control, directly or indirectly, 0.62% of the issued and outstanding Units.

Principal Occupations and Biographies

Morley Greene is Chairman, Chief Executive Officer and Director of the general partner of the Manager. Prior to that, he had been Chairman and President of Trez Capital Corporation since May 30, 2009. Prior to that, he had been President and Chief Executive Officer of Trez Capital Corporation since August 1997. For approximately two years prior to establishing the Mortgage Broker, Mr. Greene acted as counsel to Samoth Capital Corporation (now called Sterling Centrecorp), a company listed on The Toronto Stock Exchange. From September 1991 to 1995, Mr. Greene was in private law practice.

Robert Perkins is Managing Director and Director of the general partner of the Manager. Prior to that, he had been Vice President – Mortgage Funds of Trez Capital Corporation since July 2000 and became Executive Vice-President on June 1, 2006. He is registered as a sub-mortgage broker under the *Mortgage Brokers Act* (British Columbia). He has a mandate to identify, analyze, underwrite and fund new Mortgages. From 1986 to April 2000, Mr. Perkins was a Principal of Montrose Realty Corporation, the B.C. licensed lending and real estate arm of Montrose Mortgage Corporation, which has placed and administers a \$1.2 billion commercial mortgage portfolio on behalf of various pension funds, life insurance companies, banks and private clients. From 1984 to 1986, Mr. Perkins was a Financial Analyst in the Controller's Department of the Hong Kong Bank of Canada/Bank of B.C., now HSBC Bank Canada.

Alexander (Sandy) Manson is Chief Financial Officer and Director of the general partner of the Manager. Prior to that, he had been the Chief Financial Officer of Trez Capital Corporation since February 2006. Mr. Manson has been a CPA, CA since 1982 and has over thirty years of experience in finance and accounting. From January 2001 through December 2005, Mr. Manson was the Chief Financial Officer for Autostock International, an international autoglass replacement company with 2,000 employees based in Burnaby B.C. which operated the "Speedy Glass" stores in Canada and the United States. Prior to that, he was the Chief Financial Officer for Coast Mountain Hardwoods (1997 –2000), a lumber company based in Ladner, B.C. Mr. Manson is responsible for all finance and administrative operations of the Mortgage Broker.

Ken Lai is Vice-President, Loan Administration and Director of the general partner of the Manager. Prior to that, he had been Vice President, Loan Administration of Trez Capital Corporation since June 1, 2006 and has been with Trez Capital Corporation since August 2002, after relocating from Hong Kong. Mr. Lai is a CPA, CA with more than 20 years' experience in the areas of finance and accounting. He previously worked for an international public accounting firm, and has many years of commercial experience in real estate and investment companies.

Manager's Fees

Pursuant to the Declaration of Trust, the Series A and Series F Management Fee, being an annual amount equal to 1.5% of the Proportionate Share of the Series A Units and the Series F Units of the Average Annual Gross Assets (calculated by using a simple moving average of the month end value of the assets held by the Trust), is payable to the Manager by the Trust in each Fiscal Year. The Series I Management Fee, being an annual amount equal to a percentage to be negotiated by the Manager and the Unitholder of the Proportionate Share of the Series I Units of the Average Annual Gross Assets (calculated by using a simple moving average of the month end value of the assets held by the Trust), is payable to the Manager by the Trust in each Fiscal Year. The Proportionate Share of the Series A Units, the Series F Units and the Series I Units of the Annual Gross Assets of the Trust, in respect of each monthly distribution will be determined by the Proportionate Share of Units of each Series existing at the end of such monthly period. On each monthly distribution, the Series A and Series F Management Fee will be deducted from the monies otherwise payable to the Series A Unitholders and the Series F Unitholders and the Series I Management Fee will be deducted from the monies otherwise payable to the Series I Unitholders. As well, an Incentive Fee, being an annual amount equal to 10% of the Incentive Fee Revenue of the Trust, is payable to the Manager by the Trust in each Fiscal Year.

The Management Fee is estimated and paid monthly in arrears 15 days following the end of each month, except the payment due for the month ended December 31st will be determined taking into consideration the previous payments made on an estimated basis and will be paid in two payments, the first on January 15 and the second payment, if any, not later than March 15 following that month. The Incentive Fee is paid at the same time as the final year end payment to Unitholders. The Trust will be obligated to pay any applicable GST or other taxes on such fees.

Expenses of the Trust

The Trust pays for all expenses incurred in connection with its operation and administration. It is expected that the operating expenses of the Trust will include, without limitation: preparing, mailing and printing expenses for periodic reports to Unitholders and other Unitholder communications including marketing and advertising expenses; fees payable to the Trustee; fees payable to the Custodian; fees payable to accountants, the Auditors, legal advisors and any other professional consultants as required; ongoing regulatory fees, licensing fees and other fees; external bookkeeping fees and the costs associated with FundSERV; any costs associated with the hedging program; fees payable for banking charges, including set-up costs, service and other fees and interest expense on borrowings; any mortgage broker fees chargeable to the Trust; any reasonable out-of-pocket expenses incurred by the Manager or its agents in connection with their ongoing obligations to the Trust; any additional fees payable to the Manager for the performance of extraordinary services on behalf of the Trust; any taxes payable by the Trust or to which the Trust is subject; interest expenses; expenses relating to portfolio transactions; any expenditures that may be incurred upon the termination of the Trust; and fees payable to members of the Board of Governors. Such expenses also will include expenses of any action, suit or other proceeding in which or in relation to which the Manager is entitled to indemnity by the Trust. The Trust will also be responsible for any extraordinary expenses which it may incur from time to time.

The Trust will be subject to an independent audit and report to the Trustee, and the Manager will provide full access to its books and records for such purpose.

Trez Capital Limited Partnership (the Mortgage Broker)

The Trust is a source of funding for the Mortgage Broker's mortgage lending business. The Mortgage Broker acts as the Trust's loan underwriter, adviser and syndicator. To conduct its operations primarily in the state of Texas and other select regions in the U.S., the Mortgage Broker and John Hutchinson have formed Trez Texas, to act as loan originator for the Trust. To conduct its operations primarily in the state of Florida and the southeastern U.S., the Mortgage Broker and Brett Forman have formed Trez Florida See "The Mortgage Broker's Operations", "Mortgage Broker Regulation". Trez Capital Corporation, the predecessor to the Mortgage Broker, and subsequently the Mortgage Broker, have been in the business of originating, underwriting, servicing and syndicating Mortgage loans since 1997.

Mortgage Broker Agreement

The Mortgage Broker has entered into the Mortgage Broker Agreement with the Trust. Pursuant to the Mortgage Broker Agreement, the Mortgage Broker acts as the Trust's loan underwriter, adviser and syndicator.

The Mortgage Broker is required to service the Mortgage Portfolio in the same manner, and with the same care, skill, prudence and diligence, with which it services and administers similar Mortgage loans for other similar third-party portfolios. It must also exercise reasonable business judgment in accordance with applicable law to maximize recovery under the Mortgage Portfolio without regard to any other relationship that the Mortgage Broker or any of its Affiliates may have with borrowers. The Mortgage Broker Agreement also requires the Mortgage Broker to administer deposits and trust accounts for reserves under deposit trust agreements in respect of the Mortgage Portfolio in accordance with the standard of care applicable to its servicing duties under the Mortgage Broker Agreement.

The Mortgage Broker is permitted to invest (for the benefit of its clients, other than the Trust) in the Mortgage Portfolio. Similarly, the Mortgage Broker will offer the Trust the opportunity to invest with its other clients. This provides the Trust with an increased opportunity to reduce risk through syndication.

The Mortgage Broker Agreement provides that the Mortgage Broker will not have any liability to the Trust or Unitholders of the Trust for taking any action or refraining from taking any action in good faith or for errors in judgment, unless caused by the wilful misfeasance, dishonesty, bad faith or negligence of the Mortgage Broker. The Mortgage Broker Agreement has a term which ends on the termination of the Trust.

The Mortgage Broker will continue as Mortgage Broker until the dissolution of the Trust or the happening of any of the following:

- (a) the Mortgage Broker may resign if the Trust or the Manager is in breach or default of the provisions of the Mortgage Broker Agreement and, if capable of being cured, any such breach or default has not been cured within 30 days of notice of such breach or default to the Trust or the Manager, as applicable;
- (b) the Mortgage Broker becomes bankrupt or insolvent;
- (c) termination of the Mortgage Broker Agreement by the Trust in the event that the Mortgage Broker is in material breach or default of the provisions of the Mortgage Broker Agreement and, if capable of being cured, any such breach or default has not been cured within 30 days of notice of such breach or default to the Mortgage Broker;
- (d) the Mortgage Broker no longer holds the licenses, registrations or other authorizations necessary to carry out its obligations hereunder and is unable to obtain them within a reasonable period after their loss;
- (e) the Mortgage Broker resigns as Mortgage Broker of the Trust and terminates the Mortgage Broker Agreement upon not less than 120 days written notice to the Trust; or
- (f) termination of the Mortgage Broker Agreement by mutual agreement of the parties.

The Mortgage Broker's Operations

Trez Capital Corporation, the predecessor to the Mortgage Broker, commenced operations in September 1997 in order to raise a pool of capital for investment in Mortgages, primarily in the commercial and multi-unit residential markets. Since inception, the Mortgage Broker and its predecessor have funded 1,512 loans totalling over \$11.2 billion. The Mortgage Broker currently is one of the largest non-bank providers of Mortgages in Canada with approximately \$3.8 billion in assets under administration, of which approximately \$3.4 billion is invested in Mortgages.

The entities established by the Mortgage Broker are income trusts, mortgage investment corporations, limited partnerships, corporations and corporate management companies. The variety of investment vehicles provides investors with varying degrees of risk and potential return, as well as mechanisms to accommodate both residents and non-residents of Canada. Since 1997, the Mortgage Broker, and its predecessor, have taken the initiative in forming 32 mortgage investment funds. All of these offerings have been conducted pursuant to exemptions from applicable prospectus requirements, except TGIncome Trust, TGIncome Trust II and TGIncome Trust III, which were offered by prospectus in the Provinces of British Columbia and Alberta, and Trez Capital Mortgage Investment Corporation and Trez Capital Senior Mortgage Investment Corporation, which have been offered by prospectus throughout Canada, except Quebec. As a result of the worldwide credit crisis which occurred in 2008, two investment funds, Harvard High Yield Investments Inc. and Mickey II LLC, which are managed by affiliates of the Mortgage Broker and had invested in Mortgages in the United States, were unable to meet their obligations to holders of their debt instruments and entered into a compromise arrangement with such holders whereby they agreed to accept a significantly lesser amount in one instance and significantly reduced interest rate in the other.

Due Diligence Procedures and Risk Reduction

Due diligence procedures, undertaken prior to funding Mortgages have resulted in an excellent record of return of principal and interest to investors. Since the inception of the Mortgage Broker and its predecessor, out of 1,512 Mortgages, or approximately \$11.2 billion, funded by the Mortgage Broker and its predecessor, the realized losses on these Mortgages aggregate just over 0.5%. The Mortgage Broker believes its core strategy of lending primarily on traditional commercial real estate (including multi-family), in major markets and with multiple- contingent exit strategies has proved successful. See "Risk Factors".

The Mortgage Broker manages the risks associated with defaulting Mortgages through extensive initial due diligence and careful monitoring of its Mortgage portfolio, active communication with borrowers and the institution of enforcement procedures on defaulting Mortgages. All properties are evaluated on the basis of location, quality, source of repayment, prospects for value-add, and cash flow profile. In addition, the creditworthiness of the borrower is reviewed and personal covenants are often obtained from the principals of the borrower. See "The Trust – Investment Process".

The Mortgage Broker monitors the performance of the Mortgage portfolio, including tracking the status of outstanding payments due and maturity dates, progress of construction projects, pay down requirements from sales and the calculation and assessment of other applicable charges. Each member of management of the Manager and the Mortgage Broker has extensive knowledge and understanding of the Mortgage and real estate industries that has enabled him or her of making prudent investment decisions and identify sound investment opportunities.

The Mortgage Broker intends to restrict investors' risk exposure by diversifying its portfolio geographically in both Canada and the United States. In particular, in addition to the key markets in Canada, the Mortgage Broker has identified that certain regions in the southeastern and southwestern U.S., and in parts of the western U.S., have much stronger local-level economies than in other parts of the country with a marked imbalance between the demand and supply sides of the real estate market in those areas, leading to a positive environment for real estate development. As a result the Trust intends to make the majority of its U.S. Mortgage investments in those regions. See "The Trust – Mortgage Portfolio of the Trust as at December 31, 2019".

Although the Mortgage Broker also intends to restrict investors' risk exposure by diversifying its portfolio by borrowers, the Trust at December 31, 2019 has 9.77% of its Mortgage Portfolio by number of Mortgages and 12.65% of its Mortgage Portfolio by dollar amount of Mortgages advanced to a single borrower. The loan to value ratio of the properties securing the Mortgages of this borrower is 75.42%. The Mortgage Broker allocates participation in Mortgages based on the Mortgage Broker's assessment of the investor's risk tolerance and any investment restrictions placed upon an investor.

To manage and diversify risk, the Mortgage Broker may syndicate a Mortgage investment with one or more investors, including the Trust and other investment entities formed by the Mortgage Broker. Mortgages can be syndicated at a lower interest rate in a more secure senior position. Syndication may also be on a pari passu basis or on a basis where parties are subordinated to the Trust. Syndication of Mortgages is done to provide a dilution of risk of default of any one Mortgage among a number of entities and individuals. In some instances, the Mortgage Broker may syndicate a

Mortgage to different parties at different rates, but never on interest or priority terms more favourable than those offered to the Trust. The syndication process also facilitates the ability to provide a more secure senior portion of a Mortgage to a lower risk entity, with progressively higher risk/ higher return for junior portions to those with higher risk tolerances.

Mortgage Broker Regulation

Mortgage brokers in Canada are regulated by provincial mortgage brokers legislation. As the Trust is not and will not be registered under the provincial mortgage brokers legislation, the Trust cannot engage directly in the business of lending money secured in whole or in part by Mortgages, and must therefore conduct its Mortgage investment activities under contract with the Mortgage Broker. The Mortgage Broker, which performs mortgage broker services on behalf of the Trust pursuant to the Mortgage Broker Agreement, is currently registered under the *Mortgage Brokers Act* (British Columbia), the *Real Estate Act* (Alberta) and the *Mortgage Brokerages, Lenders and Administrators Act* (Ontario) in order to permit it to carry on the activities contemplated in the Mortgage Broker Agreement.

The registrar under provincial mortgage brokers legislation regulates the mortgage broker industry, and has the power to grant or renew registration, the power to revoke registration and the power to investigate complaints made regarding the conduct of registered mortgage brokers. Under provincial mortgage brokers legislation, there are several requirements a mortgage broker must meet in order to obtain or maintain its registration. Generally, a mortgage broker's registration may be suspended or cancelled if it is party to a harsh or unconscionable transaction, or if it has conducted its business in a manner that is contrary to the public interest.

The BC Financial Services Authority ("**BCFSA**") regulates the mortgage brokering and lending activities of mortgage investment entities (MIEs) under the *Mortgage Brokers Act*. The Registrar and the *Mortgage Brokers Act* do not regulate the capital raising and investment marketing activities of MIEs which are subject to securities legislation and regulation. Further information can be found at BCFSA's website: <http://www.bcfsa.ca>.

The Mortgage Broker is not licensed as a mortgage broker or lender in the United States. There are no licensing requirements in Texas, Florida, or the other select U.S. regions in which the Mortgage Broker engages in the business of lending (except for banks and savings and loan institutions) for originating loans and lending funds in respect of commercial loans (a loan that is not for "personal, family or household purposes"), or the Mortgage Broker operates under an exemption in those limited regions with licensing requirements.

Directors and Senior Officers of the Mortgage Broker

The directors and senior officers of the general partner of the Mortgage Broker are the same as the directors and officers of the general partner of the Manager. See "Directors and Officers of the Manager".

Dean Kirkham is the Chief Credit Officer of the Mortgage Broker. Mr. Kirkham joined Trez in March, 2016. He is responsible for ensuring strong portfolio quality by managing the Mortgage Broker's credit risk policies and guidelines through changes in the business and or market developments, providing guidance on appropriate loan structures and adjudicating loan submissions. He provides oversight of the portfolio through ongoing oversight of key credit metrics.

Mr. Kirkham began his career with ABN AMRO's investment bank in Amsterdam and later New York. He spent the last 12 years at the Bank of Montreal in a variety of senior commercial banking and credit risk management roles, including, Vice President Credit Risk Management for Western Canada and, most recently, Regional Vice President Commercial Banking. Mr. Kirkham earned a Bachelor of Science from the University of British Columbia and an MBA from the Schulich School of Business at York University.

The Mortgage Broker's Operations in Texas

In September 2010, the Mortgage Broker began making loans in the state of Texas. The Mortgage Broker's activities in connection with the Trust primarily in the state of Texas and other select regions in the U.S. are conducted through Trez Texas, of which an Affiliate of the Mortgage Broker is the majority limited partner and John Hutchinson is the minority limited partner. Trez Texas will originate loans primarily in Texas and other areas as it finds suitable

opportunities for referral to, and approval by, the Mortgage Broker and will receive originating fees, commitment fees and renewal fees from borrowers. Trez Texas will only refer investment opportunities to the Trust for consideration where such investments fall within the objectives or investment policies of the Trust.

Directors and Officers of Trez Texas

The name and municipality of residence of each of the directors and senior officers of the general partner of Trez Texas, the office held by them and principal occupation in the last five years are as follows:

<u>Name and Municipality</u>	<u>Office</u>	<u>Principal Occupation</u>	<u>Year First Became a Director/Officer</u>
Morley Greene, B.A., LLB Vancouver, B.C.	President	Business Executive	2013
John D. Hutchinson Coppell, Texas	Vice President	Business Executive	2012
Alexander (Sandy) Manson, CPA, CA West Vancouver, B.C.	Vice President, Finance Secretary Treasury	Business Executive	2012
Fred Phillips Sunnyvale, Texas	Vice President	Business Executive	2013

Principal Occupations and Biographies

For the biographies of Morley Greene and Alexander (Sandy) Manson, see "Trez Capital Fund Management Limited Partnership (the Manager)".

John D. Hutchinson is currently the Vice President of the general partner of Trez Texas. Between January 1, 1996 and December 31, 2009, Mr. Hutchinson was President of the Dallas Division of The Ryland Group, Inc., a major developer, builder and marketer of residential housing in the United States. In January 1995, Mr. Hutchinson served as President of Perry Homes, Inc., a regional home builder with offices in Houston and San Antonio, Texas. Between 1993 and 1995, Mr. Hutchinson was Vice President and General Counsel of Hillwood Development, a Dallas, Texas based mixed-use real estate development firm controlled by the Perot family. Between 1978 and 1993, Mr. Hutchinson was engaged in the full time practice of law in Dallas, Texas. Immediately prior to going into the real estate business in 1993, Mr. Hutchinson was a partner with the Dallas law firm of Hughes and Luce, LLP which subsequently merged into the national law firm of K&L Gates, LLP.

During his nearly 14 years as President of Ryland's Dallas Division, Mr. Hutchinson was responsible for the operations of the division and oversaw the construction of more than 11,000 homes and the development of 4,000 residential lots. At various times, the Dallas Division had over 200 employees and produced revenues of over \$175,000,000 annually.

Frederick S. Phillips is currently the Vice-President of the general partner of Trez Texas. From August 1993-November 2011, Mr. Phillips was Vice President of Land Acquisition and Development for Ryland Homes Dallas division. Mr. Phillips was responsible for all aspects of the land process for one of the largest homebuilders in Dallas and the United States. From 1992-1993, Mr. Phillips was a partner in a Dallas custom homebuilding operation. From 1983-1991, Mr. Phillips was a construction supervisor, new home sales counsellor, and director of land and development for Gemcraft Homes, a publicly traded South region homebuilder. Mr. Phillips has personally supervised the acquisition, entitlement, engineering, and development of lots for new home communities in Dallas- Ft. Worth, San Antonio, Houston, Atlanta, and Oklahoma City.

The Mortgage Broker's Operations in Florida

On April 19, 2016, the Mortgage Broker began making loans in the state of Florida through a new partnership with Forman Capital LLC, from Boynton Beach, Florida. The Mortgage Broker's activities in connection with the Trust in the state of Florida and the southeastern U.S. are conducted through Trez Florida, of which an Affiliate of the Mortgage Broker and Brett Forman are equal limited partners. Trez Florida will originate loans primarily in Florida and the southeastern U.S. and other areas as it finds suitable opportunities for referral to, and approval by, the Mortgage Broker and will receive originating fees, commitment fees and renewal fees from borrowers. Trez Florida will only refer investment opportunities to the Trust for consideration where such investments fall within the objectives or investment policies of the Trust.

Officers of Trez Florida

The name and municipality of residence of each of the senior officers of the general partner of Trez Florida, the office held by them and principal occupation in the last five years are as follows:

<u>Name and Municipality</u>	<u>Office</u>	<u>Principal Occupation</u>	<u>Year First Became a Director/Officer</u>
Brett D. Forman Delray Beach, FL	President	Business Executive	2016
Alexander (Sandy) Manson, CPA, CA West Vancouver, B.C.	Secretary	Business Executive	2016

Principal Occupations and Biographies

For the biography of Alexander (Sandy) Manson, see "Trez Capital Fund Management Limited Partnership (the Manager).

Brett D. Forman is currently the President of the general partner of Trez Florida. Mr. Forman founded Forman Capital, a Florida based, commercial bridge lender for development and construction, senior stretch first mortgages and special situation loans nationwide, in 2004, and spearheaded its successful growth since inception. In 2016, Forman Capital, LLC entered a partnership with Trez Capital Group, LP to form Trez Florida in April of that year. Prior to founding Forman Capital, Mr. Forman was a Principal at Sylvan Ventures, LP (a joint venture between Apollo Advisors and Sylvan Learning Systems), a \$350M venture capital firm and also spent 5 years in the retail business as President & COO of FEI, Inc. and County Seat Stores.

Mr. Forman currently serves as Chairman on the Foundation Board of the Achievement Centers for Children and Families in Delray Beach, FL. He holds a Bachelor of Science in Economics and a concentration in Real Estate Finance from The Wharton School of the University of Pennsylvania.

Mortgage Broker's Fees

The Mortgage Broker (and Trez Texas, in respect of Mortgages originated by the Texas office and Trez Florida, in respect of Mortgages originated by the Florida office) will receive originating fees, commitment fees and renewal fees on Mortgages it originates for the Trust. These fees will generally be paid by the borrowers, but in some instances, may be deducted from interest payments otherwise payable to the Trust as described below. The Mortgage servicing fees payable to the Mortgage Broker are commensurate with fees paid to other entities providing similar services as the Mortgage Broker and which have been negotiated at arm's length. In addition to such fees, the Mortgage Broker is entitled to retain any overnight float interest on all accounts maintained by the Mortgage Broker in connection with its originating and servicing of the Trust's Mortgage investments. In some instances where the Trust agrees to participate in a loan which has a low brokerage fee, a portion of the brokerage fee may be deducted from interest payments otherwise payable to the Trust. In the case of Mortgages, or interests in Mortgages, which have been purchased by the Mortgage Broker from third parties either on its own behalf or on behalf of the Trust, such fees may

also be deducted from interest payments otherwise payable to the Trust, or may be paid directly by the Trust as a result of the difference between the purchase price paid by the Mortgage Broker and the purchase price paid by the Trust. The brokerage fees charged to the Trust in such instances will vary depending on the size of the transaction and the amount of any fees otherwise payable to the Mortgage Broker.

Under the Mortgage Broker Agreement, the Mortgage Broker is responsible for all employment and other expenses of its personnel, rent and other office expenses of the Mortgage Broker.

The Board of Governors

The Declaration of Trust provides that a Board of Governors be appointed for the Trust to consist of at least four members, whose mandate is to identify and establish procedures for resolving situations where there exists a conflict or potential conflict between the interests of the Manager and the Mortgage Broker on the one hand and the interests of the Unitholders on the other hand as well as in connection with certain other stated matters such as the Trust's annual audit. The Board of Governors will act at all times, and ensure the actions of the Manager and the Trustee are at all times, in accordance with the best interests of the Trust and the Unitholders. The members of the Board of Governors are Steve Mathiesen (Chairman), Stewart Robertson, Dale Belsher, and Andrew Huntley. The members of the Board of Governors receive compensation from the Trust. The members of the Board of Governors also constitute the board of governors of TG Income Trust II, TG Income Trust III, Bison Income Trust II, Trez Capital Prime Trust and Trez Capital Yield Trust US and Trez Capital Yield Trust US (Canadian \$). The fees paid to the members of the Board of Governors are paid in respect of their services to all of the foregoing trusts. Currently, the Chairman of the Board receives a total of \$78,750 per annum, the Chairman of the Credit Committee receives \$60,000, the Chairman of the Audit Committee receives \$60,000 and the other Board member receives \$42,000 per annum. The fees are allocated to the funds as a fixed minimum plus a percentage based on their respective total assets. The Board of Governors will from time to time, in respect of the Trust:

- (a) identify and establish procedures for resolving situations where there exists a conflict or potential conflict between the interests of the Manager and the Mortgage Broker on the one hand and the interests of the Unitholders on the other hand and review any conflicts of interest referred to it by the Manager for review and for both of these purposes an Independent Review Committee has been appointed;
- (b) approve every material contract of the Trust referred to it by the Manager for review which may raise a conflict of interest, including any agreement between the Trust and the Trustee or the Manager;
- (c) meet with the Manager from time to time, on a not less than quarterly basis, to review the investments in Mortgages made by the Manager on behalf of the Trust, in order to confirm that such investments comply with the investment objectives of the Trust and for this purpose a Credit Committee has been appointed;
- (d) review and approve annual financial statements provided to Unitholders for the purpose of advising the Trustee, the Manager and the Mortgage Broker on any matters pertaining to the Trust as a result of such review and for this purpose an Audit Committee has been appointed;
- (e) review compliance by the Trust with its investment policies;
- (f) appoint Auditors and fix their remuneration;
- (g) approve the giving of indemnities to the Trustee, the Manager or the Mortgage Broker or any of their Affiliates, or their respective directors, officers or employees;
- (h) receive the resignation of the Trustee and select and appoint a successor trustee;

- (i) provide such other assistance to the Trustee as the Trustee or Unitholders may reasonably request from time to time.

A member of the Board of Governors must, among other things, be independent of both the Manager and the Trustee and their respective Affiliates and shall not be an employee of any of them. Any member of the Board of Governors who has any material interest in a material contract or transaction with the Trust must disclose in writing to the other Board members and to the Manager the nature and extent of his interest and may not vote upon or sign any resolution dealing with such material contract or transaction.

Each member of the Board of Governors and the Independent Review Committee is appointed for a term of not less than one year and not more than three years and will hold office until his successor has been appointed or until his appointment has terminated or such person revokes his consent. The terms of office of members of the Board of Governors may be staggered. In the event of the death, removal, resignation, bankruptcy or other incapacity of a member of the Board of Governors, the Board of Governors will fill a vacancy on the Board of Governors as soon as practicable. A member of the Board of Governors whose term has expired, or will soon expire, may be reappointed by the members of the Board of Governors. A member of the Board of Governors may not be reappointed for a term or terms of office that, if served, would result in the member serving on the Independent Review Committee for longer than six years, unless the Manager agrees to the reappointment.

The nature and extent of the experience of the members of the Board of Governors and their principal occupations are as follows:

Stewart J.L. Robertson has served on the board of directors of a number of public companies, and was a board and audit committee member of Sterling Centrecorp Inc., a formerly TSX listed company which was in the business of acquiring and managing shopping centres. He is the president of the Crerar Group of Companies. The Crerar Group is an owner of and lender to the commercial real estate business in Canada and the U.S., with holdings including office, apartment, warehousing, and retail buildings. Mr. Robertson also consults on structured Mortgage and corporate acquisitions to various real estate entities.

Dale Belsher is a Chartered Professional Accountant, CA and served as Chief Financial Officer for Glentel Inc., a Burnaby-based retailer of telecommunications solutions, from 2001 to 2010. Prior to joining Glentel, Dale was Vice President, Finance and CFO for Norsat International Inc., a publicly traded, Burnaby-based satellite communications technology company. Prior to moving to British Columbia in 1983, Dale was Vice President, Finance and Controller of Denro Developments Inc., a family-owned real estate development firm. Denro was a land and multi-family residential development company based in Regina, Saskatchewan. Denro was one of the first Canadian real estate development companies to develop property in and around Phoenix, Arizona.

Steve Mathiesen was a corporate and securities lawyer for more than 30 years and is now a corporate director. Until 2011, he was a partner at the national law firm, McMillan LLP, focusing on mergers and acquisitions, financings, and corporate matters. He is currently on the board of several private and public companies. He holds an LL.B from the University of British Columbia, a BA in Economics and Commerce from Simon Fraser University, the ICD.D designation from the Institute of Corporate Directors and is a non-practicing member of the Law Society of BC.

Andrew Huntley has spent the bulk of his 35 year career involved in commercial real estate finance. He retired from AIMCo in 2015 as SVP Mortgage Investments having been responsible for a commercial Mortgage portfolio in excess of \$3 billion. He has negotiated complex transactions in all sectors and throughout North America and Western Europe. Prior to AIMCo Mr. Huntley was a partner with the Toronto based Murray & Company. He has extensive community Board experience including Chairing the Board of Northlands in Edmonton. He holds a BSc. from the University of Alberta; an MBA from the Ivey School of Business at the University of Western Ontario and the ICD.D designation.

The Audit Committee

The Declaration of Trust provides that the Manager will appoint an Audit Committee consisting of a minimum of three persons, whose mandate is to meet with the Auditors and review and recommend approval of financial statements

sent to Unitholders. The members of the Audit Committee are: Dale Belsher (Chairman), Steve Mathiesen and Andrew Huntley.

The Credit Committee

The Declaration of Trust provides that the Manager will appoint a Credit Committee consisting of at least two persons, whose mandate is to meet with the Manager from time to time, on a not less than quarterly basis, to review the investments in Mortgages made by the Manager on behalf of the Trust, in order to confirm that such investments comply with the investment objective and investment policies of the Trust. The members of the Credit Committee are: Stewart Robertson (Chairman), Andrew Huntley, Dale Belsher and Steve Mathiesen.

The Independent Review Committee

The Declaration of Trust provides that the Manager will appoint an Independent Review Committee. The Independent Review Committee has been established to review situations where a reasonable person would consider the Manager or an entity related to the Manager, to have an interest that may conflict with the Manager's ability to act in good faith and in the best interests of the Trust. The members of the Independent Review Committee are: Steve Mathiesen (Chairman), Stewart Robertson, Dale Belsher and Andrew Huntley.

The Independent Review Committee will:

- (a) review and provide input to the Manager with respect to the written policies and procedures of the Manager related to conflict of interest matters;
- (b) review and approve every conflict of interest matter; and
- (c) perform any other function required by applicable securities legislation.

Members of the Independent Review Committee are not compensated separately for their participation on this committee. They are compensated as members of the Board of Governors. See "The Board of Governors".

The Trustee

Computershare Trust Company of Canada is the trustee of the Trust pursuant to the terms and conditions set out in the Declaration of Trust. The address of the Trustee is 510 Burrard Street, 3rd Floor, Vancouver, British Columbia, V6C 3B9.

The powers, authorities and responsibilities of the Trustee are limited to those expressly set forth in the Declaration of Trust. The Trustee is responsible for holding Trust Property in safekeeping and investing moneys from time to time forming part of Trust Property as directed by the Manager. The Trustee may also sell, encumber or otherwise dispose of Trust Property as directed by the Manager and may borrow money as directed by the Manager.

The Trustee or any successor trustee may resign upon 60 days' notice (or such shorter time as may be agreed to by the Trustee and the Manager) to Unitholders and to the Manager, or may be removed by the Manager on 60 days' notice if approved by Special Resolution. In the event that the Trustee resigns or is removed or becomes incapable of acting or if for any cause a vacancy occurs in the office of the Trustee, a successor trustee will forthwith be appointed by the Manager to fill such vacancy. Forthwith following such appointment of a successor trustee, the Trustee will execute and deliver such documents as the Manager may require for the conveyance of any property of the Trust held in the Trustee's name, will account to the Manager for all property of the Trust which the Trustee holds as trustee and shall thereupon be discharged as trustee.

The Declaration of Trust provides that the Trustee will be liable in carrying out its duties under the Declaration of Trust as a result of its willful misconduct, bad faith, negligence or disregard of its obligation to act honestly, in good faith and in the best interests of the Trust and Unitholders or to exercise the degree of care, diligence and skill that a

reasonably prudent trustee would exercise in comparable circumstances. In addition, the Declaration of Trust contains other customary provisions limiting the liability of the Trustee.

The Trustee will receive fees from the Trust for acting as trustee of the Trust, and will be reimbursed by the Manager for all expenses and liabilities, which are properly incurred by the Trustee in connection with the activities of the Trust.

Policies and Procedures of the Manager

Pursuant to its internal policies and procedures, the Manager and its directors, officers and employees are required to devote as much of their time and attention to the business and affairs of the Trust as they consider necessary and appropriate under the then prevailing circumstances.

The Manager is also required to ensure fairness in the allocation of investment opportunities among its mortgage investment entities. For such purpose, all mortgage investment entities that have investment objectives that are compatible with a particular investment opportunity are required, when practicable, to participate pro rata in that opportunity based upon, among other things, the relative importance of the investment opportunity to the fulfillment of each mortgage investment entity's objectives and the relative amount of assets under management in each mortgage investment entity. An assessment of the relative importance of an investment opportunity to the fulfillment of a mortgage investment entity's objectives is dependent upon a number of factors including alternative investment opportunities, present holdings of the same, or similar, investments, geographic and industry sector considerations and the liquidity of the mortgage investment entity.

For purposes of new Mortgage investment opportunities, the Manager identifies those mortgage investment entities that have investment objectives that are compatible with the Mortgage investment opportunity and ranks them in order of the relative importance that each mortgage investment entity places on such investment opportunity for the purpose of fulfilling its investment objectives. If such an investment opportunity meets more than one mortgage investment entity's objectives, it is considered first for the mortgage investment entity that places the highest level of importance on the investment opportunity. If two or more mortgage investment entities rank equally in terms of the importance they place on the investment opportunity, each mortgage investment entity generally will participate pro rata in the investment opportunity.

Custodian

Computershare Trust Company of Canada is the custodian of the assets of the Trust represented by Mortgages secured by Real Property situated in Canada, pursuant to the Custodial Agreement. Subsidiaries of the Mortgage Broker are the custodian of the assets secured by Real Property situated in the U.S.

The address of the Custodian is Computershare Trust Company of Canada, 9th Floor – 100 University Avenue, Toronto, Ontario, M5J 2Y1.

The Custodian is entitled to receive fees from the Trust, which will be paid by the Manager, as described under "Directors, Management, Promoters and Principal Holders - Expenses of the Trust" and to be reimbursed for all expenses and liabilities which are properly incurred by the Custodian in connection with the activities of the Trust.

Promoters

Trez Capital Fund Management Limited Partnership, the Manager, Trez Capital Limited Partnership and the Mortgage Broker, are the promoters of the Trust by reason of the initiative of their predecessors in forming and establishing the Trust and taking steps necessary for the public distribution of the Units. The directors and officers of the Manager and the Mortgage Broker are set out above. Affiliates and associates of the Manager and the Mortgage Broker may receive a portion of the Sales Fee. Neither the Manager nor the Mortgage Broker will receive any benefits, directly or indirectly from the issuance of the Units other than as described in this Offering Memorandum.

PRINCIPAL HOLDERS OF THE TRUST

To the knowledge of the Manager, no person directly or indirectly beneficially owns or controls 10% or more of the units of the Trust as of March 31, 2020.

CAPITAL STRUCTURE

Structure

The Trust is an investment unit trust formed under the laws of the Province of British Columbia. The following are the details of the outstanding securities of the Trust at April 1, 2020:

<u>Description of Security</u>	<u>Number Authorized to be Issued</u>	<u>Price per security</u>	<u>Number Outstanding as at April 1, 2020</u>
Series A Units	Unlimited	\$10	4,072,124
Series F Units	Unlimited	\$10	56,594,327
Series I Units	Unlimited	<u>\$10</u>	51,616,878
Total			112,283,329

Prior Sales and Redemptions

Pursuant to prior offerings, the following Units were sold for the 12 month period ending April 30, 2020:

<u>Description of Security</u>	<u>Number of Securities Issued</u>	<u>Price per Security</u>	<u>Total Funds Received</u>
Series A Units	1,443,938	\$10.00	\$14,439,384
Series F Units	16,565,077	\$10.00	\$165,650,762
Series I Units	14,045,296	\$10.00	\$140,452,957
			\$320,543,103

Pursuant to prior offerings, the following Units were redeemed for the 12 month period ending April 30, 2020:

<u>Description of Security</u>	<u>Number of Securities Redeemed</u>	<u>Price per Security</u>	<u>Total Funds Paid</u>
Series A Units	701,181	\$10.00	\$7,011,808
Series F Units	7,022,247	\$10.00	\$70,222,471
Series I Units	7,235,047	\$10.00	\$72,350,475
			\$149,584,754

The following table details redemptions requests outstanding:

	<u>Year end December 31, 2018</u>		<u>Year end December 31, 2019</u>		<u>Period end March 31, 2020</u>	
	<u>Units</u>	<u>\$</u>	<u>Units</u>	<u>\$</u>	<u>Units</u>	<u>\$</u>
Units at beginning of period	52,411,138	513,966,486	79,445,343	781,177,566	111,957,542	1,119,575,415
Redemptions	4,452,333	44,523,332	7,787,335	77,873,352	2,284,763	22,847,632
Redemptions outstanding	18,763	187,626	1,076,518	10,765,183	2,105,070	21,050,704

SECURITIES OFFERED

Description of the Units Offered

Investments in the Trust are represented by Units. The Trust is permitted to have an unlimited number of Series of a single class of Units, having such terms and conditions as the Manager may determine. Each Unit represents an undivided beneficial interest in the net assets of the Trust. The Manager, in its discretion, determines the number of Series of Units and establishes the attributes of each Series, including investor eligibility, the designation and currency of each Series, the initial closing date and initial offering price for the first issuance of Units of the Series any minimum initial or subsequent investment thresholds, any minimum redemption amounts or minimum account balances, fees and expenses of the Series, sales or redemption charges payable in respect of the Series, redemption rights, convertibility among Series and any additional Series specific attributes.

The Trust may issue additional Units from time to time. Unitholders do not have any pre-emptive rights whereby additional Units proposed to be issued are first offered to existing Unitholders. The price or the value of the consideration for which Units may be issued will be determined by the Manager.

Each Unit of a Series entitles the holder to the same rights and potential liabilities as a holder of any other Unit of such Series and no Unitholder of a Series is entitled to any privilege, priority or preference in relation to any other Unitholders of such Series. Each Unitholder is entitled to one vote for each Unit held and, subject to an adjustment in a Unit's proportionate share as a result of the date of first issue of a Unit in the first Fiscal Year, is entitled to participate equally with respect to any and all distributions made by the Trust in respect of such Series, including distributions of Taxable Income (which they are required to receive their share of) and the non-taxable portion of net realized capital gains, if any. On termination, the Unitholders of record holding outstanding Units are entitled to receive all of the assets of the Trust remaining after payment of all debts, liabilities and liquidation expenses of the Trust up to an amount equal to the Subscription Price of such Units. See "Termination of the Trust".

Series

The Manager may create one or more new Series without Unitholder approval (provided same are within the investment objectives set out in the Declaration of Trust). Before the issue of a new Series, the Manager will execute a supplemental Declaration of Trust creating the new Series and the terms and investment objectives relating thereto. Any new Series created by the Manager shall:

- (a) be designated by letter or letters or letters and numbers; and
- (b) have Series' rights (including the rights of Redemption) established by the Manager.

No Series may have priority over any other Series, provided that the calculation of distributions and the Redemption price for each Series may differ.

The Trust is authorized to issue an unlimited number of redeemable non-transferable units of beneficial interest in Series, each of which represents an equal, undivided interest in the net assets of the Trust. The Trust is currently authorized to issue Series A Units, Series F Units and Series I Units. Fractional Units will not be issued.

Three Series of Units of the Trust are offered under this Offering Memorandum:

Series A Units are designed for investors who are not eligible to purchase Series F Units. Series A Units pay a Trailer Fee.

Series F Units are designed for investors who are enrolled in a dealer sponsored fee-for-service or wrap program and who are subject to an annual asset based fee rather than commissions on each transaction or, at the discretion of the Manager, any other investor for whom the Manager does not incur distribution costs.

Series I Units are generally only available to investors who make large investments in the Trust. Series I investors typically pay a negotiated management fee. See "Directors, Management, Promoters and Principal Holders – Manager's Fees". A negotiated service fee may be payable by investors to a dealer who sells Series I Units. The Manager does not pay any sales commission to a dealer who sells Series I Units.

To be eligible to purchase Series I Units, investors must enter into an agreement with the Manager. This agreement will set out, among other things, the amount to be invested, the management fee payable to the Manager and the service fee payable to the dealer, if any. If the investor did not qualify to hold Series I Units when the investor originally purchased them, or is no longer eligible to hold Series I Units, the dealer must tell the Manager to switch the investor's Units into Series A Units or Series F Units of the Trust, or to redeem them. The Manager also retains the right, at its sole discretion, to redeem or switch the Series I Units into Series A Units or Series F Units if the Manager determines that the investor is not eligible to hold Series I Units.

All Units of the same Series are entitled to participate pro rata: (i) in any payments or distributions made by the Trust to the Unitholders of the same Series; and (ii) upon liquidation of the Trust, in any distributions to Unitholders of the same Series of net assets of the Trust attributable to the Series remaining after satisfaction of outstanding liabilities of such Series.

Outstanding Units of any Series may be subdivided or consolidated in the Manager's discretion. The Manager may re-designate units of a Series as Units of any other Series.

Foreign Exchange and Hedging Policy

The Trust may invest in US dollar denominated Mortgage loan investments. In order to mitigate the adverse effects of currency exchange fluctuations, the Trust will undertake currency hedging transactions. US dollar denominated loan investments are typically hedged by way of forward foreign exchange swaps with maturities of approximately one month, or such other term determined by the Manager, for the maximum benefit of Unitholders. There are costs relating to entering into such hedging transactions, which include the interest rate differential between the Canadian and U.S. interest rates. These costs are borne by the Trust.

The cost of hedging is allocated to all Series.

No Transfer of Units

Units are not transferable, except by operation of law (such as the death or bankruptcy of a Unitholder) or in circumstances where the Manager deems it appropriate to do so in its absolute discretion. As well, securities laws will restrict, and may prohibit, transfer of Units. To dispose of Units, a Unitholder must have them redeemed. No transfer of Units will be effective or recognized by the registrar and transfer agent of the Trust unless and until a transfer form in the form prescribed in the Declaration of Trust has been duly completed and signed by the Unitholder, as transferor, and by the transferee and delivered to the registrar and transfer agent. The transferee, by executing the transfer form: (i) acknowledges that he or she agrees to be bound by the terms of the Declaration of Trust and is liable for all obligations of a Unitholder; (ii) makes certain representations and warranties that the transferee is not a "non-resident" for purposes of the Tax Act and is not a "non-Canadian" for purposes of the *Investment Canada Act* and that the transferee will maintain such status during such time as Units are held by the transferee; and (iii) irrevocably ratifies and confirms the power of attorney given to the Manager pursuant to the transfer form. Pursuant to the provisions of the Declaration of Trust, when the transferee has been registered as a Unitholder, the transferee will be subject to the obligations and entitled to the rights of a Unitholder thereunder.

Liquidity

There is no market through which the Units may be sold. No market is expected to develop. Investors may find it difficult or impossible to sell their Units. However, Unitholders may exercise their right of Redemption. See "Unitholder's Right to Redeem". There are no assurances, however, that funds will be available to permit the Manager to honour requests for Redemption. A Redemption Notice for an amount exceeding the Net Asset Value of the Units

may cause the Manager to delay redemption and ultimately to terminate the Trust. See "Summary of Declaration of Trust - Termination of the Trust".

Consolidation and Subdivision

Units may be consolidated or subdivided by the Trustee at the direction of the Manager.

Unitholder's Right to Redeem

Units may be surrendered to the Manager by entering a request for redemption, which may be entered on the FundSERV network where Units were purchased through that network. A Unitholder is entitled to, at any time, or from time to time, redeem ("**Redemption**") all or any of the Unitholder's Units in increments of not less than \$1,000, by giving 30 days' written notice to the Manager, which notice shall be irrevocable and shall contain a clear request that a specified number of Units be redeemed or the dollar amount which the Unitholder requires to be paid. If a Unitholder, after Redemption, holds Units with a value of less than \$1,000, the Unitholder must redeem all of his or her investment. The Manager may, in its absolute discretion, redeem the Units of the Unitholder if such Units have a value of less than \$1,000. The form of notice may be obtained from the Manager. Payment will be made using the FundSERV network where Units were purchased through that network.

Suspension of Redemptions

The Manager also may from time to time suspend Redemptions and/or terminate the Trust when the Redemption price exceeds the Net Asset Value per Unit. The Manager is not obligated to accept Redemption notices for amounts exceeding, in aggregate, 5% of the Net Asset Value of the Trust at such time, in any one calendar month.

The Manager may suspend the Redemption of Units, or postpone the day of payment or right of Redemption, for a period of not more than 180 days, for or during any period during which the Manager determines that conditions exist which render impractical the sale of the assets of the Trust or impair the ability of the Manager to determine the value of the assets held by the Trust. Any such suspension shall take effect at such time as the Manager specifies and thereafter there shall be no redemption of Units during the 180 day period until the Manager declares the suspension at an end.

The suspension may apply to all requests for Redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests will be advised by the Manager of the suspension and that the Redemption will be effected at a price determined on the first Business Day following the termination of the suspension. All such Unitholders will have and will be advised that they have the right to withdraw their requests for Redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Trust, any declaration of suspension made by the Trustee or Manager will be conclusive. See "Recent Developments – Suspension of Redemptions".

Short Term Trading

In order to protect the interests of the remaining Unitholders in the Trust and to discourage short term trading in the Trust, Unitholders will be subject to a short term trading deduction. If a Unitholder redeems Units during the first year after purchasing Units, the Trust will deduct and retain, for the benefit of the remaining Unitholders in the Trust, 1% of the Subscription Price of the Units being redeemed.

Redemption at the Demand of the Manager

At no time may non-residents of Canada and/or partnerships that are not Canadian partnerships within the meaning of the Tax Act (or any combination thereof) (collectively, "**non-residents**") be the beneficial owners of a majority of the Units (on a number of Units or on a fair market value basis), and the Manager shall inform the Registrar and Transfer Agent of the Trust of this restriction. The Manager may require declarations as to the jurisdictions in which a beneficial

owner of Units is resident and, if a partnership, its status as a Canadian partnership. If the Manager becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Units then outstanding (on a number of Units or on a fair market value basis) are, or may be, non-residents, or that such a situation is imminent, the Manager may make a public announcement thereof. If the Manager determines that more than 40% of the Units (on a number of Units or on a fair market value basis) are beneficially held by non-residents, or that such a situation is imminent, the Manager may send a notice to such non-resident Unitholders, chosen in inverse order to the order of acquisition or in such manner as the Manager may consider equitable and practicable, requiring them to dispose of their Units or a portion thereof within a specified period of not less than 30 days. If the Unitholders receiving such notice have not disposed of the specified number of Units or provided the Manager with satisfactory evidence that they are not non-residents within such period, the Manager may, on behalf of such Unitholders, redeem such Units at the Subscription Price and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such Redemption, the affected holders will cease to be beneficial holders of Units and their rights shall be limited to receiving the net proceeds of Redemption of such Units.

If at any Distribution Payment Date there are insufficient funds to pay the Trailer Fee from the distribution otherwise payable to Series A Unitholders, the Manager will redeem a sufficient number of Units from each Series A Unitholder to pay the Trailer Fee payable by such Series A Unitholder.

SUBSCRIPTION FOR UNITS

The Units are conditionally offered if, as and when subscriptions are accepted by the Trust and subject to prior sale. There is no minimum or maximum offering. Subscriptions for Units will be received by the Trust subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

Every person who subscribes for Units will be required to complete and deliver to the Trust a subscription in the form which can be found at www.trezcapital.com, together with payment of the subscription price in the manner therein described.

Subscriptions received will be subject to rejection or allotment by the Trust in whole or in part in the Manager's sole discretion. The Trust is not obliged to accept any subscription. If a subscription is not accepted, the Trust will promptly return to the subscriber the Subscription Agreement and the money comprising such subscription. Confirmation of acceptance of a subscription will be forwarded to the subscriber or, if applicable, to the relevant registered dealer by the Trust. The Trust reserves the right to close the subscription books at any time without notice.

SUBJECT TO THE FOREGOING, ALL SUBSCRIPTION DOCUMENTS SHOULD BE REVIEWED BY PROSPECTIVE SUBSCRIBERS AND THEIR PROFESSIONAL ADVISERS PRIOR TO SUBSCRIBING FOR UNITS.

Subscription Procedure

Subscribers may subscribe for Units in this Offering by delivering the following documents to the Trust at the address shown in the Subscription Agreement:

- (a) an executed Subscription Agreement; and
- (b) a cheque, bank draft, FundSERV settlement or wire transfer made payable to "Trez Capital Yield Trust" in the amount of the subscription price for the Units.

The Trust will hold subscription funds in trust until midnight on the second Business Day after the day on which it received a signed Subscription Agreement. After this, the Trust will hold the subscription funds in trust pending a closing under this Offering.

The Trust may collect, use and disclose individual personal information in accordance with the privacy policy of the Trust and will obtain consent to such collection, use and disclosure from time to time as required by its policy and the law.

The Trust anticipates that there will be multiple closings. The Trust may close any part of this Offering on any date as it may determine in its sole business judgment. The Trust reserves the right to accept or reject in whole or in part any subscription for Units and the right to close the subscription books at any time without notice. Any monies for subscription that are not accepted will be promptly returned after it has been determined not to accept the investment. At a closing of this Offering, the Trust will provide direct subscribers with a confirmation of their subscription for Units, provided the Subscription Price has been paid in full. A subscriber who purchases Units through a registered dealer will receive a customer confirmation from the registered dealer from or through which the Units were purchased.

Subscribers should carefully review the terms of the Subscription Agreement for more detailed information concerning the rights and obligations of subscribers and the Trust. Execution and delivery of a Subscription Agreement will bind subscribers to the terms thereof, whether executed by Subscribers or by an agent on their behalf. Subscribers should consult with their own professional advisors. See "Risk Factors".

Qualified Unitholders

The Manager is offering for sale an unlimited number of Units on a continuous basis in each of the Provinces of Canada and Territories by way of private placement.

The offering is being conducted:

- (a) in all the Provinces and Territories, pursuant to the exemptions from the prospectus requirements afforded by Sections 2.3, 2.9 and 2.10 of National Instrument 45-106 – Prospectus Exemptions ("NI 45-106") and section 73.3 of the Securities Act (Ontario).

The exemption pursuant to Section 2.3 of NI 45-106 is available for distributions to investors purchasing as principal and who are "accredited investors" as defined in NI 45-106 and section 73.3 of the *Securities Act* (Ontario). Certain accredited investors will be required to sign a risk acknowledgement in the form attached as Appendix B to the Subscription Agreement.

The exemption pursuant to Section 2.10 of NI 45-106 is available for distributions to investors purchasing as principals where (i) the trade in a security that has an aggregate acquisition cost to the investor of not less than \$150,000, paid in cash at the time of acquisition, and (ii) the investor is not an individual.

The exemption pursuant to Section 2.9 of NI 45-106 is available for distributions only to investors purchasing as principals, who receive this Offering Memorandum prior to signing the Subscription Agreement and who sign a risk acknowledgement in the form attached as Appendix A to the Subscription Agreement.

In Manitoba, Northwest Territories, Nunavut, Prince Edward Island and Yukon, an investor must qualify as an "eligible" investor to purchase more than \$10,000 of Units when relying on the Offering Memorandum exemption. In the provinces of Alberta, New Brunswick, Nova Scotia, Ontario, Quebec and Saskatchewan, investors relying on the Offering Memorandum exemption must complete the schedules in the Risk Acknowledgement Form attached to the Subscription Agreement. Depending on the circumstances of each investor in those provinces, certain investment limits will apply to all Units acquired under the Offering Memorandum exemption as follows:

- in the case of a "non-eligible" investor that is an individual, the acquisition cost of all Units acquired by the purchaser under the Offering Memorandum exemption in the preceding 12 months cannot exceed \$10,000;
- in the case of an "eligible" investor that is an individual, the acquisition cost of all Units acquired by the purchaser under the Offering Memorandum exemption in the preceding 12 months cannot exceed \$30,000;
- in the case of an "eligible" investor that is an individual and that receives advice from a portfolio manager, investment dealer or exempt market dealer that the investment above \$30,000 is suitable,

the acquisition cost of all Units acquired by the purchaser under the Offering Memorandum exemption in the preceding 12 months cannot exceed \$100,000.

The foregoing exemptions relieve the Trust from the provisions of the applicable securities laws of each of the Provinces of Canada and the Northwest Territories, Yukon and Nunavut, which otherwise would require the Trust to file and obtain a receipt for a prospectus. Accordingly, prospective investors for Units will not receive the benefits associated with a subscription for securities issued pursuant to a filed prospectus, including the review of material by securities regulatory authorities.

The Manager is registered as an exempt market dealer in various provinces of Canada, which allows the Manager, on behalf of the Trust, to offer the Units for sale directly to the investors. The Trust may also use qualified dealers or brokers to sell Units and may enter into non-exclusive agency agreements with such brokers or dealers in connection with such sales. Depending on provincial requirements, brokers or dealers used by the Trust may be required to be registered as exempt market dealers pursuant to National Instrument 31-103 – Registration Requirements, Exemptions and Ongoing Registrant Obligations of the Canadian Securities Administrators.

Acceptance of Subscriptions

Subscriptions received are subject to rejection or allotment in whole or in part by the Manager on behalf of the Trust generally within 30 days of their receipt by the Manager. The minimum subscription is 500 Units (\$5,000). The Manager reserves the right to close the subscription books at any time without notice. Confirmation of the acceptance of a subscription will be forwarded by the Manager to the investor. The Manager is not obligated to accept any subscriptions, and will reject any subscription which the Manager considers to be not in compliance with applicable securities laws and regulations. If any subscription is rejected, the Manager will return to the investor promptly after making the decision to reject the subscription, the Subscription Agreement, any other documentation delivered by the investor, and the subscription funds comprising such subscription.

Subject to the contractual rights of action, and a two day right of withdrawal for certain investors provided for herein, and subject to applicable securities laws, the investor's subscription may not be withdrawn, cancelled, terminated or revoked by the investor for a period of 30 days from the date of receipt of the subscription by the Manager, unless previously accepted by the Manager.

Units will be issued to an investor if a Subscription Agreement substantially in the form prescribed by the Manager from time to time is received by the Trust and accepted by the Manager and if payment of the subscription price is made by cheque or bank draft. Units will be issued at a price of \$10.00 per Unit, subject in all cases to the minimum investment levels described above. An investor who subscribes for Units by executing and delivering a Subscription Agreement will become a Unitholder after the Manager accepts such subscription and the Trust has received the subscription price.

Additional Investments

The minimum additional subscription is \$1,000 or such greater amount as may be otherwise required to comply with applicable securities laws or as may be prescribed by the Manager.

No Unit Certificates

Certificates evidencing ownership of the Units will not be issued to a Unitholder.

FINANCIAL STATEMENTS

Attached to this Offering Memorandum are the audited financial statements of the Trust for the year ended December 31, 2019.

INCOME TAX CONSIDERATIONS

In the opinion of Thorsteinssons LLP, tax counsel to the Trust, the following is a fair summary of the principal Canadian federal income tax considerations generally relevant to individual investors who, for purposes of the Tax Act, are resident in Canada, deal at arm's length with the Trustee and Manager and beneficially hold their Units as capital property.

This summary is based on the current provisions of the Tax Act and the regulations under it, all publicly announced proposals to amend the Tax Act and its regulations, and the published administrative practices of the Canada Revenue Agency. It is assumed that all amendments will be passed as proposed. This summary is also based on the assumptions that (i) none of the Mortgages will be a "tax shelter investment" within the meaning of section 143.2 of the Tax Act; (ii) the Trust will not acquire any Mortgage that would cause the Trust to become a SIFT trust within the meaning of subsection 122.1(1) of the Tax Act; (iii) none of the Mortgages will be property that would be "taxable Canadian property" within the meaning of the Tax Act (without reference to paragraph (b) thereof); and (iv) none of the Mortgages will be an interest in an "offshore investment fund property" pursuant to section 94.1 of the Tax Act.

This summary is of a general nature and is not intended to be exhaustive. It does not take into account provincial, territorial or foreign tax laws. **Investors should consult their own tax advisers with respect to all tax consequences in their particular circumstances. No application has been made nor is it intended that any application be made for an advance income tax ruling with respect to the tax consequences of acquiring or holding Units in the Trust.**

Status of the Trust

The Manager and Trustee have advised tax counsel that the Trust is a "mutual fund trust" as that term is defined under the Tax Act and that it is recognized as such by the Canada Revenue Agency. The Trust became a registered investment for Deferred Plans with effect from March 20, 2013. This summary is based on the assumption that the Trust is and, at all material times, will be a mutual fund trust and a "registered investment" for Deferred Plans.

Taxation of the Trust

The Trust must pay tax on its taxable income for each of its taxation years, except to the extent such amounts are distributed to Unitholders. Losses incurred by the Trust cannot be allocated to Unitholders but may be deducted in computing the Taxable Income of the Trust in future years in accordance with the Tax Act. The Declaration of Trust requires the Trust to distribute, in cash and Units, all of its Taxable Income each year, so that the Trust will not pay any tax under Part I of the Tax Act.

The Trust is required to include in its income for a taxation year all interest that accrues (or is deemed to accrue) to it to the end of that year (or until the disposition of the indebtedness in the year) or that has become receivable or is received by the Trust before the end of that year, including on a conversion, redemption or repayment on maturity, except to the extent that such interest was included in computing the Trust's income for a preceding year and excluding any interest that accrued prior to the time of the acquisition of the indebtedness by the Trust. Upon the actual or deemed disposition of indebtedness, the Trust will be required to include in computing its income for the year of disposition all interest that accrued on such indebtedness from the last interest payment date to the date of disposition except to the extent such interest was included in computing the Trust's income for that or another taxation year and such interest will not be included in the proceeds of disposition for purposes of computing any gain or loss.

In the event the Trust ceases to qualify as a mutual fund trust under the Tax Act and a Unitholder is a "designated beneficiary" of the Trust in a taxation year of the Trust, the "designated income" of the Trust for that taxation year will be subject to tax under Part XII.2 of the Tax Act at the current rate of 40%. A portion of the Part XII.2 tax paid by the Trust will, if the Trust makes a designation in its tax return, be credited against tax otherwise payable by Unitholders who are not designated beneficiaries of the Trust. A "designated beneficiary" is defined in the Tax Act to include non-residents of Canada, certain tax-exempt entities and certain trusts. "Designated income" is defined in the Tax Act to include, generally, taxable capital gains from the disposition of taxable Canadian property, and income

from Canadian businesses and real estate. The Manager and the Trustee do not expect that the Trust will earn designated income.

To the extent the Trust's investments include assets denominated in currencies other than Canadian dollars, the cost and proceeds of disposition of such assets, income and any other relevant amounts must be determined for purposes of the Tax Act in Canadian dollars, and the Trust may therefore recognize gains or losses by virtue of fluctuations in the value of foreign currencies relative to Canadian dollars. To the extent the Trust derives income or gains from investments in countries other than Canada, the Trust may be liable to pay income or profits taxes to such countries and the utilization of credits or deductions in respect of foreign taxes so paid is subject to special rules and restrictions under the Tax Act. Each taxable Unitholder will generally be entitled to a tax credit for any foreign taxes paid by the Trust in respect of the Unitholder's share of income from foreign sources.

The Trust's participation in loan sharing arrangements, the application of tax losses, or the payment by the Trust of alternative minimum tax under the Tax Act, may result in timing differences between the year in which income or losses, or gains and losses resulting from the changes in the value of foreign currency, occur and the year in which such income, gains, or losses are recognized under the rules in the Tax Act by the Trust. This could lead to income or losses being allocated to the Trust, or gains or losses in respect of foreign currency fluctuations being realized by the Trust, being included in computing the Trust's Taxable Income in a year other than the year in which such income, gains, or losses occur. This can affect the amount of Taxable Income allocated to the Unitholders of the Trust in a particular year.

The Tax Act imposes tax on trusts that are "specified investment flow-through trusts" or "SIFT trusts". In order to qualify as a SIFT trust, a trust must meet three conditions: it must be resident in Canada; investments in the trust must be listed or traded on a stock exchange or other public market; and the trust must hold one or more "non-portfolio properties". As Units of the Trust are not listed or traded on a stock exchange or other public market, the Trust is not a SIFT trust and will not be liable to tax under the Tax Act as such.

The Trust will be a "selected listed financial institution" for the purposes of the *Excise Tax Act*. The application of GST/HST to financial institutions is complex and controversial. The Trust will be required to pay GST/HST on management fees and certain other inputs, and should be able to recover some of the GST/HST incurred as input tax credits to the extent that the acquired a related property or service is used in providing zero-rated services to non-residents such as providing Mezzanine Loans. There is likely to be some portion of GST/HST paid by the Trust that will not qualify for cannot be offset by input tax credits, which will be a direct cost to the Trust.

If the Trust ceases to qualify as a mutual fund trust and holds at the end of any month property that is not a "qualified investment" for the type of Deferred Plan that holds Units, the Trust will be liable for a penalty tax under Part X.2 of the Tax Act equal to 1% of the fair market value of such property at the time of its acquisition.

Taxation of Unitholders

Each Unitholder will be required to include in computing the Unitholder's income for a particular year the portion of the Taxable Income of the Trust for the year distributed in cash and Units to the Unitholder (including any amounts distributed on the redemption of Units). Each year the Trust will advise each Unitholder of the share of the Taxable Income of the Trust distributed to that Unitholder.

Any amount distributed to a Unitholder in a year in excess of the Taxable Income of the Trust is not included in computing the Unitholder's income for the year. Under the Tax Act, the Trust is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions for the calendar year in which such taxation year ends. This will enable the Trust to utilize, in a taxation year, losses from prior years. The amount distributed to a Unitholder but not deducted by the Trust will not be included in the Unitholder's income. However, the payment of any such excess amount, other than as proceeds of disposition of a Unit or a part thereof, will reduce the adjusted cost base to the Unitholder of the Unitholder's Units except to the extent that such amount relates to the non-taxable portion of the net realized capital gains of the Trust distributed to the Unitholder. If the amounts deducted from the adjusted cost base of the Unit exceed the adjusted cost base of the Unit, the excess is deemed to be a capital gain realized by the Unitholder. The adjusted cost base of the Unit is then reset to nil.

If the Trust receives dividends or foreign income or realizes capital gains, the Trust intends to make designations under the Tax Act so that taxable dividends received from taxable Canadian corporations, income from foreign sources and net realized capital gains distributed to Unitholders will retain their character when distributed to Unitholders. Distributed amounts that retain their character as taxable dividends on shares of taxable Canadian corporations will be subject to the normal gross-up and dividend tax credit rules in the Tax Act applicable to individuals. Each taxable Unitholder will generally be entitled to a tax credit for any foreign taxes paid by the Trust in respect of the Unitholder's share of income from foreign sources.

On a redemption or other disposition of Units, including a redemption of Units on the termination of the Trust, the Unitholder will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Unitholder of those Units immediately before the disposition. All relevant amounts must be determined in Canadian dollars at the appropriate exchange rate for the particular transaction. The adjusted cost base of a Unit is equal to the total adjusted cost base of all of the Unitholder's Units divided by the number of Units held. If the Unitholder acquires Units of the same Series at separate times, the cost of each Unit in that Series owned by the Unitholder will be determined by averaging the cost of those Units acquired with the adjusted cost base of the Units of the same Series then owned by the Unitholder. Any additional Units acquired by a Unitholder, including in satisfaction of a distribution, have an initial cost to the Unitholder equal to the value of the Units or the amount of the distribution so satisfied, as the case may be. Generally, the total adjusted cost base of Units in the same Series will be equal to the total cost of all Units in the Series acquired by the Unitholder minus the adjusted cost base of Units in the Series previously redeemed or otherwise disposed of and the amount by which the adjusted cost base of Units in the Series is required to be reduced on account of distributions made by the Trust to the Unitholder, as described above. Unitholders are responsible for tracking their adjusted cost base.

One-half of any capital gain realized by a Unitholder on the disposition of Units must be included in the Unitholder's income as a taxable capital gain. One-half of a capital loss is an allowable capital loss, which may be deducted from taxable capital gains realized by the Unitholder in the year. Allowable capital losses of a Unitholder that exceed taxable capital gains of the Unitholder in a year may be carried back three years or forward indefinitely and deducted against net taxable capital gains realized by the Unitholder in those earlier or later years, to the extent and in the circumstances specified in the Tax Act.

Any consolidation of Units is not a taxable event to a Unitholder. The adjusted cost base of the Unitholders' consolidated Units will be equal to the result obtained when the adjusted cost base of a Unitholder's Units immediately prior to the time of consolidation is divided by the number of Units the Unitholder holds immediately after consolidation.

The Tax Act provides for an alternative minimum tax applicable to individuals (including certain trusts and estates) resident in Canada, which is computed by reference to an adjusted taxable income amount. Eighty percent of capital gains (net of capital losses) and the actual amount of taxable dividends (not including any gross-up) are included in adjusted taxable income. Any additional tax payable by an individual under the minimum tax provisions may be carried forward and applied against certain tax otherwise payable in any of the seven immediately following taxation years; however this carry forward amount will only be creditable in a particular year to the extent that the individual's tax payable for the year, calculated without reference to the minimum tax provisions, exceeds the tax payable under the minimum tax provisions for the year. Amounts distributed by the Trust that are taxable dividends from taxable Canadian corporations or the taxable portion of net realized capital gains, and capital gains realized on the disposition of Units, may result in the Unitholder being liable to alternative minimum tax, or increase the Unitholder's liability for alternative minimum tax.

Tax Information Reporting

The Trust has due diligence and reporting obligations under the U.S. Foreign Account Tax Compliance Act (as implemented in Canada by the Canada-United States Enhanced Tax Information Exchange Agreement and Part XVIII of the Tax Act, collectively "FATCA") and the OECD's Common Reporting Standard (as implemented in Canada by Part XIX of the Tax Act, "CRS"). Generally, unitholders (or in the case of certain unitholders that are entities, the "controlling persons" thereof) will be required by law to provide the Trust and/or their registered dealer with information related to their citizenship or tax residence and, if applicable, their foreign tax identification number. If a

unitholder (or, if applicable, any of its controlling persons) does not provide the information or, for FATCA purposes, is identified as a U.S. citizen (including a U.S. citizen living in Canada) or, for CRS purposes, is identified as a tax resident of a country other than Canada or the U.S., information about the unitholder (or, if applicable, its controlling persons) and his, her or its investment in the Trust will generally be reported to the CRA. The CRA will provide that information to, in the case of FATCA, the U.S. Internal Revenue Service and in the case of CRS, the relevant tax authority of any country that is a signatory of the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information or that has otherwise agreed to a bilateral information exchange with Canada under CRS.

Investment by Deferred Plans

Units of the Trust will constitute a "qualified investment" under the Tax Act for Deferred Plans so long as the Trust qualifies as a mutual fund trust for purposes of the Tax Act.

Even if the Units are qualified investments for Deferred Plans, the Units of the Trust will be a "prohibited investment" for Unitholders who hold Units in tax-free savings accounts, registered retirement savings plans, registered retirement income funds, registered disability savings plans and registered education savings plans if, among other things, the holder has a "significant interest" in the Trust. A Unitholder will have a significant interest in the Trust if the Unitholder, either alone or together with persons and partnerships with which the Unitholder does not deal at arm's length, holds interests in the Trust that have a fair market value of at least 10% of the value of all the beneficial interests in the Trust. The interest of a Unitholder who holds less than 10% of the beneficial interests in the Trust cannot be a prohibited investment.

Prospective Unitholders should consult with their own tax advisors as to whether Units of the Trust would be prohibited investments under the Tax Act in their particular circumstances.

COMPENSATION PAID TO SELLERS AND FINDERS

Selling Commissions

The Trust and the Manager do not charge a fee or commission when investors purchase Units of the Trust.

The Trust will pay a Trailer Fee to registered dealers in respect of the Series A Units, payable monthly in arrears. The amount of the Trailer Fee will be deducted from distributions to Series A Unitholders.

Investors should note that authorized brokers, dealers or advisors may charge investors an upfront selling commission (estimated to be up to 5% of the Subscription Price) at the time of purchase of Units, which may reduce the amount of money invested in the Trust.

Short Term Trading Deduction

In order to protect the interest of the remaining Unitholders in the Trust and to discourage short term trading in the Trust, Unitholders will be subject to a short term trading deduction. If a Unitholder redeems Units of the Trust within one year of purchasing such Units, the Trust will deduct and retain, for the benefit of the remaining Unitholders in the Trust, 1% of the Subscription Price of the Units being redeemed.

Dealer Compensation

As set out under "Selling Commissions" above, brokers, dealers or advisors selling Units of the Trust may charge investors a commission at the time of purchasing Units, which will reduce the amount of money invested in the Trust.

The Trust will pay an investor's authorized broker, dealer or advisor Trailer Fees as compensation for ongoing advice and service in respect of Series A Units. The Trailer Fees are accrued monthly and are paid monthly at the current annual rate of 1.0% of the Subscription Price per Unit of the Series A Units held by clients of the authorized broker, dealer or advisor. The Trailer Fee is calculated based on the Subscription Price of the Units for each calendar month.

The Trailer Fee will not be paid if the Units are redeemed. Trailer Fees are calculated monthly and payable, on or about 10 days following the last day of each calendar month. The amount of the Trailer Fee will be deducted from distributions otherwise payable to Series A Unitholders. The Trust may, from time to time, pay the Trailer Fee more frequently than monthly, in which event the Trailer Fee will be pro-rated for the period to which it relates.

Investors who purchase Series I Units through a dealer, pay their dealer a negotiated service fee and a lower Management Fee is paid to the Manager by the Trust.

Selling commissions and Trailer Fees payable by the Trust may be modified or discontinued by the Manager at any time. The Manager may, at its discretion, negotiate, change the terms and conditions of, or discontinue the Trailer Fee with brokers, dealers and advisors. Brokers, dealers or advisors qualifying for a Trailer Fee in respect of the Trust for the first time must contact the Manager in writing to arrange the first payment. Payments thereafter are made automatically as long as the broker, dealer or advisor continues to qualify.

RISK FACTORS

The purchase of Units involves a number of risk factors. An investor should reach a decision to invest in the Trust after careful consideration with his or her advisors as to the suitability of an investment in the Trust in light of its investment objective and the information set out in this Offering Memorandum. The Manager does not make any recommendation as to the suitability of the Trust for investment by any person. All prospective Unitholders should consider an investment in the Trust within the overall context of their investment policies. Investment policy considerations include, but are not limited to, setting objectives, defining risk/return constraints and considering time horizons. This Offering is not suitable for investors who cannot afford to assume moderate risks in connection with their investments. In addition to the factors set forth elsewhere in this Offering Memorandum, prospective investors should consider the following factors.

Return on Units Determined By Reference to Mortgage Portfolio

Unitholders' returns will be determined by the returns generated by the Mortgage Portfolio. The return on the Units may decrease as well as increase. The Trust makes no representation as to any return that a Unitholder will earn on the Units and there can be no assurance that information on the Mortgage Broker or the Mortgage Portfolio set out in this Offering Memorandum will be, in any respect, indicative of how they will perform (either in terms of profitability, volatility or low correlation with other investments) in the future.

Changes in Real Estate Values

The Trust's investments in Mortgage loans will be secured by Real Property, the value of which can fluctuate. The value of real estate is affected by general economic conditions, local real estate markets, the attractiveness of the property to tenants/purchasers, competition from other available properties, fluctuations in market pricing and occupancy rates, operating expenses and other factors. The value of income-producing real property may also depend on the credit worthiness and financial stability of the borrowers and/or the tenants. Changes in market conditions may decrease the value of the secured property and reduce the actual or projected cash flow from the property, thereby affecting the ability of the borrower to service the debt and/or repay the loan. In particular, disruptions to the credit and financial markets worldwide and local economic disruptions in areas where the borrowers of the Mortgage loans are located may adversely affect the value of the real estate on which the Mortgage loans are secured and the ability of the borrowers to repay the Mortgage loans and thereby negatively affect the Trust's business.

A substantial decline in value of real property provided as security for a Mortgage may cause the value of the property to be less than the outstanding principal amount of the Mortgage loan. Foreclosure by the Trust on any such Mortgage loan might not provide the Trust with proceeds sufficient to satisfy the outstanding principal amount of the Mortgage loan.

While independent appraisals are generally required before the Trust may make any Mortgage investments, the appraised values provided, even where reported on an "as is" basis, are not necessarily reflective of the market value of the underlying real property, which may fluctuate. In addition, the appraised values reported in independent

appraisals may be subject to certain conditions, including the completion of construction, rehabilitation, remediation or leasehold improvements on the real property providing security for the loan. There can be no assurance that these conditions will be satisfied and if, and to the extent they are not satisfied, the appraised value may not be achieved. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the Real Property at the time the conditions are satisfied.

Concentration and Composition of the Mortgage Portfolio

The Mortgage Portfolio will be invested in Mortgages, although the Trust also may hold some cash and cash equivalents. Given the concentration of the Trust's exposure to Mortgages, the Trust will be more susceptible to adverse economic or regulatory occurrences affecting Real Property than an investment entity that holds a diversified portfolio of securities. 9.77% of the Trust's Mortgage Portfolio by number of Mortgages and 12.65% of the Trust's Mortgage Portfolio by dollar amount relate to Mortgages granted to a single borrower at December 31, 2019. Given the concentration of the Trust's exposure to this borrower, the Trust will be more susceptible to adverse financial circumstances affecting this borrower than a mortgage investment entity that does not have its Mortgage investments concentrated with a small number of borrowers. Investments in Mortgages are relatively illiquid. Such illiquidity will tend to limit the Trust's ability to vary the Mortgage Portfolio promptly in response to changing economic or investment conditions.

The investment objectives and investment restrictions of the Trust permit the assets of the Trust to be invested in a broad spectrum of Mortgages. Therefore, the composition of the Mortgage Portfolio may vary widely from time to time, subject to the investment objectives and investment restrictions of the Trust. The Mortgage Portfolio will be invested and may from time to time be concentrated by location of the properties, type of property, or other factors resulting in the Mortgage Portfolio being less diversified than at other times. As a result, the returns generated by the Mortgage Portfolio may change as its composition changes.

No Market

There is no market for the Units and a market for the Units is not expected to develop. Units will not be transferable, except by operation of law (such as the death or bankruptcy of a Unitholder) or in circumstances where the Manager deems it appropriate to do so in its absolute discretion. As well, securities laws will restrict, and may prohibit, transfer of Units. See "Resale Restrictions".

Investments Not Guaranteed or Insured

There can be no assurance that Mortgage loans of the Trust will result in a guaranteed rate of return or any return to Unitholders or that losses will not be suffered on one or more Mortgage loans. Moreover, at any point in time, the interest rates being charged for Mortgages are reflective of the general level of interest rates and, as interest rates fluctuate, it is expected that the aggregate yield on Mortgage investments will also change.

A Mortgage borrower's obligations to the Trust or any other person are not guaranteed by the Government of Canada, the government of any province or any agency thereof nor are they insured under the *National Housing Act* (Canada). In the event that additional security is given by the borrower or a third party or that a private guarantor guarantees the Mortgage borrower's obligations, there is no assurance that such additional security or guarantee will be sufficient to make the Trust whole if and when resort is to be had thereto. Further, Units are not "deposits" within the meaning of the *Canadian Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation.

Lack of Liquidity

An impairment of liquidity within the financial markets, such as the extraordinary credit crisis which commenced in 2008 or the COVID-19 health pandemic which began in 2019, could affect the ability of the Trust's borrowers to refinance and pay out the Mortgages in the Mortgage Portfolio when due. If a similar crisis were experienced, the Manager expects an impairment of liquidity will occur within the financial markets and this lack of liquidity may require that the Trust suspend the Redemption of its Units. See "Recent Developments – Suspension of Redemptions".

Subordinate and Non-conventional Financing

Subordinate financing (such as a second ranking Mortgage investment), which will be carried on by the Trust, is generally considered a higher risk than first ranking financing. As such, Mortgages will be secured by a charge, which may be in a first, but at times subsequent, ranking position upon or in the underlying real estate. When a charge on Real Property is in a position other than first ranking, it is possible for the holder of a prior charge on the Real Property, if the borrower is in default under the terms of its obligations to such holder, to take a number of actions against the borrower and ultimately against the Real Property in order to realize the security given for his loan. Such actions may include a foreclosure action, or an action forcing the Real Property to be sold. A foreclosure action may have the ultimate effect of depriving any person having other than a first ranking charge on the Real Property of the security of the Real Property. If an action is taken to sell the Real Property and sufficient proceeds are not realized from such sale to pay off all creditors who have prior charges on the Real Property, the holder of a subsequent charge may lose his investment or part thereof to the extent of such deficiency unless he can otherwise recover such deficiency from other property owned by the debtor.

As well, the Trust may take a junior position in a first Mortgage. See "Loan Sharing". The senior portion in the Mortgage will be given priority for payment in return for receiving less interest than the stipulated rate of the Mortgage thereby increasing the risk to the junior position for potential full recovery of its interest and principal in the event of default. Additionally, if a foreclosure action is taken to sell the Real Property and sufficient proceeds are not realized from such sale to pay off all creditors who have a first ranking charge on the Real Property, the holder of a junior charge may lose his investment or part thereof to the extent of such deficiency unless he can otherwise recover such deficiency from other property owned by the debtor.

The Trust may make investments in Mortgages where the aggregate of all Mortgages registered against the underlying real property exceeds 75% of the value of the Real Property which is mortgaged, which exceeds the investment limit for conventional bank Mortgage lending.

Degree of Leverage

The Trust's degree of leverage could have important consequences to Unitholders. For example, the degree of leverage could affect the Trust's ability to obtain additional financing in the future for working capital, capital expenditures, or other general purposes, making the Trust more vulnerable to a downturn in business or the economy in general.

Sensitivity to Interest Rates

It is anticipated that the market price for the Units and the value of the Mortgage Portfolio at any given time may be affected by the level of interest rates prevailing at such time. The Trust's income will consist primarily of interest payments on the Mortgages comprising the Mortgage Portfolio. If there is a decline in interest rates (as measured by the indices upon which the interest rates of the Trust's Mortgages are based), the Trust may find it difficult to purchase additional Mortgages bearing rates sufficient to achieve the targeted payment of distributions on the Units. There can be no assurance that an interest rate environment in which there is a significant decline in interest rates would not adversely affect the Trust's ability to maintain distributions on the Units at a consistent level. As well, if interest rates increase, the value of the Trust's Mortgage Portfolio may be negatively affected.

Fluctuations in Capitalization Rates

As interest rates fluctuate in the lending market, generally so too do capitalization rates which affect the underlying value of real estate. As such, when interest rates rise, generally capitalization rates should be expected to rise. Over the period of investment or development, gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates.

Severe Weather Conditions and Natural Disasters

The occurrence of unpredictable and severe weather conditions may have adverse impacts on the Trust's investments and financial condition. Severe weather conditions and natural disasters may negatively impact, among other things,

land values, rates of default, capitalization rates, foreclosure rates and insurance costs and may require rehabilitation costs for damaged properties or cause delays in the completion of projects that may directly or indirectly be part of the Trust's Mortgage portfolio.

Cross-Border Risk

Some of the Trust's Mortgages are, and will continue to be, made in the U.S. As the Trust continues to expand its existing cross-border Mortgages, it may face cross-border risks, including risks relating to political policy changes, staffing and managing cross-border investments, tariffs and other trade barriers, differing and potentially adverse tax implications, increased and conflicting regulatory compliance, and challenges caused by distance and cultural difference.

Tax Matters

The return on the Unitholder's investment in Units is subject to changes in Canadian federal and provincial tax laws, tax proposals, other governmental policies or regulations and governmental, administrative or judicial interpretation of the same. To the extent the Trust earns income in the United States, it is also exposed to changes in U.S. federal and state tax laws, tax proposals, other governmental policies or regulations and U.S. governmental, administrative or judicial interpretation of the same. There can be no assurance that tax laws, tax proposals, policies or regulations, or the interpretation thereof in either country, will not be changed in a manner which will fundamentally alter the tax consequences to Unitholders acquiring, holding or disposing of Units.

If the Trust ceases to qualify as a mutual fund trust or a registered investment Units may cease to be qualified investments for Deferred Plans. This could result in Deferred Plans which hold Units becoming liable for a penalty tax under the Tax Act.

Payment of income by the distribution of Units, for example on payment of non-cash items such as foreign exchange gains or as a result of accounting and tax differences, can result in Unitholders having a tax liability without a corresponding distribution of cash to pay that tax liability.

Hedging

The Trust enters into hedging transactions relating to investments denominated in U.S. dollars to manage the risks from changes in currency conversion. Hedging instruments allow the Manager to reduce, but not eliminate, the potential effects of the variability in cash flow from fluctuations in currency conversion. The Manager's hedging strategy and future hedging transactions will be determined at its discretion. Hedging of U.S. dollar investments may not perfectly offset fluctuations in the Canadian-U.S. dollar exchange rate.

Risks Related to Mortgage Extensions and Mortgage Defaults

The Manager may from time to time deem it appropriate to extend or renew the term of a Mortgage loan past its maturity, or to accrue the interest on a Mortgage loan, in order to provide the borrower with increased repayment flexibility. The Manager generally will do so if it believes that there is a very low risk to the Trust of not being repaid the full principal and interest owing on the Mortgage loan. In these circumstances, however, the Trust is subject to the risk that the principal and/or accrued interest of such Mortgage loan may not be repaid in a timely manner or at all, which could affect the cash flows of the Trust during the period in which it is granting this accommodation. Further, in the event that the valuation of the asset has fluctuated substantially due to market conditions, there is a risk that the Trust may not recover all or substantially all of the principal and interest owed to the Trust in respect of such Mortgage loan.

When a Mortgage loan is extended past its maturity, the loan can either be held over on a month-to-month basis, or renewed for an additional term at the time of its maturity. Notwithstanding any such extension or renewal, if the borrower subsequently defaults under any terms of the loan, the Manager has the ability to exercise its Mortgage enforcement remedies in respect of the extended or renewed Mortgage loan. In addition, as a result of potential declines in real estate values, in particular given the current economic environment, there is no assurance that the Trust

will be able to recover all or substantially all of the outstanding principal and interest owed to the Trust in respect of such Mortgages by exercising its Mortgage enforcement remedies. Should the Trust be unable to recover all or substantially all of the principal and interest owed to the Trust in respect of such Mortgage loans, the Net Asset Value of the Trust would be reduced, and the returns, financial condition and results of operations of the Trust could be adversely affected.

Foreclosure and Related Costs

One or more borrowers could fail to make payments according to the terms of their loans, and the Trust could therefore be forced to exercise its rights as mortgagee. The recovery of a portion of the Trust's assets may not be possible for an extended period of time during this process and there are circumstances where there may be complications in the enforcement of the Trust's rights as mortgagee. Legal fees and expenses and other costs incurred by the Trust in enforcing its rights as mortgagee against a defaulting borrower are usually recoverable from the borrower directly or through the sale of the mortgaged property by power of sale or otherwise, although there is no assurance that they will actually be recovered. In the event that these expenses are not recoverable they will be borne by the Trust.

Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, Mortgage payments, insurance costs and related charges must be made through the period of ownership of real property regardless of whether the property is producing income or whether Mortgage payments are being made. The Trust may therefore be required to incur such expenditures to protect its investment, even if the borrower is not honoring its contractual obligations.

The Trust intends to hold any U.S. foreclosure property through a wholly-owned United States corporate subsidiary to prevent the Trust from having a "permanent establishment" in the U.S. for income tax treaty purposes. If the Trust were to be treated as having a permanent establishment in the United States, the income tax consequences to the Trust could be materially and adversely affected.

Reliance on the Manager/Mortgage Broker

The Trust will be highly dependent upon the good faith, experience and judgment of the directors and officers of the Manager and the Mortgage Broker to manage the business and affairs of the Trust. The loss of services of key personnel of the Manager and/or Mortgage Broker could adversely affect the Trust. Unitholders have no right to take part in the management of the Trust.

Very Limited Role of the Board of Governors

The role of the Board of Governors is generally advisory in nature and it does not involve itself in the day to day management of the Trust. Its duties differ from those of the board of directors of a corporation. Its responsibilities are limited to those expressly set forth in the Declaration of Trust and substantially all powers, authorities and responsibilities in respect of the Trust are those of the Manager.

Restrictions on Redemption

Conditions may arise which would cause the Manager to suspend the Redemption of Units, or postpone the day of payment or right of Redemption, for a period of not more than 180 days, for or during a period during which the Manager determines that conditions exist which render impractical the sale of the assets of the Trust or impair the ability of the Manager to determine the value of the assets held by the Trust. If the Manager receives a Redemption Notice or is required to make a Redemption for an amount exceeding the Redemption price per Unit, the Manager may, in its discretion, suspend redemptions or give notice to terminate the Trust as of the Termination Date which precedes the intended date of such Redemption. See "Securities Offered – Unitholder's Right to Redeem". See "Recent Developments – Suspension of Redemptions".

Public Health Crisis

The Trust's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics, pandemics or other health crises, such as the COVID-19. As at the date of this prospectus, the global reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, quarantines, temporary business closures and a general reduction in consumer activity. While these effects are expected to be temporary, the duration of the disruptions to business internationally and the related financial impact cannot be estimated with any degree of certainty at this time. Such public health crises can result in disruptions and volatility in financial markets and global supply chains as well as declining trade and market sentiment and reduced mobility of people, all of which could impact Real Property prices, interest rates, credit ratings, credit risk and inflation. The risks to the Trust of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak. At this point, the extent to which COVID-19 may impact the Trust is uncertain; however, it is possible that COVID-19 could have a material adverse effect on the Trust's business, results of operations and financial condition.

Nature of Units

The Units share certain attributes common to equity securities. The Units represent an undivided interest in the assets of the Trust. However, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions.

Potential Conflicts of Interest

The Manager is required to satisfy a standard of care in exercising its duties with respect to the Trust. However, neither the Manager nor its officers, directors, Affiliates, or employees are required to devote all or any specified portion of their time to their responsibilities relating to the Trust. The Manager and its officers, directors, Affiliates, or employees may undertake financial, investment or professional activities which give rise to conflicts of interest with respect to the Trust.

Certain inherent conflicts of interest arise from the fact that the Manager may carry on investment activities for other clients (including other mortgage investment entities managed by the Manager) or on a proprietary basis in which the Trust will have no interest. Future investment activities by the Manager, including the establishment of other mortgage investment entities, may give rise to additional conflicts of interest.

The Manager also may engage in the promotion, management or investment management or other services in relation to other investment products, vehicles or any other fund or trust. These competing vehicles may have investment policies similar to those of the Trust or entities through which they make investment allocations and the Manager may be compensated in a different manner in respect of those vehicles. The Manager will follow procedures designed to ensure an appropriate allocation of available investment opportunities among the Trust and competing vehicles.

Where there is a material risk of damage to the Trust arising from any conflict of interest, this conflict will be managed to prevent the conflict from adversely affecting the interests of the Trust, including by reference to the Trust's Independent Review Committee.

Availability of Investments

The ability of the Trust to make investments in accordance with the objectives of the Trust will depend upon the availability of suitable investments. The Trust will compete with individuals, trusts and institutions for the investment in the financing of real properties. Many of these competitors have greater resources than the Trust or operate with greater flexibility.

Fees and Transaction Costs

The Trust will be subject to the payment of various fees, including those of the Mortgage Broker. See information within the section entitled "Directors, Management, Promoters and Principal Holders – Manager's Fees; Expenses of the Trust".

Possible Personal Liability of Unitholders

The Declaration of Trust provides that it is intended that no Unitholder will be held to have any personal liability as such, and no resort will be had to a Unitholder's private property, for satisfaction of any obligation in respect of or claim arising out of or in connection with any contract or obligation of the Trust or of the Trustee, or any obligation in respect of which a Unitholder might otherwise have to indemnify the Trustee for any liability incurred by the Trustee, but rather only the Trust Property is intended to be subject to any levy or execution for satisfaction of any obligation or claim.

Because of uncertainties in the law relating to investment trusts such as the Trust, there is a remote risk that a Unitholder could be held personally liable, notwithstanding the foregoing statement in the Declaration of Trust, for obligations in connection with the Trust (to the extent that claims cannot be satisfied by the Trust). It is intended that the Trust's operations be conducted in such a way as to minimize any such risk and, in particular and where practical, to cause every written contract or commitment of the Trust to contain an express statement that liability under such contract or commitment is limited to the value of the net assets of the Trust.

Under the *Income Trust Liability Act* (British Columbia), Unitholders are not liable, as beneficiaries of a trust, for any act, default, obligation or liability of the Trust. This statute has not yet been judicially considered and it is possible that reliance on the statute by a Unitholder could be successfully challenged on jurisdictional or other grounds. Unitholders who are resident in jurisdictions which have not enacted legislation similar to the British Columbia legislation may not be entitled to the protection of the British Columbia legislation. In any event, the Manager considers that the risk of any personal liability of Unitholders is minimal in view of the size of the anticipated equity of the Trust, the nature of its activities and the requirement of the Trust that any written contract or commitment of the Trust (except where such inclusion is not reasonably possible) include an express limitation of such liability.

CONFLICTS OF INTEREST AND INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

General

Purchasers of the Units will be required to rely upon the judgment, honesty and good faith of the Manager. Persons who are not willing to rely thereon should not purchase any of the Units offered hereby.

An Independent Review Committee has been established for the Trust. The mandate of the Independent Review Committee is to consider, and to recommend or approve, the Manager's proposed course of action in response to conflict of interest matters that are referred to it by the Manager. The Independent Review Committee has adopted a written charter that prescribes its mandate, its responsibilities and functions and the policies and procedures that govern its activities. A conflict of interest matter is any situation where a reasonable person would consider the Manager, or any person related to the Manager, to have an interest that may conflict with the Manager's ability to act in good faith in the best interests of the Trust. Please see "Directors, Management, Promoters and Principal Holders – The Board of Governors – Independent Review Committee" for a description of the members of the Independent Review Committee.

Although the Independent Review Committee is required to review same (see "The Board of Governors"), there may be situations in which the individual interests of the Manager may conflict with those of the Trust or its Unitholders. The Manager will make any decision involving the Trust or the Unitholders in accordance with its duty to deal honestly and in good faith.

The Mortgage Broker or its Affiliates may also earn brokerage fees from placing Mortgages against properties and performing due diligence review proceedings.

The Manager and the Mortgage Broker are Affiliates and transactions between them have not been, and will not be, negotiated or conducted at arm's length.

Other Competing Activities of the Manager and its Affiliates

The Manager is not in any way limited or affected in its ability to carry on business ventures for its own account and for the account of others and may be engaged in the ownership, acquisition and operation of businesses, which compete with the Trust. In addition, the Manager and its Affiliates have established and may establish in the future other trusts or other investment vehicles which have or may have investment objectives that are the same as or similar to those of the Trust and to act as adviser and/or Manager to such Trusts. However, the Declaration of Trust includes a covenant of the Manager to exercise its powers in good faith and in the best interests of the Trust, and in connection therewith, to exercise that degree of care, diligence and skill that a reasonably prudent manager would exercise in comparable circumstances.

The Manager may also establish or acquire an interest in one or more mortgage brokerage businesses (see "Risk Factors - Conflicts of Interest"), and such business may recommend investments for the Trust which, if taken, will entitle such businesses to a brokerage fee. The Trust is not committed to make any investment with such mortgage brokerage businesses.

The Manager, the Mortgage Broker or their Affiliates will determine the amount of any brokerage or due diligence fees they may charge. In the case of Mortgages which are originated by the Mortgage Broker, such fees will generally be paid by the borrower. In some instances where the Trust agrees to participate in a loan which has a low brokerage fee, a portion of the brokerage fee may be deducted from interest payments otherwise payable to the Trust. In the case of Mortgages which have been purchased by the Mortgage Broker from third parties, such fees may also be deducted from interest payments otherwise payable to the Trust, or may be paid directly by the Trust, as a result of the difference between the purchase price paid by the Mortgage Broker and the purchase price paid by the Trust. The brokerage fees charged to the Trust in such instances will vary depending on the size of the transaction and the amount of any fees otherwise payable to the Mortgage Broker. Such fees will generally be paid by the borrower, but may be deducted from monies paid by borrowers in respect of existing Mortgages which have been purchased from third parties.

AUDITORS

The Auditor of the Trust is KPMG, LLP, whose address is 777 Dunsmuir Street, Vancouver, British Columbia, V7Y 1K3.

REGISTRAR AND TRANSFER AGENT

Trez Capital Limited Partnership acts as registrar and transfer agent for all transactions.

LEGAL AND TAX MATTERS

Certain legal matters in connection with the issuance and sale of Units offered hereunder will be passed upon on behalf of the Trust by Bennett Jones LLP and in respect of income tax matters, by Thorsteinssons LLP, Tax Lawyers.

CONTINUOUS REPORTING OBLIGATIONS TO INVESTORS

As the Trust is not a "reporting issuer" as defined in the *Securities Act* (British Columbia), the continuous reporting requirements of relevant securities laws do not generally apply to the Trust. The Trust will, however, on or before March 31 in each calendar year, provide to each Unitholder all information required to file Canadian income tax

returns and will provide to each Unitholder annual audited financial statements, together with notice as to how the proceeds raised pursuant to this Offering Memorandum have been used, in accordance with Form 45-106F16.

RESALE RESTRICTIONS

The Units will be subject to a number of resale restrictions, including a restriction on trading. Investors will not be able to trade the securities unless they comply with an exemption from the prospectus and registration requirements under securities legislation.

Unless permitted under securities legislation, an Investor cannot trade the Units before the date that is 4 months and a day after the later of (i) the date the Trust becomes a reporting issuer in any province or territory of Canada; and (ii) the distribution date.

Unless permitted under securities legislation, an Investor must not trade the Units without the prior written consent of the regulator in Manitoba unless:

- (a) the Trust has filed a prospectus with the regulator in Manitoba with respect to the Units which have been purchased and the regulator in Manitoba has issued a receipt for that prospectus; or
- (b) the Investor has held the securities for at least 12 months.

The regulator in Manitoba will consent to a trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

PURCHASERS' CONTRACTUAL AND STATUTORY RIGHTS OF ACTION

Securities legislation in certain of the provinces of Canada provides investors (known as statutory rights), or requires investors to be provided (known as contractual rights) with, in addition to any other rights they may have at law, a remedy for rescission or damages where this Offering Memorandum and any amendment thereto contains a Misrepresentation; however, such remedies must be exercised by the purchaser within the time limit prescribed by the securities legislation. As used herein, except where otherwise specifically defined, "Misrepresentation" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement in this Offering Memorandum not misleading in light of the circumstances in which it was made. Purchasers of Units should refer to the applicable provisions of the securities legislation of their provinces for the particulars of these rights or consult with a legal advisor. The contractual rights of action described below will be provided to investors in their Subscription Agreements.

The following is a summary of the rights of the rescission or damages, or both, available to investors under the securities legislation of the provinces of Canada. Such rights will be expressly conferred upon investors in the Subscription Agreement to be executed by investors in connection with the offering of securities hereunder.

Two Day Cancellation Right

You can cancel your agreement to purchase these securities. To do so, you must send a notice to the Manager by midnight on the second Business Day after you sign the agreement to buy the securities.

Rights for Investors in British Columbia

If an Investor is (i) resident in British Columbia; (ii) not an "accredited investor", as defined in NI 45-106, and (iii) not purchasing, as principal, a sufficient number of Units such that the aggregate Subscription Price to the Investor is not less than \$150,000, then if there is a misrepresentation in this Offering Memorandum, the Investor will have a statutory right of action for damages against the Trust and every director of the Manager at the date of this Offering Memorandum and every person who signs this Offering Memorandum. The Trust has granted an identical contractual

right of action in the Subscription Agreement to Investors resident in British Columbia who are "accredited investors" or purchasing a sufficient number of Units such that the aggregate Subscription Price is not less than \$150,000.

Alternatively, the Investor may elect to exercise a right of rescission against the Trust in which case the Investor will have no right of action for damages against the Trust or the Manager.

If applicable, the statutory right to sue is available to an Investor whether or not the Investor relied on the misrepresentation. However, there are various defences available to the Trust and the Manager or entities that an Investor have a right to sue, including if it can be proven that the Investor knew of the misrepresentation when the Investor purchased the securities in an action for damages, the amount an Investor may recover will not exceed the price that the Investor paid for his securities and will not include any part of the damages that the Trust or the Manager prove does not represent the depreciation in value of the securities resulting from the misrepresentation.

If an Investor intends to rely on the rights described above, the Investor must do so within strict time limitations. An Investor must commence his action to cancel the agreement within 180 days after he signed the agreement to purchase the securities. The Investor must commence his action for damages within the earlier of 180 days after learning of the misrepresentation and 3 years after he signed the agreement to purchase the securities.

The foregoing summary is subject to the express provisions of the *Securities Act* (British Columbia) and the rules and the regulations thereunder and reference is made thereto for the complete text and provisions. Investors should refer to those provisions for the particulars of these rights or consult with a lawyer.

Rights for Investors in Alberta

If an Investor is (i) resident in Alberta; (ii) not an "accredited investor", as defined in NI 45-106, and (iii) purchases the Units during the period of distribution, then he shall be deemed to have relied on a representation contained in this Offering Memorandum, if it was a misrepresentation at the time of purchase, the Investor shall have a right of action for damages against the Trust but may elect (while still the owner of any of the Units purchased) to exercise a right of rescission against the Trust, in which case he shall have no right of action for damages against the Trust, provided that:

- (a) the Trust will not be held liable under this right of action if the Trust proves that the Investor purchased the Units with knowledge of the misrepresentation;
- (b) in an action for damages, the Trust will not be liable for all or any portion of such damages that it proves do not represent the depreciation in value of the Units as a result of the misrepresentation relied upon; and
- (c) in no case will the amount recoverable under this right of action exceed the price at which the Units were sold to the Investor.

The Trust has granted an identical contractual right of action in the Subscription Agreement to Investors resident in Alberta who are "accredited investors".

In Alberta, no action may be commenced to enforce such right of action unless the right is exercised:

- (d) in the case of an action for rescission, not later than 180 days from the date the Investor purchased the Units; or
- (e) in the case of any action, other than an action for rescission, the earlier of: (A) 180 days from the day that the Investor first had knowledge of the facts giving rise to the cause of action, or (B) one year from the day the Investor purchased the Units.

The foregoing summary is subject to the express provisions of the *Securities Act* (Alberta) and the rules and regulations thereunder and reference is made thereto for the complete text and provisions. If an Investor is resident in Alberta, he should refer to those provisions for the particulars of these rights or consult with a legal adviser.

Rights for Investors in Ontario

In the event that this Offering Memorandum, together with any amendment hereto, delivered to an Investor of Units resident in Ontario contains a Misrepresentation and it was a Misrepresentation at the time of purchase of the Units by such Investor, the Investor will be deemed to have relied upon the Misrepresentation and will, as provided below, have a right of action against the Trust for damages or, while still the owner of the Units purchased by that Investor, for rescission, in which case, if the Investor elects to exercise the right of rescission, the Investor will have no right of action for damages against the Trust, provided that:

- (a) the right of action for rescission or damages will be exercisable by an Investor resident in Ontario, only if the Investor gives notice to the Trust, not later than 180 days for Investors resident in Ontario, after the date on which the payment is made for the Units, (or after the initial payment was made for the securities, where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to or concurrently with the initial payment), that the Investor is exercising this right; and, with respect to Investors resident in Ontario an action is commenced to enforce such right (i) in the case of an action for rescission not more than 180 days after the date of purchase; or (ii) in the case of an action for damages not more than the earlier of 180 days following the date the Investor first had knowledge of the Misrepresentation or three years after the date of purchase;
- (b) the Trust will not be liable if it proves that the Investor purchased the Units with knowledge of the Misrepresentation;
- (c) in the case of an action for damages, the Trust will not be liable for all or any portion of the damages that it proves does not represent the depreciation in value of the Units as a result of the Misrepresentation relied upon;
- (d) in no case will the amount recoverable in any action exceed the price at which the Units were sold to the Investor; and
- (e) the rights of action for rescission or damages are in addition to and without derogation from any other right the investor may have at law.

Rights for Investors in Saskatchewan

The Securities Act, 1988 (Saskatchewan) provides that if this Offering Memorandum or any amendment hereto contains a Misrepresentation, a purchaser of Units pursuant to this Offering Memorandum is deemed to have relied on the Misrepresentation, if it was a Misrepresentation at the time of purchase, and has a statutory right of action for damages or rescission against the Trust and a statutory right of action for damages against every promoter and director of the Trust at the time this Offering Memorandum or any amendment hereto was sent or delivered, every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them, every person who or company that signed this Offering Memorandum or any amendment hereto and every person who or company that sells Units on behalf of the Trust under this Offering Memorandum or any amendment hereto. These rights of action are subject to certain limitations, including that:

- (a) no person or company will be liable if it proves that the Investor purchased the Units with knowledge of the Misrepresentation; and
- (b) in an action for damages, no person or company will be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the Units as a result of the Misrepresentation relied on.

The Securities Act, 1988 (Saskatchewan) also provides that where any advertising or sales literature (as such terms are defined therein) disseminated in connection with the offering of Units contains a Misrepresentation, a purchaser who purchases Units referred to in that advertising or sales literature is deemed to have relied on the Misrepresentation, if it was a Misrepresentation at the time of purchase, and has a statutory right of action for damages or rescission against the Trust and a statutory right of action against every promoter or director of the Trust at the time the advertising or sales literature was disseminated and every person who or company that, at the time the advertising or sales literature was disseminated, sells Units on behalf of the Trust in the offering with respect to which the advertising or sales literature was disseminated. These rights of action are subject to certain limitations, including that:

- (c) no person or company will be liable if it proves that the purchaser purchased the Units with knowledge of the Misrepresentation; and
- (d) in an action for damages, no person or company will be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the Units as a result of the Misrepresentation relied on.

In addition, *The Securities Act, 1988* (Saskatchewan) provides that, where an individual makes a verbal statement to a prospective Investor of Units that contains a Misrepresentation relating to the Units and the verbal statement is made either before or contemporaneously with the purchase of the Units, the Investor is deemed to have relied on the Misrepresentation, if it was a Misrepresentation at the time of purchase, and has a statutory right of action for damages against the individual who made the verbal statement. This right is subject to certain limitations, including:

- (e) no individual will be liable if he or she proves that the Investor purchased the Units with knowledge of the Misrepresentation; and
- (f) in an action for damages, no individual will be liable for all or any portion of the damages that he or she proves do not represent the depreciation in value of the Units as a result of the Misrepresentation relied on.

An Investor of Units from a vendor trading in contravention of *The Securities Act, 1988* (Saskatchewan), the regulations thereunder or a decision of the Saskatchewan Securities Commission may elect to void the contract and to recover all monies or other consideration paid by him to the vendor pursuant to such trade.

An Investor of Units to whom this Offering Memorandum or any amendment hereto was not delivered prior to such purchase has a right of action for rescission or damages against the Trust or any dealer who failed to deliver this Offering Memorandum or any amendment hereto prior to such purchase.

No action to enforce the foregoing rights may be commenced:

- (g) in the case of an action for rescission, more than 180 days after the date of purchase of the Units; or
- (h) in the case of an action for damages, more than the earlier of:
 - (i) one year after the purchaser first had knowledge of the facts giving rise to the cause of action; or
 - (ii) six years after the date of purchase of the Units.

Rights for Investors in Manitoba

Securities legislation in Manitoba provides that Investors of Units pursuant to this Offering Memorandum shall have, in addition to and without derogation from any other right or remedy they may have at law, the following contractual right of action for damages and/or rescission against the Trust if this Offering Memorandum or any amendment hereto contains a Misrepresentation. However, such rights must be exercised within the prescribed time limits described below.

Each Investor of Units pursuant to this Offering Memorandum will not be bound by the contract for the purchase of the Units if the person or company from whom the Units were purchased or his agent receives written or telegraphic notice evidencing the Investor's intention not to be bound not later than midnight on the second Business Day after receipt or deemed receipt by the Investor or his agent of this Offering Memorandum and has the right to rescind the contract for the purchase of the Units, while the holder thereof, if this Offering Memorandum or any amendment hereto, as of the date of receipt or deemed receipt, contains a Misrepresentation. No action to enforce this right may, however, be commenced by the Investor after the expiration of the later of (i) 180 days from the date of receipt or deemed receipt of this Offering Memorandum or any amendment hereto by the Investor or any agent of the Investor, or (ii) the date of the contract for the purchase of the Units.

In the event that this Offering Memorandum or any amendment hereto contains a Misrepresentation, the Investor also has a right of action for damages against every person or company who signed either of the certificates required in this Offering Memorandum and against every director who, on the date this Offering Memorandum or any amendment hereto was signed, was a director of the person or company who signed such certificates for any loss or damage that the Investor has sustained as a result of the purchase of the security, unless it is proved:

- (a) that this Offering Memorandum or any amendment hereto was delivered to the Investor without the director's knowledge or consent;
- (b) that, after the delivery of this Offering Memorandum to the Investor and before the purchase of the Units by the Investor, on becoming aware of any false statement in this Offering Memorandum or any amendment hereto, the director withdrew his consent to the delivery of this Offering Memorandum to prospective Investors and gave reasonable public notice of such withdrawal and of the reason therefore;
- (c) that, with respect to every false statement, the director has reasonable grounds to believe and did believe that the statement was true;
- (d) that where such false statement was that of any expert, the director had no reasonable grounds to believe that the expert who made the statement in this Offering Memorandum or any amendment hereto or whose report or valuation was produced or fairly summarized therein was not competent to make such statement, valuation or report; or
- (e) that, with respect to every false statement purporting to be a statement made by an official person or contained in what purports to be a copy of or extract from a public official document, it was a correct and fair representation of the statement or copy or extract from the document;

but no action to enforce these rights of action for damages against signatories of certificates in this Offering Memorandum or their directors may be commenced by the Investor within the earlier of 180 days after learning of the misrepresentation and two years after the Investor signed the agreement to purchase the Units.

Rights for Investors in New Brunswick

Where this Offering Memorandum contains a Misrepresentation, an Investor who purchases the Units offered by this Offering Memorandum during the period of distribution shall be deemed to have relied on the Misrepresentation if it was a Misrepresentation at the time of purchase, and, the Investor has a right of action for damages or rescission against the Trust. If the Investor elects to exercise a right of rescission against the Trust, then the Investor shall have no right of action for damages against the Trust.

No person or company is liable if the person or company proves that the Investor purchased the Units with knowledge of the Misrepresentation.

In an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves does not represent the depreciation in value of the Units resulting from the Misrepresentation.

In no case shall the amount recoverable exceed the price at which the Units were offered.

In the case of an action for rescission, no action may be commenced more than 180 days from the day of the transaction that gave rise to the cause of action. In the case of an action for damages, no action may be commenced more than the earlier of: (i) 1 year from the day that the Investor first had knowledge of the facts giving rise to the cause of action, or (ii) 6 years from the day of the transaction that gave rise to the cause of action.

Rights for Investors in Nova Scotia

Section 138 of the *Securities Act* (Nova Scotia) provides that if this Offering Memorandum, together with any amendment thereto, or any record incorporated by reference in, or deemed incorporated into, this Offering Memorandum or any amendment thereto, or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia)) in respect of the Units, contains a Misrepresentation, any Investor to whom this Offering Memorandum is sent or delivered who purchases the Units referred to in this Offering Memorandum, or such amendment or record, and any Investor who purchases Units referred to in such advertising or sales literature, is deemed to have relied on that Misrepresentation if it was a Misrepresentation at the time of purchase and has, subject as hereinafter provided, a statutory right of action for damages against the Trust at the date of this Offering Memorandum, and subject to additional defences against the directors of the Trust and every person who signed this Offering Memorandum (and the liability of such persons and companies is joint and several with respect to the same cause of action), or the Investor may elect instead to exercise a statutory right of rescission against the Trust in which case the Investor has no right of action for damages against the Trust at the date of this Offering Memorandum, any director or any person who signed this Offering Memorandum, provided that:

- (a) no action shall be commenced to enforce the right of rescission or damages created under Section 138 of the *Securities Act* (Nova Scotia) more than 120 days after the date payment was made for the Units (or after the date on which initial payment was made for the Units where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment);
- (b) no person or company is liable under Section 138 of the *Securities Act* (Nova Scotia) if the person or company proves that the Investor purchased the Units with knowledge of the Misrepresentation;
- (c) no person or company, other than the Trust, is liable under Section 138 of the *Securities Act* (Nova Scotia) if the person or company proves that:
 - (i) this Offering Memorandum, or the amendment to this Offering Memorandum, was sent or delivered to the Investor without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;
 - (ii) after delivery of this Offering Memorandum, or the amendment thereto and before the purchase of the Units by the Investor, on becoming aware of any Misrepresentation in this Offering Memorandum, or the amendment thereto, or any record incorporated or deemed incorporated by reference herein, the person or company withdrew the person's or company's consent to this Offering Memorandum, or amendment to this Offering Memorandum, or such record, and gave reasonable general notice of the withdrawal and the reason for it; or
 - (iii) with respect to any part of this Offering Memorandum, or amendment thereto, or any record incorporated or deemed to be incorporated by reference herein, purporting to be made on the authority of an expert, or to be a copy of, or an extract from a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that there had been a Misrepresentation, or that the relevant part of this Offering Memorandum, or amendment thereto, or such record, did not fairly represent the

report, opinion or statement of the expert, or was not a fair copy of, or extract from, the report, opinion or statement of the expert;

- (d) no person or company, other than the Trust, is liable under Section 138 of the *Securities Act* (Nova Scotia) with respect to any part of this Offering Memorandum, or amendment thereto or any record incorporated or deemed incorporated by reference therein, not purporting to be made on the authority of an expert, or to be a copy of or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no Misrepresentation, or believed that there had been a Misrepresentation;
- (e) in an action for damages under Section 138 of the *Securities Act* (Nova Scotia), the defendant is not liable for all or any part of the damages that the defendant proves does not represent the depreciation in value of the Units resulting from the Misrepresentation;
- (f) the amount recoverable by a plaintiff under Section 138 of the *Securities Act* (Nova Scotia) may not exceed the price at which the Units were offered under this Offering Memorandum or amendment thereto.

Rights for Investors in Québec

In addition to any other right or remedy available to the purchaser at law, if this Offering Memorandum is delivered to an investor resident in Québec and contains a Misrepresentation, the investor will have statutory rights of action under Québec legislation or, in circumstances where Québec legislation does not provide such rights, contractual rights of action that are equivalent to the statutory rights of action set forth above in respect to purchasers resident in British Columbia.

Statutory rights of action available to purchaser's resident in Québec are outlined in Section 221 of the *Securities Act* (Québec). Section 221 provides that the rights of action established under sections 217 to 219, which deal with Misrepresentation contained in a prospectus, also apply to purchasers of securities under an offering memorandum prescribed by the regulation. A purchaser who has subscribed for acquired securities in a distribution effected with an offering memorandum containing a Misrepresentation may apply to have the contract rescinded or the price revised, without prejudice to a claim for damages. The defendant may defeat the application only if it is proved that the purchaser knew, at the time of the transaction, of the alleged Misrepresentation.

The purchaser may claim damages from the Trust, the Trust's directors or officers, the dealer under contract to the Trust, and any person who is required to sign an attestation in the offering memorandum. Additionally, the purchaser may claim damages from the expert whose opinion, containing a Misrepresentation, appeared, with his consent, in the offering memorandum.

General

The foregoing summaries are subject to the express provisions of the *Securities Act* (British Columbia), the *Securities Act* (Alberta), the *Securities Act* (Ontario), *The Securities Act, 1988* (Saskatchewan), the *Securities Act* (Manitoba), the *Securities Act* (New Brunswick), the *Securities Act* (Nova Scotia) and the *Securities Act* (Québec), and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions.

The rights of action described herein are in addition to and without derogation from any other right or remedy that the Investor may have at law.

Consolidated Financial Statements
(Expressed in Canadian dollars)

TREZ CAPITAL YIELD TRUST

And Independent Auditors' Report thereon

Year ended December 31, 2019



KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Unitholders of Trez Capital Yield Trust

We have audited the financial statements of Trez Capital Yield Trust (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2019
- the consolidated statement of loss and comprehensive loss for the year then ended
- the consolidated statement of changes in net assets attributable to holders of redeemable units for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit 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 (“IFRS”), 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
April 1, 2020

TREZ CAPITAL YIELD TRUST

Consolidated Statement of Financial Position
(Expressed in Canadian dollars)

December 31, 2019, with comparative information for 2018

	Notes	2019	2018
Assets			
Cash and cash equivalents		\$ 62,564,615	\$ 12,803,352
Restricted cash		2,506,240	1,540,000
Accrued interest receivable on promissory notes		1,211,117	1,295,627
Other receivables		2,522,406	2,573,063
Prepaid assets		2,844,662	-
Foreign currency derivatives	17	7,169,397	-
Investments in mortgages	5, 14(b)	1,006,174,847	780,429,280
Investments in associates and joint ventures	4	19,670,882	22,530,108
Investments held at fair value	6	105,620,065	10,530,475
Income tax receivable		-	358,891
Promissory notes receivable	8	6,168,143	8,483,113
Due from related parties	14	906,658	5,544,593
Foreclosed properties held for sale	7	1,900,000	1,900,000
Property under development	9	39,227,496	26,032,752
		\$ 1,258,486,528	\$ 874,021,254
Equity			
Accumulated other comprehensive income		\$ 1,966,337	\$ 2,519,606
Non-controlling interests	14(e)	5,702,957	5,257,688
		7,669,294	7,777,294
Liabilities and Net Assets Attributable to Holders of Redeemable Units			
Accounts payable and accrued liabilities	14(c)	\$ 20,425,942	\$ 5,739,210
Bank indebtedness	10	-	4,220,966
Due to related parties	14(a)	140,779	-
Income tax payable		630,961	-
Foreign currency derivatives	17	-	1,569,937
Distributions payable to holders of redeemable units	12	12,911,886	16,609,289
Loans payable	11	12,083,582	18,968,823
Mortgage syndication liabilities	5	64,305,732	37,958,169
		110,498,882	85,066,394
Redeemable units, representing net assets attributable to holders of redeemable units	13	1,140,318,352	781,177,566
		\$ 1,250,817,234	\$ 866,243,960
Total liabilities and net assets attributable to holders of redeemable units and equity			
		\$ 1,258,486,528	\$ 874,021,254
Redeemable units, representing net assets attributable to holders of redeemable units:			
Class A units	13	\$ 40,303,852	\$ 29,580,669
Class F units		577,104,490	395,930,769
Class I units		522,910,010	355,666,128
		\$ 1,140,318,352	\$ 781,177,566

Subsequent event 19

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

Approved on behalf of the Board of the General Partner of the Manager:

Trez Capital Fund Management Limited Partnership:

(Signed) "Alexander Manson"

Director

(Signed) "Ken Lai"

Director

TREZ CAPITAL YIELD TRUST

Consolidated Statement of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

Year ended December 31, 2019, with comparative information for 2018

	Notes	2019	2018
Revenue:			
Interest income		\$ 84,596,614	\$ 61,495,577
Interest expense on mortgage syndication liabilities		(2,812,039)	(2,271,587)
Other income		2,451,610	7,769
		<u>84,236,185</u>	<u>59,231,759</u>
Expenses:			
Management and incentive fees	14(c)	19,908,214	11,993,720
Foreign exchange (gain) loss		(806,272)	3,120,623
General and administrative		2,594,328	1,981,234
Commissions		1,223,030	2,119,462
Provision for mortgage losses	5	4,517,714	843,996
		<u>27,437,014</u>	<u>20,059,035</u>
Income from investments in associates and joint ventures	4	3,311,089	4,896,521
Fair value gain on investments held at fair value	6	4,468,240	831,279
Fair value gain on foreclosed properties held-for-sale	7	-	400,000
		<u>Income from operations</u>	<u>45,300,524</u>
		64,578,500	45,300,524
Financing costs:			
Interest expense		227,088	409,473
Distributions to holders of redeemable units	12	66,802,587	46,485,530
		<u>67,029,675</u>	<u>46,895,003</u>
		67,029,675	46,895,003
Loss before income taxes		(2,451,175)	(1,594,479)
Income taxes:			
Current income tax expense (recovery)	15	630,962	(358,891)
		<u>630,962</u>	<u>(358,891)</u>
		630,962	(358,891)
Net loss and comprehensive loss for the year		<u>\$ (3,082,137)</u>	<u>\$ (1,235,588)</u>
		\$ (3,082,137)	\$ (1,235,588)
Attributable to:			
Holders of redeemable units		\$ (4,118,747)	\$ (2,611,679)
Non-controlling interests	14	1,036,610	1,376,091
		<u>\$ (3,082,137)</u>	<u>\$ (1,235,588)</u>
		\$ (3,082,137)	\$ (1,235,588)

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

TREZ CAPITAL YIELD TRUST

Consolidated Statement of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Loss and comprehensive loss for the year	\$ (3,082,137)	\$ (1,235,588)
Other comprehensive income (loss):		
Translation adjustment on foreign operations	(553,269)	1,117,483
Comprehensive loss end of year	\$ (3,635,406)	\$ (118,105)
Net comprehensive income (loss) attributable to:		
Net assets attributable to holders of redeemable units	\$ (4,672,016)	\$ (1,494,196)
Non-controlling interests	1,036,610	1,376,091
	\$ (3,635,406)	\$ (118,105)

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

TREZ CAPITAL YIELD TRUST

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

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Balance, beginning of year	\$ 781,177,566	\$ 513,966,486
Impact from adopting IFRS 9	-	(519,290)
Loss attributable to holders of redeemable units	(4,118,747)	(2,611,679)
Contributions and redemptions:		
Issuance of units	396,091,096	285,583,096
Reinvestment of distributions on redeemable units	45,041,791	29,282,285
Redemptions	(77,873,354)	(44,523,332)
	363,259,533	270,342,049
Balance, end of year	\$ 1,140,318,352	\$ 781,177,566

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

TREZ CAPITAL YIELD TRUST

Consolidated Statement of Cash Flows
(Expressed in Canadian dollars)

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Net Loss for the year	\$ (3,082,137)	\$ (1,235,588)
Items not involving cash:		
Income from investments in associates and joint ventures	(3,311,089)	(4,896,521)
Unrealized loss (gain) on foreign currency derivatives	(8,739,334)	3,911,568
Fair value gain on foreclosed property held for sale	-	(400,000)
Interest income, net of interest expense on syndications	(81,700,063)	(59,471,882)
Distributions to holders of redeemable units	66,802,587	46,485,530
Provision for mortgage losses	4,517,714	843,996
Fair value gain on investments held at fair value	(4,468,240)	(831,279)
Interest received	57,269,265	44,471,080
Changes in non-cash operating working items:		
Other receivables	50,657	(1,884,796)
Prepaid assets	(2,844,662)	-
Restricted cash	(966,240)	80,000
Accounts payable and accrued liabilities	14,672,248	(667,781)
Income tax payable	989,852	(1,409,279)
	39,190,558	24,995,048
Investing activities:		
Funding of investments in mortgages	(822,795,450)	(893,638,331)
Repayments on investments in mortgages	544,912,085	633,958,174
Advances (repayments) of promissory notes receivable	2,314,970	(533,542)
Acquisition of and additions to property under development	(13,194,744)	(6,737,585)
Proceeds on disposition of foreclosed property held for sale	-	412,109
Distributions from investment in associates and joint ventures	5,617,047	7,389,566
Funding of investments in special purpose entities	7,876,092	(9,699,196)
	(275,270,000)	(268,848,805)
Financing activities:		
Distributions paid	(25,458,202)	(15,946,583)
Special purpose entity funding from loan sharing partners	-	20,490,662
Change in bank indebtedness	(4,220,966)	2,500,000
Advances of promissory notes payable	(6,885,241)	(1,656,205)
Issuance of units	396,091,096	285,583,096
Redemptions of units	(77,873,354)	(44,523,332)
Change in amounts due from related parties	4,637,935	(5,544,593)
Change in amounts due to related parties	140,779	(63,303)
Distributions to non-controlling interest	(591,342)	(388,451)
	285,840,705	240,451,291
Increase (decrease) in cash and cash equivalents	49,761,263	(3,402,466)
Cash and cash equivalents, beginning of year	12,803,352	16,205,818
Cash and cash equivalents, end of year	\$ 62,564,615	\$ 12,803,352

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

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2019

1. Nature of business:

Trez Capital Yield Trust (the "Trust") is an unincorporated trust which was established under the laws of British Columbia pursuant to a Declaration of Trust dated March 20, 2013, which was amended and restated March 8, 2016. The Trust commenced operations on April 1, 2013.

Trez Capital Fund Management Limited Partnership is the Trust's manager (the "Manager"), Trez Capital Limited Partnership is the Trust's mortgage broker (the "Mortgage Broker") and Computershare Trust Company of Canada acts as Trustee.

The Trust has been created for the purpose of generating a stream of income from interests acquired in a portfolio of mortgages related to any and all types of real property within Canada and the United States ("U.S.") and from limited equity profit sharing arrangements through limited partnerships within the U.S. Pursuant to the Declaration of Trust, the legal ownership of the Trust's property is vested in the Trustee and the Trust Unitholders' beneficial interest in the Trust is represented by units. The affairs and administration of the Trust are managed by the Manager.

The principal place of business of the Trust is located at 1700-745 Thurlow Street, Vancouver, British Columbia, V6E 4E6.

2. Basis of preparation:

(a) Statement of compliance:

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

These consolidated financial statements were authorized for issue by the Board of Governors of the Trust on April 1, 2020.

(b) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis, except for restricted cash, foreign currency derivatives, investments held at fair value and foreclosed properties held for sale which are measured at fair value.

(c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Trust. The functional currency of the Trust's US subsidiaries and investments in associates and joint ventures is the US dollar. Accordingly, the financial statements of the Trust's US subsidiaries and investments in associates and joint ventures have been translated into Canadian dollars as follows:

- (i) Assets and liability amounts are translated at the exchange rate at the end of each reporting period;
- (ii) Amounts included in the determination of earnings is translated at the average exchange rate during the year; and
- (iii) Any gains or losses from the translation of amounts determined in (i) and (ii) above are recognized in other comprehensive income and accumulated in the foreign currency translation reserve, which is a separate account within equity in the consolidated statement of financial position.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2019

2. Basis of preparation (continued):

(d) Use of estimates and judgments:

The preparation of consolidated financial statements requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In making estimates, the Manager relies on external information and observable inputs where possible supplemented by internal analysis as required. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the financial statements are related to investment in mortgages and investments held at fair value:

(i) Investments in mortgages:

The Trust is required to make an assessment of forward looking 'expected credit losses' ("ECL") for investments in mortgages. The expected credit loss model is further explained in Note 3(e). The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary by a material amount.

(ii) Investments held at fair value

Included in the investments at fair value are investment interests in Special Purpose Entities. These allow the Trust to participate in loan sharing arrangements with third party US based financial institutions. Judgment is applied in assessing whether the Trust exercises control, joint control, significant influence or none of the above over the Special Purpose Entities. Control is defined as the power to govern the financial and operating decisions of an entity so as to obtain benefits from its activities, and significant influence is defined as the power to participate in the financial and operating decisions of the Special Purpose Entities. The Trust has determined for these Special Purpose Entities that the Trust has neither control, joint control or significant influence as the Trust has no ability to control or influence any of the relevant activities of the Special Purpose Entities and has therefore measured the investments at fair value in accordance with IFRS 9.

The Trust estimates the value of these investments based on its assessment of the current lending market for mortgages of same or similar terms. Should the underlying assumptions around current market interest rates change, the estimated future cash flows and income could vary affecting fair value.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2019

3. Significant accounting policies:

(a) Basis of presentation:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements:

(i) Subsidiaries:

These consolidated financial statements comprise the financial statements of the Trust and subsidiaries controlled by the Trust. Control exists when the Trust is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are consolidated from the date that control commences and continue to be consolidated until the date that control ceases.

These consolidated financial statements reflect the financial position, results of operations and cash flows of the Trust and its subsidiaries. Intra-group transactions and balances are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets of consolidated subsidiaries not held by the Trust and are presented separately in the consolidated statement of comprehensive income (loss) and within equity in the consolidated statement of financial position.

The Trust consolidates the following material subsidiaries:

	Province of Registration	Percentage of ownership
Victoria Customs House LP (formerly, T-816 Government Street LP)	British Columbia	60%
Trez NP Investors LP	British Columbia	77%
TC Parkside West Investments LP	British Columbia	100%
TC Laurel Park Investment LP	British Columbia	100%
TC H 2014 Partners Investments LP	British Columbia	100%
Trez Capital California LP	British Columbia	100%

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements:

The principal business activity of each of the subsidiaries, except for Trez NP Investors LP and Trez Capital California LP, is investment in real estate development. The principal business activity of Trez NP Investors LP and Trez Capital California LP, is investment in mortgages. Refer to note 4 for subsidiaries that invest in joint ventures.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2019

3. Significant accounting policies (continued):

(a) Basis of presentation (continued):

(ii) Investments in jointly controlled entities:

The Trust and certain of its subsidiaries have interests in a number of development joint ventures, which are accounted for using the equity method.

The Trust holds investments in other trusts and limited partnerships for the purpose of investing in real estate development projects. In certain cases, the Trust's investments are held through intermediary holding entities.

Where the Trust has assessed that it has joint control over the investees, the investments are initially recognized at cost and are adjusted thereafter for the post-acquisition change in the Trust's share in the investee's net assets. The Trust's share of investee's profit or loss is included in the Trust's Consolidated Statement of Comprehensive Income (Loss).

(iii) Investments in associates:

Investments over which the Trust holds significant influence are accounted for using the equity method of accounting. Significant influence is the power to participate in the financial and operating policy decisions of the investee without actual control or joint control of those policies. Under the equity method, the investment is initially recognized at cost and is adjusted thereafter for the post-acquisition change in the Trust's share in the investee's net assets. The Trust's share of investee's profit or loss is included in the Trust's Consolidated Statement of Comprehensive Income (Loss).

The Trust holds investments in associates primarily for the purpose of investing in real estate development projects.

Significant accounting policies of the underlying operating partnerships involved in real estate development projects classified as investments in joint ventures or associates are as follows:

- *Properties under development:* Properties under development are recorded at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less cost to complete the development and selling costs. Costs include all direct development costs and capitalized carrying costs related to holding the property under development, including borrowing costs. The cost of sale of a property or unit is allocated on the basis of the estimated total cost of the project prorated by the selling price of the property or unit over the anticipated sales proceeds from the entire project.
- *Sales revenue:* Revenue from the sale of properties under development is recognized at the time that the risks and rewards of ownership have been transferred, possession or title passes to the purchaser, and all material conditions of the sales contract have been met, and at which time all proceeds are received or collectability is reasonably assured.
- *Other revenues:* The operating partnerships may earn other revenue such as performance fees based on the specific contractual terms of each partnership. These revenues are recorded as earned in accordance with the terms of the respective partnership agreement.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2019

3. Significant accounting policies (continued):

(a) Basis of presentation (continued):

(iv) Investments held at fair value:

Investments over which the Trust does not have control or significant influence are accounted for at fair value. The Trust holds investments at fair value primarily for the purpose of participating in loan sharing arrangements with US domiciled financial institutions.

(b) Cash and cash equivalents:

Cash consists of cash held at financial institutions and cash equivalents include securities with maturities of three months or less when purchased.

(c) Restricted cash:

Restricted cash relates to margin deposits made on foreign currency swap transactions.

(d) Foreclosed properties held for sale:

When the Trust obtains legal title of the underlying security of an impaired mortgage investment, the carrying value of the mortgage investment, which is comprised of principal, costs incurred, accrued interest and the related provision for mortgage investment loss, if any, is reclassified from mortgage investments to foreclosed properties held for sale ("FPHFS"). At each reporting date, FPHFS are measured at fair value, with changes in fair value recorded in profit or loss in the period they arise. The Trust uses management's best estimate to determine fair value of the properties, which may involve frequent inspections, engaging realtors to assess market conditions based on previous property transactions or, obtaining property appraisals from independent valuation specialists.

(e) Property under development:

Property under development includes an investment property being developed for a mixed use development.

Costs include all direct development costs and capitalized carrying costs related to holding the property under development, including borrowing costs.

(f) Promissory notes receivable:

Promissory notes are recorded at amortized cost using the effective interest rate method less any impairment.

(g) Redeemable units:

All units of the Trust are redeemable at the Unitholder's option and accordingly are classified as financial liabilities and presented as "net assets attributable to holders of redeemable units" in the consolidated statement of financial position. Units redeemed are accounted for in the period during which the redemption is effective. Resultant gains on redemption are recognized in the consolidated statement of net income (loss) in the same period.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2019

3. Significant accounting policies (continued):

(h) Revenue recognition:

Interest income is recognized in the consolidated statement of net income (loss) on an effective interest rate basis.

Interest on impaired financial assets is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(i) Distributions on redeemable units:

Distributions to Unitholders on each series of redeemable units are made on a quarterly basis, in arrears. The total distributions to be made in respect of the December 31 year end will equal at least 100% of the Trust's taxable income for the year. Distributions on redeemable units are treated as an expense within the statement of comprehensive income (loss), following the units' classification as liabilities. Distributions are accrued in the period to which they relate.

(j) Foreign currency translation:

Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the average rate of exchange prevailing for the period.

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange as at the date of the consolidated financial statements.

Assets denominated in foreign currencies under forward currency arrangements are shown at the contractual rates of exchange reflected in the arrangements. Related gains or losses on these arrangements are recognized in the consolidated statement of comprehensive income (loss) at their maturities.

For foreign subsidiaries, investments in joint arrangements and investments in associates that have a functional currency different than that of the Trust, foreign exchange gains or losses on translation of the foreign operations into the Trust's presentation currency is recognized in other comprehensive income.

(k) Financial instruments:

(i) Recognition and classification of financial assets and liabilities:

Under IFRS 9, on initial recognition, a financial asset is measured at fair value and subsequently classified as measured at: amortized cost; fair value through other comprehensive income ("FVOCI")-debt investment; FVOCI-equity investment; or fair value through profit or loss ("FVTPL"). The classification of financial assets that are debt instruments under IFRS 9 are generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2019

3. Significant accounting policies (continued):

(k) Financial instruments (continued):

(i) Recognition and classification of financial assets and liabilities (continued):

A financial asset that is a debt instrument is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL.

- it is 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 of principal and interest on the principal amount outstanding.

The most significant financial asset that is a debt instrument in the Trust is investments in mortgages. The objective of the Trust is to hold these investments and collect the contractual interest payments from the loans. The payments received by the Trust are solely payments of principal and interest; therefore the asset meets the criteria under IFRS 9 to be measured at amortized cost. Other assets such as cash and receivables are also classified at amortized cost. Foreign currency derivatives are classified as FVTPL.

Financial liabilities are recognized initially at fair value and are classified as other financial liabilities or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPTL are measured at fair value and net gains and losses including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

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

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2019

3. Significant accounting policies (continued):

(k) Financial instruments (continued):

(i) Recognition and classification of financial assets and liabilities (continued):

The Trust has classified its financial instruments as follows:

	Classification
Financial assets:	
Cash and cash equivalents	Amortized cost
Restricted cash	FVTPL
Accrued interest receivable	FVTPL
Foreign currency derivatives	FVTPL
Other receivables	Amortized cost
Prepaid assets	Amortized cost
Due from related parties	Amortized cost
Promissory notes receivable	Amortized cost
Investments in mortgages	Amortized cost
Investments held at fair value	FVTPL
Financial liabilities:	
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Foreign currency derivatives	FVTPL
Distributions payable on redeemable units	Amortized cost
Loans payable	Amortized cost
Mortgage syndication liabilities	Amortized cost
Redeemable units, representing net assets attributable to holders of redeemable units	Amortized cost

(iii) Impairment:

Under IFRS 9, an entity recognizes loss allowances for expected credit losses ("ECL") to financial assets measured at amortized cost, contract assets and debt investments at FVOCI.

The Trust measures expected credit losses on each reporting date according to a three stage expected credit loss impairment model:

Performing financial assets:

- Stage 1: From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults occurring over the 12 months following the reporting date.
- Stage 2: Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognized equal to the credit losses expected over the remaining lifetime of the asset.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2019

3. Significant accounting policies (continued):

(k) Financial instruments (continued):

(iii) Impairment (continued):

Impaired financial assets:

- Stage 3: When a financial asset is considered credit-impaired and in default it will be classified in stage 3, and a loss allowance equal to credit losses expected over the remaining lifetime of the asset will be recorded.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Trust considers both quantitative and qualitative information that is reasonable and supportable and is relevant and available. There is a presumption in IFRS 9 that credit risk has increased significantly once payments are 30-days past due. However, the Trust's historical experience is that mortgages can become 30-days past due, but be brought up to date by the borrower, therefore other relevant risk factors also needs to be identified for the mortgage to move to Stage 2. Other relevant risk factors considered to identify a significant increase in credit risk are:

- Changes in the financial condition of the borrower;
- Responsiveness of the borrower;
- Current economic conditions: interest rates, housing prices, real estate and employment statistics; and
- Supportable forward looking information: macro-economic factors, such as interest rate forecasts.

Determining whether there has been a significant increase in credit risk since initial recognition, or a subsequent reduction in credit risk back to the level at initial recognition, requires the exercise of significant judgment. Judgment is also required in making assumptions and estimations when calculating the allowance for credit losses, including movements between the three stages and the application of forward looking information.

In cases where a borrower experiences financial difficulties, the Trust may grant certain modifications to the terms and conditions of a loan. Modifications may include payment terms, debt consolidation, and forbearance intended to minimize economic loss. The Trust determines the appropriate remediation strategy based on the individual situation. If the Trust determines that a modification results in expiry of cash flows, the original asset is derecognized and a new asset is recognized based on the new contractual terms.

Significant increase in credit risk is assessed relative to the risk of default on the date of modification. If the Trust determines that a modification does not result in derecognition, significant increase in credit risk is assessed based on the risk of default at initial recognition of the original asset. The expected cash flows arising from the modified contractual terms are considered when calculating the ECL for the modified asset. For loans that were modified while having a lifetime ECL, the loans can revert to having 12-month ECL after a period of performance and improvement in the borrower's financial condition.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2019

3. Significant accounting policies (continued):

(k) Financial instruments (continued):

(iii) Impairment (continued):

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-months ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Trust is exposed to credit risk.

An ECL represents the difference between the present value of all contractual cash flows that are due under the original terms of the contract and the present value of all cash flows expected to be received. The application of the concept uses three inputs to measure ECLs for commitments and mortgages receivable classified as Stage 1: probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). These inputs are determined at each reporting period using historical data and current conditions.

- *PD*: The PD represents the likelihood that a loan will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual loan is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions.
- *EAD*: EAD is modelled on historic data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts, EAD includes an estimate of any further amounts to be drawn at the time of default.
- *LGD*: The LGD is the amount that may not be recovered in the event of default and is modelled based on historic data and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

In assessing information about possible future economic conditions, the Trust utilizes multiple economic scenarios including a base case, which represents the most probable outcome and is consistent with the Trust's view of the portfolio. The calculation of expected credit losses includes the incorporation of forecasts of future economic conditions. In determining expected credit losses, the Trust has considered key macroeconomic variables that are relevant to each investment type. Key economic variables include GDP and interest rate forecasts. The estimation of future cash flows also includes assumptions about local real estate market values and conditions, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events.

Should the underlying assumptions change, the estimated future cash flows could vary. The forecast is developed internally by the Manager of the Trust. The Trust exercises experienced credit judgment to incorporate multiple economic forecasts which are probability-weighted in the determination of the final expected credit loss. The allowance is sensitive to changes in both economic forecast and the probability-weight assigned to each forecast scenario.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2019

3. Significant accounting policies (continued):

(k) Financial instruments (continued):

(iv) De-recognition of financial assets and financial liabilities:

(A) Financial assets:

The Trust derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire; or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Trust neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial assets. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Trust is recognized as a separate asset or liability. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed); and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in the statement of comprehensive income (loss).

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

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

(B) Financial liabilities:

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

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2019

3. Significant accounting policies (continued):

(k) Financial instruments (continued):

(v) Loan modifications:

The Trust may modify the contractual terms of mortgages for either commercial or credit reasons. The terms of a loan in good standing may be modified for commercial reasons to provide competitive pricing and other terms to borrowers. Loans may also be modified for credit reasons where the contractual terms are modified to grant a concession to a borrower that may be experiencing financial difficulty.

Upon the modification of the contractual terms of a financial asset, an assessment is made if the modified contractual terms are considered significant. The Trust considers one or a combination of the following factors as a significant change: a substantial interest rate reduction, an extension of the repayment term at a below market stated interest rate, a forgiveness of principal or accrued interest, or substantial changes to the collateral provided.

When the modification is considered to be significant, the carrying amount of the original financial asset is derecognized and the fair value of the modified financial asset is recognized with the resulting gain or loss recognized in the statement of comprehensive income. For the purposes of assessing if the financial asset experienced a significant increase in credit risk, the modification date is considered to be the origination date of the modified financial asset.

When the modification is not considered to be significant, the gross carrying amount of the modified loan is recalculated based on the present value of the modified cash flows discounted at the original effective interest rate and any gain or loss from the modification is recorded in the statement of comprehensive income. The origination date of the financial asset prior to the modification continues to be used for the purposes of assessing if the financial asset experienced a significant increase in credit risk.

(l) Accumulated other comprehensive income:

Accumulated other comprehensive income represents the cumulative translation adjustment of foreign operations whose function currency is in US dollars.

(m) Income taxes:

The Trust is a mutual fund trust under the Income Tax Act (Canada). The Trust will allocate to its Unitholders taxable income including taxable capital gains that would otherwise attract Canadian tax in the Trust. Accordingly, no provision for Canadian income taxes will be reflected in the Trust's consolidated financial statements.

The Trust holds certain investments in associates and joint ventures based in the US. Certain of these investments in associates and joint ventures are held by controlled subsidiaries of the Trust that are required to pay income taxes to the US Internal Revenue Service based on a determination of taxable income for US tax purposes. Accordingly, current income tax recognized in the consolidated statement of comprehensive income (loss) is based on the subsidiary's US taxable income for the year. Current tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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Year ended December 31, 2019

3. Significant accounting policies (continued):

(m) Income taxes (continued):

Deferred income taxes are accounted for using the liability method. The liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are determined for each temporary difference based on currently enacted or substantively enacted tax rates that are expected to be in effect when the underlying items are expected to be realized. The effect of a change in tax rates or tax legislation is recognized in the period of substantive enactment. Deferred income tax assets, such as non-capital loss carryforwards, are recognized to the extent it is probable that taxable profit will be available against which the asset can be utilized. Deferred income taxes are only recognized with respect to US tax assets and liabilities.

(n) Future accounting changes:

The Trust has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Trust closely monitors new accounting standards, as well as, amendments to existing standards and assesses what impact, if any, they will have on these financial statements. None of the standards issued to date are expected to have a material effect on these financial statements.

4. Investments in associates and joint ventures:

The summary below lists the Trust's investments in associates and joint ventures, their names, types, and percentage of ownership:

	Equity investment December 31, 2018	Share of earnings	Net contributions (distributions)	Impact of foreign exchange	Impact of tax/NCI adjustment	Equity investment December 31, 2019
Investments in associates:						
Trez WTH Equity LP 27.83% (2018 - 27.83%)	\$ 10,724	\$ 476,130	\$ (239,742)	\$ (4,226)	\$ -	\$ 242,886
T Church and Stone Oak Investments LP 23.53% (2018 - 23.53%)	1,021,953	44,448	(462,385)	(40,402)	-	563,614
T-NWBP Investments LP 44.61% (2018 - 44.61%)	366,834	67,211	(133,824)	-	-	300,221
TC Logan Park Investments LP 40.63% (2018 - 40.63%)	4,854,325	327,377	(92,067)	(236,138)	-	4,853,497
Trez NP LP 63.00% (2018 - 63.00%)	4,632,267	360,882	(314,034)	-	22,856	4,701,971
Total	\$ 10,886,103	\$ 1,276,048	\$ (1,242,052)	\$ (280,766)	\$ 22,856	\$ 10,662,189

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Year ended December 31, 2019

4. Investments in associates and joint ventures (continued):

	Equity investment December 31, 2018	Share of earnings	Net contributions (distributions)	Impact of foreign exchange	Impact of tax/NCI adjustment	Equity investment December 31, 2019
Investments in joint ventures:						
Parkside Land West LP						
50.00% (2018 – 50.00%)	\$ 6,608,493	\$ 1,720,531	\$ (3,044,648)	\$ (104,857)	\$ 20,935	\$ 5,200,454
HT Spring Stuebner Land LP						
50.00% (2018 – 50.00%)	2,794,976	321,641	(1,672,511)	(93,709)	515,250	1,865,647
HT Midtown LP						
50.00% (2018 – 50.00%)	2,240,536	(46,712)	-	(73,937)	(177,295)	1,942,592
Trez Centro LP						
50.00% (2018 – 50.00%)	-	39,581	(39,581)	-	-	-
Total	\$ 11,644,005	\$ 2,035,041	\$ (4,756,740)	\$ (272,503)	\$ 358,890	\$ 9,008,693
Total	\$ 22,530,108	\$ 3,311,089	\$ (5,998,792)	\$ (553,269)	\$ 381,746	\$ 19,670,882

With the exception of Trez Centro LP and Trez NP LP, the investment in associates and joint ventures above have been entered into with established property developers in Western Canada and Texas to enable the Trust to benefit from local real estate expertise while pursuing returns from its investments. The underlying assets of the joint ventures are being developed with the joint venture counterparty acting as lead developer. The lead developer assumes the development risk associated with the projects in that cost overruns are to be borne by them.

In the case of the joint ventures, the Trust, through an affiliated entity, is represented on the respective joint ventures' major decision committee which entitles the Trust's affiliate and the joint venture counterparty to 50% each of the voting rights with respect to the major decisions impacting the outcome of the relevant developments.

The following identifies certain obligations and or commitments in accordance with the terms of the agreements for the respective associates and joint ventures:

- *Trez WTH Equity LP*: Each limited partner shall make additional capital contributions to the capital of the partnership to meet additional funding requirements, as determined and called by the general partner from time to time in accordance with the terms of the limited partnership agreement. Any additional capital contributions are subject to the unanimous approval of the limited partners, and shall be funded on a pro-rata basis.
- *T Church and Stone Oak Investments LP*: In accordance with the provisions of the limited partnership agreement, the Trust made an initial contribution of US\$700,000. Each limited partner shall make additional capital contributions to the capital of the partnership to meet additional funding requirements, as determined and called by the general partner from time to time in accordance with the terms of the limited partnership agreement. Any additional capital contributions are funded on a pro-rata basis.

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

Year ended December 31, 2019

4. Investments in associates and joint ventures (continued):

- *T- NWBP Investments LP*: In accordance with the provisions of the limited partnership agreement, the general partner, at its sole discretion, shall offer additional partnership units for sale to limited partners on a pro-rata basis. Any additional units which remain unsubscribed for may be offered to any limited partner or third party as the general partner determines.
- *TC Logan Park Investments LP*: In accordance with the provisions of the limited partnership agreement, the Trust made an initial contribution of US\$1,900,000, representing a 29.69% interest in the limited partnership. In accordance with the provisions of the limited partnership agreement, each limited partner will make additional capital contributions to the capital of the partnership to meet additional funding requirements, as determined and called by the general partner from time to time in accordance with the terms of the limited partnership agreement. Any additional capital is funded on a pro-rata basis.
- *Trez NP LP*: This investment is held by the Trust's 77% owned consolidated subsidiary, Trez NP Investors LP. Trez NP LP invests in a pool of mortgages. The Trust records its investment in Trez NP LP as an investment in associate as it has significant influence but not control over the entity.
- *Parkside Land West LP*: This investment is held by the consolidated subsidiary, TC Parkside West Investments LP. The Trust is required to contribute a pre-agreed capital contribution of US\$6,190,000 as well as the additional capital contributions as approved and called by the general partner that cover the Trust's committed capital contributions for each particular phase of development and for which the Trust has not yet made such contributions to the required amounts. The Trust is not obligated to make additional capital contributions for cost overruns. However, the Trust is obligated to make additional capital contributions, should they be requested by the general partner, to fund operating shortfalls, other permitted costs and other contribution obligations as such terms are defined.

These additional contributions will be made on a pro-rata basis to the Trust's holding in the joint venture. Should the Trust fail to make such obligated contributions, the other joint venture will be entitled to pay that defaulting amount and will thereby increase its pro-rata entitlement to the residual returns on the investment, while the Trust will be subject to a corresponding reduction in its pro-rata entitlement to the residual returns on the investment.

- *HT Spring Stuebner Land LP*: This investment was held by the consolidated subsidiary, TC Laurel Park LP. The Trust is required to contribute a pre-agreed capital contribution of US\$3,423,550 as well as the additional capital contributions as approved and called by the general partner that cover the Trust's committed capital contributions for each particular phase of development and for which the Trust has not yet made such contributions to the required amounts. The Trust is not obligated to make additional capital contributions for cost overruns. However, the Trust is obligated to make additional capital contributions, should they be requested by the general partner, to fund operating shortfalls, other permitted costs and other contribution obligations (as such capitalized terms are defined). These additional contributions will be made on a pro-rata basis to the Trust's holding in the joint venture. Should the Trust fail to make such obligated contributions, the other joint venture will be entitled to pay that defaulting amount and will thereby increase its pro-rata entitlement to the residual returns on the investment, while the Trust will be subject to a corresponding reduction in its pro-rata entitlement to the residual returns on the investment.

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Year ended December 31, 2019

4. Investments in associates and joint ventures (continued):

- *HT Midtown LP*: This investment is held by the consolidated subsidiary, TC H 2014 Partners Investments LP. The Trust is required to contribute a pre-agreed capital contribution of US\$2,154,000 as well as the additional capital contributions as approved and called by the general partner that cover the Trust's committed capital contributions for each particular phase of development and for which the Trust has not yet made such contributions to the required amounts. The Trust is not obligated to make additional capital contributions for cost overruns. However, the Trust is obligated to make additional capital contributions, should they be requested by the general partner, to fund operating shortfalls, other permitted costs and other contribution obligations (as such capitalized terms are defined). These additional contributions will be made on a pro-rata basis to the Trust's holding in the joint venture. Should the Trust fail to make such obligated contributions, the other joint venture will be entitled to pay that defaulting amount and will thereby increase its pro-rata entitlement to the residual returns on the investment, while the Trust will be subject to a corresponding reduction in its pro-rata entitlement to the residual returns on the investment.

Investments in associates – significant influence:

The summary below shows 100% of the investees' total assets, total liabilities, revenue, expenses and net income on aggregate basis for investments in associates.

	2019	2018
Total assets	\$ 19,748,431	\$ 24,907,456
Total liabilities	344,106	351,892
Revenue	1,960,534	1,653,890
Expenses	33,633	32,011
Net income	1,926,901	1,621,699

During the year ended December 31, 2019, the Trust recorded income from its equity accounted investments in associates of \$1,276,048 (2018 - \$738,976). As at December 31, 2019, the Trust's total investment in associates in which the Trust has significant influence is \$10,661,739 (2018 - \$10,886,103).

Investments in joint ventures:

The summary below shows 100% of the investees' total assets, total liabilities, revenue, expenses and net income on aggregate basis for its joint ventures.

	2019	2018
Total assets	\$ 9,681,531	\$ 70,054,507
Total liabilities	8,088,586	68,966,619
Revenue	24,783,410	44,161,038
Expenses	16,601,227	30,927,562
Net income	8,182,183	13,233,476

During the year ended December 31, 2019, the Trust recorded its share of income from joint ventures of \$2,035,041 (2018 - \$4,157,545). As at December 31, 2019, the Trust's total investment in joint ventures is \$9,009,143 (2018 - \$11,644,005).

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Year ended December 31, 2019

5. Investments in mortgages:

The Trust holds mortgages on the following types of properties:

Property type	2019		2018	
	Number	Amount	Number	Amount
Industrial	25	\$ 110,336,201	14	\$ 51,271,599
Office	14	113,612,716	9	100,064,149
Residential	122	613,049,667	104	441,420,442
Retail	10	44,854,349	8	70,585,146
Other	3	54,002,686	4	70,618,704
	174	935,855,619	139	733,960,040
Mortgage syndications		64,305,732		37,958,169
	174	1,000,161,351	139	771,918,209
Accrued interest		11,894,496		9,874,357
Less: Provision for mortgage losses		(5,881,000)		(1,363,286)
Investments in mortgages		\$ 1,006,174,847	139	\$ 780,429,280

Location	2019		2018	
	Number	Amount	Number	Amount
Alberta	43	\$ 341,631,104	31	\$ 279,063,469
British Columbia	43	221,638,769	29	151,678,544
Quebec	-	-	1	668,497
Ontario	17	59,189,227	13	47,620,940
Nova Scotia	2	13,174,394	2	5,826,495
Texas	33	116,563,210	22	90,966,966
California	4	17,590,698	5	16,891,096
Colorado	-	-	2	10,334,844
Florida	12	31,209,930	12	33,829,820
Oregon	1	81,452,626	3	15,485,733
Virginia	-	-	1	2,384,281
Washington	4	18,861,328	5	16,744,244
Georgia	4	20,154,882	2	4,128,086
Utah	1	1,299	1	1,372
Arizona	5	4,616,475	5	38,483,423
North Carolina	-	-	3	16,607,593
Pennsylvania	-	-	1	3,243,273
Tennessee	1	3,315,100	1	1,364
Connecticut	1	2,727,900	-	-
Minnesota	1	2,116,380	-	-
Alabama	1	1,599,285	-	-
Kentucky	1	13,012	-	-
Total mortgages	174	\$ 935,855,619	139	\$ 733,960,040

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Year ended December 31, 2019

5. Investments in mortgages (continued):

The following table presents the reconciliation of mortgages as at December 31, 2019 and 2018:

	2019	2018
Investments in mortgages, beginning of year	\$ 780,429,280	\$ 495,601,853
Impact of adopting IFRS 9	-	(519,290)
Provision for expected credit loss	(4,517,714)	(843,996)
Funding of investments in mortgages	822,795,450	893,638,331
Interest capitalized to investments in mortgages	22,495,174	11,892,437
Principal, including capitalized interest, payments on investments in mortgages	(579,091,406)	(633,958,174)
Increase (decrease) in mortgage syndication liabilities	26,347,563	11,757,649
Transfer to special purpose entity (note 5)	(64,303,638)	-
Change in accrued interest	2,020,138	2,860,470
Investments in mortgages, end of year	\$ 1,006,174,847	\$ 780,429,280

The mortgages are secured by the real property to which they relate, bear interest at a weighted average interest rate of 9.06% (2018 - 10.28%).

All mortgages, except for the mortgage under the CMBS program as discussed below, are conventional uninsured mortgages which contain a prepayment option, whereby the borrower may repay the principal and accrued interest, at any time prior to maturity without penalty or yield maintenance.

At December 31, 2019 and December 31, 2018, the Trust is invested in one loan in the amount of \$2,234,469 under the CMBS program at an effective interest rate of 4.17%, which matures in September 2024.

(a) Mortgage syndication liabilities:

The Trust has entered into certain mortgage participation agreements with third party lenders, whereby, the third party lenders take the senior position and the Trust retains the subordinated position, all of which are secured by first mortgage positions. As a result, the senior lenders' position is recorded as a mortgage syndication liability. The interest earned on the transferred participation interests and the related interest expense is recognized in the consolidated statement of net income (loss). The Trust also retains an option, not the obligation, to repurchase the senior position at a price equal to the outstanding principal amount of the senior lenders' share together with accrued interest.

For those investments which have not met the de-recognition criteria, the participation transactions have resulted in the Trust recognizing the participating mortgages and corresponding mortgage syndication liabilities on its consolidated statement of financial position. The carrying value, which the Manager believes equates to the fair value, of the transferred assets and corresponding liabilities is \$64,305,732 (2018 - \$37,958,169).

TREZ CAPITAL YIELD TRUST

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Year ended December 31, 2019

5. Investments in mortgages (continued):

(b) Mortgages in default:

As at December 31, 2019, the Trust had a total of seven mortgages that were in default (2018 - no mortgages). All the mortgages were with one borrower. The Trust has a total of seventeen loans with the borrower. Subsequent to year-end, a Trez related entity assumed ownership of five of the loans and provided guarantees to the Trust in the amount of the mortgages.

Mortgages that are in default are not provided against if they are fully secured and collection efforts are reasonably expected to result in repayment of principal plus all associated costs and accrued interest.

During 2018, an affiliated company to the Trust foreclosed on the property that was in default in the previous year. The foreclosure occurred due to the borrower's missed mandatory principal payment and their failure to cure that default. The Property consists of 66 lots that are complete and ready to have homes built on them. The Trust currently holds an unsecured note from the affiliated company in the amount \$833,342 (2018 - \$875,105) (note 8).

(c) Provision for mortgage investment loss:

The gross carrying amounts of investments in mortgages and expected credit loss by property type are as follows:

Gross carrying amount	December 31, 2019			Total
	Stage 1	Stage 2	Stage 3	
Property type:				
Industrial	\$ 97,864,909	\$ 12,471,292	\$ -	\$ 110,336,201
Office	58,301,400	-	55,311,316	113,612,716
Residential	519,562,756	50,394,669	49,726,119	619,683,544
Retail	38,220,472	-	-	38,220,472
Other	54,002,686	-	-	54,002,686
	\$ 767,952,223	\$ 62,865,961	\$ 105,037,435	\$ 935,855,619
Gross carrying amount	December 31, 2018			Total
	Stage 1	Stage 2	Stage 3	
Property type:				
Industrial	\$ 39,021,000	\$ 12,250,598	\$ -	\$ 51,271,598
Office	100,064,149	-	-	100,064,149
Residential	427,572,969	34,201,537	-	461,774,506
Retail	50,231,083	-	-	50,231,083
Other	70,618,704	-	-	70,618,704
	\$ 687,507,905	\$ 46,452,135	\$ -	\$ 733,960,040

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Year ended December 31, 2019

5. Investments in mortgages (continued):

(c) Provision for mortgage investment loss (continued):

Provision for credit losses	December 31, 2019			Total
	Stage 1	Stage 2	Stage 3	
Property type:				
Industrial	\$ 266,523	\$ -	\$ -	\$ 266,523
Office	156,042	-	4,000,000	4,156,042
Residential	1,206,061	-	-	1,206,061
Retail	101,303	-	-	101,303
Other	151,071	-	-	151,071
	\$ 1,881,000	\$ -	\$ 4,000,000	\$ 5,881,000

Provision for credit losses	December 31, 2018			Total
	Stage 1	Stage 2	Stage 3	
Property type:				
Industrial	\$ 13,385	\$ -	\$ -	\$ 13,385
Office	54,819	-	-	54,819
Residential	1,122,159	-	-	1,122,159
Retail	111,014	-	-	111,014
Other	61,909	-	-	61,909
	\$ 1,363,286	\$ -	\$ -	\$ 1,363,286

The provision for mortgage losses at December 31, 2019 is \$5,881,000 (2018 - \$1,363,286). Stage 1 provisions of \$1,881,000 represent management's estimate of the ECLs on mortgages in the company's portfolio that have not experienced a significant increase in credit risk since initial recognition. The ECL was assessed individually for each investment in mortgages and commitments classified as Stage 2 and Stage 3. Management estimated the ECL for these as \$4,000,000, primarily due to a decrease in the mortgage collateral value held on one the mortgages classified as Stage 3.

The changes in the provision for mortgage losses are shown in the following table.

IFRS 9	December 31, 2019			Total
	Stage 1	Stage 2	Stage 3	
December 31, 2019	\$ 1,363,286	\$ -	\$ -	\$ 1,363,286
Provision for mortgage losses in 2019:				
Transfers to (from) Stage 1 ⁽¹⁾	-	-	-	
Transfers to (from) Stage 2 ⁽¹⁾	-	-	-	
Transfers to (from) Stage 3 ⁽¹⁾	-	-	-	
Net remeasurement ⁽²⁾	(99,705)	-	4,000,000	3,900,295
Mortgage advances	1,126,695	-	-	1,126,695
Mortgage repayments	(509,276)	-	-	(509,276)
Write-offs	-	-	-	-
	\$ 1,881,000	\$ -	\$ 4,000,000	\$ 5,881,000

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Year ended December 31, 2019

5. Investments in mortgages (continued):

(c) Provision for mortgage investment loss (continued):

IFRS 9	December 31, 2018				Total
	Stage 1	Stage 2	Stage 3		
IAS 39 balance, December 31, 2018	\$ -	\$ -	\$ -	\$ -	-
Transition adjustment (note 3(k))	519,290	-	-	-	-
Provision for mortgage losses in 2019:					
Transfers to (from) Stage 1 ⁽¹⁾	-	-	-	-	-
Transfers to (from) Stage 2 ⁽¹⁾	-	-	-	-	-
Transfers to (from) Stage 3 ⁽¹⁾	-	-	-	-	-
Net remeasurement ⁽²⁾	(114,264)	-	-	-	(114,264)
Mortgage advances	1,179,677	-	-	-	1,179,677
Mortgage repayments	(221,417)	-	-	-	(221,417)
Write-offs	-	-	-	-	-
	\$ 1,363,286	\$ -	\$ -	\$ -	\$ 1,363,286

(1) Transfers between stages which are presumed to occur before any corresponding remeasurement of the provision.

(2) Net remeasurement represents the change in the allowance related to changes in model inputs or assumptions, including changes in macroeconomic conditions, and changes in measurement following a transfer between stages.

(d) Schedule of maturity of investments in mortgages:

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

Maturity period	Number	Amount
Past due	14	\$ 75,153,095
2020	83	405,573,453
2021	57	318,455,462
2022	18	130,811,033
2023 and beyond	2	5,862,576
	174	\$ 935,855,619

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6. Investments held at fair value:

The summary below lists the Trust's investments held at fair value, their name, type and percentage of ownership:

	Balance, January 1, 2019	Additions to investments	Change in fair value	Distributions paid	Balance, December 31, 2019
Trez Forman Floridian LP (a)	\$ 2,318,276	\$ 4,131,157	\$ 378,626	\$ -	\$ 6,828,059
Trez Caldwell Station LP (b)	1,844,739	1,982,144	126,546	-	3,953,429
Trez Forman 1624/17 LLC (c)	6,367,460	4,352,344	715,792	-	11,435,596
Trez Avilla Meadows LP (d)	-	24,980,294	1,025,717	-	26,006,011
Trez Shops at Broad LP (e)	-	35,011,506	1,591,190	-	36,602,696
Trez Blue Diamond LP (f)	-	20,163,905	630,369	-	20,794,274
	\$ 10,530,475	\$ 90,621,350	\$ 4,468,240	\$ -	\$ 105,620,065

	Balance, January 1, 2018	Additions to investments	Change in fair value	Distributions paid	Balance, December 31, 2018
Trez Forman Floridian LP (a)	\$ -	\$ 2,164,885	\$ 153,391	\$ -	\$ 2,318,276
Trez Caldwell Station LP (b)	-	1,748,240	96,499	-	1,844,739
Trez Forman 1624/17 LLC (c)	-	5,786,071	581,389	-	6,367,460
	\$ -	\$ 9,699,196	\$ 831,279	\$ -	\$ 10,530,475

- (a) During 2018, the Trust made an investment in Trez Forman Floridian LP in which it holds a 20% interest. Trez Forman Floridian LP is a special purpose entity that was created to enable the Trust to enter into loan sharing arrangement with a US domiciled financial institutions. The Trust guarantees the amount of \$25,678,683 US Dollars for the investment.
- (b) During 2018, the Trust made an investment in Trez Caldwell Station LP in which it holds a 32% interest. Trez Caldwell Station LP is special purpose entity that was created to enable the Trust to enter into loan sharing arrangement with a US domiciled financial institution.
- (c) During 2018, the Trust along with another related Trez entity made a joint 50-50 investment in Trez Forman 1624/17 LLC in which together they hold 50% interest. Trez Forman 1624/17 LLC is a special purpose entity that was created for sole purpose to allow the Trust to enter a loan sharing arrangement with a US domiciled financial institution.
- (d) In the previous year the Trust held a 100% interest in Trez Avilla Meadows LP and was deemed to have control and therefore consolidated the entity. During 2019, the Trust's share of the investment was reduced to 62% and it was deemed to no longer have control or significant influence in Trez Avilla Meadows LP and the investment was reclassified to investments held at fair value. Trez Avilla Meadows LP is a special purpose entity that was created to enable the Trust to enter into loan sharing arrangements with a US domiciled financial institution. No gain or loss was recognized on the transaction.

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6. Investments held at fair value (continued):

- (e) During 2019, the Trust made an investment in Trez Shops at Broad LP in which it holds a 61% interest. Trez Shops at Broad LP is a special purpose entity that was created to enable the Trust to enter into loan sharing arrangement with a US domiciled financial institution.
- (f) During 2019, the Trust made an investment in Trez Blue Diamond LP in which it holds a 24% interest at December 31, 2019. The percentage ownership of the Trust varies month to month. Trez Blue Diamond LP is a special purpose entity that was created to enable the Trust to enter into loan sharing arrangement with a US domiciled financial institution.

7. Foreclosed properties held for sale ("FPHFS"):

As at December 31, 2019, there was one FPHFS (2018 - one). These are recorded at their fair value of \$1,900,000 (2018 - \$1,900,000). The changes in the FPHFS during the years end December 31, 2019 and December 31, 2018 were as follows:

	2019	2018
Balance, beginning of year	\$ 1,900,000	\$ 1,912,109
Fair value adjustment	-	400,000
Proceeds on disposition of property	-	(412,109)
Balance, end of year	\$ 1,900,000	\$ 1,900,000

8. Promissory notes receivable:

	2019	2018
Secured, demand promissory note due on demand from a private entity bearing interest at 8% per annum	\$ 2,208,602	\$ 2,208,602
Secured, promissory note due on demand from a private entity bearing interest at 5% per annum	3,126,199	3,436,354
USD unsecured, interest free, promissory note due on demand from a private affiliated entity	833,342	875,105
USD demand promissory note due from TC Logan Park bearing interest at 10% per annum	-	1,963,052
	\$ 6,168,143	\$ 8,483,113

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9. Property under development:

Property under development represents a real estate development in Victoria, BC held in a limited partnership, that the Trust controls and consolidates. The Trust owns 60% of the units in the limited partnership. The following costs were included in the amounts capitalized with respect to the development during the year ended December 31, 2019:

	2019	2018
Land and other costs	\$ 39,227,496	\$ 26,032,752

10. Bank indebtedness:

The Trust has a revolving demand loan with a Canadian bank providing for borrowings up to \$65,000,000 (2018 - \$50,000,000) by way of direct advances. The amount available under the loan is further limited by a margin requirement. Interest is calculated at the bank's prime rate plus 1.5% per annum and a standby fee is calculated on the undrawn portion of the loan at 0.33% per annum.

The credit facility has financial tests and other covenants with which the Trust must comply. The Trust shall not, without the prior written consent of the bank: (a) permit its ratio of bank debt to tangible net worth at any time to exceed 0.2 to 1.00; or (b) permit its tangible net worth at any time to be less than \$350,000,000; (c) maintain a Bank Debt to EBITDA Ratio equal to or less than 2.5 to 1.0 calculated as at the end of each Financial Quarter for the same Financial Quarter then ended. These covenants place restrictions on, among other things, the ability of the Trust to incur additional indebtedness, and to sell or otherwise dispose of assets. During the year, the Trust was in compliance with all such covenants.

The credit facility is collateralized by a general security agreement representing a fixed and floating charge on all current and future mortgages receivables and all other accounts and assets of the Trust and an assignment of the Trust's beneficial interest in all mortgages held.

As at December 31, 2019, there was nil drawn down on the credit facility (2018 - \$2,500,000).

In addition, the Trust has entered into an agreement with external lenders to create special purpose entities through which, additional borrowing can be received. As at December 31, 2019, amounts of nil (2018 - \$1,720,966) were outstanding relating to these lines of credit.

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

Year ended December 31, 2019

11. Loans payable:

	2019	2018
US dollar demand loan from a private investor, bearing interest at 5.0% per annum, repayable on demand upon 30 days' notice (2019 – US\$144,768; 2018 - US\$145,977)	\$ 188,852	\$ 199,127
Note payable to private lender relating to Special Purpose Entity funding	-	18,769,696
Mortgage Syndication liability related to Property Under Development bearing interest at greater of 5.55% or prime plus 1.60% per annum	11,894,730	-
	\$ 12,083,582	\$ 18,968,823

During the year, the Trust incurred interest charges of \$9,581 (2018 - \$384,337) relating to loans payable.

12. Distributions payable to holders of redeemable units:

The Trust makes distributions totaling at least 100% of the taxable income of the Trust to Unitholders of each class on an annual basis.

Distributions allocable to each class of units differs as a result of the deduction of the amounts payable quarterly in respect of 1.0% per annum trailer fee, as defined in the Declaration of Trust, for the Class A Units and the lower administration fee payable in respect of the Class I Units. For the year ended December 31, 2019, the taxable income of the Trust was \$66,802,587 and the accounting income of the Trust attributable to holders of redeemable units, before distributions was \$63,720,450. In accordance with its trust indenture, the Trust distributed an amount equal to taxable income. The difference of \$3,082,137 between accounting income and taxable income primarily reflect timing differences arising from equity investments, interest removed from accounting income relating to Property Under Development and Stage 1 IFRS 9 provisions.

For the year ended December 31, 2019, \$45,041,791 (2018 - \$29,282,285) of the declared distributions were reinvested.

As at December 31, distributions payable on redeemable units are as follows:

	2019	2018
Cash paid out subsequent to the year	\$ 4,647,612	\$ 5,193,613
Reinvested as trust units	8,264,274	11,415,676
	\$ 12,911,886	\$ 16,609,289

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

As at December 31, 2019 and 2018, there were an unlimited number of Class A Units, Class F Units and Class I Units authorized.

The holder of Class A Units, Class F Units and Class I Units (collectively, the "Units") are entitled to one vote per unit. The Units are redeemable on demand of the Unitholder upon 30 days' notice in increments of not less than \$5,000. If notice is received by the Manager, the redemption will occur within thirty days subsequent to the receipt of the redemption notice. Redemptions may be subject to a 1.0% discount if units are redeemed prior to their one year anniversaries.

All classes of units have the same objectives, strategies and restrictions, but differ with respect to one or more of their features, such as fees and distributions. The Trust's Units do not meet the exception criteria in IAS 32 for classification as equity due to the redemption terms of the Units and the dissimilarity of features between classes. As a result, the Units have been reclassified as financial liabilities under IFRS.

Reconciliation of units:

Class A units	2019		2018	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	3,042,518	\$ 29,580,669	2,504,229	\$ 24,316,337
Decrease in net assets attributable to redeemable units, from operations	-	(145,575)	-	(98,896)
Impact of adopting IFRS 9	-	-	-	(19,664)
Issued for cash	1,550,915	15,509,153	926,574	9,265,745
Issued for reinvested distributions	130,467	1,304,671	101,940	1,019,396
Redeemed for cash	(594,507)	(5,945,066)	(490,225)	(4,902,249)
Issued and outstanding, end of year	4,129,393	\$ 40,303,852	3,042,518	\$ 29,580,669

Class F units	2019		2018	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	40,325,820	\$ 395,930,769	29,996,551	\$ 294,224,970
Decrease in net assets attributable to redeemable units, from operations	-	(2,084,459)	-	(1,323,699)
Impact of adopting IFRS 9	-	-	-	(263,196)
Issued for cash	20,730,834	207,308,345	10,839,847	108,398,466
Issued for reinvested distributions	2,096,323	20,963,232	1,465,706	14,657,064
Redeemed for cash	(4,501,340)	(45,013,397)	(1,976,284)	(19,762,836)
Issued and outstanding, end of year	58,651,637	577,104,490	40,325,820	\$ 395,930,769

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13. Redeemable units, representing net assets attributable to holders of redeemable units (continued):

Class I units	2019		2018	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	36,077,005	\$ 355,666,128	19,910,358	\$ 195,425,179
Decrease in net assets attributable to redeemable units, from operations	-	(1,888,713)	-	(1,189,084)
Impact of adopting IFRS 9	-	-	-	(236,430)
Issued for cash	17,327,360	173,273,598	16,791,889	167,918,885
Issued for reinvested distributions	2,277,389	22,773,886	1,360,582	13,605,824
Redeemed for cash	(2,691,488)	(26,914,889)	(1,985,825)	(19,858,246)
Issued and outstanding, end of year	52,990,266	522,910,010	36,077,005	\$ 355,666,128

Total	2019		2018	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	79,445,343	\$ 781,177,566	52,411,138	\$ 513,966,486
Decrease in net assets attributable to redeemable units, from operations	-	(4,118,747)	-	(2,611,679)
Impact of adopting IFRS 9	-	-	-	(519,290)
Issued for cash	39,609,109	396,091,096	28,558,310	285,583,096
Issued for reinvested distributions	4,504,179	45,041,789	2,928,228	29,282,285
Redeemed for cash	(7,787,335)	(77,873,352)	(4,452,333)	(44,523,332)
Issued and outstanding, end of year	115,771,296	1,140,318,352	79,445,343	\$ 781,177,566

14. Related party transactions:

The Trust invests in mortgages alone or 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. In addition, certain duties are performed by the Mortgage Broker. The Mortgage Broker is related to the Manager and the Trust through common control. In cases where mortgages are held on a participation basis:

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

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Year ended December 31, 2019

14. Related party transactions (continued):

The Trust is managed by the Manager pursuant to the Declaration of Trust, a summary of which is set out in the most current Confidential Offering Memorandum. Certain of the Manager's duties may be performed by a company or companies related to the Manager through common control.

The Manager is responsible for the employment expenses of its personnel, rent and other office expenses. The Manager is not responsible for any taxes payable by the Trust or to which the Trust may be subject. The Trust is liable to the Manager for all expenses incurred in the management of the Trust except as previously noted.

The following are related party transactions not disclosed elsewhere in these financial statements:

(a) Due (to) from related parties:

Amounts due from related parties at December 31, 2019 were \$906,658 (2018 - \$5,544,593). The amounts related to amounts receivable from special purpose entity loan sharing partners relating to funding made on their behalf of \$906,658 (2018 - \$1,867,660).

Amounts due to related parties at December 31, 2019 were \$140,779 (2018 - nil).

(b) Transfer of investments in mortgages:

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. Purchases from and sales to related parties are transacted at unpaid principal plus accrued interest due at the date of the transaction which, in the opinion of the Manager, represent the estimated fair values of the related mortgages.

During the year ended December 31, 2019, the Trust purchased investments in mortgages of \$132,758,987 (2018 - \$159,736,942) and sold investments in mortgages of \$148,686,160 (2018 - \$264,168,281) to entities under common management.

(c) Management and incentive fees:

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

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14. Related party transactions (continued):

(c) Management and incentive fees (continued):

During the year ended December 31, 2019, the Trust incurred incentive fees before waivers of \$7,599,071 (2018 - \$2,113,327) and management fees of \$15,345,959 (2018 - \$9,880,393), payable to the Manager. A portion of the Incentive Fees in the amount of \$3,036,816 were waived by the Manager in 2019 (2018 - \$3,013,284). Any fees waived are no longer collectible in the current or future years.

As at December 31, 2019, \$6,064,307 of the current year management and incentive fee (2018 - \$4,839,838) remained outstanding, and is included in accounts payable and accrued liabilities.

(d) Co-investment in mortgages:

The Trust has invested in a mortgage portfolio with a balance at December 31, 2019 of \$1,006,174,847 (2018 - \$780,429,280), virtually all of which are made on a participation basis with related parties.

(e) Non-controlling interest:

Included in non-controlling interest on the consolidated statement of financial position is \$5,702,957 (2018 - \$5,257,688) which is held by entities related to the Manager by common ownership. The non-controlling interest relates to the Trust's investments in the joint ventures of Parkside Land West LP, TC H 2014 Partners Investments LP, and HT Spring Stuebner LP (note 4) of which the non-controlling interest is entitled to 35% of the distributable cash flows from the two joint ventures and to the 24% non-controlling interest of Trez NP Investors LP. During the year ended December 31, 2019, \$1,036,610 (2018 - \$1,376,091) of net income has been allocated to the non-controlling interest for its share of the net income of the three joint ventures and Trez NP Investors LP.

(f) Co-investment in associates and joint ventures:

As at December 31, 2019, the Trust has co-invested in certain associates and joint ventures investments with the owners of the Manager and their close family members and other Trez managed funds which are related parties by virtue of common management, as follows:

- As at December 31, 2019, the owners of the Manager and their close family members own 39% (2018 - 39.0%) of the units of Trez WTH Equity LP and other Trez managed funds own 17% (2018 - 17.0%) of the units of Trez WTH Equity LP.
- As at December 31, 2019, the owners of the Manager and their close family members own 42% (2018 - 42.0%) of the units of T- NWBP Investments LP.
- As at December 31, 2019, the owners of the Manager and their close family members own 7.8% (2018 - 7.8%) of the units of TC Logan Park Investments LP.
- As at December 31, 2019, the owners of the Manager and their close family members own 13.5% (2018 - 13.5%) of the units of T Church and Stone Oak Investments LP.
- As at December 31, 2019, the owners of the Manager and their close family members own 12.6% (2018 - 12.6%) of the units of Trez NP Investors LP and other Trez managed funds own 7.2% (2018 - 7.2%) of the units of Trez NP Investors LP.

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15. Income taxes:

The Trust is a mutual fund trust under the *Income Tax Act (Canada)*. The Trust will allocate to its Unitholders taxable income, including taxable capital gains that would otherwise attract tax in the Trust. Accordingly, no provision for Canadian income taxes will be reflected in the Trust's consolidated financial statements.

For purposes of the Tax Act, the Trust is required to compute its Canadian tax results using Canadian currency. Where an amount that is relevant in computing the Trust's Canadian tax results is expressed in U.S. dollars, such amount must be converted to Canadian currency, generally using the rate of exchange on the day such amount arose. As a result, the Trust may realize gains and losses for tax purposes by virtue of the fluctuation of the value of the U.S. dollar relative to Canadian dollar. Any net gain realized by the Trust for a particular taxation year may be made payable to Unitholders and is thus required to be included in computing Unitholders' income for Canadian tax purposes.

During the year ended December 31, 2019, the Trust has recorded current tax expense of \$630,962 (2018 recovery - \$358,891) relating to US income taxes owing for certain consolidated US subsidiaries that hold investments in associates and joint ventures based in the US.

16. Fair value measurements:

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation or sale. The carrying value of all of the Trust's financial instruments approximates their fair value.

The carrying values of financial assets and financial liabilities not measured at fair values, such as cash and cash equivalents, restricted cash, accrued interest receivable, other receivables, due from related parties, promissory notes receivable, accounts payable and accrued liabilities, distributions payable on redeemable units, line of credit and loans payable approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand. The carrying values of the investments in mortgages and mortgage syndication liabilities, approximate their fair values because the Manager does not expect any significant changes in interest rates, foreign exchange risk or credit risk.

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

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

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

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Year ended December 31, 2019

16. Fair value measurements (continued):

December 31, 2019	Carrying value		Fair value
	Amortized Cost	FVTPL	
Assets not measured at fair value:			
Investments in mortgages, including mortgage syndication liabilities	\$ 1,006,174,847	\$ -	\$ 1,006,174,847
Cash and cash equivalents	62,564,615	-	62,564,615
Accrued interest receivable	1,211,117	-	1,211,117
Other receivables	2,522,406	-	2,522,406
Prepaid assets	2,844,662	-	2,844,662
Promissory notes receivable	6,168,143	-	6,168,143
Due from related parties	906,658	-	906,658
Assets measured at fair value:			
Investments at fair value	-	105,620,065	105,620,065
Foreign currency derivatives	-	7,169,397	7,169,397
Restricted cash	-	2,506,240	2,506,240

December 31, 2019	Carrying value			Fair value
	Amortized Cost	FVTPL	Other financial liabilities	
Financial liabilities not measured at fair value				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 20,425,942	\$ 20,425,942
Distributions payable on redeemable units	-	-	12,911,886	12,911,886
Loans payable	-	-	12,083,582	12,083,582
Due to related parties	-	-	140,779	140,779
Mortgage syndication liabilities	-	-	64,305,732	64,305,732
Net assets attributable to holders of redeemable units	-	-	1,140,318,352	1,140,318,352

December 31, 2018	Carrying value		Fair value
	Amortized Cost	FVTPL	
Assets not measured at fair value:			
Investments in mortgages, including mortgage syndication liabilities	\$ 780,429,280	\$ -	\$ 780,429,280
Cash and cash equivalents	12,803,352	-	12,803,352
Accrued interest receivable	1,295,627	-	1,295,627
Other receivables	2,573,063	-	2,573,063
Promissory notes receivable	8,483,113	-	8,483,113
Due from related parties	5,544,593	-	5,544,593
Assets measured at fair value:			
Investments at fair value	-	10,530,475	10,530,475
Restricted cash	-	1,540,000	1,540,000

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16. Fair value measurements (continued):

December 31, 2018	Carrying value			Fair value
	Amortized Cost	FVTPL	Other financial liabilities	
Financial liabilities not measured at fair value:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 5,739,210	\$ 5,739,210
Line of credit	-	-	4,220,966	4,220,966
Distributions payable on redeemable units	-	-	16,609,289	16,609,289
Loans payable	-	-	18,968,823	18,968,823
Due to related parties	-	-	-	-
Mortgage syndication liabilities	-	-	37,958,169	37,958,169
Net assets attributable to holders of redeemable units	-	-	781,177,566	781,177,566
Financial liabilities measured at fair value:				
Foreign currency derivatives	-	1,569,937	-	1,569,937

There were no transfers between Level 1, Level 2 and Level 3 during the years ended December 31, 2019 and 2018.

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

(a) Investments in mortgages and mortgage syndication liabilities:

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

(b) Investments held at fair value:

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation or sale. The Company's investments in mortgages and mortgage syndication liabilities are carried at fair value in the financial statements.

There is no quoted price in an active market for the Investments held at fair value. The investments held at fair value consists of a portfolio of mortgage loans in the United States. The Manager makes its determination of fair value based on its assessment of the current lending market and credit risk for mortgage investments of same or similar terms. The fair value of the portfolio of mortgage loans has been determined based on a cash flow model discount rates based on current market rates and adjusted for any change in the credit risk of the borrower.

Typically, the fair value of these investments approximate their carrying value given the investments consist of short-term mortgages and the mortgages have variable interest rates.

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16. Fair value measurements (continued):

(b) Investments held at fair value (continued):

A 0.25% increase/decrease in credit risk, with all other variables held constant, would increase/decrease the fair value of the investments by approximately \$53,074.

The following table shows a hierarchy for disclosing fair value based on inputs used to value the Company's investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements).

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

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

The Trust's assets and liabilities recorded at fair value have been categorized as follows:

2019	Level 1	Level 2	Level 3	Total
Investments held at fair value	\$ -	\$ -	\$ 105,620,065	\$ 105,620,065

2018	Level 1	Level 2	Level 3	Total
Investments held at fair value	\$ -	\$ -	\$ 10,530,475	\$ 10,530,475

There were no transfers between levels during 2019 (2018 - nil).

A reconciliation of Level 3 assets at December 31, 2019 is as follows:

Investments held at fair value, December 31, 2017	\$ -
Additions to / (disposals of) investments	9,699,196
Change in fair value	831,279
Investments held at fair value, December 31, 2018	10,530,475
Additions to / (disposals of) investments	90,621,350
Change in Fair Value	4,468,240
Investments held at fair value, December 31, 2019	\$ 105,620,065

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16. Fair value measurements (continued):

(b) Investments held at fair value (continued):

The key valuation techniques used in measuring the fair values of investments in mortgages include:

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Investment cost/ Enterprise value	Enterprise value	The estimated fair value would increase / (decrease) if enterprise value is increased (decreased)
Discounted cash flow	Net operating income Discount rate Probability of cash flows	The estimated fair value would increase/ (decrease) with changes in significant unobservable Inputs

(c) Foreign currency derivatives:

The Trust has entered into foreign exchange contracts to mitigate the impact from fluctuations in foreign exchange rates. The Manager determines the fair value of foreign currency derivatives with reference to quotations from third party derivative dealers and accepts the amount as fair value for the derivatives. As a result, the fair value of foreign currency derivatives is based on Level 2 inputs.

(d) Other financial assets and liabilities:

The fair values of cash, restricted cash, accrued interest receivable, other receivables, due from related parties, promissory notes receivable, accounts payable and accrued liabilities, distributions payable on redeemable units, and loans payable approximate their carrying value due to their short-term maturities.

(e) Net assets attributable to holders of redeemable units:

The Trust routinely redeems and issues redeemable units at \$10 per unit.

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17. Financial instruments and risk management:

(a) Financial risk management:

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

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

Management's risk management policies are typically performed as a part of the overall management of the Trust's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Trust may be exposed to a number of risks that could affect its operating performance. Management's close involvement in operations will help to identify risks and variations from expectations.

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

(i) Credit risk:

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

The Trust's policy over credit risk is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting the credit standards set out by the Manager's Credit Committee.

Credit risk is monitored on an on-going basis by the Manager in accordance with policies and procedures in place. The Trust's credit risk is monitored on a quarterly basis by the Trust's Board of Governors.

The Mortgage Broker's Credit Committee reviews its policies regarding its lending limits on an on-going basis. As at December 31, 2019, 9.98% (2018 - 15.3%) of the Trust's portfolio was advanced to a single borrowing group. Minimal credit risk also arises from cash, and deposits which is mitigated by holding cash and deposits in Canada with a major financial institution.

The Trust's maximum credit risk exposure (without taking into account collateral and other credit enhancements) at December 31, 2019 and December 31, 2018 is represented by the respective carrying amounts of the relevant financial assets in the consolidated statement of financial position.

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17. Financial instruments and risk management:

(a) Financial risk management (continued):

(ii) Liquidity risk:

Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Trust's liquidity requirements relate to its obligations under its loans payable, accounts payable and accrued liabilities, mortgage syndication liabilities, distributions payable to holders of redeemable units, redeemable units, loans payable and its obligations to make future advances under its existing mortgage portfolio. Liquidity risk is managed by ensuring that the sum of: (i) availability under the Trust's bank borrowing line; (ii) the sourcing of other borrowing facilities; and (iii) projected repayments under the existing mortgage portfolio, exceeds projected needs (including funding of further advances under existing and new mortgage investments). As at December 31, 2019, 51.4% of the Trust's mortgage portfolio, being \$480,726,549 is due on or before December 31, 2020 (2018 - 38.2% or \$280,062,777 due before December 31, 2019).

Loans payable do not have associated maturity dates but are repayable on demand upon 30-days' notice.

Accounts payable and accrued liabilities arise from normal operating expenses and are expected to be settled within three months of year-end.

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

(iii) Market risk:

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

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

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

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2019

17. Financial instruments and risk management (continued):

(a) Fair value (continued):

(iii) Market risk (continued):

(A) Interest rate risk:

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

The Trust's interest rate risk is primarily attributable to its resources to fund the mortgages. As described in note 12, units are retractable by Unitholders upon 30 days' notice. A significant rise in interest rates may cause Unitholders to retract their Units and could cause a shortfall in funds available to meet such retractions. The Trust manages interest rate risk by generally investing in short term variable rate mortgages with floor rates which are greater than the rate charged by its lenders. The Trust also charges a 1% penalty on retractions made prior to units' first year anniversary.

As at December 31, 2019, a 0.5% increase/decrease in interest rates with all other variables held constant would increase/decrease the Trust's income by approximately \$3,373,895 (2018 - \$2,551,727), arising mainly as a result of higher interest income generated on variable rate mortgage investments.

(B) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Trust's functional currency is Canadian dollars however the Trust invests in mortgages and investments in associated and joint ventures that are denominated in US dollars.

The Trust has put in place steps to mitigate impacts from fluctuations in foreign exchange as the Trust has entered into forward exchange contracts to manage its foreign exchange exposure. As at December 31, 2019, the Trust was participating in forward exchange contracts to sell US dollars totaling \$340,453,506 (2018 - \$197,883,814).

The foreign currency derivatives are marked-to-market on the consolidated statement of financial position and the fair value as at December 31, 2019 is an asset of \$7,169,397 (2018 – liability \$1,569,937). The foreign currency derivatives are entered into by the Mortgage Broker on behalf of the Trust with third party financial institutions.

The table below indicates the foreign currency to which the Trust had unhedged exposure at December 31, 2019 and 2018. It also illustrates the potential impact on the net assets attributable to holders of redeemable units if Canadian dollar had strengthened or weakened by 5% in relation to the other currency, with all other variables held constant.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2019

17. Financial instruments and risk management (continued):

(a) Fair value (continued):

(iii) Market risk (continued):

(B) Currency risk (continued):

Increase (decrease) in Canadian dollars::

2019

Currency	Exposure	Impact on net assets attributable to redeemable units
United States dollars	\$ 15,404	\$ 770
% of net assets attributable to redeemable units	0.00%	0.00%

2018

Currency	Exposure	Impact on net assets attributable to redeemable units
United States dollars	\$ 618,217	\$ 30,911
% of net assets attributable to redeemable units	0.08%	0.00%

(C) Other price risk:

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

18. Capital management:

The Trust considers net assets attributable to holders of redeemable units to be capital, which at December 31, 2019 was \$1,140,318,352 (2018 - \$781,177,566).

The Trust's objective when managing capital is to maintain its ability to continue as a going concern and ensure that it has sufficient cash resources to invest in mortgages in order to provide a return to its Unitholders. To secure the additional capital necessary to pursue these plans, the Trust may attempt to raise additional funds through the issuance of additional units.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2019

18. Capital management (continued):

The Trust, through its Manager, manages its capital structure and makes adjustments as appropriate based on the funds available to the Trust as well as utilization of its line of credit in order to support the continued investment in mortgages and other investments. The Manager's investment strategy continues to be to preserve investor capital, while providing a consistent stream of interest income.

19. Subsequent event:

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.

Due to the current market uncertainty caused by the COVID-19 pandemic, the Trust has suspended redemptions post February 28, 2020. The Trust took this measure in order to preserve capital. The Trust anticipates it will continue to make scheduled distributions and once the market has settled the Trust's redemption hiatus will be reassessed.

CERTIFICATE OF THE TRUST AND OF THE PROMOTER

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made.

This Offering Memorandum does not contain a misrepresentation.

DATED EFFECTIVE this 30th day of April, 2020.

Trez Capital Yield Trust
By its Manager and Promoter, Trez Capital Fund Management Limited Partnership,
by its general partner, Trez Capital Fund Management (2011) Corporation

"Morley Greene"

(Signed) Morley Greene
Chief Executive Officer and Director

"Alexander (Sandy) Manson"

(Signed) Alexander (Sandy) Manson
Chief Financial Officer and Director

**On behalf of the Directors of Trez Capital Fund Management (2011) Corporation,
the general partner of Trez Capital Fund Management Limited Partnership**

"Morley Greene"

(Signed) Morley Greene
Director

"Alexander (Sandy) Manson"

(Signed) Alexander (Sandy) Manson
Director

**On behalf of the Directors of Trez Capital (2011) Corporation,
the general partner of Trez Capital Limited Partnership**

"Morley Greene"

(Signed) Morley Greene
Director

"Alexander (Sandy) Manson"

(Signed) Alexander (Sandy) Manson
Director