

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 29, 2024



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Trez Capital Yield Trust US (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 January 10, 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, Series F and Series I Units, denominated in U.S. dollars.
Price per security:	The subscription price per Unit is USD\$10 per Unit.
Minimum/Maximum offering:	There is no Minimum or Maximum Offering. You may be the only purchaser.
Minimum Purchase:	500 Units (USD\$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".
Insufficient Funds:	Funds available under this Offering may not be sufficient to accomplish our proposed objectives. See "Objectives and Policies - Insufficient Funds".
Compensation Paid to Sellers and Finders:	A person has received or will receive compensation for the sale of the Units under this Offering. See "Compensation Paid to Sellers and Finders".
Resale restrictions:	You will be restricted from selling your securities for an indefinite period. See "Resale Restrictions".
Payments to Related Party:	Some of your investment will be paid to a related party of the Trust. See "Use of Available Funds".
Certain Related Party Transactions:	This Offering Memorandum contains disclosure with respect to one or more transactions between the Trust and related parties. See "Related Party Transactions".
Conditions on Redemption:	You will have a right to require the Trust to redeem the Units from you, but this right is qualified by the fact that Units are redeemable at the demand of the Unitholders, upon thirty days' written notice at a Redemption price per Unit 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. An investment in Units should be considered a medium or long-term investment. While the Units have rights of redemption, subject to

(ii)

certain important restrictions, there can be no assurance that Unitholders will have any expected liquidity event in the short-term in the event of certain of the risk factors outlined herein materializing, other than receiving distributions from the Trust. As a result, you might not receive the amount of proceeds that you want. See "Securities Offered – Unitholder's Right to Redeem".

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 a right to damages or to cancel the agreement. See "Purchasers' Contractual and Statutory Rights of Action".

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".

TABLE OF CONTENTS

SUMMARY	6
GLOSSARY	1
UNITED STATES CURRENCY	7
FORWARD LOOKING STATEMENTS	7
INTERPRETATION	7
DOCUMENTS INCORPORATED BY REFERENCE.....	7
USE OF AVAILABLE FUNDS	8
Subscription Proceeds and Available Funds.....	8
Use of Net Subscription Proceeds	8
THE TRUST	9
Structure	9
The Trust's Business	9
Investment Strategy and Investments	10
Investment Process	12
Loan Syndication.....	16
The Trust's Operating Facility	19
Organizational Relationships.....	19
Cayman Master Fund Contribution	20
Investment Portfolio of the Trust as at December 31, 2023.	22
Investment Portfolio Reconciliation to the Audited Financial Statements ("AFS"):	24
Recent Developments	24
Loans in Default and Foreclosed Assets.....	25
OBJECTIVES AND POLICIES	26
Business Objective	26
Short Term Objectives.....	26
Insufficient Funds	26
Investment Strategies.....	26
Investment Restrictions	26
INDUSTRY AND SECTOR OVERVIEW	28
Overview of the Real Estate Sectors in Which the Trust May Invest.....	31
DISTRIBUTIONS	35
Monthly Distributions	35
Distribution on Termination of the Trust.....	36
MATERIAL AGREEMENTS	37
SUMMARY OF DECLARATION OF TRUST	37
Trust Units.....	37
Meetings of Unitholders and Resolutions.....	37
Matters Requiring Unitholder Approval.....	38
Amendments to the Declaration of Trust by the Manager.....	39
Permitted Mergers	40
Reporting to Unitholders	40
No Certificates.....	40
Liability of Unitholders	40
Termination of the Trust.....	41

CALCULATION OF NET ASSET VALUE	42
Valuation Policy	42
Net Asset Value of the Trust	42
RELATED PARTY TRANSACTIONS.....	43
DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS	44
Trez Capital Fund Management Limited Partnership (the Manager)	44
Manager's Fees	46
Expenses of the Trust	47
Trez Capital Limited Partnership (the Mortgage Broker).....	47
The Board of Governors	53
The Trustee.....	56
Policies and Procedures of the Manager.....	56
Promoters	57
PRINCIPAL HOLDERS OF THE TRUST	57
CAPITAL STRUCTURE.....	57
Structure	57
Prior Sales and Redemptions	57
SECURITIES OFFERED	58
Description of the Units Offered	58
Series	59
No Transfer of Units.....	60
Liquidity	60
Consolidation and Subdivision.....	60
Unitholder's Right to Redeem	60
Suspension of Redemptions	61
Short Term Trading.....	61
Redemption at the Demand of the Manager	61
SUBSCRIPTION FOR UNITS.....	62
Subscription Procedure.....	62
INCOME TAX CONSIDERATIONS.....	64
Status of the Trust.....	65
Taxation of the Trust	65
Taxation of Unitholders.....	66
Tax Information Reporting	68
Investment by Deferred Plans.....	68
COMPENSATION PAID TO SELLERS AND FINDERS	69
Selling Commissions	69
Short Term Trading Deduction.....	69
Dealer Compensation	69
RISK FACTORS	70
Return on Units Determined by Reference to Investment Portfolio	70
Changes in Real Estate Values	70
Technology and Information Security	71
Concentration and Composition of the Investment Portfolio	71
The Trust's Interest in the Cayman Master Fund.....	72
The Cayman Master Fund Contribution Will be a Taxable Transaction	72
No Market.....	72

Investments Not Guaranteed or Insured	72
Lack of Liquidity	72
Loan Syndication Risks	73
Pooled Loan Facilities Risks	73
Mezzanine Loan Risks	74
Preferred Equity Investment Risks	74
Subordinate and Non-Conventional Financing	74
Degree of Leverage	75
Sensitivity to Interest Rates	75
Fluctuations in Capitalization Rates	75
Severe Weather Conditions and Natural Disasters	75
Joint Ventures	75
Fixed Costs and Increased Expenses	76
Development Risks	76
Construction Risks	76
Contractor/Property Manager Risks	76
Tenant Risks	77
Cross-Border Risk	77
Tax Matters	77
Loan Syndication – Income (Loss) Allocations	77
Risks Related to Mortgage Extensions and Mortgage Defaults	78
Foreclosure and Related Costs	78
Reliance on the Manager/Mortgage Broker	78
Very Limited Role of the Board of Governors	79
Restrictions on Redemption	79
Public Health Crisis	79
Nature of Units	79
Potential Conflicts of Interest	80
Availability of Investments	80
Fees and Transaction Costs	80
Possible Personal Liability of Unitholders	80
CONFLICTS OF INTEREST AND INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	81
General	81
Other Competing Activities of the Manager and its Affiliates	82
AUDITORS	82
REGISTRAR AND TRANSFER AGENT	82
LEGAL AND TAX MATTERS	82
CONTINUOUS REPORTING OBLIGATIONS TO INVESTORS	82
RESALE RESTRICTIONS	83
PURCHASERS' CONTRACTUAL AND STATUTORY RIGHTS OF ACTION	83
FINANCIAL STATEMENTS	90
CERTIFICATE OF THE TRUST AND OF THE PROMOTER	C-1

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. All dollar amounts stated herein, unless otherwise stated, are expressed in currency of the United States of America.

- Offering:** A continuous offering of Series A, Series F and Series I Units of the Trust. 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 USD\$10.00.
- Minimum Subscription:** There is a minimum subscription of 500 Units (USD\$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 Trust was formed to allow investors to invest, through the ownership of Units of the Trust, in a portfolio of Mortgages secured by Real Property and other Investments in the United States. The business objective of the Trust is to generate a reliable stream of income to investors, while preserving invested capital, by investing in Investments.
- The Investment Portfolio of the Trust consists primarily of the following types of Investments: (a) Mortgage Investments, (b) Mezzanine Loans, (c) Land and Lot Banking Financings, and (d) Equity Investments.
- a) "**Mortgage Investments**" consist of short- to intermediate-term loans, generally to real estate developers, that are secured by Real Property. Mortgage Investments typically include a base interest rate, and may from time to time but not often include a "bonus" participation option derived from profits realized from the development project.
 - b) "**Mezzanine Loans**" generally consist of loans secured by a real estate developer's interest in the developing entity. Under the Trust's investment restrictions, Mezzanine Loans are limited to 10% of the net assets of the Trust from time to time.
 - c) "**Land and Lot Banking Financings**" generally involve both a loan and equity investment in an entity that acquires Real Property under an arrangement with a homebuilder under which the homebuilder who develops the project agrees to repurchase the Real Property from the entity at a price which includes an implicit "interest" component.
 - d) "**Equity Investments**" consist of equity investments in an entity (typically a limited partnership) that owns Real Property in which the real estate developer is generally the general partner. Under the Trust's investment restrictions, Equity Investments are limited to 20% of the net assets of the Trust from time to time.

The Trust has retained, and relies on, the Mortgage Broker to identify suitable Investments for investment by the Trust. The Mortgage Broker and its Affiliates have developed an extensive network of business contacts and repeat borrowers in various key geographic target markets in the United States, which the Trust believes will allow the Mortgage Broker to identify and present suitable investment opportunities for the Trust to invest in on an ongoing basis.

The Trust's Investment Portfolio is expected to generate income through interest payments or profit participations derived from the sale of Real Property. Mortgage Investments will generally generate income through interest payments, which are typically payable periodically throughout the term of the Mortgages or upon their maturity. Mortgage Participations will generally provide income from interest

payments, which are typically payable periodically throughout the term of the Mortgage or in full upon their maturity, plus a profit interest when the developer sells the Real Property. Land and Lot Banking Financings will generally provide income from "option" payments on both the loan and equity investments which represent the equivalent of an "interest" charge on the amounts advanced under the financings. For Equity Investments, the Trust advances funds to the underlying projects for either a preferred rate of return and a seniority to common equity holders or for a share of profits on a predetermined, negotiated basis with other common equity holders.

All Mortgages (often referred to as a "deed of trust" in the United States) 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 Mortgages may be either first ranking, a junior position in a first ranking Mortgage, or a subsequent ranking Mortgage. Individual Mortgages may be secured by one or more properties owned by the same mortgagor. See "Objectives and Policies – Investment Restrictions".

Loan Syndication:

The Manager may arrange for third parties, Affiliated Funds and/or Joint Ventures to participate in Investments in which the Trust invests, either in a senior position, *pari passu* or in a junior position in relation to the Trust. The syndication process allows investment entities with a more conservative investment strategy to invest in a more secure senior portion of a Mortgage, with progressively higher risk / higher return junior positions available to investment entities with a higher risk profile. These arrangements with third parties, Affiliated Funds and Joint Ventures allow the Manager to, among other things, reduce the Trust's exposure to a single Mortgage and allow for greater diversification in the Trust's Investment Portfolio, apportion the risks associated with the Mortgages appropriately, provide yield enhancement, as well as create liquidity for the Trust.

The Trust will hold interests in Mortgages in which third parties (such as banks, trust companies, and other mortgage investors) selected by the Manager, together with Affiliated Funds or Joint Ventures, may invest in a senior position. Such third-party investments will bear interest at a lower rate than the interest rate on the underlying Mortgages (to reflect their senior position), thereby enabling the Trust to earn a higher overall rate of return on its junior position in the Mortgages. This practice – sometimes referred to as "tranching" – enables the Trust to effectively achieve its desired returns while using less capital for each Mortgage investment (thereby facilitating greater diversification for the Trust), while generally retaining the Manager's control over administering the Mortgages. The Manager believes that tranching will enhance risk-adjusted returns as the interest rate received by the Trust will be higher than the rate it would have obtained under an equivalent non-tranched Mortgage.

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. See "The Trust – Loan Syndication".

Equity Syndication:

The Trust may participate in Equity Investments (often *pari passu* with Affiliated Funds). In that case, the Trust will generally participate in Preferred Equity Investments with terms and rights common to debt securities such as fixed interest rates, defined maturity dates, and priority for repayment to the junior Equity Investment position. The junior position in the Equity Investment will also often be made by Affiliated Funds. See "The Trust – Equity Investments."

Series:

Units of the Trust are issuable in Series. The Offering under this Offering Memorandum is for Series A Units, Series F Units and Series I Units.

All Series 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. Distributions on the Series A Units, Series F Units and Series I Units will

differ as a result of (i) the deduction of the amounts payable in respect of Trailer Fees for the Series A Units and (ii) the lower Series I 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 participate in the same pool of Investments and Authorized Interim Investments on a *pari passu* basis. See "Securities Offered – Description of the Units Offered".

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

Series A Units:	TRZ – 300
Series F Units:	TRZ – 310
Series I Units:	TRZ – 320

Distribution Policy:

The Trust intends to make monthly distributions to Unitholders of record at the end of each calendar month. For each month end the Trust will distribute an amount as determined by the Manager. Such monthly distributions will be paid in arrears by the 10th day following the end of the month to which the distribution relates.

In addition, the Trust intends to make an additional distribution to Unitholders at the end of each calendar year, equal to the amount, if any, by which the Trust's Taxable Income for such year exceeds the sum of (i) any non-capital losses incurred in the year or prior years and applied in such year, (ii) any reserves that the Manager deems appropriate and (iii) the monthly distributions previously made to Unitholders for that year (the "**Final Year End Distribution**"). The Final Year End Distribution, if any, for a year will be paid in arrears not later than March 15 of the immediately following year.

Monthly distributions will be paid to Unitholders holding Units at the end of the applicable month *pro rata* in proportion to the number of Units outstanding each day in the month to which the distribution relates. The Final Year End Distribution will be paid to Unitholders holding Units at the end of the applicable year *pro rata* in proportion to the number of Units outstanding each day 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. For clarity, a Unitholder whose Redemption is paid out on the last day of any month will not be eligible for that monthly distribution, including the Final Year End Distribution in the case of a Redemption paid out on December 31.

Subject to a Unitholder's election to receive distributions in cash, distributions by the Trust will be paid in Units, at a value of USD\$10.00 per Unit (unless determined otherwise by the Manager). A Unitholder who does not elect to receive distributions in cash will, by default, receive distributions in Units. 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.

In order to receive distributions in cash, a Unitholder must elect to receive distributions in cash at the time the Units are purchased, or else notify the Manager in writing at least five (5) business days in advance of the applicable distribution record date of the election to receive distributions in cash. If the Trust does not have sufficient cash on hand to pay the cash distributions otherwise payable, the Trust may instead make such distributions by way of a distribution of additional Units as described above.

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 tax is 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."

Redemption by Unitholder:

Subject to the restrictions below, the Series A Units, Series F Units and Series I Units are redeemable at the demand of the Unitholder, upon thirty days' written notice, at a Redemption price per Unit (the "**Redemption Price**") equal to:

- (i) at any time up to the first anniversary of their issuance, 99% of USD\$10.00 per Unit; and
- (ii) thereafter, at USD\$10.00 per Unit.

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

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's Fees:

Under the Declaration of Trust, the Manager is entitled to receive Management Fees, which differ depending on the Series of Units. For the Series A Units and Series F Units, the Manager is entitled to an annual fee equal to 1.5% of the Series A Units' and Series F Units' Proportionate Share of the Average Annual Gross Total Assets. For a holder of Series I Units, the Manager is entitled to an annual fee equal to a percentage, as negotiated between the Manager and the holder of such Series I Units, of such Series I Units' Proportionate Share of the Average Annual Gross Total Assets. Such Management Fees will be deducted from the distributions otherwise payable by the Trust to the holders of the applicable Series of Units.

In addition, the Manager is entitled to receive an annual Incentive Fee equal to 10% of the Incentive Fee Revenue of the Trust. The Incentive Fee is paid at the same time as the Final Year End Distribution 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 and Fees:

The Mortgage Broker will arrange Mortgages (with the exception of Mortgages in the State of California) on behalf of the Trust and will act as mortgage broker of the Trust. Trez Capital (US) Limited Partnership, an Affiliate of the Mortgage Broker, will arrange for California Mortgages on behalf of the Trust and will act as mortgage broker for California Mortgages on behalf of the Trust.

Trez Capital Texas L.P. and Trez Capital Group (New York) LP, both Affiliates of the Mortgage Broker, and Trez Capital (US) Limited Partnership will source Investments on behalf of the Mortgage Broker and the Mortgage Broker will undertake its customary due diligence review of any proposed Investments.

The Mortgage Broker may earn brokerage and/or origination fees from placing Mortgages against properties and performing due diligence. In the case of Mortgages which are originated by the Mortgage Broker or its Affiliates, such fees will generally be paid by the borrower to the Mortgage Broker, 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 or origination 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 and/or origination 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 they originate for the Trust. See "Directors, Management, Promoters and Principal Holders – Originators' and Mortgage Broker's Fees".

Series A Unit Trailer Fees:

The Trust will pay an annual Trailer Fee to registered dealers in respect of the Series A Units, equal to 1.00% of the Subscription Price for each Series A Unit, which Trailer Fee is payable monthly in arrears. The amount of the Trailer Fee will be deducted from distributions to holders of Series A Units.

Use of Proceeds:

The Net Subscription Proceeds will be invested in Investments. Investments will be made as set out in "Objectives and Policies - Investment Restrictions". Pending investment in Investments, 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 Investments 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 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. Subject to the discussion below (see "Income Tax Considerations - Taxation of Unitholders"), of the increase to the capital gains inclusion rate from one-half to two-thirds for corporations, trusts and certain individuals, 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 must generally 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.

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:

An investment in Units of 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) The Trust makes no representation as to any return that will be generated from the Investment Portfolio. There can be no assurance that past returns achieved by funds managed by the Manager will be, in any respect, indicative of how Investments will perform (either in terms of profitability, volatility or low correlation with other investments) in the future.
- b) Unitholders' returns will be determined by the returns generated by the Investment Portfolio. These returns are affected by general economic conditions, the level of interest rates, 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 – Trez Capital Limited Partnership (the Mortgage Broker) – Due Diligence Procedures and Risk Reduction".
- c) The Investments, which will be indirect investments in Real Property or be secured by Real Property, can fluctuate in value. Changes in market conditions may decrease the value of the Real Property secured and reduce the actual or projected cash flow from the Real Property, thereby affecting the ability of the borrower to service the debt and/or repay the loan or the ability to sell the Real Property.
- d) If there is an increase in interest rates, it generally becomes more expensive for businesses and individuals to borrow money, which can reduce demand for real estate. As a result, property values may decline and adversely affect the value of the Investments. Higher interest rates may also have a negative impact on overall liquidity in financial markets.
- e) Volatility in the capital markets can result in restrictions in the availability of capital and could affect the ability of borrowers to refinance and pay out Loan Investments when due and the ability to sell Real Property. This lack of liquidity may result in the Trust suspending the Redemption of Units from time to time.
- f) If there is a decline in interest rates (as measured by the indices upon which the interest rates of the Trust's Loan Investments are based), the Trust may find it difficult to originate additional Investments bearing rates sufficient to achieve distributions on the Units at the rates previously achieved by the Trust.
- g) As at December 31, 2023, 7.3% of the Trust's Investment Portfolio by number of Investments relate to one borrower. Additionally, 9.6% of the Trust's Investment Portfolio by dollar amount relate to one borrower. The loan-to-value ratio of the properties securing these Mortgages is 60.5%. 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 investments concentrated with a small number of borrowers.

- h) Given the concentration of the Trust's exposure, directly or indirectly, to the Mortgage lending and Real Property 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 and Real Property are relatively illiquid. This lack of liquidity may result in the Trust suspending the Redemption of Units from time to time. The Investment 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 Investments being less diversified than at other times.
- i) Mezzanine Loans are subordinated financings and the borrower's ability to repay is subject to the financial performance of the underlying Real Property or the borrower's creditworthiness. Mezzanine Loans are generally non-recourse loans which limits the recoverability in the event of default.
- j) Equity Investments are subordinate to indebtedness (including Mezzanine Loans) and, as such, are significantly riskier investments than Mortgages or Mezzanine Loans. Preferred Equity Investments generally earn a fixed return but do not have security in the underlying Real Property. Instead, Preferred Equity Investments, upon certain specified default events, have the right to effect a change of control of the ownership of the underlying Real Property, subject to any similar rights of lenders in respect of such Real Property that rank ahead of the rights of the Preferred Equity Investment. Given the limited rights associated with Preferred Equity Investments, there is a greater risk that a loss could occur on these investments than investments in Mortgages or Mezzanine Loans.
- k) Subordinate financing, which will be carried on by the Trust, is considered higher risk than primary financing.
- l) The Trust borrows funds and secures such borrowings by Investments in the Investment Portfolio. The Trust also participates in junior (subordinated) positions in certain Mortgages, either through loan-by-loan syndication arrangements or through Pooled Loan Facilities. This use of leverage increases the risk of loss to Unitholders, as the Trust's Investment Portfolio serves as security to third-party lenders under a credit facility while, at the same time, the Trust participates in subordinate positions in Mortgages held within the Trust. In addition, Pooled Loan Facilities reflect increased risk due to potential repurchase requirements, cross-default and cross-collateralization provisions and mark-to-market provisions. Furthermore, such borrowed funds may be shown as a net amount (*i.e.* the net investment in the Mortgage by the Trust) in the financial statements in accordance with accounting criteria under IFRS. See "The Trust – Loan Syndication."
- m) The Trust enters into loan syndication transactions with other investment entities managed by the Manager as well as with third-party financiers. These arrangements may provide for pooling and/or different timing of contributions. As such, this can result in a mismatch of income (loss) or taxable income (loss) allocations, such that the Trust could receive a lesser or greater amount of income (loss)/taxable income (loss) than it would have received had it maintained sole ownership of the Mortgage and not participated in the loan syndication arrangement.
- n) The Trust is 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.

- o) 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.
- p) The role of the Board of Governors is generally advisory in nature with a focus on overseeing and managing conflicts of interest that may arise between the Manager, the entities managed by it and affiliates thereof. The Board of Governors is not involved in the day-to-day management of the Trust. Its duties differ from those of the board of directors of a corporation as 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. While the Declaration of Trust sets out that the Board of Governors has the duty to ensure the actions of the Manager and the Trustee are, at all times, in accordance with the terms of the Declaration of Trust, the Board of Governors has limited insight into the day-to-day operations and activities of the Manager and is, to a large degree, reliant upon the Manager reporting its activities to the Board of Governors. Accordingly, while the Board of Governors meets at least quarterly and has adopted certain corporate governance and other practices that are consistent with market practices to mitigate the risk of non-compliance with the Declaration of Trust by the Manager, there can be no assurance that such non-compliance may occur given the Board of Governors' limited ability and authority to oversee and monitor the activities and operations of the Manager on a day-to-day basis and its reliance on the Manager to report on such activities.
- q) The Trust expects to transfer certain Loan Investments and Land and Lot Banking Financings to the Cayman Master Fund in connection with the Cayman Master Fund Contribution in consideration for Master Units. The risks outlined above with respect to the Trust's Investment Portfolio and Investments held by the Trust will also apply to Investments held by the Cayman Master Fund following the Cayman Master Fund Contribution, and thus to the Trust's investment in Master Units
- r) The Trust may be one of several investors in the Cayman Master Fund, which would impact the Trust's economic interest in the assets transferred to the Cayman Master Fund.
- s) The Trust maintains information security measures and continuously monitors security threats to its information technology systems and implements measures to manage these threats. However, there can be no assurance that the Trust will be immune from cybersecurity risks and that risks can be fully mitigated due especially to the evolving nature of cybersecurity threats, the difficulty in anticipating such threats and the difficulty in immediately detecting all such threats and any breach of the Trust's information security may have a material adverse impact on its business, operations, financial condition and cash flows. In addition, cyber incidents may also remain undetected for an extended period, which could exacerbate the consequences aforementioned. Overall, security breaches could expose the Trust to a risk of loss or litigation and possible liability for damages. The Trust may be required to make significant expenditures to protect against security breaches or to alleviate problems caused by any breaches.
- t) Although the Units share certain attributes similar to equity securities, Unitholders do 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.

- u) 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".
- v) 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. See "Securities Offered – Unitholder's Right to Redeem".
- w) If the Manager determines that the Net Asset Value of the Trust is less than the aggregate Subscription Price of all outstanding Units, 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.
- x) Payment of income distributions to Unitholders by the distribution of Units 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 Units of 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);

"**Affiliated Funds**" means investment funds (other than the Trust) that are managed by the Manager;

"**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 Total Assets**" means, for a particular period, the sum of (i) the Total Assets of the Trust at the end of each month in such period, divided by (ii) the number of months ending in such period;

"**Blocker Corp**" has the meaning given to it under "The Trust – Organizational Relationships";

"**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;

"**Cayman Feeder Fund**" has the meaning given to it under the heading "The Trust – Organizational Relationships";

"**Cayman Master Fund**" means Trez Capital U.S. Real Estate Debt Fund Master Limited Partnership, a Cayman Islands exempted limited partnership governed by the Cayman Master Limited Partnership Agreement, and, where the context so requires, references to the Cayman Master Fund mean the Cayman Master General Partner, acting in its capacity as general partner of the Cayman Master Fund;

"**Cayman Master Fund Contribution**" has the meaning given to it under the heading "The Trust – Cayman Master Fund Contribution";

"**Cayman Master General Partner**" means Trez Capital U.S. Real Estate Debt Fund Master LLC, a limited liability company registered under the laws of the Cayman Islands and the general partner of the Cayman Master Fund;

"**Cayman Master Limited Partnership Agreement**" means the amended and restated exempted limited partnership agreement of the Cayman Master Fund, as the same may be amended or restated from time to time;

"**Closing**" means a closing of the sale of Units offered under this Offering Memorandum, as the Manager may determine from time to time;

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

"**Declaration of Trust**" means the declaration of trust made as of January 10, 2013, as amended and restated effective August 29, 2014, as amended by a first supplemental declaration of trust dated April 20, 2015, as amended and restated effective March 8, 2016, as amended and restated effective May 25, 2016, as supplemented December 9, 2016, and as 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 "first home savings account", a "registered disability savings plan" or a "deferred profit sharing plan" as such terms are defined under the Tax Act;

"DRIP" has the meaning given to it under the heading "Distributions – Monthly Distributions";

"Equity Investment" means an agreement with a third party to invest in an entity that owns, directly or indirectly, Real Property, but does not include an investment by the Trust in a wholly-owned subsidiary of the Trust or an entity that is managed by the Manager;

"Feeder Funds" has the meaning given to it under the heading "The Trust – Cayman Master Fund Contribution";

"Final Year End Distribution" has the meaning given to it under the heading "Summary – Distribution Policy";

"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 of the Trust for that period, determined before deducting any Incentive Fee otherwise payable for that period and after the deduction of the Management Fees payable for that period;

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

"Investment Portfolio" means the portfolio of Investments held by the Trust, whether directly or indirectly (including Investments held through Special Purpose Entities and, following the Cayman Master Fund Contribution, through the Cayman Master Fund) in accordance with the investment policy of the Trust;

"Investments" means, collectively, Mortgages, Mezzanine Loans, Land and Lot Banking Financings and Equity Investments;

"Joint Ventures" means joint ventures, that the Trust is a party to, which are managed or co-managed by the Manager;

"Land and Lot Banking Financings" has the meaning given to it under the heading "The Trust – Investment Strategy and Investments – Land and Lot Banking Financings";

"Loan Investments" means, collectively, Mortgage Investments and Mezzanine Loans;

"Management Fees" means, collectively, the Series A and Series F Management Fee, 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 of the Trust from time to time;

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

"**Master Units**" has the meaning given to it under the heading "The Trust – Cayman Master Fund Contribution";

"**Mezzanine Loans**" means direct or indirect investments in loans secured by a developer's interest in an entity owning or developing Real Property;

"**Mortgage**" or "**Mortgages**" means a mortgage, a deed of trust, 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–California**" means Trez Capital (US) Limited Partnership, a limited partnership formed under the laws of the Province of British Columbia;

"**Mortgage Broker Agreement**" means the agreement dated January 10, 2013 among the Manager, the Mortgage Broker and the Trust, pursuant to which the Mortgage Broker provides its services to the Trust;

"**Mortgage Broker Credit Committee**" means the credit committee of the Mortgage Broker;

"**Mortgage Investment**" means an investment by the Trust in a Mortgage, either directly or indirectly (including through one or more SPEs and, following the Cayman Master Fund Contribution, through the Cayman Master Fund);

"**Mortgage Participation**" means an investment in a Mortgage which includes a bonus payment from any profits from the disposition of the underlying Real Property;

"**NI 45-106**" has the meaning given to it under the heading "Subscription for Units - Qualified Unitholders";

"**Net Asset Value**" or "**NAV**" means, at any particular time, the value of all assets of the Trust at that time less the value of all liabilities of the Trust at that time, in each case determined in accordance with the Valuation Policy;

"**Net Asset Value per Unit**" means, at any particular time, the quotient obtained by dividing the Net Asset Value at that time by the total number of outstanding Units at that time;

"**Net Subscription Proceeds**" means the gross proceeds to the Trust from the sale of Units pursuant to the Offering, 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 Units, Series F Units and Series I Units pursuant to this Offering Memorandum;

"**Offering Memorandum**" means this offering memorandum of the Trust;

"**Ordinary Resolution**" means a resolution (i) consented to in writing by holders of more than 50% of all outstanding Units of the Trust (or where a Series is differently affected by the resolution, by holders of more than 50% of all outstanding Units of that Series), or (ii) approved by at least 50% of the votes cast by Unitholders (or where a Series is differently affected by the resolution, by holders of more than 50% of all outstanding Units of that Series) present in person or by proxy at a meeting of Unitholders (or holders of a Series, as applicable) 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);

"**Originators**" means collectively Trez Texas, Trez New York and the Mortgage Broker–California;

"Pooled Loan Facilities" has the meaning given to it under the heading "The Trust – Investment Strategy and Investments – Loan Syndication – Structure of Loan Syndications";

"Preferred Equity Investments" has the meaning given to it under the heading "The Trust – Investment Strategy and Investments – Equity Investments";

"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) situated in the United States, and any buildings, structures, improvements and fixtures located thereon;

"Redemption" means a redemption of Units by the Trust, including upon request by a Unitholder, in each case subject to the limitations described herein and in the Declaration of Trust;

"Redemption Price" has the meaning given to it under the heading "Summary – Redemption by Unitholder";

"Registrar and Transfer Agent" means Trez Capital Limited Partnership;

"Related Parties" has the meaning given to it under the heading "The Trust – Investment Strategy – Loan Syndication – Types of Loan Syndications – Related Party Syndication";

"Repo" has the meaning given to it under the heading "The Trust – Investment Strategy and Investments – Loan Syndication – Structure of Loan Syndications";

"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 in respect of the Series A Units and Series F Units, consisting of an annual fee equal to 1.5% of the Series A Units' and Series F Units' Proportionate Share of the Average Annual Gross Total Assets of the Trust;

"Series A Units" means the Series of Units designated as Series A;

"Series F Units" means the Series of Units designated as Series F;

"Series I Management Fee" means a fee to be paid to the Manager pursuant to the Declaration of Trust in respect of the Series I Units held by a Unitholder, consisting of an annual fee equal to a percentage, to be negotiated between the Manager and the Unitholder, of such Unitholder's Series I Units' Proportionate Share of the Average Annual Gross Total Assets of the Trust;

"Series I Units" means the Series of Units designated as Series I;

"Short Term", when used in respect of Loan Investments, means investments which have an intended maturity date generally of no more than three years;

"Special Purpose Entity" or **"SPE"** means a corporation, trust, partnership or other entity that holds, directly or indirectly, Investments in which the Trust has a direct or indirect ownership interest;

"Special Resolution" means a resolution (i) consented to in writing by holders of more than 66 $\frac{2}{3}$ % of all outstanding Units of the Trust (or where a Series is differently affected by the resolution, by holders of more than 66 $\frac{2}{3}$ % of all outstanding Units of that Series), or (ii) approved by at least 66 $\frac{2}{3}$ % of the votes cast by Unitholders (or where a Series is differently affected by the resolution, by holders of more than 66 $\frac{2}{3}$ % of all outstanding Units of that Series) present in person or by proxy at a meeting of Unitholders (or holders of a Series, as applicable) 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);

"Sub-Trust" means Trez Capital Yield Trust US Sub-trust;

"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 an amount equal to USD\$10.00 per Unit;

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

"Syndicate Lenders" has the meaning given to it under the heading "The Trust – Investment Strategy and Investments – Loan Syndication – Types of Loan Syndications – Senior Syndication";

"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;

"Total Assets" means the aggregate fair value of the assets of the Trust determined in accordance with the terms of the Declaration of 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;

"Trez Florida" means Trez Capital Group (Florida) Limited Partnership, a limited partnership formed under the laws of Delaware;

"Trez New York" means Trez Capital Group (New York) LP, a limited partnership formed under the laws of Delaware;

"Trez Texas" means Trez Capital Texas L.P., a limited partnership formed under the laws of Delaware;

"Trust" means Trez Capital Yield Trust US, 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;

"**Unitholder**" means a person entered in the register or registers of the Trust as a holder of Units, and includes those investors whose subscriptions to purchase Units offered by this Offering Memorandum are accepted by the Trust;

"**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".

UNITED STATES CURRENCY

All references to "\$" and dollar amounts stated herein, unless otherwise stated, are expressed in currency of the United States of America.

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 an Investment 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, including any operations the Trust carries out through the Sub-Trust. Unless the context otherwise indicates or requires, the term "Mortgage Broker" is referring to both the Mortgage Broker and Mortgage Broker-California; provided that in the context of California Mortgages, "Mortgage Broker" is referring to Mortgage Broker-California, and in the context of Mortgages outside of California, "Mortgage Broker" is referring to the Mortgage Broker.

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 (including legal, accounting and audit)	\$Nil ⁽²⁾	\$Nil ⁽²⁾
D. Net Proceeds (D = A – (B + C))	\$1,000,000	\$20,000,000
E. Investment Capital – Redeemable Units (as at December 31, 2023)	\$142,334,862	\$142,334,862
F. Working Capital Deficiency	\$Nil	\$Nil
G. Available Funds (G = (D + E) - F) (as at December 31, 2023)	\$143,334,862	\$162,334,862

Notes:

- (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 Investments, which may be held by the Trust directly or indirectly through one or more intermediary entities in which the Trust has a beneficial ownership interest (including the Cayman Master Fund, following the effective date of the Cayman Master Fund Contribution as described below), as set out in "Objectives and Policies". The Manager will use its reasonable commercial efforts to cause the Trust to make such Investments as soon as possible following each Closing. Pending such investment, the Net Subscription Proceeds will be invested in Authorized Interim Investments.

The Trust expects to use the available funds as follows:

Description of intended use of available funds listed in order of priority	Assuming \$1,000,000 Offering ⁽¹⁾	Assuming \$20,000,000 Offering ⁽¹⁾
Making of Investments and Payment of Management Fees	\$950,000	\$19,000,000
Working Capital Reserve ⁽²⁾	\$50,000	\$1,000,000

Notes:

- (1) As there is no maximum or minimum offering, the sums of \$1,000,000 and \$20,000,000 have been used for illustrative purposes.
- (2) The working capital reserve represents, in aggregate, an estimate of the amount that the Manager will set aside in the Trust for purposes including, but not limited to, ongoing administrative and operating costs and for any other purposes that the Manager reasonably considers necessary to assist in the attainment of the investment objectives.

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 January 10, 2013, as amended and restated effective August 29, 2014, as amended by a first supplemental declaration of trust dated April 20, 2015, as amended and restated effective March 8, 2016, as amended and restated effective May 25, 2016, as supplemented December 9, 2016, and as amended at a special meeting of Unitholders held on August 14, 2018. 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 up to 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 Investments and to borrow funds.

The beneficial interests in the Trust are represented by 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 Subscription Price and Redemption Price is the same for all Series A Units, Series F Units and Series I Units.

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 is@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 was formed to allow investors to invest, through the ownership of Units of the Trust, in a portfolio of Mortgages secured by Real Property and other Investments in the United States. The business objective of the Trust is to generate a reliable stream of income to investors, while preserving invested capital, by investing in Investments.

The Trust's Investment Portfolio will consist primarily of Mortgages, Mezzanine Loans, Land and Lot Banking Financings and Equity Investments, which may be held by the Trust directly or indirectly through one or more intermediary entities in which the Trust has a beneficial ownership interest. Investments in the Investment Portfolio will be concentrated primarily in regions that the Manager views to be growth states in the United States, which will focus on, but not be limited to, Texas, Florida, the Carolinas, Atlanta, Arizona, Washington, and Oregon.

Management

The Manager manages the Trust, including monitoring the Trust's Investment Portfolio to ensure compliance with the Trust's investment objectives, reporting to the Board of Governors of the Trust in accordance with their mandate, assisting the Trust in retaining suitably qualified professional advisors to permit the Trust to comply with its obligations under the Declaration of Trust, and such other administrative matters as the Trust may require from time to time.

The Trust has retained the Mortgage Broker to identify suitable Investments for investment by the Trust. Trez Capital Corporation, the predecessor to the Mortgage Broker, and the Mortgage Broker have successfully originated, underwritten and serviced mortgage investments on behalf of investor clients, including assisting with arranging loan

syndications with financial institutions, for over 25 years. During that period, the Mortgage Broker and its Affiliates have developed an extensive network of business contacts and repeat borrowers in various key geographic target markets, which the Trust believes will allow the Mortgage Broker to identify and present suitable investment opportunities for the Trust to invest in on an ongoing basis.

Investments 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 or exchange Investments in the Investment Portfolio and reinvest the proceeds in other Investments.

Investment Strategy and Investments

The Trust's investment strategy involves investing, either directly or indirectly through one or more entities in which the Trust has a beneficial ownership interest, primarily in a portfolio of Loan Investments secured by Real Property in the United States. The Trust intends to achieve its investment objective through leveraging the Mortgage Broker's and Manager's extensive experience and track record in sourcing and managing U.S. mortgage investments.

The Trust's Investment Portfolio will generally consist of short- to intermediate-term floating-rate, first lien loans provided to real estate developers primarily within the residential sector in the high growth U.S. Sunbelt region (*i.e.*, the region stretching across the southern and southwestern portions of the country). More specifically, the Trust's focus will be Loan Investments secured by multi-family, single-family for rent, and single-family lot development investments.

Growth in the U.S. Sunbelt region is driven by the region's business and tax-friendly environment, which has attracted corporate relocations and the migration of skilled workers. These growth trends have created additional demand for housing in a region that is already experiencing a housing shortage.

Mortgage Investments

The Trust's primary strategy is to make prudent investments, either directly or indirectly through one or more intermediary entities in which the Trust has a beneficial ownership interest, in Mortgages with a focus on short- to intermediate-term financing to U.S. real estate investors and developers that are deemed to be qualified by the Manager. U.S. financial institutions are generally reluctant to dedicate the resources required to originate and structure Mortgages to real estate investors and developers, and often cannot provide the customization or timeliness required to meet the needs of these borrowers. As a result, the Manager believes that this segment of the market represents an attractive investment opportunity for investors who are able to service this market.

The Trust has retained the Mortgage Broker to identify potential Mortgage Investments for the Trust. The Mortgage Broker's personnel and extensive industry experience mean that it is able to customize loan terms on an accelerated timeline that is attractive to potential borrowers, while at the same time allowing for attractive returns to potential investors. The Trust also expects that the Mortgage Broker's extensive contacts and experience will result in the Mortgage Broker generating a reliable stream of potential Mortgage Investments for the Trust to invest in.

The Trust may invest in Mortgage Investments concurrently with Affiliated Funds or Joint Ventures, thereby facilitating greater diversification of the Trust's Investment Portfolio and reducing its exposure to a single Mortgage Investment. Such investments may be on a *pari passu* basis or, alternatively, involve both senior and junior positions, each with separate rates of return relative to their risk profiles.

The Trust may also invest in Mortgage Investments concurrently with other third parties who are not managed by the Manager, either on a *pari passu* or junior basis, in order to allow for greater diversification of the Trust's Investment Portfolio and to reduce its exposure to a single Mortgage Investment.

Mortgage Investments may be held by the Trust either: (i) by way of a direct beneficial ownership in the Mortgage, with legal title held either by a nominee entity established and controlled by an Affiliate of the Manager for, and on behalf of, the beneficial owners or by a third party custodian; or (ii) through a Special Purpose Entity (either directly

or through intermediary SPEs) which holds legal and beneficial ownership to the underlying Mortgage, with the Trust holding a beneficial ownership interest in the SPE and legal title to the Trust's beneficial ownership interest in the SPE held either by a nominee entity established and controlled by an Affiliate of the Manager or by a third party custodian.

In order to increase the return from the Investment Portfolio, the Trust will also enter into arrangements with third-party lenders (including U.S. banks, trust companies and other mortgage investment entities) in which such third-party lenders may invest in the same Mortgages as the Trust on a senior basis (with a lower rate of interest), with the Trust retaining a subordinate or junior position. In those circumstances, in return for taking a junior position, the Trust will be entitled to a higher rate of interest on its investment in the Mortgage, commensurate with the additional risk. See "Loan Syndication".

In general, the Trust's Investment Portfolio will generate income through interest payments, which are typically payable either periodically throughout the term of the underlying Mortgage or upon maturity. The Trust intends to maintain a balanced portfolio of Mortgage Investments with staggered maturity dates.

All Mortgage Investments will be secured by Real Property, with a primary allocation to the residential asset class, including single-family lots, multi-family, single-family for rent, and build-to-rent 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.

The Trust's Mortgage Investments may also include Mortgage Participations, which potentially generate returns in two ways: (a) an agreed interest rate, which is typically payable periodically throughout the term of the Mortgage or in full upon maturity, and (b) from time to time the lender may receive a participation in the profits of the venture on disposition of the underlying Real Property.

Mezzanine Loans

The Trust may make direct or indirect investments in Mezzanine Loans that are secured by a developer's interest in the entity that is developing the real estate. Mezzanine financing can take several forms, but most commonly it involves extending credit to the partners or other equity holders of the borrower and taking a pledge of such parties' equity interests (including the right to distributions of income). Mezzanine Loans generally earn a higher rate of return than a first Mortgage, which is commensurate with the greater risk associated with a Mezzanine Loan.

Land and Lot Banking Financings

The Trust may enter into "land banking" and "lot banking" financings ("**Land and Lot Banking Financings**") as described below.

In "land banking" financings an entity affiliated with the Trust will finance the development of lots by a homebuilder by (a) taking an assignment of the homebuilder's existing land purchase contract, (b) acquiring the Real Property pursuant to such land purchase contract, (c) entering into a construction contract with the homebuilder, its affiliate, or another party for the development of lots on the Real Property, and (d) entering into an option agreement with the homebuilder pursuant to which the homebuilder will (i) make a significant deposit that approximates the homebuilder's equity in the project (typically an amount somewhat less than 20% of the overall costs), and (ii) agree to acquire all of the developed lots as they are completed for an amount equal to the cost of such lots plus a return to the Trust's affiliated entity that represents the equivalent of an "interest" charge on the amounts advanced under the applicable transaction documents. "Lot banking" financings will be structured in a similar manner but instead of the development of lots on the Real Property, the financings will involve already developed and finished lots.

Land and Lot Banking Financings will be structured in a way that the investment funds investing in the transaction, including the Trust, will make a secured loan (proportionate to each investor's participation in the Land and Lot Banking Financings) to the affiliated entity that acquires the Real Property. As a result, the majority of the Land and Lot Banking Financings will be secured by a Mortgage on the underlying Real Property. The remaining portion of the Land and Lot Banking Financings will be held through an indirect equity investment in the entity that acquires the Real Property.

Equity Investments

The Trust may make Equity Investments in entities owning Real Property. Equity Investments involve investment in an entity (typically a limited partnership) in which the Trust, either directly or indirectly, will generally hold a limited partner interest and the developer will be the general partner. The investment entity will acquire and develop the Real Property. Other third parties, including other entities managed by the Manager, may participate as limited partners alongside the Trust. The limited partner(s) and developer will advance funds to the project. The Trust is expected to only invest in the common equity position of Equity Investments on a limited and selective basis.

Usually, Equity Investments in which the Trust invests will be structured to include both a preferred equity position with a fixed rate of return and seniority in terms of repayment ("**Preferred Equity Investments**"), and a common equity position. The Trust will generally invest, directly or indirectly, in an intermediary entity that will set out the terms and conditions of the senior and junior portions of the Equity Investment being made and, in turn, such entity will make a direct investment in the limited partnership with a third-party developer that acquires and develops the Real Property.

The Trust will primarily invest in Equity Investments that are arranged by the Manager and tranching into a senior (or preferred) equity position and a junior (or common) equity position, to apportion the risks and returns among the various investment entities investing in such Equity Investments. The Trust will more commonly make a Preferred Equity Investment that is senior to the interests of common equity holders and generally earns a fixed return and seniority in terms of repayment, and which will commonly have terms and rights more closely aligned with debt securities than equity investments. In such Preferred Equity Investments, Affiliated Funds or other third parties may participate *pari passu* or on a junior basis in relation to the Trust.

Investment Process

The Trust has retained the Mortgage Broker to identify potential Investments for investment by the Trust. The Mortgage Broker has formed the Originators. Under the supervision of the Mortgage Broker, the Originators will originate potential Investments for review by the Mortgage Broker.

The Mortgage Broker utilizes an investment process that is characterized by a top-down approach to identify attractive investment opportunities, beginning with a macro-level economic analysis of various geographic markets and asset classes. Once these have been identified, the Mortgage Broker and Originators identify potential borrowers who are active in the selected geographic areas and asset classes, and look for opportunities to align the potential financing needs of such borrowers with the investment objectives of the various investment funds managed by the Manager, including the Trust. The Mortgage Broker believes that the strong relationships that it has been able to develop with borrowers and investment partners is critical to its ability to identify appropriate investment opportunities that offer attractive returns.

Potential Investments identified by the Mortgage Broker and/or Originators are presented to the Mortgage Broker Credit Committee, which undertakes a preliminary credit analysis of the potential borrower and investment. If the Mortgage Broker Credit Committee determines that the proposed Investment satisfies the criteria established from time to time by the Mortgage Broker Credit Committee, and that an investment in the Investment would constitute a suitable investment for one or more of the funds managed by the Manager (including the Trust), the underwriting team of the Mortgage Broker will perform comprehensive due diligence on the borrower and underlying Real Property. Properties are evaluated on the basis of location, quality, source of repayment, prospects for value-add, and cash flow profile. In addition, the creditworthiness and quality of the sponsor and any investment partner are reviewed and personal covenants are often obtained from the principals of the borrower. The results of this due diligence are summarized in a report which is then presented to delegates of the Mortgage Broker Credit Committee for review and approval.

Following review and approval of a potential Investment by the underwriting team and delegates of the Mortgage Broker Credit Committee, respectively, as described above, the Mortgage Broker will present suitable Investments that meet the Trust's investment objectives to the Manager for its review. The Manager will then conduct its own review of the investment opportunity and, if it is determined to be appropriate for the Trust, the Manager will approve the investment by the Trust in such Investment.

This top-down approach to investment selection is expected to result in the identification by the Mortgage Broker of high-quality investment opportunities that offer attractive returns. 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.

The individual steps involved in the investment review and approval process described above are summarized in greater detail below:

Approval Stage	Mortgage Approval Activity	Equity Investment Approval Activity
Committee First Review	<p>The Mortgage Broker Credit Committee reviews a comprehensive written analysis (a "New Business Summary") prepared by the individual who is the relevant originator (who will generally be an employee, officer or an agent of the Mortgage Broker or an Originator) which details the proposed loan terms and provides a preliminary assessment based on the initial information received from the prospective borrower, together with some initial due diligence evidentiary materials, including information on the borrower and analysis of the market.</p> <p>Prior to preparing a New Business Summary, in situations where a potential investment is complex or non-standard compared to the normal course of business, the individual originator is encouraged to discuss the investment with the Mortgage Broker Credit Committee. Early discussion will generally be accompanied by a written preliminary screening 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 originators.</p>	<p>The Manager's acquisition committee reviews a comprehensive written analysis (an "Acquisition Committee Brief") prepared by the individual who is the relevant originator (who will generally be an employee, officer or an agent of the Manager) which details the proposed investment terms and provides a preliminary assessment based on the initial information received from the prospective investment partner, together with some initial due diligence evidentiary materials, including information on the investment partner and analysis of the market.</p> <p>Prior to preparing an Acquisition Committee Brief, the originator prepares a preliminary screening analysis accompanied by a high-level investment thesis inclusive of key economic terms of partnership, key project metrics and investor return summary. The Manager's acquisition committee reviews the preliminary screening analysis and will request the originator to prepare an Acquisition Committee Brief if the initial investment thesis is found satisfactory. Early-stage discussion is intended to improve the alignment of risk appetite with originators and is also intended to determine the proper allocation of the investment opportunity to the appropriate equity funds that can best suit investors' expectations.</p>
Letter of Intent	<p>Upon review of the New Business Summary, if the preliminary assessment is positive, the Mortgage Broker Credit Committee may authorize the issuance of a letter of</p>	<p>Upon review of the Acquisition Committee Brief, if the preliminary assessment is supported, the acquisition committee may authorize the issuance of a letter of intent,</p>

Approval Stage	Mortgage Approval Activity	Equity Investment Approval Activity
Due Diligence Team Kickoff Meeting	<p>intent. The letter of intent is then sent to the prospective borrower for signature and return, together with a deposit cheque from the prospective borrower sufficient to cover third-party due diligence, legal and other costs.</p> <p>The underwriter assigned to the proposed transaction, the originator, the respective manager, Credit Risk & Underwriting, and the manager, 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>	<p>primarily for investment opportunities with new sponsors. The letter of intent is then sent to the prospective sponsor for acknowledgment. For existing sponsors with a proven track record; this step may not be required.</p> <p>The underwriter assigned to the proposed transaction, the originator, the respective manager of Credit Risk & Underwriting, the manager of Tax, the manager of Fund Accounting, the manager of Funding & Administration, and the manager of Portfolio Management allocated to overseeing the transaction 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>A member or members of the Mortgage Broker's underwriting team assigned to the proposed transaction, the originator, the Mortgage Broker's credit risk and underwriting manager, and the Mortgage Broker's funding and administration manager collectively develop a strategy for the due diligence process. This includes discussions on timing, roles and responsibilities, underwriting tactics, and potential issues.</p> <p>The Mortgage Broker's underwriting team conducts thorough due diligence to assess the merits of the proposed investment. This process may include a review of: credit checks, financial statements and personal net worth statements of the prospective borrowers, and any guarantor(s); borrower experience, track record, capabilities and strength of team; internet searches; third-party reports (such as valuation appraisals, market studies, environmental, building condition assessment and geotechnical appraisals, and quantity surveyor reports); rent rolls, leases, and estoppel certificates; comparable leasing and investment transactions; a development budget and schedules,</p>	<p>A member or members of the Mortgage Broker's underwriting team assigned to the proposed transaction, the Mortgage Broker's credit risk and underwriting manager, and the Mortgage Broker's funding and administration manager and the Mortgage Broker's Portfolio Management manager collectively develop a strategy for the due diligence process. This includes discussions on timing, roles and responsibilities, underwriting tactics, and potential issues.</p> <p>The Mortgage Broker's underwriting team conducts thorough due diligence to assess the merits of the proposed investment. This process may include a review of: credit checks, financial statements and personal net worth statements of the prospective borrower(s), sponsor(s), or partner(s), and any guarantor(s); investment partner experience, track record, capabilities and strength of team; internet searches; third-party reports (such as valuation appraisals, market studies, environmental, building condition assessment and geotechnical appraisals, and quantity surveyor reports); rent rolls, leases,</p>

Approval Stage	Mortgage Approval Activity	Equity Investment Approval Activity
Credit Risk and Underwriting Manager Review	<p>zoning and permits; local market research; and prior and subsequent ranking mortgage balances.</p> <p>The underwriting team also reviews the remainder of the information in the Mortgage Broker's due diligence checklist and completes an underwriting analysis model. The underwriting team then completes a due diligence memo which details the proposed loan terms, underwriting and due diligence results.</p>	<p>and estoppel certificates; comparable leasing and investment transactions; a development budget and schedules, zoning and permits; local market research; lender financing terms and conditions; and prior ranking mortgage balances.</p> <p>The underwriting team also reviews the remainder of the information in the Mortgage Broker's due diligence checklist and reviews various projections utilized by the originator in a cash flow waterfall model. The underwriting team then completes a due diligence memo which details the investment terms, underwriting and due diligence results.</p>
	<p>The due diligence memo is submitted to the Mortgage Broker's credit risk and underwriting manager for review. The manager reviews the underwriting inputs, assumptions, supporting due diligence and output analysis and confirms that due diligence has been performed in accordance with policies and procedures prior to submission for approval by delegates of the Mortgage Broker Credit Committee.</p> <p>Any material changes to transaction terms and conditions or material changes in perceived risk that occur as a result of the review require that the transaction be returned to the Mortgage Broker Credit Committee for approval.</p>	<p>The due diligence memo is submitted to the Mortgage Broker's credit risk and underwriting manager for review. The manager reviews the underwriting inputs, assumptions, supporting due diligence and output analysis and confirms that due diligence has been performed in accordance with policies and procedures prior to submission for approval by delegates of the acquisition committee.</p> <p>Any material changes to transaction terms and conditions or material changes in perceived risk that occur as a result of the review require that the transaction be returned to the acquisition committee for approval.</p>
Approval	<p>Following completion of the review by the Mortgage Broker's credit risk and underwriting manager, the due diligence memo (and related materials) is submitted to delegates of the Mortgage Broker Credit Committee for final review and approval.</p>	<p>Following completion of the review by the Mortgage Broker's credit risk and underwriting manager, the due diligence memo (and related materials) is submitted to delegates of the acquisition committee for final review and approval.</p>
Legal Documentation	<p>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</p>	<p>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</p>

<u>Approval Stage</u>	<u>Mortgage Approval Activity</u>	<u>Equity Investment Approval Activity</u>
	coverage is adequate. The Mortgage Broker obtains transmittal and reliance letters from various consultants who provided reports concerning the transaction.	coverage is adequate. The Mortgage Broker obtains transmittal and reliance letters from various consultants who provided reports concerning the transaction.

As potential investments are identified and approved pursuant to the procedures outlined above, the Manager will determine whether the 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 investment opportunity is suitable for more than one investment entity managed by the Manager, the investment entities, when practicable, participate pro rata in that investment based upon, among other things, the relative importance of the investment opportunity to the fulfillment of each investment entity's objectives and the relative amount of assets under management in each investment entity. See "Objectives and Policies".

Loan Syndication

Mortgage Investments may involve the use of leverage through third-party financiers with a view to achieving higher attractive returns. These leveraged investments are typically made through Special Purpose Entities, in which the third-party lender holds a senior secured position, with the junior position held by the Trust and Affiliated Funds or Joint Ventures. These arrangements allow the Trust to, among other things, reduce the Trust's exposure to a single Mortgage and allow for greater diversification of the Trust's Investments, apportion the risks associated with the Mortgages appropriately, provide yield enhancement, as well as create liquidity for the Trust.

Negotiation of the terms of loan syndication arrangements is generally done by the Mortgage Broker or its Affiliates. The interests of the Trust in syndicated loan Mortgages will generally be represented through legal agreements under which the Mortgage Broker or its Affiliate retains general control over administering and servicing the relevant Mortgages. The documentation between the borrower and the Mortgage Broker or its Affiliate will generally provide that in the event of a failure by the borrower to pay any amount owing under a Mortgage, the Mortgage Broker or its Affiliate, on behalf of the junior participants in the Mortgage including the Trust, will generally be entitled to enforce the Mortgage in accordance with applicable law. In the event of a failure by a borrower to make a scheduled payment of interest and/or principal, the Mortgage Broker or its Affiliate, on behalf of the junior participants in the Mortgage including the Trust, may take such enforcement action or remedies as the Mortgage Broker or its Affiliate considers appropriate. In certain syndication arrangements, the Mortgage Broker may be required to seek agreement from the third-party lender regarding a proposed plan of enforcement and remedy prior to proceeding with any enforcement action.

Types of Loan Syndications

Senior Syndication

It is expected that the Trust will commonly participate in Mortgage Investments with some form of syndication in which third-party lenders hold a senior secured position (also referred to herein as the "senior A portion") as described below. Senior syndications typically involve third-party lenders (including U.S. banks, trust companies and other mortgage investment entities) ("**Syndicate Lenders**") who take a senior secured position in the investment. These Mortgage Investments are often structured through the use of one or more Special Purpose Entities, with the Syndicate Lenders effectively taking a senior position in the Special Purpose Entity for between 50% to 80% of the amount of the underlying Mortgage (although some investments may involve even higher leverage, where such higher leverage is considered appropriate). The Trust, generally alongside other Affiliated Funds or Joint Ventures with a similar investment strategy to that of the Trust, will normally hold a junior position in the Special Purpose Entity, subordinate to the senior position held by the Syndicate Lenders through their senior loan. The loan advances from the Syndicate

Lenders will be at a lower rate of interest than the interest rate on the underlying Mortgage, to reflect the fact that the Syndicate Lenders receive a first-priority secured position ahead of the junior position. At the same time, this structure means that the return to the junior participants is effectively "leveraged" to the extent of the interest rate between the rate charged by the Syndicate Lenders and the rate paid by the borrower.

The Trust may also invest in syndicated loans in which the remaining portion after the "senior A portion" held by a Syndicate Lender is further split (or "tranching") into a "senior B portion" and a "junior C portion" with the "senior B portion" being subordinate to the "senior A portion" but senior to a "junior C portion". In that case, the interest rate on the "senior B portion" will be higher than the rate on the "senior A portion" but lower than the rate on the "junior C portion" to reflect the differing security priorities, and related potential risk, associated with each portion. In syndicated loans involving just a senior portion and a junior portion, the Trust will generally only participate in the junior portion, while in syndicated loans involving a "senior A portion", a "senior B portion" and a "junior C portion", the Trust will commonly only participate in the "junior C portion". Third parties, Affiliated Funds and Joint Ventures may invest in the "senior A portion" and the "senior B portion".

Non-Senior Syndication

The Trust may invest in Mortgage Investments alongside Affiliated Funds or Joint Ventures without the participation of any Syndicate Lenders for numerous reasons, including being able to participate in Mortgages that the Trust would not otherwise be able to fund on its own, and to allow for greater diversification across the Trust's Investment Portfolio. Such Mortgage Investments may take the form of a direct participation in the underlying Mortgage, or through the participation in a Special Purpose Entity that is beneficially owned by the Trust and the Affiliated Funds or Joint Ventures participating in the underlying Mortgage. Such participation will generally be on a *pari passu* basis with the Affiliated Funds or Joint Ventures participating in the investment.

Related Party Syndication

In certain loan syndication arrangements, the directors or officers of the Manager, Affiliates of the Manager, or employees of the Manager or its Affiliates (collectively, the "**Related Parties**") may also participate in a *pari passu* or junior position in a Mortgage. This is typically done in situations where the Manager wishes to create liquidity and/or reduce the exposure to a Mortgage Investment held by the funds that it manages.

Related Parties which, for greater certainty, do not include Affiliated Funds or Joint Ventures, are not permitted to participate in any Mortgage Investment held by the Trust in a position that would be senior to the position to the Trust.

Structure of Loan Syndications

Mortgage syndications may be structured either on a loan-by-loan basis or on a pooled basis whereby a series of Mortgages is pooled together to form a portfolio of investments for syndication ("**Pooled Loan Facilities**").

To facilitate syndication arrangements, many Syndicate Lenders require that Mortgages be held by a U.S.-domiciled entity, typically a corporation, trust or limited partnership (*i.e.* a Special Purpose Entity). As a result, in most syndicated loans, the Trust's Mortgage Investment will not consist of a direct participation in a Mortgage but will instead consist of an ownership interest and participation in the applicable Special Purpose Entity, which will be the legal and beneficial owner of the Mortgage and which will be managed by the Manager or an Affiliate of the Manager on behalf of the beneficial owners of the Special Purpose Entity.

The following is a summary of the four most common Mortgage Investment structures that may be held by the Trust:

1. Direct Mortgage Participation

Under a direct Mortgage participation arrangement, the Trust will have a direct beneficial ownership interest in the Mortgage, while legal title to the Mortgage will be held by a nominee entity established and controlled by an Affiliate of the Manager. If the Mortgage involves a co-investment by the Trust and Affiliated Funds, Joint Ventures or other third parties, the respective beneficial ownership interests of the parties, as well as their respective participation rights

(and security priorities, if any) generally will be set out in a "Mortgage Participation and Servicing Agreement" between the co-owners, the nominee and the Manager.

2. Note-on-Note Financings

In a note-on-note financing, third parties will lend against the security of the applicable Mortgage. The third-party will receive a collateral assignment of the Mortgage (and related loan documents) to secure the loan made by the third-party to the mortgagee. Note-on-note financings may be completed with the third-party financier either lending to (1) a nominee entity established and controlled by an Affiliate of the Manager which holds legal title to the underlying Mortgage on behalf of the beneficial owners or (2) a Special Purpose Entity established and controlled by an Affiliate of the Manager which holds legal and beneficial ownership in the Mortgage.

3. Repurchase Agreements

Repurchase agreements involve a Syndicate Lender purchasing loans held by a Special Purpose Entity established and controlled by an Affiliate of the Manager, which holds legal and beneficial ownership in the Mortgage, with a simultaneous agreement that the loans will be repurchased at a later date (a "**Repo**"). The Repo lender will receive a pledge of the equity ownership of the Special Purpose Entity.

4. Co-Lending Agreements

Under a co-lending arrangement, the Trust will, through a nominee established and controlled by an Affiliate of the Manager, enter into a co-lending agreement with the borrower and one or more third-party lenders (which may include a Syndicate Lender and/or Affiliated Funds) which outlines the terms of the arrangement, with the borrower issuing separate promissory notes to the lending parties.

Covenants and Costs

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. Additionally, there may be legal costs, commitment fees, and other costs associated with entering into a loan syndication arrangement which may be payable by the Trust.

Equity Syndication

The Manager intends to tranche certain Equity Investments sourced by it into two components: a senior preferred equity tranche that earns a fixed annual return, has a defined maturity date as well as priority for repayment, and a common equity tranche that is subordinate to the preferred equity tranche. These preferred equity investments will be made as a senior participation in a series of U.S. Limited Partnerships ("**USLP**") formed by the Manager in which Affiliated Funds will hold the common equity tranche and the Trust (as well as other Affiliated Funds) will hold the preferred equity tranche. USLP will make Equity Investments in various limited partnerships with third-party developers for the purposes of acquiring and developing/improving real estate properties.

As noted above, the Manager may also arrange for third parties or Affiliated Funds to participate in investments of the Trust. These arrangements with third parties or Affiliated Funds allow the Manager to further diversify its investments in Equity Investments and apportion the risks associated with the Equity Investments appropriately. Often the Trust makes Preferred Equity Investments in which third parties or other Affiliated Funds will participate on a pari passu or on a junior basis in relation to the Trust. In instances where the Trust's Equity Investment is not a Preferred Equity Investment, the third parties or other Affiliated Funds will participate on a pari passu basis in relation to the Trust. In other words, the Trust will not be in a subordinate position in an Equity Investment in relation to other Affiliated Funds in a senior position in such Equity Investment.

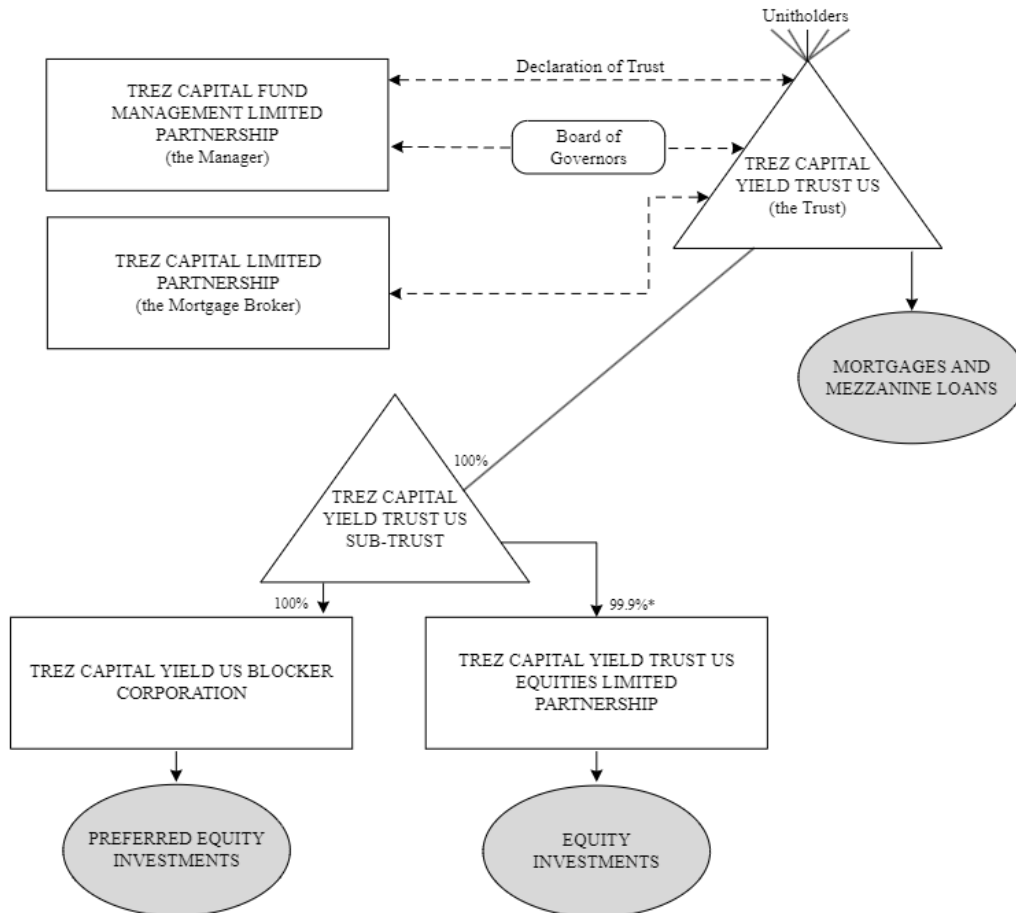
The Trust's Operating Facility

As at December 31, 2022, the Trust had a revolving credit facility from Texas Capital Bank ("TCB") for its U.S.-based lending activities. The amount available under the facility was based on a borrowing base of select first Mortgages. Interest was calculated at the WSJ (Wall Street Journal) prime rate minus 1.00% per annum. The facility had a non-use fee of 0.25% per annum for any period in which the outstanding balance of the facility was less than US\$10,000,000. As at December 31, 2022, there was \$4,000,000 drawn down on the credit facility (2021 - nil).

The credit facility has financial tests and other covenants with which the Trust must comply. The Trust shall maintain: (a) net worth – 80% of net worth on closing date; (b) debt to net worth ratio – not more than 0.50 to 1.00; (c) liquidity – greater of 2% of net worth and \$2,000,000; (d) global liquidity across certain investment funds affiliated with the Manager of not less than \$40,000,000. As at December 31, 2022, the Trust was in compliance with all such covenants. The facility was cancelled on January 13, 2023, and to date has not been replaced.

Organizational Relationships

The investment structure of the Trust and the Investment 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.



* The remaining 0.01% ownership interest is owned by the General Partnership entity associated with the Limited Partnership.

The Trust generally intends to hold investments in Mortgages and Mezzanine Loans either directly or indirectly (such as through Special Purpose Entities).

Preferred Equity Investments will generally be held through Trez Capital Yield US Blocker Corporation (the "**Blocker Corp**"), a Delaware corporation and wholly-owned subsidiary of the Sub-Trust, which is a wholly-owned subsidiary of the Trust. The Blocker Corp will generally invest in an intermediary entity (usually a limited partnership) that will set out the terms and conditions of the senior and junior portions of the Equity Investment being made and in turn such entity will make a direct investment in the limited partnership generally with a third-party developer that acquires and develops a property.

Equity Investments that are not Preferred Equity Investments will generally be held through Trez Capital Yield Trust US Equities Limited Partnership.

Cayman Master Fund Contribution

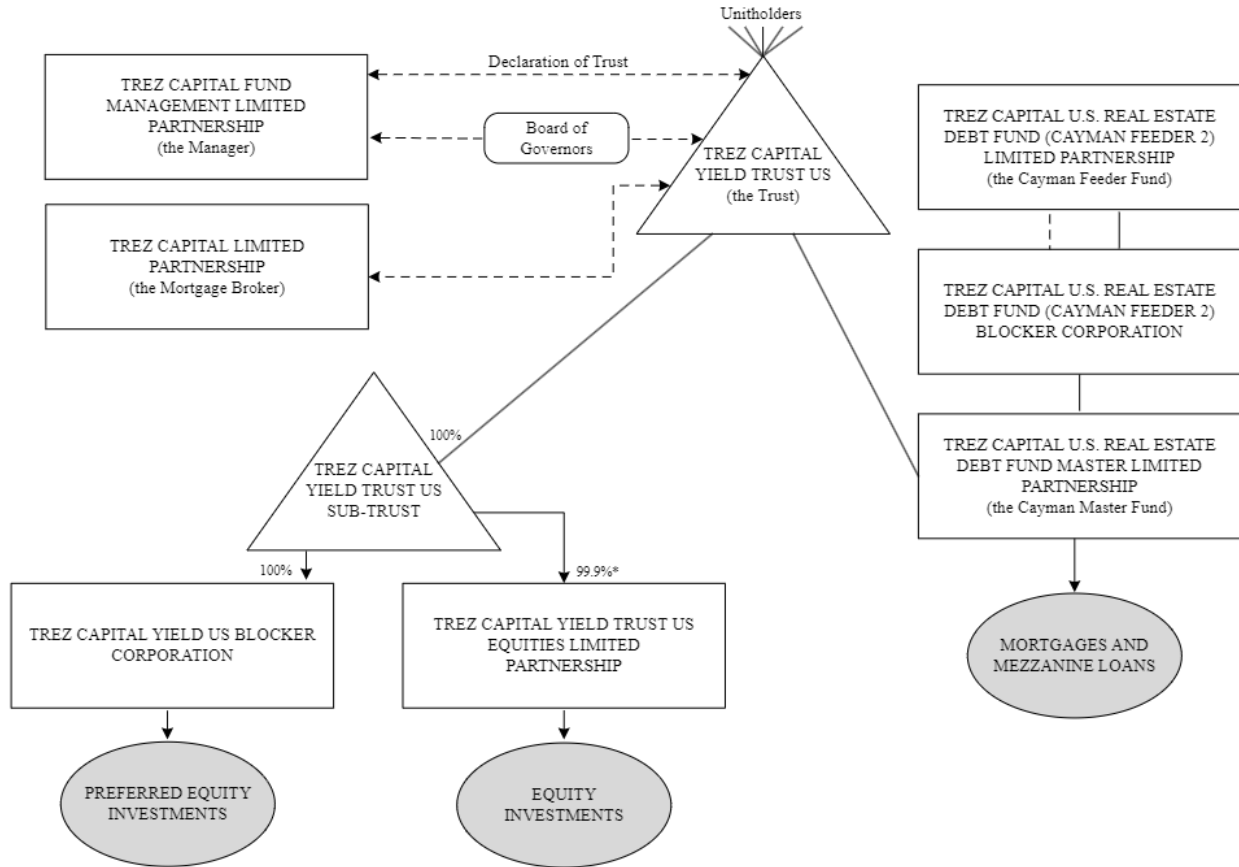
The Manager currently intends to modify the investment structure of the Trust and the Investment Portfolio to effect the following changes:

- all of the (i) Loan Investments, and (ii) Land and Lot Banking Financings held by the Trust (apart from those that are in foreclosure or in default) will be transferred to the Cayman Master Fund in consideration for Master Units of the Cayman Master Fund (the "**Cayman Master Fund Contribution**"), so that following the Cayman Master Fund Contribution the Trust's interest in the Loan Investments and Land and Lot Banking Financings will be held indirectly through its interest in the Cayman Master Fund; and
- all of the Equity Investments of the Trust (other than Equity Investments that form part of a Land and Lot Banking Financing) will continue to be held as described above.

The Cayman Master Fund is an open-ended Cayman Islands exempted limited partnership. The general partner of the Cayman Master Fund is the Cayman Master General Partner, a limited liability company registered under the laws of the Cayman Islands. The Cayman Master General Partner is owned by an Affiliate of the Manager. The Cayman Master Fund has appointed the Manager to act as investment manager.

The Cayman Master Fund was formed for the purpose of allowing investment funds managed by the Manager (such funds, including the Trust, collectively, "**Feeder Funds**") to invest, indirectly, in Investments through the ownership of beneficial interests in the Cayman Master Fund.

The modified investment structure of the Trust and the Investment Portfolio, after giving effect to the Cayman Master Fund Contribution, is illustrated below. This diagram is provided for illustration purposes only and is qualified by the information set forth elsewhere in this Offering Memorandum.



The Manager currently expects that the Cayman Master Fund Contribution will occur on or about June 1, 2024. There can be no assurance that the Manager will modify the investment structure of the Trust in the manner set out above or that such modification will occur on or about June 1, 2024. The Manager, in its sole discretion, may elect on behalf of the Trust to carry out all or any part of the Cayman Master Fund Contribution with the Cayman Master Fund. The Cayman Master Fund Contribution remains subject to the review and, if deemed necessary, the approval, of the Board of Governors and the Independent Review Committee.

Assuming the Cayman Master Fund Contribution is completed, the Trust will be one of multiple Feeder Funds that will invest in the Cayman Master Fund. Apart from the Trust, the other Feeder Fund investing in the Cayman Master Fund is expected to be Trez Capital U.S. Real Estate Debt Fund (Cayman Feeder 2) Limited Partnership, a private open-ended exempted limited partnership established under the laws of the Cayman Islands ("**Cayman Feeder Fund**") and managed by the Manager. The Cayman Feeder Fund will invest in the Cayman Master Fund through Trez Capital U.S. Real Estate Debt Fund (Cayman Feeder 2) Blocker Corporation, a Delaware corporation and a wholly-owned subsidiary of the Cayman Feeder Fund.

The Manager believes that the Cayman Master Fund Contribution will likely broaden the Trust's reach to non-Canadian investors, and enhance the Trust's growth and scalability. The Cayman Feeder Fund was formed to allow non-U.S. investors that are resident in a country with which the United States does not have an income tax treaty that provides for an exemption from withholding tax on interest income to participate in the Cayman Master Fund's portfolio of Investments through a tax-efficient structure. Additional Feeder Funds may be formed by the Manager in the future to invest in the Cayman Master Fund. The Manager expects that a larger capital base will enable the Trust to sustain growth through the Cayman Master Fund in the medium to long-term. The Manager also anticipates that the Trust's participation in the Cayman Master Fund will diversify the Investment Portfolio and achieve long-term economies of scale by accessing a larger pool of potential investors.

By completing the Cayman Master Fund Contribution, the Manager also believes liquidity of the Trust for each Unitholder will be enhanced. The Trust is entitled to suspend Redemptions under certain circumstances, including when the Redemption Price exceeds the Net Asset Value per Unit, and the Trust is not obligated to accept Redemption notices in any calendar month for amounts exceeding, in aggregate, 5% of the Net Asset Value of the Trust at such time. By increasing the Net Asset Value of the Cayman Master Fund in which the Trust will invest, the Manager believes that the overall risk of suspending redemptions as required may be reduced.

Beneficial interests in the Cayman Master Fund are represented by one series of units, designated as Master Units (the "**Master Units**"). The rights, privileges and conditions attached to the Master Units are governed by the Master Limited Partnership Agreement, and generally include the right to allocations of income, gains, losses and expenses of the Cayman Master Fund, as well as the right to receive distributions from the Cayman Master Fund from time to time. Such allocations and distributions will be made *pro rata* based on each Feeder Fund's proportionate ownership of Master Units.

The Master Units also entitle the holder to a right of redemption, subject to the terms and conditions set out in the Master Limited Partnership Agreement. The Master Unit redemption rights are expected to align with the Trust's redemption provisions contained in the Declaration of Trust.

The Cayman Master Fund has retained the Mortgage Broker to act as mortgage broker to the Cayman Master Fund and identify potential Investments for the Cayman Master Fund, similar to the existing arrangement between the Trust and the Mortgage Broker, and has also retained the Manager to act as investment manager of the Cayman Master Fund. Because the Manager and Mortgage Broker are already entitled to receive fees from the Feeder Funds (or, in the case of the Mortgage Broker, from borrowers who receive Mortgage financing), the Manager nor the Mortgage Broker will not receive any additional fees from the Cayman Master Fund for the services provided by them to the Cayman Master Fund.

The Cayman Master Fund structure will allow non-Canadian investors, through investment in the Feeder Funds, to co-invest with the Trust in Investments held by the Cayman Master Fund. This is expected to provide the Cayman Master Fund with a larger capital pool to deploy, which is expected to provide the Mortgage Broker with additional flexibility, and make it more competitive, in originating Investments while at the same time allowing for greater diversification in the Trust's Investment Portfolio.

Investment Portfolio of the Trust as at December 31, 2023.

The following are details of the Investments in the Investment Portfolio of the Trust as at December 31, 2023, by type of Investment.

Type of Mortgage	Number of Investments	Outstanding Balance (\$)	Weighted Average Interest Rate, %	% of Total Investments
First Mortgage – Non-Tranched ¹	23	32,696,270	9.7%	23.5%
First Mortgage – Junior Position ²	79	76,221,189	16.7%	54.9%
Second Mortgage – Non-Tranched ¹	1	762,294	12.3%	0.5%
Third Mortgage – Non-Tranched ¹	1	1,716,761	16.0%	1.2%
Preferred Equity	16	22,742,358	12.5%	16.4%
Common Equity	3	4,810,338	N/A	3.5%
Total	123	138,949,210	14.3%	100.0%

¹ Non-Tranched positions refer to Mortgages that have **not** been tranching into a senior and junior position and all participants in the Mortgage are thereby pari-passu participants.

² Refers to either a "junior portion" or a "junior C portion".

The Trust has a total of \$76,221,189 or 54.9% in junior positions in Mortgages in its Investment Portfolio.

The following are details of the investments in the Investment Portfolio of the Trust as at December 31, 2023, by nature of underlying property.

Nature of Underlying Property	Number of Investments	Outstanding Balance (\$)	Weighted Average Interest Rate	Weighted Loan-to-Value ratio	Percentage of Total Investments
Residential	104	116,187,487	14.3%	67.6%	83.5%
Storage	7	9,397,229	11.5%	67.0%	6.8%
Industrial	5	7,753,152	16.3%	59.4%	5.6%
Office	1	3,082,084	12.8%	42.2%	2.2%
Mixed-Use	2	979,085	17.9%	68.2%	0.7%
Retail	1	918,019	15.1%	70.8%	0.7%
Other	3	632,154	25.8%	59.0%	0.5%
Total	123	138,949,210	14.3%	66.5%	100.0%

The following are details of the Mortgages in Investment Portfolio of the Trust as at December 31, 2023, by location of underlying property.

Location of Underlying Property	Number of Investments	Outstanding Balance (\$)	Weighted Average Interest Rate	Percentage of Total Investments
Texas	61	73,766,197	14.7%	53.0%
Florida	13	14,864,692	16.3%	10.7%
Arizona	15	14,531,287	14.9%	10.5%
Washington	5	8,172,882	6.2%	5.9%
California	3	4,740,873	15.9%	3.4%
Georgia	8	4,316,546	15.5%	3.1%
Alabama	1	3,244,291	14.8%	2.3%
Pennsylvania	1	3,082,084	12.8%	2.2%
Nevada	1	2,378,955	0.0%	1.7%
Oklahoma	2	2,134,485	12.3%	1.5%
Arkansas	1	1,814,646	16.1%	1.3%
Colorado	2	1,713,250	15.3%	1.2%
Idaho	1	1,655,965	15.7%	1.2%
South Carolina	3	1,206,995	19.1%	0.9%
Michigan	1	632,000	25.8%	0.5%
Indiana	1	397,974	16.7%	0.3%
Utah	3	209,778	11.2%	0.2%
Tennessee	1	86,310	17.3%	0.1%
Total	123	138,949,210	14.3%	100.0%

As at December 31, 2023, the average of the terms to maturity of the mortgages, weighted by the principal amount of the mortgages is 13.3 months and percentage of mortgages that mature in one year represent 55.9% of the total principal amount of the mortgages.

The following are details of the Investments in the Investment Portfolio of the Trust with payments 90 days overdue and impaired value as at December 31, 2023.

Details of Investments	Number of Investments	Outstanding Balance (\$)	% of Total Investments
Investments with payments 90 days overdue ⁽¹⁾	3	10,114,617	7.3%
Investments with impaired value ⁽²⁾	2	7,980,133	5.7%

Investments not impaired or 90 days overdue, but with material accommodations - - 0.0%

⁽¹⁾ includes three defaulted loans totaling \$10,114,617. Two of these Investments are impaired and disclosed under "Investments with impaired value".

⁽²⁾ Investments in which an impairment to value has been recognized in accordance with IFRS. The gross value of the Investments is \$7,980,133 on which a provision of \$979,053 has been recognized, resulting in a net value of \$7,001,080. Both these Investments are also part of the Investments disclosed under "Investments with payments 90 days overdue".

The Trust makes certain investments in Mortgages through one or more corporations, trusts or persons to enable the Trust to enter into loan syndication arrangements with certain third-party investors. Mortgages made through Special Purpose Entities are accounted for by the Trust either as investments held at fair value or subsidiaries in accordance with IFRS. A reconciliation of the Mortgages in the Investment Portfolio to the disclosure in audited financial statements in accordance with IFRS is provided for clarity below.

Investment Portfolio Reconciliation to the Audited Financial Statements ("AFS"):

Investments in Mortgages per AFS (Note 4 of AFS)	\$51,661,863
Investments held at fair value through per AFS ¹	\$86,036,071
Mortgages held through Special Purpose Entities	\$55,307,682
Preferred Equity Investments	\$23,191,376
Equity Investments	\$7,537,013
Investments in associates per AFS	\$1,372,191
Other assets of Special Purpose Entities ²	(\$120,915)
Investment Portfolio	\$138,949,210

¹ Includes Mortgages held through Special Purposes, Preferred Equity Investments and Equity Investments as detailed.

² The Special Purpose Entities invest in Mortgages with third-party syndication partners. At any given time, the Special Purpose Entity may hold (advance) working capital. An adjustment is made to remove the portion of net working capital from the amount attributable to Mortgages.

Portfolio Performance

The following table details the performance data of the Trust since it was formed on December 8, 2016.

Year	2016	2017	2018	2019	2020	2021	2022	2023
Series F Units (DRIP)¹	9.25%	8.24%	9.12%	8.60%	8.09%	6.91%	7.28%	9.40%
Series A Units (DRIP)¹	8.17%	7.19%	8.06%	7.53%	7.02%	5.85%	6.22%	8.32%

¹ All reported returns are net of fees

The performance data is calculated in accordance with the Trust's Valuation Policy. See "Calculation of Book Value – Valuation Policy".

Recent Developments

Credit Facility Extinguishment

The revolving credit facility provided from TCB to the Trust for its U.S.-based lending activities was cancelled on January 13, 2023, and to date has not been replaced.

Changes in Executive Roles

Morley Greene, Founder and Executive Chairman of the general partner of Trez Capital Group Limited Partnership, which owns a controlling, indirect interest of the Manager, transitioned from his roles as the Chairman, Chief Executive Officer and Director of the general partner of the Manager, President of the general partner of Trez Texas,

President of the general partner of Trez New York, and President and Director of the general partner of Mortgage Broker-California as of February 5, 2024. Mr. Greene continues to actively contribute to key strategic initiatives of Trez Capital Group Limited Partnership, the Manager and its affiliates. In connection with these changes, Dean Kirkham assumed the positions of President of the general partner of Trez Texas, President of the general partner of Trez New York, and President of the general partner of Mortgage Broker-California, John Maragliano was appointed Chief Financial Officer of the general partner of Trez Texas and Chief Financial Officer and a Director of the general partner of Mortgage Broker-California and John D. Hutchinson assumed the position of Chief Executive Officer of the general partner of Trez Texas and was appointed Chief Executive Officer of the general partner of Trez New York, each as of February 6, 2024.

Florida Operations

In December 2022, the Mortgage Broker's affiliates in the United States elected to discontinue operations with Brett Forman through the Trez Florida office. The wind down of the business of Trez Florida continued in 2023. Trez Florida continued to service its existing loan portfolio but did not pursue any new lending opportunities through its former office in Boyton Beach, Florida. Instead, the Mortgage Broker, through its affiliates in the United States, established a new office in Miami, Florida on May 1, 2023 to service the Florida and the southeastern United States origination platform. This office is a branch of Trez Texas. As with other offices, the Miami, Florida office only refers investment opportunities to the Trust for consideration when such investments fall within the objectives or investment policies of the Trust.

Board of Governors

On May 1, 2023, Karen Keilty was appointed as a member of the Board of Governors. On September 30, 2023, the term of office of Dale Belsher, a former member of the Board of Governors of the Trust expired. On January 1, 2024, the term of office of Christopher Voutsinas, a former member of the Board of Governors of the Trust expired and Joshua Varghese was appointed as a member of the Board of Governors to fill the vacancy.

New Partners of Trez Capital Group Limited Partnership

Effective as of January 1, 2022, each of Dean Kirkham and John Maragliano subscribed for an indirect minority ownership interest in Trez Capital Group Limited Partnership, and became a partner of Trez Capital Group Limited Partnership.

California Licenses

In 2022, an affiliate of the Mortgage Broker received the registration and licenses required to conduct business in California.

Preferred Equity Investments

In 2022, the Trust started actively investing in Preferred Equity Investments subject to its investment restrictions. See "Objectives and Policies – Investment Restrictions" and "The Trust-Equity Syndication".

Loans in Default and Foreclosed Assets

As at December 31, 2023, the Trust had three Mortgages in default (2022 – four) totalling \$10,114,617 (2022 – \$9,625,332).

OBJECTIVES AND POLICIES

Business Objective

The Trust was formed to allow investors to invest, through the ownership of Units of the Trust, in a portfolio of Mortgages secured by Real Property and other investments in the United States. The business objective of the Trust is to generate a reliable stream of income to investors, while preserving invested capital, by investing in Investments.

Short Term Objectives

The primary objectives of the Trust for the ensuing 12 months are to (i) continue to acquire capital through the Offering; and (ii) invest the proceeds of the Offering in Investments, either directly or indirectly through one or more intermediary entities in which the Trust has a beneficial ownership interest (including the Cayman Master Fund, following the effective date of the Cayman Master Fund Contribution).

Actions to be taken	Target completion date or, if not known, number of months to complete	Cost to complete
Acquire capital through the Offering and invest into the Investment Portfolio	12 Months	\$Nil

Insufficient Funds

Funds available as a result of the Offering either may not be sufficient to accomplish all of the Trust's proposed objectives and there is no assurance that alternative financing will be available.

Investment Strategies

The Trust's investment strategy involves investing, either directly or indirectly through one or more entities in which the Trust has a beneficial ownership interest, primarily in a portfolio of Loan Investments secured by Real Property in the United States. The Trust intends to achieve its investment objective through leveraging the Mortgage Broker's and Manager's extensive experience and track record in sourcing and managing U.S. mortgage investments.

The Trust's Investments will be concentrated primarily in regions that the Manager views to be growth states in the U.S., which will be focused on, but not limited to, Texas, Florida, the Carolinas, Atlanta, Arizona, Washington, and Oregon. The Trust's Investment Portfolio will generally consist of short to intermediate-term floating-rate, first lien loans provided to real estate developers primarily within the residential sector in the high growth U.S. Sunbelt region (*i.e.*, the region stretching across the southern and southwestern portions of the country). More specifically, the Trust's focus will be on Loan Investments secured by multi-family, single-family for rent, and single-family lot development investments.

Investment Restrictions

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

- (a) The Trust will not invest in any Mortgage or interest in Real Property where the Manager or an Affiliate of the Manager (which, for this purpose, does not include any Affiliated Funds or Joint Ventures) 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, except pursuant to an Equity Investment or a Mortgage Participation. However, subject to review of environmental issues, the Trust may indirectly hold Real Property acquired as a result of foreclosure where such foreclosure was necessary to protect an Investment 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 invest in a loan to the directors or officers of the Manager, but the Trust may invest in a Mortgage or Mortgage Participation when the borrower is an entity owned in whole or in part, or controlled, by the Manager or its Affiliates and the Trust may make an Equity Investment in Real Property owned, directly or indirectly, in whole or in part, by the Manager or its Affiliates, in each case on the following conditions:
 - (i) the investment must be on the same terms as, and must not be for an amount greater than, the amount either borrowed from or invested by, parties who are not Affiliates of the Manager, or in which the Manager or its Affiliates have no financial interest, who rank *pari passu* in the investment with the Trust;
 - (ii) the profit from any joint venture must not be included in calculating the Incentive Fee paid to the Manager in respect of the investment;
 - (iii) the aggregate amount of all such Investments must not exceed 20% of the net assets of the Trust at the time each investment is considered for approval; and
 - (iv) all such Investments will be reviewed by the Credit Committee of the Board of Governors after the Investments are made as part of its normal review of the Trust's compliance with its investment restrictions to ensure that the foregoing investment restrictions set out herein have been met.
- (d) Except as provided in paragraph (c) above, the Trust will not make loans to, nor invest in Real Property owned by the Manager or its Affiliates, nor make loans to the directors or officers of the Manager.
- (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.
- (g) The Trust will not make any Equity Investments until the Trust has not less than \$50,000,000 in net assets.
- (h) The Trust will not invest more than 20% of its net assets in Equity Investments.
- (i) The Trust will not invest more than 10% of its net assets in Mezzanine Loans.

The Manager may, in its discretion, from time to time, impose additional investment restrictions on 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.

INDUSTRY AND SECTOR OVERVIEW

U.S. Economy and Real Estate

The U.S. economy continued to maintain positive growth throughout 2023 amid tightened monetary conditions. The third estimate of Q4 2023 GDP showed a 3.4% growth on an annualized basis, with the highest growth number recorded in Q3 2023 at 4.9% year-over-year. Driven by robust household balance sheets and a resilient labor market, U.S. consumer spending remained strong. Retail sales in the U.S. registered positive growth in nine months of 2023, spiking 0.6% in December 2023. Robust vehicle sales played a significant role in pushing December 2023 year-over-year retail sales up by 4.8%.

Following its peak in the summer of 2022, inflation continued to steadily decline in the first half of 2023, mainly due to decreases in inflation impacting food, energy, and goods. However, inflation in the services sector, which is heavily reliant on wages, slowed down more gradually. This resulted in the Consumer Price Index ("CPI") remaining in the range of 3.0% to 3.7% after June 2023.

The rise and subsequent decline in inflation during the COVID-19 pandemic were heavily influenced by supply-side factors, such as global supply chain disruptions and increased participation in the labor force among prime-age individuals. A notable economic highlight was the substantial reduction in inflation in 2023 without a notable increase in the unemployment rate.

Employment continued to expand throughout 2023, albeit at a slower pace compared to the rapid rates observed after the COVID-19 pandemic-induced recession. On average, nonfarm payrolls increased by 232,000 jobs per month in 2023, surpassing the average monthly pace seen in 2018 and 2019 by 55,000 jobs. Total job gains achieved reached 14.1 million by November 2023, while the unemployment rate remained below 4% for 22 consecutive months, ending 2023 at 3.7%.

Real wages began to rise in 2023 as inflation fell from its peak in 2022 and workers received significant nominal wage increases. Over the year ending in November 2023, real wages increased by approximately 0.8% for all workers and 1.1% for 80% of workers classified as production and non-supervisory workers.

In March 2023, stress emerged in the U.S. banking system, resulting in two institutions facing solvency issues. The U.S. Federal Reserve ("Fed") moved quickly to provide liquidity to banks with short-term funding needs, while the Federal Deposit Insurance Corporation ("FDIC") guaranteed deposits of troubled institutions. Although these measures stabilized the banking sector, capital markets experienced volatility as overall bank lending liquidity became constrained, particularly at regional banks with significant exposure to commercial real estate loans.

Despite the possibility that subdued bank lending could further slow economic activity, the Fed proceeded to tighten monetary policy by increasing its short-term Federal Funds rate in March and May of 2023 by 25 basis points to a target range of 5.0% - 5.25%. However, the Fed held off from another rate increase at its June 2023 meeting. In July 2023, the Fed raised its policy rate by another 25 basis points to 5.25% - 5.50% and maintained rates at that level since then.

By the end of 2023, the Fed navigated mixed economic signals, seeking more evidence of slowing economic growth and inflation, as strong growth complicates inflation-fighting efforts. The Fed acknowledged that changes in monetary policy can often take considerable time to affect economic growth and inflation. Markets reacted with a sharp rise in longer-term interest rates during Q3 2023, with the 10-year U.S. Treasury yields reaching 5% at the end of October 2023, before pulling back to the 3.8% - 3.9% range in December 2023.

With lower housing affordability for buyers and increasing reluctance among potential sellers to list properties and forego favorable financing, home sales declined. In September 2023, existing home sales slipped 2.0% month-over-month and 15.4% year-over-year, while in December 2023, existing home sales were down 6.2% year-over-year. However, the lack of inventory continued to exert upward pressure on prices, reaching a new high in December 2023, up by 4.4% compared to 2022.

Commercial real estate fundamentals were mixed during 2023, with vacancies increasing modestly across most sectors, except for neighborhood and community shopping centers, which saw a decline in availability to 6.5% by the end of 2023, a new low. Lower-quality offices faced weak leasing, resulting in an overall national office vacancy rate increasing to 18.6% by the end of 2023 from 17.3% at the beginning of 2023. While industrial demand remained favorable, new building completions surpassed demand in the first half of 2023. Meanwhile, apartment vacancies stood at 5.4% in Q4 2023, despite record-high unit completions, indicating considerable strengthening of apartment demand compared to 2022.

Sources: The White House CEA report, BEA, U.S. Census Bureau, U.S. Bureau of Labor Statistics, The Federal Reserve, CBRE, National Association of Realtors.

Texas Economy and Real Estate

Texas continued to outpace the nation in terms of economic growth, with a growth rate of 5.7% in 2023 overall, slowing down from 7.7% growth on an annual basis in Q3 2023 to 5.0% in Q4 2023 but still ranking second in terms of growth over the course of 2023 in the country. With a nominal GDP of \$2.4 trillion, Texas ranks as the eighth largest economy in the world, ahead of Australia, Italy, Mexico, Russia, and Spain.

Despite the economic slowdown by the end of 2023, Texas's employment growth during Q4 2023 remained broad-based, particularly in top sectors such as trade, transportation, and utilities; professional and business services; and education and health services. In contrast, U.S. job growth was concentrated in specific industries like healthcare and hospitality. Texas's overall employment grew by 3.1% in 2023 after rising by 4.3% in 2022, having added over 426,900 jobs in 2023.

The population of Texas also experienced significant growth, with close to a half million new residents between July 2022 and July 2023, marking a growth rate of 1.6%, the third highest in the nation for that period. The state now has the nation's second-largest civilian workforce of more than 15 million.

In December 2023, the CPI rose by 0.3% from November 2023 and 3.4% from December 2022. According to the Bureau of Labor Statistics, the index for shelter accounted for over half of the increase in December 2023. Despite the increase, Texas worker sentiment remained resilient, with a high participation rate of 64.1% and unemployment ending 2023 at 3.9% (compared to the national rate in the U.S. of 3.7%).

In the housing market, total home sales fell slightly by 1.9% month-over-month in December 2023 due to elevated mortgage rates. Supply of inventory available stood at 3.4 months compared to 2.6 months in 2022. The state's average days on market was 55 at the end of 2023, 20 days more than 2022, and an increase in December 2023 was the first increase since April 2023. Median home price stood at \$335,100, a decline of 1.4% compared to 2022. Statewide single-family rents ended 2023 at \$2,100 per month. The total number of construction permits in 2023 decreased by 14%, with permits for one-unit housing declining by 6% and permits for buildings with two units or more dropping by 24%.

Overall, Texas's economy continued to show strength and resilience in 2023, with consistent job growth, population expansion, and robust economic activity across various sectors, despite record-high interest rates.

Sources: IMF, Dallas Fed, Texas Economic Development & Tourism, Bureau of Economic Analysis, Texas Real Estate Research Center, Texas Realtors, Texas Economic Development Corporation.

Southeastern U.S. Economy and Real Estate

The Southeast remained the fastest-growing region in the U.S., propelled by affordability, favorable weather, and job opportunities. The top two fastest-growing states in the nation, South Carolina and Florida, expanded by 1.7% and 1.6%, respectively, in 2023, surpassing the overall U.S. population growth rate of 0.5%. Florida, in particular, had a significant population growth, adding 365,205 residents, the second largest growth behind Texas. Furthermore, Georgia crossed a new population threshold as its population exceeded 11 million people in 2023.

Overall, the South's expansion (including Texas) contributed to 87% of the nation's growth in 2023. Three of the four states - Texas, Florida, North Carolina, and Georgia - that collectively accounted for 67% of the nation's population growth of 1.6 million people in 2023 were in the Southeast. Despite a noticeable cooling in domestic migration within Florida, the state attracted the highest intake of international migrants among all states, providing some counterbalance to the trend.

In 2023, the Southeast experienced robust economic growth of 3.1%, surpassing the national growth rate of 2.5% in terms of real GDP. Notably, Florida's economy continued to excel, achieving a growth rate of nearly 5%, which was almost twice the national average. Similarly, South Carolina stood out with an estimated economic growth of 3.5% in 2023, surpassing the national average by a full percentage point. Among the 12 states in the Southeast, only two states, Georgia and Mississippi, had growth rates lower than the national average, standing at 0.7% and 0.8%, respectively.

Despite Florida's ongoing population growth, the state had an unemployment rate of 3.1% at the end of 2023, which was lower than the national average of 3.7%. Additionally, nine out of twelve Southeastern states had unemployment rates of 3.7% or less, indicating a sustained trend of business and employment relocation in the region. In Florida, there are currently 1.6 job openings per unemployed worker, surpassing the national figure of 1.5.

Between 2022 and 2023, Florida experienced an 86% increase in the number of corporations relocating their headquarters to the state, compared to those moving their head offices out of Florida. This marks the highest net gain of any state, as reported by data compiled by the SEC. Notably, three cities in Florida – Jacksonville, Tampa, and Miami – were ranked among the top 10 cities in the United States for corporate headquarters relocation. Since January of 2019, Florida has witnessed the formation of almost 2.7 million new businesses, surpassing the formation rates of any other state.

As the population in the Southeast, especially Florida, continues to grow at a rate exceeding the national average, the demand for housing is expected to rise. In 2023, the single-family housing market remained tight, with only a 3.6 months' supply of inventory available. The median sale price increased by 1.9% to \$410,000 in 2023 from \$402,500 in 2022. However, the number of closed sales decreased by 10.3% to 257,679 in 2023 from 287,352 in 2022. The average time homes spent on the market increased by 19 days, rising to 75 days in 2023 from 56 days in 2022. Despite these trends, the growth in home prices slowed due to the impact of high interest rates. In Florida, the rental apartment market also experienced a slowdown, with rents declining by 3% year-on-year in 2023. Inventory levels in rental properties are increasing, and there is an expectation of additional supply in apartment construction.

Sources: U.S. Census Bureau, Florida Commerce, TD Economics, Bureau of Economic Analysis, St Louis Fed, the Capitolist (based on SEC data), Florida Realtors.

Western U.S. Economy and Real Estate

In 2023, U.S. population trends began reverting to pre-COVID-19 pandemic levels. A decrease in deaths has also bolstered the nation's population growth during this period. The U.S. Census Bureau reported a 0.2% increase in the total population of the U.S. West from July 1, 2022, to July 1, 2023. With the exception of California and Oregon, all states in the U.S. West experienced population gains. Arizona ranked seventh and Utah tenth in terms of absolute numerical growth, with Utah also ranking tenth nationwide in percentage growth, having gained 1.1% in 2023.

In terms of economic growth, states that previously led the nation as a result of the COVID-19 pandemic shifts generally continued to outpace the national average in 2023. New Mexico saw real GDP growth of 4.1% in 2023, ranking eleventh nationwide. Both Arizona and Nevada experienced growth rates of 2.7% in 2023, surpassing the overall U.S. growth rate of 2.5% in 2023. Nevada, meanwhile, ranked first in terms of Q4 2023 growth, with a 6.7% increase in real terms. Washington also saw a strong uptick in growth, ranking eighth and adding 4.8% year over year in 2023 in real terms. Meanwhile, Utah's growth was in line with the national average in 2023 but accelerated at the end of the year, with the state growing by 5.4% in Q4 2023.

The picture is mixed in terms of unemployment. For example, Utah had an unemployment level of 2.8% in 2023, below the national average of 3.7%, while states like New Mexico and Arizona were slightly above, at 4.0% and 4.2%, respectively in 2023. Nevada had a 5.3% unemployment rate as of the end of 2023. Despite slightly elevated levels of

unemployment, many Western states continue to attract talent. Utah was recently named the top job market in the U.S. for 2023, followed by Florida cities (Jacksonville, Orlando, and Tampa), based on an assessment of 380 metro areas by the Wall Street Journal and Moody's Analytics. Seattle ranked ninth, scoring high on the labor participation pillar. These rankings were determined based on five factors: the unemployment rate, the labor-force participation rate, changes to employment levels, the size of the labor force, and wages. The technology sector of Salt Lake City, sometimes referred to as the "Silicon Slopes," has been attracting a young and educated labor force from places like California due to the city's job openings, wage growth, affordability, and outdoor activities. Based on BEA 2023 data, Utah ranked second in the country with 6.8% personal income growth in 2023, above the national average of 5.2%. Arizona ranked fourth with 6.5%, and Washington also made the top 10, ranking eighth with 6.1%.

Businesses also continue to relocate to areas with favorable laws and tax incentives. Salt Lake City for example has positioned itself as an attractive destination for building and expanding businesses across various industries. For instance, Subzero Engineering, a maker of data-center equipment, announced in December 2023 the construction of a 155,000-square-foot manufacturing facility, while food company Mars Inc. unveiled plans in January 2024 for a new 399,000 square-foot baking facility to produce its Nature's Bakery snacks. Overall, during 2022-2023, both Arizona (with a 65% increase) and Utah (with a 57% increase) experienced remarkable growth in the number of headquarters hosted by America's corporations, showcasing their expanding business landscapes.

In Utah, Arizona, and Nevada, home prices registered an increase by the end of 2023 amidst a lower number of transactions and tightening inventory. In Utah, statewide closed sales decreased by 14.0% in 2023 compared to 2022, while the median sales price for all types of homes rose by 4.6%, from \$512,900 in December 2022 to \$536,700 in December 2023. In Arizona, closed sales dropped by 15.8% in 2023, but the months of supply decreased from 4.3 in December 2022 to 3.7 in December 2023. The median home price for all types increased by 4.9% year over year in December 2023. A similar trend was observed in Nevada, where the median sales price for all types of homes increased by 4.9% and the months of supply decreased from four to three. Monthly apartment rents in many Western cities decreased by 0.1% - 0.6% in December 2023 year-over-year, with Portland and Seattle experiencing slight increases of 0.1% and 0.2%, respectively.

Sources: U.S. Census Bureau, Bureau of Economic Analysis, WSJ, Moody Analytics, The Capitolist (based on SEC data), Utah Association of Realtors, Arizona Regional MLS, Redfin, Apartments.com.

Mortgage Lending Industry

Traditional 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. The traditional financial institutions do not typically provide financing to this market due to the short-term nature of the Mortgages, the limited size of the loans and the perceived higher risk profile of such loans. Additionally, 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 real estate developers and investors that are deemed to be qualified by the Manager. 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 U.S. Government 3-year bond yields for these short-term Mortgages. Once the transitional phase of the underlying property is complete, the properties can be refinanced with longer-term, lower interest Mortgage loans from traditional 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. The Manager believes that other non-financial institution lenders will be its primary competition for similar term financings to real estate developers and investors.

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

The investment real estate market is comprised of residential (single family homes, apartments, duplexes, townhomes, condominiums, residential lots, retirement residences and student residences), self-storage, office, retail, hotel and

industrial real estate, 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 U.S. real estate industry require (or benefit from) some form of financing to acquire, stabilize, improve, develop or re-position real property or a portfolio of real property. The Trust will focus on providing financing for single family lot development, multi-residential real estate, self-storage and select commercial real estate such as industrial and limited-service hotel.

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.

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.

Self-Storage

Self-storage relates to facilities offering rental units on a month-to-month basis where the tenant stores their belongings. Facilities can vary in size, quality, security and extent of services. A typical storage facility may consist of five to seven one or two-storey buildings with a varied unit mix, large roll-up doors and direct drive-up access to outside units. Location is key with visibility, ease of access, and proximity to customers being important drivers of demand.

The Manager believes the fundamentals for self-storage are particularly strong in the U.S. As the preference of renting over home ownership continues with Millennials and Baby Boomers downsize from their single-family homes into multi-family residential units in the city, the need to store belongings is growing. Multi-family residential units offer less space than single-houses and little room for storage creating demand for self-storage units. Additionally, businesses have started to view self-storage as a cost-effective solution to address space constraints.

Self-storage also has additional benefits as an attractive investment. It allows for ease of rent increases due to the month-to-month rental terms enabling quick responses to market conditions. Given the wide tenant base, vacancy risks compare favourably to other asset classes. Self-storage assets are also less labour or maintenance intensive than most other asset classes, resulting in lower operating costs and reduced capital improvement requirements. These factors allow for attractive risk-adjusted returns on this asset class.

Self-storage is also a good asset class within volatile markets. When the economy is expanding, enhanced purchasing power will result in increased acquisition of goods requiring storage. When the economy is recessionary, downsizing of housing to save on shelter expenses will increase demand for storing excess belongings. Accordingly, the Manager views this asset class as a good investment in any cycle.

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

The Mortgage Broker will look for new investment opportunities, if any, in office real estate on a very selective basis. 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.

Hotel

The Mortgage Broker will look for new investment opportunities in hotel real estate on a selective basis. 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.

Types of Mortgage Investments

The Trust will focus on Short Term Mortgages to real estate investors and developers that are deemed to be qualified by the Manager. Mortgages may be first ranking, a junior position in a first ranking Mortgage, subsequent ranking or a blanket Mortgage. Short Term loans typically bear higher rates of interest than conventional financing. A sale of the property or a debt refinancing will often provide sufficient proceeds to repay the Mortgage.

Mortgages will primarily finance Real Property development and 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 require special monitoring and guidelines to ensure that the project is completed and that repayment will take place. In addition, development and construction loans often accrue interest until the maturity of the loan at which point both the accrued interest and principal become due.

The Trust will also provide bridge loans which 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 the lease-up and stabilization of a property, capital repairs to a property, redevelopment of a property, or the purchase of another investment.

Mortgage Participation loans are typically secured by the underlying Real Property. The agreed interest rate is paid or accrued during the term of the loan and the participation paid when the Real Property is sold and profits ascertainable. Such Investments will be structured based on Canadian and U.S. income tax considerations. See "Income Tax Considerations".

Other Types of Investments

The Trust may make Mezzanine Loans that are secured by the developer's interest in the entity that is developing the real estate. Such mezzanine financing can take several forms, but most commonly it involves extending credit to the partners or other equity holders of the borrower and taking a pledge of such parties' equity interests (including the right to distributions of income).

The Trust may also invest in Land and Lot Banking Financings. In "land banking" financings an entity affiliated with the Trust will finance the development of lots by a homebuilder by taking an assignment of the homebuilder's existing

land purchase contract, acquiring the Real Property pursuant to such land purchase contract, entering into a construction contract with the homebuilder, its affiliate, or another party for the development of lots on the Real Property, and entering into an option agreement with the homebuilder pursuant to which the homebuilder will make a significant deposit that approximates the homebuilder's equity in the project (typically an amount somewhat less than 20% of the overall costs), and agree to acquire all of the developed lots as they are completed for an amount equal to the cost of such lots plus a return to the Trust's affiliated entity that represents the equivalent of an "interest" charge on the amounts advanced under the applicable transaction documents. "Lot banking" financings will be structured in a similar manner but instead of the development of lots on the Real Property, the financings will involve already developed and finished lots. Land and Lot Banking Financings will be structured in a way that the investment funds investing in the transaction, including the Trust, will make a secured loan (proportionate to each investor's participation in the Land and Lot Banking Financings) to the affiliated entity that acquires the Real Property. As a result, the majority of the Land and Lot Banking Financings will be secured by a Mortgage on the underlying Real Property. The remaining portion of the Land and Lot Banking Financings will be held through an indirect equity investment in the entity that acquires the Real Property.

The Trust may also invest in Equity Investments (subject to the restrictions set out in the Declaration of Trust). The Manager anticipates that any Equity Investment will typically be made through a multi-tiered structure. In the case of Preferred Equity Investments, the Trust will generally invest, directly or indirectly, in an intermediary U.S. limited partnership that will set out the terms and conditions of the senior and junior portions of the Equity Investment being made, and in turn such entity will make a direct investment in a limited partnership with a third-party developer that acquires and develops the Real Property. In some instances, the Trust may make, directly or indirectly, an Equity Investment in the limited partnership with the third-party developer that acquires and develops the Real Property.

DISTRIBUTIONS

Monthly Distributions

The Trust intends to make a monthly distribution to each Unitholder of record at the end of each calendar month, in such amount as the Manager deems appropriate. Such monthly distributions will be paid in arrears by the 10th day following the end of the month to which the distribution relates.

In addition, the Trust intends, on an annual basis, to make a Final Year End Distribution to Unitholders of record at the end of December 31 of each year. The Final Year End Distribution will equal the amount, if any, by which the Trust's Taxable Income for such year exceeds the sum of (i) any non-capital losses incurred in the year or prior years and applied in such year, (ii) any reserves that the Manager deems appropriate, and (iii) the monthly distributions previously made to Unitholders for that year. The Final Year End Distribution, if any, for a year will be paid in arrears not later than March 15 of the immediately following year. 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.

Monthly distributions will be paid to Unitholders holding Units at the end of the applicable month *pro rata* in proportion to the number of Units outstanding each day in the month to which the distribution relates. The Final Year End Distribution will be paid to Unitholders holding Units at the end of the applicable year *pro rata* in proportion to the number of Units outstanding each day 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. For clarity, a Unitholder whose Redemption is paid out on the last day of any month will not be eligible for that monthly distribution, including the Final Year End Distribution in the case of a Redemption paid out on December 31.

The Trust has adopted an automatic distribution reinvestment plan (the "DRIP"), pursuant to which Unitholders will automatically have all of their Trust distributions reinvested in additional Units of the same Series unless they elect to receive distributions in cash. In order to receive distributions in cash, a Unitholder must elect to receive distributions in cash at the time the Units are purchased, or else notify the Manager in writing at least five (5) business days in advance of a distribution 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.

Subject to a Unitholder's election to receive distributions in cash, distributions by the Trust on the Series A, Series F and Series I Units will be paid in Units of the same Series, at a value of USD\$10.00 per Unit (unless determined otherwise by the Manager). 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.

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 Fees 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 Distribution is paid to Unitholders. See "Directors, Management, Promoters and Principal Holders – Manager's Fees".

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 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 of the same Series in an amount equal to the cash shortfall, at a value of USD\$10.00 per Series A Unit, Series F Unit or Series I Unit (unless the Manager determines that the value of a Unit is materially different than USD\$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. Following such a distribution of Units, the Manager may, in its discretion, consolidate the number of outstanding Units so that each Unitholder ends up holding the same number of Units following such distribution of additional Units as it held immediately before the distribution of additional Units.

The Trust intends to distribute all of the Taxable Income of the Trust to Unitholders in each year, so that the Trust will not be liable to pay income tax pursuant to the Tax Act during any year.

For the year ended December 31, 2023, the Taxable Income of the Trust was CAD \$12,281,869 (2022 – CAD \$29,355,945) and the accounting income of the Trust attributable to holders of redeemable Units was \$13,559,232 (2022 – 11,369,147). In accordance with the Declaration of Trust, the Trust distributed an amount of \$13,358,226 (2022 – 11,654,148) equal to accounting income plus distributable IFRS 9 stage 1 provision. The difference of \$649,385 (2022 - \$10,942,373) between distributions and Taxable Income is considered as a return of capital for tax purposes (2022 – notional distribution for tax purposes). 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".

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 Master Asset Transfer Agreement dated December 31, 2016, between the Trust, Trez Capital Yield Trust US (Canadian \$) and Trez Capital Yield Trust US (Canadian \$) Sub-trust, pursuant to which the Reorganization was implemented;
- (b) the Declaration of Trust made as of January 10, 2013, as amended and restated effective August 29, 2014, and amended by a first supplemental declaration of trust dated April 20, 2015, as amended and restated effective March 8, 2016, as amended and restated effective May 25, 2016, as supplemented on December 9, 2016 and as 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 "Summary of Declaration of Trust"; and
- (c) the Mortgage Broker Agreement made as of January 10, 2013, among the Manager, the Mortgage Broker and the Trust and amended and restated October 20, 2023, with respect to the provision of services by the Mortgage Broker to the Trust. For details, see the heading "Directors, Management, Promoters and Principal Holders – Trez Capital Limited Partnership (the Mortgage Broker) - Mortgage Broker Agreement".

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.

Trust Units

The Trust is authorized to issue an unlimited number of Units, issuable in multiple Series, each of which represents an undivided beneficial interest in the net assets of the Trust.

See "Securities Offered" for a more detailed description of the Units being offered pursuant to the Offering, including the rights and restrictions attached to such Units.

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 that the Declaration of Trust requires 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 by the Manager" 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;
- (f) subject to the right of the Manager to do so, the termination of the Trust; and
- (g) a reorganization, restructuring, merger (other than a Permitted Merger (as defined below)), de-merger, spin-off with, or transfers of all or substantially all of its assets to, another entity or other similar transactions including, without limitation, by way of cancelling, exchanging, distributing or otherwise directly or indirectly transferring Units or a Series of Units for securities of another entity or for cash consideration.

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:

- (a) a reduction in the interest in the Trust of any Unitholder (other than a reduction arising through an issuance of additional Units);
- (b) a reduction in the amount payable on any outstanding Units of the Trust upon liquidation of the Trust;
- (c) an increase in the liability of any Unitholder; or
- (d) 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) to 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) to 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) to 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) to 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) to permit the Manager to rectify, repair or correct any matter, action, transaction or document that it reasonably determines is oppressive or unfairly prejudicial to, or that unfairly disregards, the interest of any Unitholder or series of Unitholders, provided that the Manager shall have delivered to the Trustee such written certification and opinion of counsel as the Trustee may require confirming the basis upon which the Manager has determined that such rectification, repair or correction is necessary and appropriate under the circumstances, and that the Trustee shall be entitled to rely upon such certification and opinion without further inquiry in connection with any approval or confirmation or execution of any document by the Trustee;
- (f) to effect a Permitted Merger; or
- (g) 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:

- (a) create a Series which will be entitled to a preference over that Series; or
- (b) 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 will generally be held in the name of a subsidiary of the Mortgage Broker and the Trust's legal entitlement thereto held pursuant to participation agreements or may be held directly through Special Purpose Entities under certain loan syndication arrangements. 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.

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.

In addition, the Declaration of Trust will automatically be terminated immediately following the occurrence of any of the following events:

- (a) 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;

- (b) 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);
- (c) the Manager makes a general assignment for the benefit of creditors or otherwise acknowledges its insolvency; or
- (d) the assets of the Manager have become subject to seizure or confiscation by any public or governmental authority.

Upon termination, the net assets of the Trust (after payment of the liabilities of the Trust) will be distributed to Unitholders on a *pro rata* basis in proportion to the number of the Units held by them. 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 as soon as practicable after the Termination Date and 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.

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 and Net Asset Value per Unit in U.S. dollars 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, 2023, except modified as follows.

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 and Net Asset Value per Unit in U.S. dollars 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 Valuation Date shall be the quotient obtained by dividing the Net Asset Value on such date by the total number of Units outstanding 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.

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 upon request by contacting the Manager at is@trezcapital.com or by calling toll free 1-877-689-0821.

RELATED PARTY TRANSACTIONS

The following table details purchase and sale transactions between the issuer and a related party that does not relate to real property (i.e., relate to Mortgages) since December 31, 2022:

Description of business or asset	Period of transfer	Legal name of seller	Legal name of buyer	Number of loans	Amount and form of consideration exchanged in connection with transfer
Other - Mixed-Use Land	Q1	Trez Capital Yield Trust US	Trez Capital Prime Trust Sub-Trust	1	631,084
Residential – Lot Development	Q1	Trez Capital Yield Trust US	Trez Capital Prime Trust Sub-Trust	1	1,504,230
Residential – Lot Development	Q3	Trez Capital Yield Trust US	Trez Capital Prime Trust Sub-Trust	1	129,853
Total Trez Capital Prime Trust Sub-Trust					2,265,167
Other - Mixed-Use Land	Q1	Trez Capital Yield Trust US	TCYT US (CAD\$) Sub-Trust	1	3,917,731
Residential - MultiFamily	Q1	Trez Capital Yield Trust US	TCYT US (CAD\$) Sub-Trust	2	4,340,054
Total Trez Capital Yield Trust US C\$ Sub-Trust					8,257,785
Residential - MultiFamily	Q1	Trez Capital Yield Trust US	Trez Capital Yield Trust Sub-Trust	1	4,217,658
Total Trez Capital Yield Trust Sub-Trust					4,217,658
Other - Mixed-Use Land	Q1	Trez Capital Yield Trust US	Private Institutional Closed-Ended Funds	2	7,361,147
Residential - MultiFamily	Q1	Trez Capital Yield Trust US	Private Institutional	2	2,961,435

			Closed-Ended Funds		
Residential – Lot Development	Q1	Private Institutional Closed-Ended Funds	Trez Capital Yield Trust US	1	(141,500)
Residential – Lot Development	Q4	Trez Capital Yield Trust US	Private Institutional Closed-Ended Funds	1	10,800
Total Private Institutional Closed-Ended Funds					10,191,882

All purchase and sale transactions relating to Mortgages relate to performing loans (i.e., Stage 1 loans in accordance with IFRS) that are completed at par value (i.e., principal plus accrued interest).

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 wholly-owned 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. 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 is registered as a mortgage broker in California.

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 Available Funds" 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.

Compensation of Key Management Personnel

Other than fees paid to the members of the Board of Governors, as described the section entitled "The Board of Governors", the Trust does not pay any compensation directly to any directors or officers. For details on Management Fees paid to the Manager, please refer to the section entitled "Directors, Management, Promoters and Principal Holders – Manager's Fees" and the notes to the financial statements 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>
Dean Kirkham, B.S., MBA Vancouver, B.C.	President and Director	Business Executive	2021
John Maragliano, CPA, CA, CFA Vancouver, B.C.	Chief Financial Officer and Director	Business Executive	2021
Christian Skogen, B.A., MBA Vancouver, B.C.	Chief Risk Officer	Business Executive	2021

⁽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 general partner of the Manager.

As of April 1, 2024, the directors and senior officers of Trez Capital Fund Management Limited Partnership, own or control, directly or indirectly, 6.7% of the issued and outstanding Units.

Principal Occupations and Biographies

Dean Kirkham is President and Director of the general partner of the Manager. Mr. Kirkham joined Trez in March, 2016 as Chief Credit Officer being promoted to Chief Operating Officer in November 2020, then to President in January 2022, and most recently to Co-Chief Executive Officer and President in May 2023. Mr. Kirkham began his career with ABN AMRO's investment bank in Amsterdam and later New York. He spent 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 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.

John Maragliano is Chief Financial Officer and Director of the general partner of the Manager. Mr. Maragliano joined Trez in February, 2021, and was also added as Chief Operating Officer in May 2023. Mr. Maragliano has over 20 years of experience in the financial services industry, with a focus on banking, insurance, wealth management, and fintech. His extensive background includes financial and management reporting, treasury management, capital and liquidity management, M&A transactions, and capital raising. Prior to joining Trez, Mr. Maragliano was the Chief Financial Officer at SNAP Financial Group where he was responsible for financial relationships with bankers and investors, developing and managing SNAP's finance and capital strategies while overseeing financing/securitizations, accounting, and reporting functions. Previous to SNAP, Mr. Maragliano was the Executive Vice President and Group Chief Financial Officer at Butterfield Bank, a publicly owned bank with 1,200 employees, \$10 billion in assets and \$80 billion in off balance sheet assets under administration in six jurisdictions. Mr. Maragliano was the Chair of the Group Asset and Liability Management Committee, member of the Group Technology Committee, oversaw investor and rating agency relations as well as the global finance function. Mr. Maragliano is a Chartered Accountant (CPA, CA) and holds a Chartered Financial Analyst designation (CFA).

Christian Skogen is Chief Risk Officer of the general partner of the Manager. Mr. Skogen joined Trez in February, 2021. Mr. Skogen has more than 20 years of diverse commercial lending experience, with in-depth knowledge in credit structuring, risk and portfolio management. He has spent 15 years at Bank of Montreal (BMO) in a variety of progressively senior commercial banking and credit risk management roles, including Head of Credit Structuring and Portfolio Management, Commercial Banking where he had credit risk oversight and defined the risk appetite for an \$80-billion commercial portfolio, including \$20-billion in commercial real estate. Other notable posts at BMO include: Head of Syndications, Head of Commercial Credit Western Canada and National Director for Special Account Management Unit. Mr. Skogen holds an Honors B.A. in Economics from the University of Toronto, and an MBA from the Richard Ivey School of Business.

Manager's Fees

Pursuant to the Declaration of Trust, the following Management Fees are payable to the Manager by the Trust in each Fiscal Year: (i) the Series A and Series F Management Fee, being an annual amount equal to 1.5% of the Series A Units' and Series F Units' Proportionate Share of the Average Annual Gross Total Assets (calculated by using a simple moving average of the month end value of the assets held by the Trust); and (ii) the Series I Management Fee, being an annual amount equal to a percentage, as negotiated by the Manager and the applicable Series I Unitholder, of such Series I Unitholder's Proportionate Share of the Average Annual Gross Total Assets (calculated by using a simple moving average of the month end value of the assets held by the Trust). 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 period. On each monthly distribution, the Series A and Series F Management Fee will be deducted from the distribution otherwise payable to the Series A Unitholders and Series F Unitholders, and the Series I Management Fee will be deducted from the distribution 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 Fees are 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 by the 10th day following the end of the month and the second payment, if any, not later than March 15 following that quarter. The Incentive Fee is payable at the same time as the Final Year End Distribution payment to Unitholders. The Trust will be obligated to pay any applicable GST or other taxes on such fees.

In the past, the Manager has elected to waive Incentive Fees during the year provided that the target returns for the Trust, as established by the Manager, were not achieved. In 2023, the Manager waived \$nil in Incentive and Management Fees (2022 - nil). Any fees waived are not collectible in the current or future years. There is no guarantee that such waivers will be made in the future.

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 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; fees payable for banking charges, including set-up costs, service and other fees and interest expense on borrowings; interest charges and any fees and costs relating to syndication arrangements; 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, Florida, Georgia, Arizona, Utah, Washington, and Oregon, the Mortgage Broker formed Trez Texas, to act as loan originator for the Trust. To focus on bridge lending across the U.S., the Mortgage Broker formed Trez New York. To conduct its operations in the State of California, the Mortgage Broker formed Mortgage Broker-California to act as loan originator for the Trust. 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 Investments in the same manner, and with the same care, skill, prudence and diligence, with which it services and administers similar Mortgage loans and Real Property investments for other similar third-party portfolios. It must also exercise reasonable business judgment in accordance with applicable law to maximize recovery under the Investment 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 Investment 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 same Investments as are held by the Trust in the Investment 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 willful 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 over 1,700 loans totalling over CAD \$18.5 billion. The Mortgage Broker currently is one of the largest non-bank providers of Mortgages in Canada with approximately CAD \$5.3 billion in assets under management, of which approximately CAD \$4.2 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 45 investment funds. All of these offerings have been conducted pursuant to exemptions from applicable prospectus requirements, except TG Income Trust, TG Income Trust II and TG Income 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 were 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 Investments, have resulted in an excellent track record of return of principal and interest to the investors. Since the inception of the Mortgage Broker and its predecessor, out of 1,700 Mortgages, or approximately CAD \$18.5 billion, funded by the Mortgage Broker and its predecessor, the realized

losses on these Mortgages aggregate approximately 0.33%. 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 reduces the risks associated with defaulting Investments through extensive initial due diligence and careful monitoring of its Investment Portfolio, active communication with borrowers and the institution of aggressive enforcement procedures on defaulting Investments. 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 Investment 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 to make prudent investment decisions and identify sound investment opportunities.

The Mortgage Broker intends to restrict investors' risk exposure by diversifying the Investment Portfolio geographically. The Manager 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 Mortgage Investments in those regions. See "The Trust – Investment Portfolio of the Trust as at December 31, 2023".

Although the Mortgage Broker also intends to restrict investors' risk exposure by diversifying the Investment Portfolio by borrowers, the Trust at December 31, 2023 had 7.3% of its Investment Portfolio by number of Mortgages and 9.6% of its Investment Portfolio by dollar amount of Mortgages advanced to one borrower. The Mortgage Broker is well aware of this concentration, but the borrower involved has an exemplary track record in terms of loan repayment. As well, the loan to value ratio of the properties securing the Mortgages is approximately 60.5%. 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 Affiliated Funds or Joint Ventures. Mortgages can be syndicated at a lower interest rate in a more secure senior position. Syndication may be on a *pari passu* basis or on a basis where parties are subordinated to the Trust. 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. Syndication of Mortgages is done to provide a dilution of risk of default of any one Mortgage among a number of entities and individuals. 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 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 Broker 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.bcfesa.ca>.

An affiliate of the Mortgage Broker is registered and licensed to conduct business in California. Otherwise, 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 certain senior officers of the general partner of the Mortgage Broker are the same as the directors and senior officers of the general partner of the Manager, other than the additional individual listed below. See "Directors, Management, Promoters and Principal Holders – Directors and Officers".

The Mortgage Broker's Operations from Trez 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, Florida, Georgia, Arizona, Utah, Washington, Oregon 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. The Pacific Northwest region (Washington and Oregon) is serviced through the Washington office which is a branch of Trez Texas. Trez Texas will source loans 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.

Officers of Trez Texas

The name and municipality of residence of each of the 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:

Name and Municipality	Office	Principal Occupation	Year First Became an Officer
John D. Hutchinson, Coppell, Texas	Chief Executive Officer and Vice President	Business Executive	2012
Dean Kirkham, Vancouver, B.C.	President	Business Executive	2021
John Maragliano, CPA, CA, CFA Vancouver, B.C.	Chief Financial Officer	Business Executive	2024

Principal Occupations and Biographies

John D. Hutchinson is currently the Chief Executive Officer and 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.

On March 1, 2005, Mr. Hutchinson consented to the entry of an order of permanent injunction in federal district court in Los Angeles, California. The order resulted from claims by the Securities and Exchange Commission that Mr. Hutchinson violated certain provisions of the federal securities laws in connection with his exercise of fully vested stock options granted to him under the employee stock option plan of The Ryland Group, Inc. Mr. Hutchinson consented to the entry of the injunction without admitting or denying any violations of law. Mr. Hutchinson continued to serve as Ryland's divisional president until December 31, 2009 when he resigned to pursue personal real estate investments.

For the biography of Dean Kirkham, see "Directors, Management, Promoters and Principal Holders – Trez Capital Fund Management Limited Partnership (the Manager)".

For the biography of John Maragliano, see "Directors, Management, Promoters and Principal Holders – Trez Capital Fund Management Limited Partnership (the Manager)".

The Mortgage Broker's Operations from Trez New York

On October 6, 2021, the Mortgage Broker began making bridge loans (i.e., lease-up and value-add) throughout the U.S. through a new partnership, Trez New York, in New York. The focus of Trez New York is to source bridge loan opportunities across the U.S. to provide the Mortgage Broker with additional opportunities in the bridge lending space. Trez New York will source bridge loans in the U.S. for referral to, and approval by, the Mortgage Broker and will receive originating fees, commitment fees and renewal fees from borrowers. Trez New York 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 New York

The name and municipality of residence of each of the senior officers of the general partner of Trez New York, 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 an Officer</u>
John D. Hutchinson, Coppell, Texas	Chief Executive Officer	Business Executive	2024
Dean Kirkham, Vancouver, B.C.	President	Business Executive	2021
John Maragliano, CPA, CA, CFA Vancouver, B.C.	Chief Financial Officer	Business Executive	2021

Principal Occupations and Biographies

For the biography of John D. Hutchinson, see "Directors, Management, Promoters and Principal Holders – Trez Capital Limited Partnership (the Mortgage Broker) - Officers of Trez Texas".

For the biography of Dean Kirkham, see "Directors, Management, Promoters and Principal Holders – Trez Capital Fund Management Limited Partnership (the Manager)".

For the biography of John Maragliano, see "Directors, Management, Promoters and Principal Holders – Trez Capital Fund Management Limited Partnership (the Manager)".

The Mortgage Broker's Operations from California

On June 11, 2019, the Mortgage Broker formed a new B.C. limited partnership, Trez Capital California Limited Partnership, to make loans in the state of California. Additionally, on January 30, 2017 the Mortgage Broker formed a new B.C. limited partnership, Mortgage Broker-California, to source mortgages in California. These partnerships received the registration and licenses required to conduct business in California. The Mortgage Broker's activities in connection with the Trust in the state of California are conducted through these partnerships. Mortgage Broker-California will source loans 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. Mortgage Broker-California 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 Mortgage Broker-California

The name and municipality of residence of each of the senior officers of the general partner of Mortgage Broker-California, 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>
Dean Kirkham, Vancouver, B.C.	President and Director	Business Executive	2011
John Maragliano, CPA, CA, CFA Vancouver, B.C.	Chief Financial and Director	Business Executive	2024

Principal Occupations and Biographies

For the biography of Dean Kirkham, see "Directors, Management, Promoters and Principal Holders – Trez Capital Fund Management Limited Partnership (the Manager)".

For the biography of John Maragliano, see "Directors, Management, Promoters and Principal Holders – Trez Capital Fund Management Limited Partnership (the Manager)".

Originators' and Mortgage Broker's Fees

The Mortgage Broker and Originators will receive originating fees, commitment fees and renewal fees on investments 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. 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 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 Manager will pay any fees or 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. While 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 (see "Risk Factors - Very Limited Role of the Board of Governors"), in the most recent Fiscal Year, the Board of Governors has considered a reasonable number of loans to ensure the appropriate controls are being observed.

The members of the Board of Governors are Steve Mathiesen (Chair), Andrew Huntley (Vice-Chair), Paulina Hiebert, Karen Keilty and Joshua Varghese. 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 Bison Income Trust II, Trez Capital Yield Trust, Trez Capital Prime Trust 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 Chair of the Board and Chair of the Independent Review Committee receives a total of \$105,000 per annum, the Vice-Chair of the Board and Chair of the Credit Committee receives a total of \$85,000, the Chair of the Audit Committee receives \$80,000 and the other Board members receive \$55,000 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 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 their 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 their successor has been appointed or until their appointment has terminated or such person revokes their 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:

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 retired 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.

Paulina Hiebert was a legal and finance executive in the retail and financial services sectors for over 35 years where she obtained extensive experience with capital markets, corporate finance, public income funds, private debt and equity, corporate governance and international expansion.

Ms. Hiebert is currently the Vice Chair of the Board of Directors and Chair of the Governance and Human Resources Committee of the Alberta Credit Union Deposit Guarantee Corporation (provincial regulator for Credit Unions in Alberta), and a Trustee and Chair of the Governance, Nominating and Compensation Committee of the Boston Pizza Royalties Income Fund. Ms. Hiebert holds a B.Comm and LL.B (with Distinction) from the University of Saskatchewan and an MBA (with Distinction) from the Ivey School of Business at the University of Western Ontario. She is a member of the Law Societies of Alberta (practicing) and Manitoba (non-practicing).

Karen Keilty has over 30 years of experience in audit and advisory services. Prior to her retirement from Deloitte, she was the Leader and Director of Operations for Deloitte's audit practice in British Columbia. Ms. Keilty was the trusted advisor and lead audit partner for many leading Canadian and global private and public companies in a variety of industries including technology and telecom, construction, real estate development and consumer business. Ms. Keilty is on the board of Providence Health Care, a commissioner for the British Columbia Securities Commission, a member of the Audit Advisory Committee for the Public Guardian and Trustee of British Columbia, and has served on the British Columbia Utilities Commission and the City of Vancouver's Auditor General Committee. She is also a past director and chair of the audit and compliance committees of Great Canadian Gaming Corp. Ms. Keilty holds FCPA, FCA, U.S. CPA (Illinois) and ICD.D designations.

Joshua Varghese co-founded his former company, Axia Real Assets, in 2021 in partnership with CI Financial and focused on private market real estate investments on behalf of global investors. He previously managed approximately \$5 billion in global REITs, including Canada's largest REIT fund, and was co-lead portfolio manager on a global diversified income mandate totalling approximately \$10 billion during his 15-year tenure at CI Global Asset Management.

Mr. Varghese's accolades as a portfolio manager include the Lipper Fund Awards, Fundata Awards and the Brendan Woods Award for Top Gun Investment Minds from 2018 to 2021. His experience spans across most real estate subsectors and global geographies, and he has been heavily involved in corporate structuring activities such as mergers and acquisitions (M&A), initial public offerings (IPOs), and privatizations. Mr. Varghese has worked closely with boards and executive management teams throughout his career, continuously advocating on behalf of investors and stakeholders. Mr. Varghese holds a Bachelor of International Business, Commerce, from Carleton University and a Chartered Financial Analyst designation (CFA).

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: Karen Keilty (Chair), Steve Mathiesen, Andrew Huntley, Paulina Hiebert, and Joshua Varghese.

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: Andrew Huntley (Chair), Steve Mathiesen, Paulina Hiebert, Karen Keilty and Joshua Varghese.

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 (Chair), Andrew Huntley, Paulina Hiebert, Karen Keilty and Joshua Varghese.

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 referred to it by the Manager for review; 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 "Directors, Management, Promoters and Principal Holders – 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 investment entities. For such purpose, all 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 investment entity's objectives and the relative amount of assets under management in each investment entity. An assessment of the relative importance of an investment opportunity to the fulfillment of an investment entity's objectives is dependent upon a number of factors including but not limited to alternative investment opportunities, present holdings of the same, or similar, investments, geographic and industry sector considerations and the liquidity of the investment entity.

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

Promoters

Trez Capital Fund Management Limited Partnership (the Manager) and Trez Capital Limited Partnership (the Mortgage Broker) are the promoters of the Trust by reason of their initiative 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 as of April 1, 2024.

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, 2024:

Description of Security ⁽¹⁾	Number Authorized to be Issued	Price per Security	Number Outstanding as at April 1, 2024
Series A Units	Unlimited	\$10	1,041,748
Series F Units	Unlimited	\$10	8,573,782
Series I Units	Unlimited	\$10	4,198,347
Total			13,813,877

⁽¹⁾ See "Securities Offered".

Prior Sales and Redemptions

Pursuant to prior offerings, the following Units were sold for the 12-month period ending April 29, 2024:

Description of Security	Number of Securities Issued	Price per Security	Total Funds Received
Series A Units	184,162	\$10	\$1,841,623
Series F Units	2,006,257	\$10	\$20,062,574
Series I Units	371,627	\$10	\$3,716,267
Total	2,562,046		\$25,620,465

Pursuant to prior offerings, the following Units were redeemed for the two most recent financial years:

Description of security	Date of end of financial year	Number of securities with outstanding repurchase requests on the first day of the year	Number of securities for which investors made repurchase requests during the year	Number of securities repurchased during the year	Average price paid for the repurchased securities	Source of funds used to complete the repurchases	Number of securities with outstanding repurchase requests on the last day of the year
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Series A Units	December 31, 2023	14,106	263,163	277,269	\$10.00	Income and Repayment of Investment	0
Series F Units	December 31, 2023	79,605	3,239,229	3,308,079	\$10.00	Income and Repayment of Investment	10,755
Series I Units	December 31, 2023	8,388	610,165	614,215	\$10.00	Income and Repayment of Investment	4,338
Series A Units	December 31, 2022	0	427,039	412,933	\$10.00	Income and Repayment of Investment	14,106
Series F Units	December 31, 2022	259,611	3,003,236	3,183,242	\$10.00	Income and Repayment of Investment	79,605
Series I Units	December 31, 2022	0	1,524,313	1,515,925	\$10.00	Income and Repayment of Investment	8,388

Pursuant to prior offerings, the following Units were redeemed for the period after December 31, 2023 up to April 1, 2024:

Description of security	Beginning and end dates of the period	Number of securities with outstanding repurchase requests on the first day of the period	Number of securities for which investors made repurchase requests during the period	Number of securities repurchased during the period	Average price paid for the securities repurchased	Source of funds used to complete the repurchases	Number of securities with outstanding repurchase requests on the last day of the period
Series A Units	January 1, 2024- April 1, 2024	0	93,602	93,602	\$10.00	Income and Repayment of Investment	0
Series F Units	January 1, 2024- April 1, 2024	10,755	455,080	465,835	\$10.00	Income and Repayment of Investment	0
Series I Units	January 1, 2024- April 1, 2024	4,338	480,000	484,338	\$10.00	Income and Repayment of Investment	0

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. See "Summary of Declaration of Trust – 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.

Units may be issued in U.S. dollars. 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 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.

Income payments

All payment of income will be made in U.S. dollars.

No Transfer of Units

Units are not transferable, except by operation of law (such as 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 "Securities Offered – 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 per Unit of the Units to be redeemed may cause the Manager to delay redemption. In addition, if the Manager determines that the Net Asset Value of the Trust is less than the aggregate Subscription Price of the outstanding Units, the Manager may, in its discretion, 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. As well, the Manager may issue and consolidate Units of different Series at different rates, or to the exclusion of other Series, in order to make adjustments for foreign exchange fluctuations.

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 (a "**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 at a specified 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 has the right to redeem such Units at any time from the date the Redemption notice is received up to 30 days after the Redemption notice is received. 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 may from time to time suspend Redemptions when the Redemption Price exceeds the Net Asset Value per Unit. The Manager is not obligated to accept Redemption notices in any calendar month for amounts exceeding, in aggregate, 5% of the Net Asset Value of the Trust at such time.

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.

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.

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 in this Offering 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 US" in the amount of the subscription price for the Units.

The Trust will hold subscription funds in trust until 4 pm Eastern Time on the second Business Day after the day on which it receives a signed Subscription Agreement. After that, 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 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 CDN\$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 CDN\$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:

- (a) 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 CDN\$10,000;
- (b) 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 CDN\$30,000;
- (c) 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 CDN\$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.

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 Investments will be a "tax shelter investment" within the meaning of section 143.2 of the Tax Act; (ii) the Trust will not acquire any Investment 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 Investments 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 Investments 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. This disclosure does not consider or discuss the tax consequences resulting from the Cayman Master Fund Contribution (see "The Trust – Cayman Master Fund

Contribution" and "Risk Factors – The Cayman Master Fund Contribution Will be a Taxable Transaction"). It also 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 Minister of National Revenue accepted the Trust for registration as a "registered investment" with effect from December 6, 2013. The Trust subsequently notified the Minister of National Revenue that it met the requirements in the Tax Act to be a mutual fund trust. The Manager and Trustee have advised tax counsel that the Trust continues to meet the requirements to be a "mutual fund trust" as that term is defined under the Tax Act.

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.

Income earned by Blocker Corp in respect of Preferred Equity Investments (or by any other foreign corporation in respect of loan syndication arrangements) may be taxable to the Trust as foreign accrual property income. Such income may be required to be recognized by the Trust in a period or taxation year that is different than the year in which cash is paid to the Trust on account of Preferred Equity Investments or other income from syndication arrangements. The Trust will generally receive a credit for any U.S. tax paid by Blocker Corp (or any other foreign corporation) in respect of any income of Blocker Corp that is foreign accrual property income, and for any withholding tax paid on account of dividends paid by Blocker Corp or any other foreign corporation to the Trust, but it cannot be assured that such tax credits will fully offset U.S. tax payable on Preferred Equity Investments or by any other foreign corporation.

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 tax to such countries and the utilization of credits or deductions in respect of foreign tax 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 syndication arrangements or Equity Investments, the application of tax losses, or other events, 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 related property or service being acquired is used in providing zero-rated services to non-residents such as providing Mezzanine Loans in connection with property outside of Canada. There is likely to be some portion of GST/HST paid by the Trust that will not qualify for input tax credits, which will be a direct cost to the Trust.

The Tax Act prevents the Trust from distributing ordinary income as part of the redemption price of Units and restricts in some circumstances the ability of a mutual fund trust to distribute capital gains as part of the redemption price of units. While the Trust has not utilized this procedure for normal course redemptions, if the Trust makes investments in other mutual fund trusts it may be required to make larger taxable distributions to remaining Unitholders.

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, which is reduced based on the proportion of units held by Unitholders who are not themselves subject to qualified investment rules.

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, 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.

The Trust intends to make a designation under the Tax Act so that income from foreign sources will retain its character when distributed to Unitholders. Each taxable Unitholder will generally be entitled to a tax credit for any foreign taxes paid by the Trust in respect of that 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 must generally 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. On April 16, 2024, the government of Canada tabled its 2024 budget (the "2024 Budget"), which included a proposal (the "Capital Gains Increase") to increase the inclusion rate for capital gains from one half to two thirds for corporations and trusts, and from one half to two thirds on the portion of capital gains realized by an individual in a taxation year that exceeds \$250,000. The \$250,000 threshold for individuals is proposed to be calculated net of current year capital losses, capital loss carry-forwards and carry-backs and certain current and proposed capital gains deductions and exemptions. Transitional rules would apply to prorate allowable capital losses carried back or forward such that a capital loss incurred in a particular period is expected to fully offset the equivalent amount of a capital gain in any other period. If enacted, the Capital Gains Increase would be effective for capital gains realized on or after June 25, 2024.

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. Under the existing rules in the Tax Act, 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.

In the Federal Budget of March 28, 2023, the Federal Minister of Finance proposed to amend the Tax Act to broaden the base of the alternative minimum tax ("AMT"). On August 4, 2023, the Department of Finance (Canada) released draft legislative proposals that included updated proposed amendments to the AMT regime. On April 16, 2024, as part of the 2024 Budget, the government of Canada announced further changes to the AMT regime (the "2024 NWMM"). The 2024 NWMM would, amongst other things:

- increase the AMT rate from 15% to 20.5%;

- increase the AMT capital gains inclusion rate from 80% to 100%;
- include 100% of the benefit associated with employee stock options in the AMT base;
- include 30% of capital gains on donations of publicly listed securities in the AMT base, which would apply to the full benefit associated with employee stock options to the extent that a deduction is available because the underlying securities are publicly listed securities that have been donated;
- disallow 50% of a number of deductions, the most pertinent for an investor in Units likely being interest and carrying charges incurred to earn income from property, the deduction for limited partnership losses of other years and non-capital loss carried forward from other years;
- with limited exceptions, allow only 50% of non-refundable tax credits to reduce the AMT; and
- increase the exemption from AMT from \$40,000 to the start of the fourth federal tax bracket, which is \$173,205 in 2024 (the exemption amount would be indexed annually to inflation as the amount of the fourth federal tax bracket is indexed annually).

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 AMT, or increase the Unitholder's liability for AMT.

Tax Information Reporting

While Unitholders should not have any additional U.S. reporting or filing requirements on account of ownership of Units of the Trust, 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 the Unitholder's 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, first home 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 or does not deal at arm's length with 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 the tax consequences of holding Units of the Trust under a Deferred Plan 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 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 Series I Management Fee is paid to the Manager by the Trust.

The following table outlines the dollar amount of Trailer Fees payable by the Trust in relation to Series A Units, and commissions as incurred by the Manager in relation to capital raised for the Trust in 2022:

Trailer Fees	Commission incurred by the Manager with respect to capital raised⁽¹⁾
\$111,654	\$159,553

⁽¹⁾ not payable 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 Investment Portfolio

Unitholders' returns will be determined by the returns generated by the Investment Portfolio (and, following the Cayman Master Fund Contribution, by Investments held by the Cayman Master Fund). 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 Investment 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 will be indirect investments in Real Property or 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 Real Property secured and reduce the actual or projected cash flow from the Real 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 Property 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 the Real Property provided as security for a Mortgage may cause the value of the Real Property to be less than the outstanding principal amount of the Mortgage loan. Foreclosure by the Trust (or, following the Cayman Master Fund Contribution, by the Cayman Master Fund) on any such Mortgage loan might not provide the Trust (or the Cayman Master Fund, as applicable) with proceeds sufficient to satisfy the outstanding principal amount of the Mortgage loan.

While independent appraisals are generally required before the Trust (or the Cayman Master Fund) 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.

Technology and Information Security

The Trust's business is subject to risks relating to its ability to safeguard its information systems, including the security and privacy of its information systems. The Trust's business relies on the safety and integrity of the information systems of the Manager and its Affiliates, including the Cayman Master Fund. The Trust relies on information technology to manage its business, including maintaining proprietary databases containing sensitive and confidential information about its investments and counterparties (which may include personally identifiable information and credit information) and for the electronic transfer of funds from time to time.

Unauthorized parties may attempt to gain access to the Trust's systems or facilities through various means, including hacking into the Trust's systems or facilities, fraud, trickery or other means of deceiving employees or contractors of the Manager of its Affiliates, including Cayman Master Fund. In particular, cybersecurity risks faced by businesses that use and depend on information technology systems have increased in recent years due to the proliferation of cyber-threats that target computers, information systems, software, data and networks. Cyber-threats include, among other things, unauthorized attempts to access, disable, modify or degrade information systems and networks, telecommunication failures, shut-downs, the introduction of computer viruses / worms, and other malicious codes such as "ransomware", and fraudulent "phishing" emails that seek to misappropriate data and information or install malware on users' computers.

A party that is able to circumvent the Trust's security measures could misappropriate the Trust's confidential information, cause interruption to the Trust's operations, damage its computing infrastructure or otherwise damage its reputation. Specific potential effects relating to cyber-threats or cyber-terrorism include the theft or loss of data, unauthorized access to, and disclosure of, confidential information, service disruption, remediation costs, increased cybersecurity costs, lost revenue, litigation and reputational harm, all of which can materially affect the Trust.

Although the Trust maintains information security measures and continuously monitors security threats to its information technology systems and implements measures to manage these threats, there can be no assurance that the Trust will be immune from these security risks and that risks can be fully mitigated due especially to the evolving nature of cybersecurity threats, the difficulty in anticipating such threats and the difficulty in immediately detecting all such threats and any breach of the Trust's information security may have a material adverse impact on its business, operations, financial condition and cash flows. In addition, cyber incidents may also remain undetected for an extended period, which could exacerbate the consequences aforementioned. Overall, security breaches could expose the Trust to a risk of loss or litigation and possible liability for damages. The Trust may be required to make significant expenditures to protect against security breaches or to alleviate problems caused by any breaches.

Concentration and Composition of the Investment Portfolio

Given the concentration of the Trust's exposure, directly or indirectly, to Mortgages and Real Property Investments, 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. As at December 31, 2023, 7.3% of the Trust's Investment Portfolio by number of Mortgages and 9.6% of the Trust's Investment Portfolio by dollar amount relate to Mortgages granted to one 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. Investments in Real Property and Mortgages are relatively illiquid. Such illiquidity will tend to limit the Trust's ability to vary the Investment 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 and Real Property investments. Therefore, the composition of the Investment Portfolio may vary widely from time to time, subject to the investment objectives and investment restrictions of the Trust. The Investment Portfolio will initially be concentrated by location of the properties, type of property, or other factors resulting in the Trust Investments being less diversified than at other times. As a result, the returns generated by the Investment Portfolio and Real Property investments may change as its composition changes.

The Trust's Interest in the Cayman Master Fund

The Trust expects to transfer certain Loan Investments and Land and Lot Banking Financings to the Cayman Master Fund in connection with the Cayman Master Fund Contribution in consideration for Master Units. The risk factors described herein with respect to the Trust's Investments and the Investment Portfolio will be equally applicable to the Investments held by the Cayman Master Fund, and to the Trust's investment in Master Units, following the Cayman Master Fund Contribution.

The Trust may be one of several investors in the Cayman Master Fund which would impact the Trust's economic interest in those transferred assets.

The Cayman Master Fund Contribution Will be a Taxable Transaction

For Canadian tax purposes, the Trust generally recognizes foreign exchange gains or losses on its Investments at the end of the year (or, in the case of Investments that are disposed of during the year, at the time of disposition). A transfer of Investments by the Trust to the Cayman Master Fund pursuant to the Cayman Master Fund Contribution will constitute a taxable transaction for Canadian income tax purposes, resulting in a foreign exchange gain or loss to the Trust based on the foreign exchange rate at the date of transfer. Because the exchange rate at the date of transfer may differ from the foreign exchange rate at the end of the year (which is when the Trust normally recognizes foreign exchange gains or losses on its Investments), the Cayman Master Fund Contribution could, depending on the relative value of the U.S. dollar and Canadian dollar at the date of transfer compared to at the end of the year, result in the Trust realizing a larger foreign exchange gain in the year the transfer occurs than it might otherwise realize if the Cayman Master Fund Contribution did not occur or only occurred at the end of the year.

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 the Investments will result in a guaranteed rate of return or any return to Unitholders or that losses will not be suffered on one or more Investments. Moreover, at any point in time, the interest rates being charged for Mortgages and returns projected from Real Property are reflective of the general level of interest rates and, as interest rates fluctuate, it is expected that the aggregate yield on Mortgage Investments and value of Real Property will also change.

A Mortgage borrower's obligations to the Trust, the Cayman Master Fund 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 or the Cayman Master Fund 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 or the Cayman Master Fund's borrowers, as applicable, to refinance and pay out Mortgages when due. Various real estate markets in the United States are still affected by the credit crisis. 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.

Loan Syndication Risks

Each loan syndication arrangement will have its own specific terms and conditions, which may be different from those or any other syndication arrangement. Such terms and conditions can include the following, which may create additional risk to the Trust.

- The terms of the syndication may require the Trust to repurchase its proportionate share of the senior participant position when there is a default on the underlying Mortgage, resulting in the Trust taking a larger position in the Mortgage in a situation of default. If another junior participant does not satisfy its obligations with respect to its proportionate share of any such repurchase obligations or indemnities, the Trust could suffer an unexpected loss in certain situations.
- The Manager may be required to seek the advice of the senior participant on a material decision in the event of default, which may result in the Manager taking a different course of action with enforcement than it may have had if there were no third-party participants in the Mortgage (although in such instances, the Trust and other investors in such Mortgage generally have the ability to repurchase the senior position to enable the Manager to take full control in such decision making).
- There may be specific performance covenants required by the syndication senior portion that, if not met, may require the holders of the junior portion to purchase the senior portion.
- A default by the Trust and/or other investors in a Mortgage could potentially result in the Trust losing its entire Mortgage to the senior lender.
- The Trust (or other junior participants that invest alongside the Trust in a junior position) may not fulfill or be capable of fulfilling its repurchase obligations under a Repo structure, which could result in an unexpected loss to the Trust in certain situations.

The above list of potential risks involved in the participation by the Trust in loan syndications is not intended to be, nor should it be construed as, exhaustive, and potential investors should be aware that there may be other risks in addition to the foregoing.

Pooled Loan Facilities Risks

There are also additional risks associated with Pooled Loan Facilities, which include:

- If a loan included in a Pooled Loan Facility goes into default, it will be required to be removed from the Pooled Loan Facility which will result in the Trust having to repurchase its proportionate share of the loan, resulting in the Trust having a larger position in such loan.
- There may be mark-to-market provisions that could result in margin calls for credit issues at the loan level or provide for cash sweeps to the financing partner until the collateral levels are rebalanced to contractually agreed upon terms.
- Pooled Loan Facilities will generally have cross-default / cross-collateralization provisions on all loans within the Pooled Loan Facility and may also have cross-default provisions against other financing facilities. Furthermore, the Trust may only be invested in one or some of the Mortgages within a Pooled Loan Facility. Each junior participant in an individual loan within a Pooled Loan Facility will be obligated for their specific loans and will provide indemnities to the other participants related to their specific loans; however, there can be no assurance that the junior participants will meet their obligations relating to their specific loans or that the indemnities will be recovered, which could result in an unexpected loss to the Trust.
- There can be partial recourse and/or guaranty provisions under the Pooled Loan Facilities which provide for a single guarantor (which may include the Trust or Affiliated Funds) with the other participants indemnifying the main guarantor for their pro-rata share of the guarantee. Third-party financiers under Repo arrangements benefit from several bankruptcy code safe harbor protections which allow Repo providers to liquidate, terminate and accelerate the loans in accordance with the Repo agreements without having to go through the bankruptcy process and without having to seek approval of the bankruptcy court.

Mezzanine Loan Risks

Mezzanine Loans are subordinated financings and the borrower's ability to repay is subject to the financial performance of the underlying Real Property or the borrower's creditworthiness. Mezzanine Loans are generally non-recourse loans which limits the recoverability in the event of default.

Preferred Equity Investment Risks

Equity Investments are subordinate to indebtedness (including Mezzanine Loans) and, as such, are significantly riskier investments than Mortgages or Mezzanine Loans. Preferred Equity Investments generally earn a fixed return but do not have security in the underlying Real Property. Instead, Preferred Equity Investments, upon certain specified default events, have the right to effect a change of control of the ownership of the underlying Real Property, subject to any similar rights of lenders in respect of such Real Property that rank ahead of the rights of the Preferred Equity Investment. Given the limited rights associated with Preferred Equity Investments, there is a greater risk that a loss could occur on these investments than investments in Mortgages or Mezzanine Loans.

Subordinate and Non-Conventional Financing

The Trust borrows funds and secures such borrowings by Investments in the Investment Portfolio. The Trust also participates in junior (subordinated) positions in certain Mortgages, either through loan-by-loan syndication arrangements or through Pooled Loan Facilities. This use of leverage increases the risk of loss to Unitholders, as the Trust's Investment Portfolio serves as security to third-party lenders under a credit facility while, at the same time, the Trust participates in subordinate positions in Mortgages held within the Trust. In addition, Pooled Loan Facilities reflect increased risk due to potential repurchase requirements, cross-default and cross-collateralization provisions and mark-to-market provisions. Furthermore, such borrowed funds may be shown as a net amount (i.e. the net investment in the Mortgage by the Trust) in the financial statements in accordance with accounting criteria under IFRS. See "The Trust – Loan Syndication."

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 Property. 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 will take a junior position in a first Mortgage. See "The Trust – Loan Syndication". 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 Investment 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 Investment Portfolio. If there is a decline in interest rates (as measured by the indices upon which the interest rates of the Trust's Investments are based), the Trust may find it difficult to originate additional Investments bearing rates sufficient to achieve the targeted payment of distributions on the Units at the rates previously achieved by the Trust. 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, it generally becomes more expensive to borrow money, which can reduce demand for real estate. As a result, property values may decline and adversely affect the value of the Investments. Higher interest rates may also have a negative impact on overall liquidity in financial markets.

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, capitalization rates may 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 Investment Portfolio.

Joint Ventures

The Trust may invest in or be a participant in joint ventures and partnerships in Real Property with third parties. In these cases, the Manager will not have sole decision-making authority over the joint venture. There are additional risks associated with entering in a joint venture relationship which can include, but are not limited to:

- reliance on the financial and operational viability and success of the joint venture partner;
- conflicting interests to those of our joint venture partner, which can be driven by economic, operational, tax, regulatory factors;
- the joint venture partner could have joint control even where its ownership in the joint venture is less;
- the inability to come to an agreement on major decisions leading to deadlocks;
- the presence of lockup provisions that prevent the disposition of an asset at a time if would be beneficial to sell; and
- any other negotiated rights that could cause delays, inefficiencies, or challenges with acquiring, operating or disposing of an asset.

All these risks could result in an adverse impact to the operations and financial condition of the Trust.

Fixed Costs and Increased Expenses

Certain significant expenditures, including development costs, property taxes, maintenance costs, Mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of Real Property regardless of whether a property is producing any income. If the Trust or the Cayman Master Fund, as applicable, is unable to meet Mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

Development Risks

Investments in Real Property are impacted by general macroeconomic factors as well as local economic and real estate conditions. Additionally, these types of investments have certain risks, including but not limited to, the time and money required to be spent by the Manager in evaluating the appropriateness of such investments; the risk that governmental or other approvals are not obtained to proceed with the business plan for the investment; the potential for an increase in costs; the risk of unforeseen delays such as weather conditions and regulatory changes; and the potential that the anticipated business plan for the investment is not achieved as anticipated including that desired occupancy rates are not achieved. Furthermore, as a result of such risks, the initial investment anticipated in a Real Property may significantly increase and make a project uneconomical or less profitable. All these risks can have a material impact on the potential success of the investment and will ultimately materially affect the performance of the Trust.

Construction Risks

The Trust may invest in properties that require some form of improvements or development activity. Any redevelopment of an existing asset or new development is susceptible to the risk that the project may experience construction delays, cost overruns, or changes in rules and regulations that impact the construction plans of the asset. The ability to complete the construction on time and on budget can be impacted by a multitude of factors which will ultimately have an impact on the success and performance of the asset. There may be material changes during the construction process that adversely impact the outcome of the financial condition and performance of the asset.

Contractor/Property Manager Risks

The investment in real estate developments requires the hiring of quality and suitable contractors to complete the construction. There can be no assurance that the Manager will be able to attract quality contractors nor that the contractors will perform their duties in accordance with their agreements. The ability of these contractors to perform their duties will have an impact on the success of the projects.

The success of any real estate development project is to a certain extent dependent upon the ability to attract builders with successful track records in sales and construction. In the event that any of the builders that are contracted with in connection with any real estate development project should cease operating in connection with such project or not comply with their obligations to the Trust or the Cayman Master Fund, as applicable, under the applicable agreements, the financial performance of the Trust or the Cayman Master Fund, as applicable, will in part depend upon its ability and/or the Manager's ability to find a replacement builder or builders. There can be no guarantee that the Trust, the Cayman Master Fund or the Manager will find suitable builders on a timely basis or on terms that are advantageous to the Trust.

The Trust or the Cayman Master Fund, as applicable, may also rely on partners to manage properties upon the transition to operating assets. There is no assurance the Manager will be able to attract quality property managers nor that the property managers will perform their duties in accordance with their agreements. The ability of these property managers to perform their duties will have an impact on the success of the projects. Additionally, the Manager may be required to replace property managers. There can be no guarantee that the Trust, the Cayman Master Fund or the Manager will find suitable property managers on a timely basis or on terms that are advantageous to the Trust. As the Trust or the Cayman Master Fund, as applicable, will be using third-party property managers, the ability to direct and control how the properties are managed on a day-to-day basis may be limited. There is reliance on the property managers to effectively manage the day-to-day operations.

Tenant Risks

For Real Property which provides premises for lease, tenant risk poses a significant impact on the financial performance of the asset. Tenant risk consists of both quality risk and rollover risk.

Tenant quality refers to the creditworthiness, stability and number of tenants. Creditworthiness and stability is assessed based on factors such as the financial history and personal/operating history of the tenant. Tenants with long operating histories and strong financial performance are less likely to face challenges and hence are less likely to default on their rental contracts. For instance, a large national tenant is viewed as less risky and more desirable than a small start-up company. The financial success of the properties is indirectly dependent on the success of the businesses of the tenants. Additionally, the number of tenants can also create risk. If a property has a single tenant and such tenant defaults or vacates the premises upon expiry of their lease this creates a large vacancy on the property. By diversifying the tenant base, occupancy risk is mitigated and this reduces the reliance on a single tenant. Delays in collecting rent from tenants could adversely affect the operations and performance of the underlying real property.

Rollover risk refers to the remaining term on leases. The more leases that are approaching the expiry period the more risk there is for higher potential vacancies which could have a material impact on the performance and cash flows from the property. The Trust or the Cayman Master Fund, as applicable, may not be able to renew or enter into new leases or may enter into leases at rental rates that are lower than anticipated which could have an adverse impact on cash flows from the property. However, if leases are below market rates and vacancy rates in the market are low, rollover risk can also create an opportunity to improve cash flows to the property.

Cross-Border Risk

All of the Trust's Investments are, and will continue to be, made in the U.S. The Trust 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. Because the Trust earns United States source income, it is also exposed to changes in U.S. federal and state and other local tax laws, tax proposals, other governmental policies or regulations and 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, 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.

Loan Syndication – Income (Loss) Allocations

The Trust enters into loan syndication transactions with other investment entities managed by the Manager as well as with third-party financiers. These arrangements may provide for pooling and/or different timing of contributions. As such, this can result in a mismatch of income (loss) or taxable income (loss) allocations, such that the Trust could receive a lesser or greater amount of income (loss)/taxable income (loss) than it would have received had it maintained sole ownership of the mortgage and not participated in the loan syndication arrangement.

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 or the Cayman Master Fund, as applicable, of not being repaid the full principal and interest owing on the Mortgage loan. In these circumstances, however, the Trust or the Cayman Master Fund, as applicable, 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, directly or indirectly, 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 or the Cayman Master Fund, as applicable, may not recover all or substantially all of the principal and interest owed to the Trust or the Cayman Master Fund, as applicable, 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 or the Cayman Master Fund, as applicable, will be able to recover all or substantially all of the outstanding principal and interest owed to the Trust or the Cayman Master Fund, as applicable, in respect of such Mortgages by exercising its Mortgage enforcement remedies. Should the Trust or the Cayman Master Fund, as applicable, be unable to recover all or substantially all of the principal and interest owed to the Trust or the Cayman Master Fund, as applicable, in respect of such Mortgage loans, the book value of the Trust, directly or indirectly, 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, or following the Cayman Master Fund Contribution, the Cayman Master Fund, could therefore be forced to exercise its rights as mortgagee. The recovery of a portion of the Trust or the Cayman Master Fund's assets, as applicable, 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 or the Cayman Master Fund's rights, as applicable, as mortgagee. Legal fees and expenses and other costs incurred by the Trust or the Cayman Master Fund, as applicable, 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, directly or indirectly, 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 or the Cayman Master Fund, as applicable, may therefore be required to incur such expenditures, directly or indirectly, to protect its investment, even if the borrower is not honouring its contractual obligations.

The Trust intends to hold any foreclosure property through a U.S. corporate subsidiary (or other appropriate entity) 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 is 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. Similarly, the Cayman Master 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 select and manage Investments on behalf of the Cayman Master Fund. The loss

of services of key personnel of the Manager and/or Mortgage Broker could adversely affect the Trust and the Cayman Master Fund. Unitholders have no right to take part in the management of the Trust or the Cayman Master Trust.

Very Limited Role of the Board of Governors

The role of the Board of Governors is generally advisory in nature with a focus on overseeing and managing conflicts of interest that may arise between the Manager, the entities managed by it and affiliates thereof. The Board of Governors is not involved in the day-to-day management of the Trust. Its duties differ from those of the board of directors of a corporation as 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. While the Declaration of Trust sets out that the Board of Governors has the duty to ensure the actions of the Manager and the Trustee are, at all times, in accordance with the terms of the Declaration of Trust, the Board of Governors has limited insight into the day-to-day operations and activities of the Manager and is, to a large degree, reliant upon the Manager reporting its activities to the Board of Governors. Accordingly, while the Board of Governors meets at least quarterly and has adopted certain corporate governance and other practices that are consistent with market practices to mitigate the risk of non-compliance with the Declaration of Trust by the Manager, there can be no assurance that such non-compliance may occur given the Board of Governors' limited ability and authority to oversee and monitor the activities and operations of the Manager on a day-to-day basis and its reliance on the Manager to report on such activities.

Restrictions on Redemption

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

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.

Public Health Crisis

The Trust and the Cayman Master Fund's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics, pandemics or other public health crises, such as COVID-19. The global reactions to such epidemics, pandemics or other public health crises can lead to, among other things, significant restrictions on travel, quarantines, temporary business closures and a general reduction in consumer activity. 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 and the Cayman Master Fund 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. The extent to which COVID-19 has impacted the Trust has been limited to date and, at this time, is not expected to have a material impact on the future outlook of the Trust given the continued strength of real estate fundamentals in the geographies and asset classes in which the Trust focuses.

Nature of Units

The Units share certain attributes common to equity securities, 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, employees and Affiliates may undertake financial, investment or professional activities that 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 or equity investment entities managed by the Manager) in which (a) the Trust will have no interest, or (b) the Trust and such other clients of the Manager are co-investors. For example, the Manager may invest on behalf of certain equity funds it manages in a Real Property project in respect of which the Trust has made an Investment. Future investment activities by the Manager, including the establishment of other mortgage or equity investment entities, may give rise to additional conflicts of interest.

The Manager will also 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. Additionally, other entities managed by the Manager may participate as co-investors with the Trust in an Investment. These other entities managed by the Manager may rank in a priority, *pari passu* or subordinate position to the Trust. Co-investments with other entities managed by the Manager includes the Trust's Equity Investments. In respect of co-investments in Equity Investments, the Trust will generally participate in senior position, or as a Preferred Equity Investment and the other investment entities managed by the Manager will generally participate in a subordinate, or common equity, position. Such co-investments may create conflicts of interest. For more details on syndication and Special Purpose Entities, please refer to the notes to the financial statements of the Trust.

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 (or Cayman Master Fund) to make investments in accordance with the objectives of the Trust (or Cayman Master Fund) will depend upon the availability of suitable investments. The Trust (and Cayman Master Fund) 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 (and Cayman Master Fund) 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.

The Manager and the Mortgage Broker will each act on behalf of both the Trust and the Cayman Master Fund. An Independent Review Committee has been established for the Trust. A board of managers has been established for the Cayman Master General Partner. The Cayman Master General Partner was incorporated solely for the purpose of acting as the general partner of the Cayman Master Fund, and it does not carry on any other business or activity apart from those relating to its role as general partner of the Cayman Master Fund. An Affiliate of the Manager is the sole member of the Cayman Master General Partner. The individuals appointed to the board of managers of the Cayman Master General Partner will be independent from those appointed to the Independent Review Committee for the Trust.

The respective mandates of the Independent Review Committee and the board of managers of the Cayman Master General Partner 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 – The 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 "Directors, Management, Promoters and Principal Holders – 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.

In the case of Mortgages, 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, 2023, the Trust purchased investments in mortgages of \$141,500 (2022 - \$6,997,293) and sold investments in mortgages of \$25,073,992 (2022 - \$29,118,487), to entities under common management.

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 or the Cayman Master Fund. 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 or the Cayman Master Fund 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 – Potential 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 those acts 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 became 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.

If you purchase these securities, you will have certain rights, some of which are described below. For information about your rights, you should consult a lawyer. 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 CDN\$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 CDN\$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:

- (a) in the case of an action for rescission, not later than 180 days from the date the Investor purchased the Units; or
- (b) 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

If 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:

- (a) no person or company will be liable if it proves that the purchaser 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.

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:

- (a) no individual will be liable if he or she proves that the Investor purchased the Units with knowledge of the Misrepresentation; and
- (b) 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:

- (a) in the case of an action for rescission, more than 180 days after the date of purchase of the Units; or
- (b) 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.

If 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.

This Offering Memorandum may include a report and/or statement by solicitors and auditors, including but not limited to statements regarding income tax considerations and the financial statements attached hereto. You do not have a statutory right of action against these parties for a misrepresentation in the Offering Memorandum. You should consult with a legal adviser for further information.

FINANCIAL STATEMENTS

Attached to this Offering Memorandum are the audited financial statements of the Trust for the year ended December 31, 2023 and for the year ended December 31, 2022.

Consolidated Financial Statements
(Expressed in thousands of United States dollars)

TREZ CAPITAL YIELD TRUST US

And Independent Auditor's Report thereon

Year ended December 31, 2023



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

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Trez Capital Yield Trust US

Opinion

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

- the consolidated statement of financial position as at December 31, 2023
- the consolidated statement of comprehensive income (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 material accounting policy information

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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 IFRS Accounting Standards as issued by the International Accounting Standards Board, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
April 29, 2024

TREZ CAPITAL YIELD TRUST US

Consolidated Statement of Financial Position
(Expressed in thousands of United States dollars)

December 31, 2023, with comparative information for 2022

	Notes	2023	2022
Assets			
Cash and cash equivalents		\$ 2,651	\$ 4,232
Due from related parties	9(e)	3,652	1,694
Investments in mortgages	4	56,037	90,962
Investments held at fair value	5	86,036	75,916
Investments in associates		1,372	916
Promissory notes receivable		-	104
Other assets		522	31
		<u>\$ 150,270</u>	<u>\$ 173,855</u>
Liabilities and Net Assets Attributable to Holders of Redeemable Units			
Credit facility	6	\$ -	\$ 4,000
Accounts payable and accrued liabilities		547	358
Management and incentive fees payable	9(a)	1,793	1,708
Distributions payable to holders of redeemable units	7	964	588
Due to related parties	9(e)	1	-
Mortgage syndication liabilities	4	5,072	9,453
		<u>8,377</u>	<u>16,107</u>
Redeemable units, representing net assets attributable to holders of redeemable units	8	141,893	157,748
		<u>\$ 150,270</u>	<u>\$ 173,855</u>

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) "John Maragliano"
Director

(Signed) "Dean Kirkham"
Director

TREZ CAPITAL YIELD TRUST US

Consolidated Statement of Comprehensive Income (Loss)
(Expressed in thousands of United States dollars)

Year ended December 31, 2023, with comparative information for 2022

	Notes	2023	2022
Revenue:			
Interest income on mortgages		\$ 8,946	\$ 10,285
Interest expense on mortgage syndication liabilities		(900)	(268)
Other income		576	135
		8,622	10,152
Expenses:			
Provision for mortgage losses	4(b)	664	285
General and administrative		956	686
Management and incentive fees	9(a)	4,015	4,073
		5,635	5,044
Fair value gains on investments held at fair value	5	10,821	6,765
Loss from investments in associates		(208)	(402)
Income from operations		13,600	11,471
Financing costs:			
Interest expense		41	102
Distributions to holders of redeemable units	7	13,358	22,596
		13,399	22,698
Net comprehensive income (loss) attributable to holders of redeemable units		\$ 201	\$ (11,227)

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

TREZ CAPITAL YIELD TRUST US

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

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Balance, beginning of the year	\$ 157,748	\$ 163,413
Net comprehensive income (loss) attributable to holders of redeemable units	201	(11,227)
Contributions and redemptions:		
Issuance of units	18,393	49,664
Reinvestment of distributions on redeemable units	7,547	7,020
Redemption of units	(41,996)	(51,122)
	(16,056)	5,562
Balance, end of year	\$ 141,893	\$ 157,748

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

TREZ CAPITAL YIELD TRUST US

Consolidated Statement of Cash Flows
(Expressed in thousands of United States dollars)

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Net comprehensive income (loss)	\$ 201	\$ (11,227)
Items not involving cash:		
Interest income, net of interest expense on syndication	(8,046)	(10,017)
Fair value gain on investments held at fair value	(10,821)	(6,765)
Loss from associates	208	402
Distributions to holders of redeemable units	13,358	22,596
Provision for mortgage losses	664	285
Interest received	3,258	2,798
Changes in operating working items:		
Other assets	(491)	(31)
Accounts payable and accrued liabilities	189	3
Management and incentive fees payable	85	1,708
	(1,395)	(248)
Investments:		
Funding of investments in mortgages	(58,148)	(140,100)
Repayments on investments in mortgages including syndications	78,692	150,010
Contributions to investments held at fair value	(75,579)	(151,627)
Distributions from investments held at fair value	90,403	126,416
Contributions to investments in associates	(663)	(144)
Repayments on promissory note receivable	104	195
Change in due from related parties	(1,957)	(235)
	32,852	(15,485)
Financing:		
Distributions paid	(5,436)	(4,367)
Issuance of units	18,393	38,721
Redemption of units	(41,996)	(51,121)
Advances on credit facilities	-	4,000
Repayment on credit facilities	(4,000)	-
Change in due to related parties	1	-
	(33,038)	(12,767)
Increase (decrease) in cash and cash equivalents	(1,581)	(28,500)
Cash and cash equivalents, beginning of year	4,232	32,732
Cash and cash equivalents, end of year	\$ 2,651	\$ 4,232

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

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

1. Nature of business:

Trez Capital Yield Trust US (the "Trust") is an unincorporated trust established under the laws of British Columbia pursuant to a Declaration of Trust dated January 10, 2013, and amended various times with latest amendment dated December 9, 2016 (the "Declaration of Trust").

Trez Capital Fund Management Limited Partnership is the Trust's manager (the "Manager") and Trez Capital Limited Partnership is the Trust's mortgage broker (the "Mortgage Broker").

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 and from equity profit sharing arrangements through limited partnerships within the United States ("US"). 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.

On December 9, 2016, the Unitholders approved a reorganization of the Trust to restructure the Trust and its assets and liabilities such that holders of Units denominated in Canadian dollars would hold their interests in the Trust's net assets through a newly established Trust known as the Trez Capital Yield Trust US (Canadian dollars) (the "CAD Trust"), while holders of Units denominated in US dollars would continue to hold their interests in the Trust's net assets through the Trust (the "Reorganization").

On January 1, 2018, pursuant to the Reorganization, the three series of Canadian dollar denominated units of the Trust, being the Series A (Canadian dollars) Units, Series F (Canadian dollars) Units and Series I (Canadian dollars) Units (collectively, the "CAD Units") were redeemed and exchanged for Units of a corresponding series of the Canadian Trust. Accordingly, the prior holders of Canadian dollar denominated Units now hold units of the Canadian Trust and the holders of the US dollar denominated units of the US Trust continue to hold such units in the Trust. A proportionate interest of 56.36% of the Trust's total assets and liabilities were transferred to the Canadian Trust as part of the Reorganization.

The principal place of business of the Trust is located at 1700 - 745 Thurlow Street, Vancouver, British Columbia, V6E 0C5.

2. Basis of preparation:

(a) Statement of compliance:

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

These consolidated financial statements were authorized for issue by the Board of Governors on April 29, 2024.

(b) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis, except for investments held at fair value which are measured at fair value.

(c) Functional and presentation currency:

These consolidated financial statements are presented in US dollars, which is also the functional currency of the Trust.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

2. Basis of preparation (continued):

(d) Use of estimates and judgments:

The preparation of the 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

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 these consolidated 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(g)(ii). 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 investments held at fair value are interests in limited partnerships created to enable the Trust to enter loan sharing arrangements with US domiciled financial institutions ("Special Purpose Entities"). The loan sharing arrangements allow the Trust to share senior participations increasing both available investable cash and yield to the Trust. 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 that it 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.

Also included in investments held at fair value are investment interests in real estate development and lot banking projects.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

2. Basis of preparation (continued):

(d) Use of estimates and judgments (continued):

(ii) investments held at fair value (continued):

The Trust has determined for these entities that it has neither control, joint control or significant influence as the Trust has no ability to control or influence any of the relevant activities and has therefore measured the investments at fair value in accordance with IFRS 9.

3. Material accounting policy information:

Effective January 1, 2023, the Trust adopted the amendments to IAS 1 Presentation of Financial Statements and the updated guidance under IFRS Practice Statement 2 Making Materiality Judgements. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except where otherwise mentioned:

(a) Basis of presentation:

(i) Subsidiaries:

The 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.

The 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:

	Place of registration	% of ownership
Trez Capital Yield Trust US Sub-Trust	British Columbia	100%
Trez Capital Yield Trust US Equities Limited Partnership	British Columbia	100%
Trez Capital Yield Trust US Blocker Corporation	Delaware	100%

The principal business activity of Trez Capital Yield Trust US Sub-Trust is to carry out carry out the investment activity of the Trust.

The principal business activity of Trez Capital Yield Trust US Equities Limited Partnership and Trez Capital Yield Trust US Blocker Corporation is investment in real estate development and lot banking projects.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

3. Material accounting policy information (continued):

(a) Basis of presentation (continued):

(i) Subsidiaries (continued):

Investments over which the Trust does not have 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, financing real estate projects and lot banking.

(ii) 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 held at fair value primarily for the purpose of participating in loan sharing arrangements with US domiciled financial institutions, financing real estate development and lot banking.

(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 held for sale:

Properties under development held for sale 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 held for sale, 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 held for sale 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 US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

3. Material accounting policy information (continued):

(b) Cash and cash equivalents:

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

(c) Promissory notes receivable:

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

(d) Redeemable units:

All units of the Trust are redeemable at the Unitholder's option and have different distribution features between the classes 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 comprehensive income (loss) in the same period.

(e) Revenue recognition:

Interest income is recognized in the consolidated statement of comprehensive 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.

(f) Distributions on redeemable units:

Distributions to Unitholders on each series of redeemable units are made on a monthly 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 consolidated statement of comprehensive income (loss), following the units' classification as liabilities. Distributions are accrued in the period to which they relate.

(g) Financial instruments:

(i) Recognition, classification and measurement 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"); 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.

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.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

3. Material accounting policy information (continued):

(g) Financial instruments (continued):

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

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.

Financial liabilities are recognized initially at fair value and are subsequently classified as other financial liabilities or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, is a derivative or is designated as such on initial recognition. Financial liabilities at FVTPL 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.

The Trust has classified its financial instruments as follows:

	Classification
Financial assets:	
Cash and cash equivalents	Amortized cost
Due from related parties	Amortized cost
Investments in mortgages	Amortized cost
Investments held at fair value	FVPTL
Promissory notes receivable	Amortized cost
Other assets	Amortized cost
Financial liabilities:	
Credit facility	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Management and incentive fees payable	Amortized cost
Distributions payable to holders of redeemable units	Amortized cost
Due to related parties	Amortized cost
Mortgage syndication liabilities	Amortized cost
Redeemable units, representing net assets attributable to holders of redeemable units	Amortized cost

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

3. Material accounting policy information (continued):

(g) Financial instruments (continued):

(ii) Impairment:

Under IFRS 9, an entity recognizes loss allowances for expected credit losses (“ECL”) to financial assets measured at amortized cost.

The Trust measures ECL on each reporting date according to a three stage ECL impairment model:

Performing financial assets:

- Stage 1: From initial recognition of a financial asset to the date on which the asset has not 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.

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.

In assessing whether a mortgage is in default, the Trust considers both quantitative and qualitative factors. This occurs when investments in mortgages are 90-days past due on interest payment or maturity date, when the Trust assesses that there has been a deterioration of credit quality to the extent the Trust no longer has reasonable assurance as to the timely collection of the full amount of principal and interest, and/or when the Trust has commenced enforcement remedies available to it under its contractual agreements.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, 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 need 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: macroeconomic factors, such as interest rate forecasts.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

3. Material accounting policy information (continued):

(g) Financial instruments (continued):

(ii) Impairment (continued):

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 ECL, including movements between the three stages and the application of forward-looking information.

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.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument. 12-months ECL are the portion of ECL 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 ECL 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 ECL 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:** The 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.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

3. Material accounting policy information (continued):

(g) Financial instruments (continued):

(ii) Impairment (continued):

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 ECL includes the incorporation of forecasts of future economic conditions. In determining ECL, the Trust has considered key macroeconomic variables that are relevant to each investment type. Key macroeconomic variables that drive the estimation of future cash flows include local real estate market values and conditions, as well as employment and population growth. 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 ECL. The allowance is sensitive to changes in both economic forecast and the probability-weight assigned to each forecast scenario.

(iii) Derecognition 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, when 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 when 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 derecognition 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 consolidated statement of comprehensive income.

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 consolidated 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 US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

3. Material accounting policy information (continued):

(g) Financial instruments (continued):

(iv) 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 consolidated statement of comprehensive income (loss). 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 consolidated statement of comprehensive income (loss). 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.

(h) 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.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

3. Material accounting policy information (continued):

(h) 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.

(i) New standards adopted effective January 1, 2023:

(i) Definition of accounting estimates:

On February 12, 2021, the IASB published Definition of Accounting Estimates (Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors) to help entities to distinguish between accounting policies and accounting estimates. The amendments introduce a new definition for accounting estimates by clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments had no material effect on the Trust's consolidated financial statements as at and for the year ended December 31, 2023.

(ii) Disclosure of accounting policies:

In February 2021, the IASB issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures. The amendments to IAS 1 require companies to disclose their material accounting policies rather than their significant accounting policies. The amendments were effective and adopted by the Trust on January 1, 2023. The amendments had no material effect on the Trust's consolidated financial statements as at and for the year ended December 31, 2023.

(j) Standards issued but not yet effective:

As at December 31, 2023, a number of standards and amendments to standards had been issued by the IASB but are not yet effective for these consolidated financial statements. None of these standards or amendments to standards are considered relevant to the Trust's consolidated financial statements.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

4. Investments in mortgages:

The Trust holds conventional uninsured mortgages on the following types of properties:

Property type	2023		2022	
	Number	Amount	Number	Amount
Residential	41	\$ 40,470	53	\$ 55,722
Commercial	5	10,213	4	7,605
Retail	-	-	1	4,452
Mixed use	2	979	4	13,332
Other	2	-	-	-
	50	51,662	62	81,111
Mortgage syndications		5,072		9,453
Accrued interest		610		1,041
Less: Provision for mortgage losses (Note 4(b))		(1,307)		(643)
Investment in mortgages		\$ 56,037		\$ 90,962

Property location	2023		2022	
	Number	Amount	Number	Amount
Texas	25	\$ 24,407	27	\$ 32,166
Washington	3	7,301	2	5,686
Arizona	4	5,120	6	6,641
Alabama	1	3,244	1	2,719
Pennsylvania	1	3,082	1	1,357
Georgia	6	2,950	6	5,547
Florida	3	1,654	11	23,730
Colorado	2	1,617	2	921
South Carolina	3	1,127	2	1,078
Oklahoma	1	762	2	338
Indiana	1	398	1	857
North Carolina	-	-	1	71
Total mortgages	50	\$ 51,662	62	\$ 81,111

The mortgages are secured by the real property to which they relate, bear interest at a weighted average interest rate of 14.0% (2022 - 13.8%).

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

Maturity period	Number	Amount
Past due	1	\$ 5,601
Past due but not credit impaired	-	-
2024	26	33,746
2025	10	6,532
2026	10	3,753
2027 and beyond	3	2,030
	50	\$ 51,662

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

4. Investments in mortgages (continued):

(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 income.

For those investments which have not met the derecognition 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. As at December 31, 2023, the carrying value, which is equivalent to the fair value, of the transferred assets and corresponding liabilities is \$5,072 (2022 - \$9,453).

(b) Provision for mortgage losses:

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

Gross carrying amount	December 31, 2023			Total
	Stage 1	Stage 2	Stage 3	
Property type:				
Residential	\$ 34,107	\$ -	\$ 6,363	\$ 40,470
Mixed use	979	-	-	979
Commercial	10,213	-	-	10,213
Other	-	-	-	-
	\$ 45,299	\$ -	\$ 6,363	\$ 51,662

Gross carrying amount	December 31, 2022			Total
	Stage 1	Stage 2	Stage 3	
Property type:				
Residential	\$ 48,283	\$ -	\$ 7,439	\$ 55,722
Mixed use	13,332	-	-	13,332
Commercial	12,057	-	-	12,057
	\$ 73,672	\$ -	\$ 7,439	\$ 81,111

Provision for credit losses	December 31, 2023			Total
	Stage 1	Stage 2	Stage 3	
Property type:				
Residential	\$ 328	\$ -	\$ 865	\$ 1,193
Mixed use	1	-	-	1
Commercial	95	-	-	95
Other	18	-	-	18
	\$ 442	\$ -	\$ 865	\$ 1,307

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

4. Investments in mortgages (continued):

(b) Provision for mortgage losses (continued):

Provision for credit losses	December 31, 2022			Total
	Stage 1	Stage 2	Stage 3	
Property type:				
Residential	\$ 525	\$ -	\$ -	\$ 525
Mixed use	108	-	-	108
Commercial	10	-	-	10
	\$ 643	\$ -	\$ -	\$ 643

The provision for mortgage losses at December 31, 2023, is \$1,307 (2022 - \$643). Stage 1 provisions of \$442 (2022 - \$643) represent management's estimate of the ECL on mortgages in the Trust'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. As at December 31, 2023, management estimated the ECL for these as \$865 (2022 - nil), primarily due to the mortgage collateral held on the mortgages.

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

	December 31, 2023			Total
	Stage 1	Stage 2	Stage 3	
December 31, 2022	\$ 643	\$ -	\$ -	\$ 643
Provision for mortgage losses:				
Transfers to Stage 1 ⁽¹⁾	-	-	-	-
Transfers to Stage 2 ⁽¹⁾	-	-	-	-
Transfers to Stage 3 ⁽¹⁾	-	-	-	-
Net remeasurement ⁽²⁾	(114)	-	-	(114)
Mortgage advances	298	-	865	1,163
Mortgage repayments	(385)	-	-	(385)
Write-offs				
Total movement	(201)	-	865	664
December 31, 2023	\$ 442	\$ -	\$ 865	\$ 1,307

	December 31, 2022			Total
	Stage 1	Stage 2	Stage 3	
December 31, 2021	\$ 358	\$ -	\$ -	\$ 358
Provision for mortgage losses:				
Transfers to Stage 1 ⁽¹⁾	-	-	-	-
Transfers to Stage 2 ⁽¹⁾	-	-	-	-
Transfers to Stage 3 ⁽¹⁾	-	-	-	-
Net remeasurement ⁽²⁾	101	-	-	101
Mortgage advances	408	-	-	408
Mortgage repayments	(224)	-	-	(224)
Write-offs	-	-	-	-
Total movement	285	-	-	285
December 31, 2022	\$ 643	\$ -	\$ -	\$ 643

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

4. Investments in mortgages (continued):

(b) Provision for mortgage losses (continued):

- (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.*

5. Investments held at fair value:

The Manager has concluded that the Trust's limited partnership investments in which it does not have control or significant influence, meet the definition of structured entities.

The table below describes the types of structured entities that the Trust does not consolidate but in which it holds an interest:

Type of structure entity	Nature and purpose	Interest held by the Trust
Limited partnerships participating in loan sharing.	Limited partnerships created to enable the Trust to enter loan sharing arrangements with US domiciled financial institutions. The limited partnerships are financed by capital contributed by the Trust and entities related to the Trust in the form of limited partnership units and credit facilities with US domiciled financial institutions.	Investment in limited partnership units.
Limited partnerships participating in preferred investment in real estate projects.	Limited partnerships created to hold real estate projects in the US. Investments made by the Trust earn fixed monthly interest income from their preferred investment. Common equity investments in the limited partnerships are funded by entities related to the Manager. The limited partnerships are financed by capital contributed by the Trust and entities related to the Trust in the form of limited partnership units and credit facilities with US domiciled financial institutions.	Investment in preferred limited partnership units.
Limited partnerships participating in land banking.	Limited partnerships created to facilitate land banking transactions. The limited partnerships are financed by capital contributed in the form of limited partnership units by the Trust and entities related to the Trust and credit facilities by the Trust and entities related to the Trust.	Investment in limited partnership units.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

5. Investments held at fair value (continued):

The table below sets out interest held by the Trust in investments held at fair value:

December 31, 2023	Number of Limited Partnerships	Total assets	Carrying amount included in investments held at fair value
Investments in Limited Partnerships:			
Loan sharing	11	\$ 1,520,831	\$ 55,308
Real estate investments	6	214,615	23,191
Land banking	10	293,078	7,537
	27	\$ 2,028,524	\$ 86,036

December 31, 2022	Number of Limited Partnerships	Total assets	Carrying amount included in investments held at fair value
Investments in Limited Partnerships:			
Loan sharing	14	\$ 1,344,526	\$ 51,987
Real estate investments	6	151,256	17,024
Land banking	10	99,526	6,905
	30	\$ 1,595,308	\$ 75,916

During the year ended December 31, 2023, a change in fair value of investments held at fair value of \$10,821 was recorded (2022 - \$6,765). Included within the change in fair value is realized net interest income of \$5,337 (2022 - \$3,984) and unrealized net interest income of \$5,484 (2022 - \$2,781).

In the event a mortgage investment held by a structured entity enters default, the Trust may have the obligation to repay the third-party loan sharing partner. As at December 31, 2023, the total amount of third-party loan sharing that the Trust is committed to repay in event of default was \$125,772 (2022 - \$81,276). Furthermore, as at December 31, 2023, third party loan sharing partners hold put options that can be exercised in the event of default to cause the Trust to repay an amount of \$10,167 (2022 - \$17,770).

As at December 31, 2023, one mortgage held by a structured entity totalling \$1,915 was in default (2022 - \$1,914). At the date of default during the year ended December 31, 2022, the Trust repaid \$1,062 to the senior loan sharing partner.

6. Credit facility:

In 2018, the Trust entered into a senior secured term loan facility with a bank, for available proceeds up to US\$25,000, bearing interest at the WSJ prime rate less 1% and maturing on December 31, 2023. In January 2023, the term loan facility was cancelled. As at December 31, 2023, the amount outstanding on the term loan is nil (2022 - \$4,000).

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

7. Distributions payable to holders of redeemable units:

The Trust distributes to its Unitholders taxable income including taxable capital gains.

Total distributions for each Unitholder are determined relative to the proportion of the year that the Unitholder was invested in the Trust. Distributions allocable to each series of Units will differ as a result of the deduction of the amounts payable in respect of trailer fees, as defined in the Declaration of Trust, for the Series A Units and the lower administration fee payable in respect of the Series I Units.

The total distribution to be made in respect of the December 31 year-end will at least equal 100% of the Trust's taxable income including gains and losses for tax purposes relating to fluctuations of the US dollar relative to the Canadian dollar, as explained in Note 10.

For the year ended December 31, 2023, the taxable income of the Trust was \$9,419 (2022 - \$22,596) and cash distributions were \$13,358 (2022 - \$11,654).

As cash distributions were greater than taxable income, the difference of \$3,939 between cash distributions and taxable income is considered a return of capital for tax purposes (2022 – \$10,942 notional distribution for tax purposes that was distributed via the issuance of units which were consolidated immediately thereafter).

For the year ended December 31, 2023, \$7,547 (2022 - \$7,020) of the declared distributions were reinvested.

As at December 31, 2023, the monthly distribution payable to be distributed to the unitholders is as follows:

	2023	2022
Cash paid out subsequent to the year	\$ 964	\$ 588

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

As at December 31, 2023 and 2022, the Trust has authorized an unlimited number of Series A units, Series F units and Series I units (collectively, the "Units").

The holder of 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. 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 series 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 series. As a result, the Units have been classified as financial liabilities under IFRS Accounting Standards as issued by the International Accounting Standards Board.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

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

USD Series A units	2023		2022	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	1,108	\$ 11,026	1,330	\$ 13,269
Issued for cash	234	2,339	149	1,487
Issued for reinvested distributions	53	535	45	451
Redeemed for cash	(277)	(2,773)	(413)	(4,129)
Transfer between classes	-	-	(3)	(32)
Increase (decrease in net) assets attributable to redeemable units, from operations	-	16	-	(785)
Issued for top up	-	-	76	765
Consolidation of units	-	-	(76)	-
Issued and outstanding, end of year	1,118	11,143	1,108	11,026
IFRS 9 Stage 1 cumulative provisions	-	52	-	52
	1,118	\$ 11,195	1,108	\$ 11,078

USD Series F units	2023		2022	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	9,937	\$ 98,894	11,399	\$ 113,686
Issued for cash	1,517	15,168	1,849	18,496
Issued for reinvested distributions	444	4,445	425	4,254
Redeemed for cash	(3,308)	(33,081)	(3,183)	(31,834)
Transfer between classes	-	-	(553)	(5,530)
Increase (decrease) in net assets attributable to redeemable units, from operations	-	121	-	(7,038)
Issued for top up	-	-	686	6,860
Consolidation of units	-	-	(686)	-
Issued and outstanding, end of year	8,590	85,547	9,937	98,894
IFRS 9 Stage 1 cumulative provisions	-	481	-	480
	8,590	\$ 86,028	9,937	\$ 99,374

USD Series I units	2023		2022	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	4,794	\$ 47,828	3,648	\$ 36,458
Issued for cash	89	886	1,874	18,738
Issued for reinvested distributions	257	2,567	232	2,315
Redeemed for cash	(614)	(6,142)	(1,516)	(15,159)
Transfer between classes	-	-	556	5,562
Increase (decrease) in net assets attributable to redeemable units, from operations	-	64	-	(3,404)
Issued for top up	-	-	332	3,318
Consolidation of units	-	-	(332)	-
Issued and outstanding, end of year	4,526	45,203	4,794	47,828
IFRS 9 Stage 1 cumulative provisions	-	110	-	110
	4,526	\$ 45,313	4,794	\$ 47,938

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

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

USD total units	2023		2022	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	15,839	\$ 157,748	16,377	\$ 163,413
Issued for cash	1,840	18,393	3,872	38,721
Issued for reinvested distributions	754	7,547	702	7,020
Redeemed for cash	(4,199)	(41,996)	(5,112)	(51,122)
Transfer between classes	-	-	-	-
Increase (decrease) in net assets attributable to redeemable units, from operations	-	201	-	(11,227)
Issued for top up	-	-	1,094	10,943
Consolidation of units	-	-	(1,094)	-
Issued and outstanding, end of year	14,234	141,893	15,839	157,748
IFRS 9 Stage 1 cumulative provisions	-	442	-	643
	14,234	\$ 142,335	15,839	\$ 158,391

9. Related party transactions and balances:

Related party transactions that are not disclosed elsewhere in these consolidated financial statements are as follows:

- The Trust invests in mortgages alone or on a participation basis with parties related to the Manager. Title to mortgages is held by a bare trust (the "Trustee") 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 agreement, the Mortgage Broker agrees to administer and service the mortgages on behalf of the Trustee and other investees. The Mortgage Broker acts as the Trust's underwriter, servicer and syndicator; and
 - 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.

(a) Management and incentive fees:

The Trust is managed by the Manager pursuant to the terms and conditions of the Declaration of Trust, a summary of which is set out in the most current Offering Memorandum. The Manager may, pursuant to the terms of the Declaration of Trust, delegate its power to third parties where it deems advisable.

Each series of units of the Trust is deemed to be entitled to its proportionate share of the average annual gross assets, as defined in the Declaration of Trust. The Manager will be entitled to receive an annual fee (the "Management Fee") equal to 1.5% (2022 - 1.5%) of the proportionate share of the Series A Units and the Series F Units of the average annual gross assets and an annual fee equal to 1.15% (2022 - 1.15%) 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 all assets, excluding mortgage syndications, of the Trust) plus applicable taxes, payable monthly.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

9. Related party transactions and balances (continued):

(a) Management and incentive fees (continued):

For each series of Units of the Trust, the Manager also receives an additional fee (the "Incentive Fee") equal to 10% (2022 - 10%) of net earnings and capital gains plus applicable taxes, but prior to the deduction for the Incentive Fee payable annually.

During the year ended December 31, 2023, the Trust incurred Management and Incentive Fees in the amount of \$ 4,015 (2022 - \$4,073). For the year ended December 31, 2023, the Manager has agreed to waive any Management and Incentive Fees, which would cause distributions of cash to exceed net accounting income prior to distributions. Fees in the amount of nil were waived in 2023 (2022 - nil). Any fees waived are no longer collectible in the current or future years.

As at December 31, 2023, the current year management and incentive fee of \$1,793 (2022 - \$1,708) was payable to the Manager.

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.

(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 is equivalent to the estimated fair values of the related mortgages.

During the year ended December 31, 2023, the Trust purchased investments in mortgages of \$142 (2022 - \$6,997) and sold investments in mortgages of \$25,074 (2022 - \$29,118), to entities under common management.

(c) Co-investment in mortgages and investments held at fair value:

The Trust has invested in a mortgage portfolio with a balance at December 31, 2023 of \$56,037 (2022 - \$86,036), virtually all of which are made on a participation basis with related parties.

The Trust has invested in investments held at fair value created to enable the Trust to enter into loan sharing arrangements with US domiciled financial institutions, real estate development and lot banking. The balance at December 31, 2023 was \$86,036 (2022 - \$75,916), virtually all of which is made on a participation basis with related parties.

(d) Co-investments in associates:

The Trust has co-invested in associates with a related party by virtue of common management. As at December 31, 2023, the Trust holds 16.9% and the related party holds 67.4% interest in investments in associates.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

9. Related party transactions and balances (continued):

(e) Amounts due to and from related parties:

Amounts due from related parties as at December 31, 2023 were \$3,652 (2022 – \$1,694). The balance related to amounts owed from a mortgage repayment to a bank account of the Manager was \$157 (2022 - \$116) and amounts receivable for invoices paid on behalf of a related parties of \$3,289 (2022 - \$1,456). Amounts due to related parties as at December 31, 2023 were \$1 (2022 – nil).

10. Income taxes:

The Trust qualifies as a mutual fund trust under the *Income Tax Act (Canada)* (the “Tax Act”).

The Trust allocates to its Unitholders taxable income including taxable capital gains that would otherwise attract tax in the Trust. Accordingly, no provision for Canadian income taxes is reflected in its 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 US 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 US dollar relative to the Canadian dollar.

Any taxable income realized by the Trust for a particular taxation year will be paid or made payable to Unitholders and is thus required to be included in computing Unitholders’ income for Canadian tax purposes. The Trust intends to distribute at least 100% of the Trust’s taxable income including capital gains for the 2023 fiscal tax period.

11. 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 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”).

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

11. Fair value measurements (continued):

December 31, 2023	Carrying value		Fair value
	Amortized cost	FVTPL	
Financial assets not measured at fair value:			
Cash and cash equivalents	\$ 2,651	\$ -	\$ 2,651
Due from related parties	3,652	-	3,652
Investments in mortgages	56,037	-	56,037
Other assets	511	-	511
Financial assets measured at fair value:			
Investments held at fair value (Level 3)	-	86,036	86,036
Financial liabilities not measured at fair value:			
Credit facility	-	-	-
Accounts payable and accrued liabilities	547	-	547
Management and incentive fees payable	1,793	-	1,793
Distributions payable to holders of redeemable units	964	-	964
Due to related parties	1	-	1
Mortgage syndication liabilities	5,072	-	5,072
Redeemable units, representing net assets attributable to holders of redeemable units	141,893	-	141,893

December 31, 2022	Carrying value		Fair value
	Amortized cost	FVTPL	
Financial assets not measured at fair value:			
Cash and cash equivalents	\$ 4,232	\$ -	\$ 4,232
Due from related parties	1,694	-	1,694
Investments in mortgages	90,962	-	90,962
Promissory notes receivable	104	-	104
Financial assets measured at fair value:			
Investments held at fair value (Level 3)	-	75,916	75,916
Financial liabilities not measured at fair value:			
Credit facility	4,000	-	4,000
Accounts payable and accrued liabilities	358	-	358
Management and incentive fees payable	1,708	-	1,708
Distributions payable to holders of redeemable units	588	-	588
Mortgage syndication liabilities	9,453	-	9,453
Redeemable units, representing net assets attributable to holders of redeemable units	157,748	-	157,748

There were no transfers between Level 1, Level 2 and Level 3 during the years ended December 31, 2023 and 2022.

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.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

11. Fair value measurements (continued):

(b) Investments held at fair value:

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 are 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.

As at December 31, 2023, a 0.25% increase in the discount rate used in the discounted cash flow would decrease the fair value by \$354 (2022 – \$773) and a 0.25% decrease in the discount rate would increase the fair value by \$355 (2022 - \$793).

A reconciliation of Level 3 assets at December 31, 2023 is as follows:

Investments held at fair value, December 31, 2021	\$	43,939
Additions to investments		151,628
Realized change in fair value		3,984
Unrealized change in fair value		2,781
Distributions paid		(126,416)
Investments held at fair value, December 31, 2022	\$	75,916
Additions to investments		89,701
Realized change in fair value		5,337
Unrealized change in fair value		5,484
Distributions paid		(90,402)
Investments held at fair value, December 31, 2023	\$	86,036

The key valuation techniques used in measuring the fair values of underlying investments held at fair value include:

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
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) Other financial assets and liabilities:

The carrying values of financial assets and liabilities not measured at fair value, such as cash and cash equivalents, due from related parties, promissory notes receivable, other assets, accounts payable and accrued liabilities, management and incentive fees payable, distribution payable to holders of redeemable units and due to related parties approximate their fair value due to the relatively short periods of maturity of these items or because they are receivable or payable on demand.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

11. Fair value measurements (continued):

(d) Net assets attributable to holders of redeemable units:

The Trust routinely redeems and issues redeemable units at the amount equal to the proportionate share of net assets of the Trust at the time of redemption, calculated on a basis consistent with that used in these consolidated financial statements. Accordingly, the carrying amount of the net assets attributable to holders of redeemable units approximates their fair value and are based on Level 2 inputs.

12. Financial instruments and risk management:

The Trust has exposure to the following risks from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

The Manager'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. The Trust has not designated any transactions as hedging transactions to manage risk.

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:

(a) 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 manages its credit risk through extensive initial due diligence and careful monitoring of its mortgage portfolio, active communications with borrowers and the institution of aggressive enforcement procedures on defaulting mortgages by its Mortgage Broker, and by matching the cash flow profile of the assets and liabilities.

All mortgage investments are approved by the Credit Committee comprised of senior management of the Mortgage Broker. The Mortgage Broker's Credit Committee reviews its policies regarding its lending limits on an ongoing basis. Minimal credit risk also arises from cash and deposits, which is mitigated by holding cash and deposits in Canada with major financial institutions.

As at December 31, 2023, the largest mortgage investment in the Trust's mortgage portfolio was \$5,601 (2022 - \$7,651), which is 3.95% (2022 - 4.82%) of the Trust's net asset value and 10.84% (2022 - 9.43%) of its mortgage portfolio.

The Trust's maximum credit risk exposure (without taking into account collateral and other credit enhancements) at December 31, 2023 and 2022, is represented by the respective carrying amounts of the relevant financial assets in the consolidated statement of financial position.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

12. Financial instruments and risk management (continued):

(b) 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 bank indebtedness, accounts payable and accrued liabilities, mortgage syndication liabilities, management and incentive fees payable, distributions payable to holders of redeemable units, redeemable units, 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 and investments held at fair value, exceeds projected needs (including funding of further advances under existing and new mortgage investments).

Accounts payable and accrued liabilities arise from normal operating expenses and are expected to be settled within three months of year-end.

Unitholders of the Trust have the limited right to redeem their units in the Trust, as described in its Offering Memorandum and paragraph 8.15 of the Trust's Declaration of Trust. The Manager is entitled to extend the time for payment of any unitholder redemption for a maximum period of 180 days during any period in which the Manager determines that conditions exist which render the sale of assets of the Trust to be impractical or impair the ability of the Manager to determine the net asset value of the Trust.

The following table shows the contractual timing of cashflows:

December 31, 2023	Carrying value	Contractual cash flow	Within a year	Following year	3 – 5 years	5+ years
Accounts payable and accrued liabilities	\$ 547	\$ 547	\$ 547	\$ -	\$ -	\$ -
Due to Manager	1,793	1,793	1,793	-	-	-
Distribution payable	964	964	964	-	-	-
Due to related parties	1	1	1	-	-	-
Total contractual liabilities, excluding mortgage syndication liabilities	\$ 3,305	\$ 3,305	\$ 3,305	\$ -	\$ -	\$ -

1. As at December 31, 2023, there was nil drawn on the credit facility disclosed in Note 6.

2. The principal repayments of mortgage syndication liabilities by contractual maturity date are shown net with investments in mortgages in Note 4.

As at December 31, 2023, the Trust had a cash and cash equivalents position of \$2,651 (2022 - \$4,232). The Manager believes the Trust will be able to finance its operations using the cash flow generated from operating activities, investing activities and credit facilities.

(c) 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. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

12. Financial instruments and risk management (continued):

(c) Market risk (continued):

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 located within the US that preserves capital and generates returns in order to permit the Trust to pay quarterly distribution to its unit holders.

The Trust's market risk is managed on a regular basis by the Manager in accordance with policies and procedures in place.

(i) 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 return on investments in mortgages relative to its resources to fund the mortgages. As described in Note 8, Units are redeemable by Unitholders upon 30-days' notice. A significant rise in interest rates may cause Unitholders to redeem their Units and could cause a shortfall in funds available to meet such redemptions. The Trust charges a 1% penalty on redemptions made prior to the Units' first anniversary.

As at December 31, 2023, a 0.25% increase/decrease in the interest rates with all other variables held constant would increase/decrease the Trust's income by approximately \$136 (2022 - \$190), arising mainly as a result of higher interest income generated on variable rate mortgage investments.

(ii) 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 US dollars.

(iii) 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. These risks arise from changes in the real estate market and could be local, national or 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.

13. Capital management:

The Trust considers net assets attributable to holders of redeemable units to be capital, which at December 31, 2023, was \$141,893 (2022 - \$157,748).

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 US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of United States dollars, unless otherwise indicated)

Year ended December 31, 2023

13. 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.

The Trust is not subject to externally imposed capital requirements and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Trust agreement.

14. Commitments and contingencies:

In the ordinary course of business activities, the Trust may be contingently liable for litigation and claims arising from investing in mortgage investments and other investments. Where required, management records adequate provisions in the accounts.

Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the Trust's consolidated financial position. The Trust's estimate involves significant judgement, given the fact that the Trust's liability, if any, has yet to be determined and as such could vary by a material amount in the future should this change.



Consolidated Financial Statements
(Expressed in United States dollars)

TREZ CAPITAL YIELD TRUST US

And Independent Auditor's Report thereon

Year ended December 31, 2022



KPMG LLP
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Canada
Tel 604-691-3000
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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Trez Capital Yield Trust US

Opinion

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

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statement of 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 consolidated financial position of the Entity as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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) as issued by the International Accounting Standards Board (IASB), 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
April 21, 2023

TREZ CAPITAL YIELD TRUST US

Consolidated Statement of Financial Position
(Expressed in United States dollars)

December 31, 2022, with comparative information for 2021

	Notes	2022	2021
Assets			
Cash and cash equivalents		\$ 4,231,919	\$ 32,732,063
Due from related parties		1,694,219	1,458,848
Investments in mortgages	4	90,961,679	91,294,614
Investments held at fair value	5	75,916,124	43,938,853
Investments in associates	6	916,489	1,174,452
Promissory notes receivable	8	104,269	299,605
Other assets		31,043	-
		\$ 173,855,742	\$ 170,898,435
Liabilities and Net Assets Attributable to Holders of Redeemable Units			
Bank indebtedness		\$ 4,000,000	\$ -
Accounts payable and accrued liabilities		358,094	354,724
Mortgage syndication liabilities	4	9,453,003	6,810,048
Management and incentive fees payable	10(a)	1,708,586	-
Distributions payable to holders of redeemable units	7(b)	588,295	320,547
		16,107,978	7,485,319
Redeemable units, representing net assets attributable to holders of redeemable units	7	157,747,764	163,413,116
		\$ 173,855,742	\$ 170,898,435

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) "John Maragliano"

Director

(Signed) "Dean Kirkham"

Director

TREZ CAPITAL YIELD TRUST US

Consolidated Statement of Comprehensive Loss
(Expressed in United States dollars)

Year ended December 31, 2022, with comparative information for 2021

	Notes	2022	2021
Revenue:			
Interest income		\$ 10,284,921	\$ 9,633,012
Interest expense on mortgage syndication liabilities		(267,960)	(565,862)
Other income		135,244	162,823
		<u>10,152,205</u>	<u>9,229,973</u>
Expenses:			
Management and incentive fees	10(a)	4,072,589	1,601,343
General and administrative		686,554	835,599
Provision for mortgage losses	4	285,000	36,000
		<u>5,044,143</u>	<u>2,472,942</u>
Loss from investment in associate	6	(402,099)	(85,588)
Fair value gain on investments held at fair value	5	6,765,247	3,667,796
		<u>11,471,210</u>	<u>10,339,239</u>
Income from operations			
Financing costs:			
Interest expense		102,062	-
Distributions to holders of redeemable units	7(a)	22,596,521	10,375,239
		<u>22,698,583</u>	<u>10,375,239</u>
Net comprehensive loss attributable to holders of redeemable units			
		<u>\$ (11,227,373)</u>	<u>\$ (36,000)</u>

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

TREZ CAPITAL YIELD TRUST US

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

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Balance, beginning of the year	\$ 163,413,116	\$ 150,520,130
Loss attributable to holders of redeemable units	(11,227,373)	(36,000)
Contributions and redemptions:		
Issuance of units	49,663,797	40,652,744
Reinvestment of distributions on redeemable units	7,019,224	6,490,924
Redemptions	(51,121,000)	(34,214,682)
	5,562,021	12,928,986
Balance, end of year	\$ 157,747,764	\$ 163,413,116

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

TREZ CAPITAL YIELD TRUST US

Consolidated Statement of Cash Flows
(Expressed in United States dollars)

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operations:		
Net comprehensive loss	\$ (11,227,373)	\$ (36,000)
Items not involving cash:		
Interest income, net of interest expense on syndication	(10,016,961)	(9,067,150)
Fair value gain on investments held at fair value	(6,765,247)	(3,667,796)
Loss from associates	402,099	85,588
Distributions to holders of redeemable units	22,596,521	10,375,239
Provision for mortgage losses	285,000	36,000
Interest received	2,798,570	3,719,330
Changes in non-cash operating working items:		
Other assets	(31,043)	3,327
Management and incentive fees payable	1,708,586	(1,492,120)
Accounts payable and accrued liabilities	3,370	271,772
	(246,478)	228,190
Investments:		
Funding of investments in mortgages	(140,100,729)	(142,013,360)
Repayments on investments in mortgages including syndications	150,010,008	155,713,824
Contributions to investments held at fair value	(151,627,797)	(94,272,695)
Distributions from investments held at fair value	126,415,773	82,729,853
Contributions to investments in associates	(144,136)	(1,717,806)
Distributions from investments in associates	-	457,766
Repayments on promissory note receivable	195,336	287,754
	(15,251,545)	1,185,336
Financing:		
Distributions paid	(4,367,175)	(3,923,402)
Issuance of units	38,721,425	40,652,744
Redemptions	(51,121,000)	(34,214,682)
Increase in bank indebtedness	4,000,000	-
Increase (decrease) in due to related parties	(235,371)	1,440,559
	(13,002,121)	3,955,219
Increase (decrease) in cash and cash equivalents	(28,500,144)	5,368,745
Cash and cash equivalents, beginning of year	32,732,063	27,363,318
Cash and cash equivalents, end of year	\$ 4,231,919	\$ 32,732,063

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

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

1. Nature of business:

Trez Capital Yield Trust US (the “Trust”) is an unincorporated trust established under the laws of British Columbia pursuant to a Declaration of Trust dated January 10, 2013, and amended various times with latest amendment dated December 9, 2016 (the “Declaration of Trust”).

Trez Capital Fund Management Limited Partnership is the Trust’s manager (the “Manager”), Trez Capital Limited Partnership is the mortgage broker (the “Mortgage Broker”) and Computershare Trust Company of Canada is the trustee (the “Trustee”) of the Trust.

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 and from equity profit sharing arrangements through limited partnerships within the United States (“U.S.”).

On December 9, 2016, the Unitholders approved a reorganization of the Trust to restructure the Trust and its assets and liabilities such that holders of Units denominated in Canadian dollars would hold their interests in the Trust’s net assets through a newly established Trust known as the Trez Capital Yield Trust US (Canadian dollars) (the “CAD Trust”), while holders of Units denominated in U.S. dollars would continue to hold their interests in the Trust’s net assets through the Trust (the “Reorganization”).

On January 1, 2018, pursuant to the Reorganization, the three series of Canadian dollar denominated units of the Trust, being the Series A (Canadian dollars) Units, Series F (Canadian dollars) Units and Series I (Canadian dollars) Units (collectively, the “CAD Units”) were redeemed and exchanged for Units of a corresponding series of the Canadian Trust. Accordingly, the prior holders of Canadian dollar denominated Units now hold units of the Canadian Trust and the holders of the U.S. dollar denominated units of the U.S. Trust continue to hold such units in the Trust. A proportionate interest of 56.36% of the Trust’s total assets and liabilities were transferred to the Canadian Trust as part of the Reorganization.

The principal place of business of the Trust is located at 1700 - 745 Thurlow Street, Vancouver, British Columbia, V6E 0C5.

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 on April 21, 2023.

(b) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis, except for investments held at fair value which are measured at fair value.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

2. Basis of preparation (continued):

(c) Functional and presentation currency:

These consolidated financial statements are presented in U.S. dollars, which is also the functional currency of the Trust.

(d) Use of estimates and judgments:

The preparation of the 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

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 these consolidated 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(g)(ii). 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 investments held at fair value are interests in limited partnerships created to enable the Trust to enter loan sharing arrangements with U.S. domiciled financial institutions. The loan sharing arrangements allow the Trust to share senior participations increasing both available investable cash and yield to the Trust. Judgment is applied in assessing whether the Trust exercises control, joint control, significant influence or none of the above over the Special Purpose Entities.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

2. Basis of preparation (continued):

(d) Use of estimates and judgments (continued):

(ii) investments held at fair value (continued):

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.

Also included in investments held at fair value are investment interests in real estate development and lot banking projects.

The Trust has determined for these entities that it has neither control, joint control or significant influence as the Trust has no ability to control or influence any of the relevant activities and has therefore measured the investments at fair value in accordance with IFRS 9.

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. These consolidated 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 these consolidated financial statements.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

3. Significant accounting policies (continued):

(a) Basis of presentation (continued):

(i) Subsidiaries (continued):

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 loss and within equity in the Consolidated Statement of Financial Position.

	Place of registration	% of ownership
Trez Capital Yield Trust US Sub-Trust	British Columbia	100%
Trez Capital Yield Trust US Equities Limited Partnership	British Columbia	100%
Trez Capital Yield Trust US Blocker Corporation	Delaware	100%

The principal business activity of Trez Capital Yield Trust US Sub-Trust is to carry out carry out the investment activity of the Trust.

The principal business activity of Trez Capital Yield Trust US Equities Limited Partnership and Trez Capital Yield Trust US Blocker Corporation is investment in real estate development and lot banking projects.

Investments over which the Trust does not have 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 U.S. domiciled financial institutions, financing real estate projects and lot banking.

(ii) 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 loss.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

3. Significant accounting policies (continued):

(a) Basis of presentation (continued):

(ii) Investments in associates (continued):

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 held for sale:

Properties under development held for sale 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 held for sale, 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 held for sale 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.

(iii) 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 U.S. domiciled financial institutions, financing real estate development and lot banking.

(b) Cash and cash equivalents:

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

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

3. Significant accounting policies (continued):

(c) Promissory notes receivable:

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

(d) Redeemable units:

All units of the Trust are redeemable at the Unitholder's option and have different distribution features between the classes 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 comprehensive loss in the same period.

(e) Revenue recognition:

Interest income is recognized in the consolidated statement of comprehensive 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.

(f) Distributions on redeemable units:

Distributions to Unitholders on each series of redeemable units are made on a monthly 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 consolidated statement of comprehensive loss, following the units' classification as liabilities. Distributions are accrued in the period to which they relate.

(g) Financial instruments:

(i) Recognition, classification and measurement 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.

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.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

3. Significant accounting policies (continued):

(g) Financial instruments (continued):

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

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.

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.

The Trust has classified its financial instruments as follows:

	Classification
Financial assets:	
Cash and cash equivalents	Amortized cost
Due from related parties	Amortized cost
Investments in mortgages	Amortized cost
Investments held at fair value	FVPTL
Promissory notes receivable	Amortized cost
Financial liabilities:	
Bank indebtedness	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Mortgage syndication liabilities	Amortized cost
Management and incentive fees payable	Amortized cost
Distributions payable to holders of redeemable units	Amortized cost
Redeemable units, representing net assets attributable to holders of redeemable units	Amortized cost

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

3. Significant accounting policies (continued):

(g) Financial instruments (continued):

(ii) 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 not 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.

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.

In assessing whether a mortgage is in default, the Trust considers both quantitative and qualitative factors. This occurs when investments in mortgages are 90 days past due on interest payment or maturity date, and/or when the Trust assesses that there have been a deterioration of credit quality to the extent the Trust no longer has reasonable assurance as to the timely collection of the full amount of principal and interest, and/or when the Trust has commenced enforcement remedies available to it under its contractual agreements.

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 another additional risk factor also needs to be identified for the mortgage to move to Stage 2.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

3. Significant accounting policies (continued):

(g) Financial instruments (continued):

(ii) Impairment (continued):

Other additional 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 required in making assumptions and estimations when calculating the ECL, 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 while 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.

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.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

3. Significant accounting policies (continued):

(g) Financial instruments (continued):

(ii) Impairment (continued):

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 the 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 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 US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

3. Significant accounting policies (continued):

(g) Financial instruments (continued):

(iii) Derecognition of financial assets and 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.

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 Consolidated 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 US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

3. Significant accounting policies (continued):

(g) Financial instruments (continued):

(iv) 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 consolidated statement of comprehensive loss. 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 Consolidated Statement of Comprehensive Income (Loss). 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.

(h) 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 U.S. 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 U.S. Internal Revenue Service based on a determination of taxable income for U.S. tax purposes. Accordingly, current income tax recognized in the consolidated statement of comprehensive income (loss) is based on the subsidiary's U.S. 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.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

3. Significant accounting policies (continued):

(h) 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 U.S. tax assets and liabilities.

(i) New standards adopted effective January 1, 2022:

In August 2022, the IASB published the Interest Rate Benchmark Reform - Phase 2, which amended IFRS 9, *Financial Instruments*; IAS 39, *Financial Instruments: Recognition and Measurement*; IFRS 7, *Financial Instruments: Disclosure*; IFRS 1, *Insurance Contracts*; and IFRS 16, *Leases*. The Phase 2 amendments addressed issues that may affect financial reporting related to financial instruments and hedge accounting resulting from the reform of an interest rate benchmark. The amendments were effective and adopted by the Trust on January 1, 2022. The Trust adopted the amendments related to the interest rate benchmark reform and there was no material effect on its consolidated financial statements as at and for the year ended December 31, 2022.

(j) Standards issued but not yet effective:

At December 31, 2022, a number of standards and amendments to standards had been issued by the IASB but are not yet effective for these consolidated financial statements. Those which are relevant to the Trust's consolidated financial statements are set out below:

(i) Definition of accounting estimates:

On February 12, 2021, the IASB published Definition of Accounting Estimates (Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*) to help entities to distinguish between accounting policies and accounting estimates. The amendments introduce a new definition for accounting estimates by clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for the Trust's fiscal year beginning January 1, 2023 with early adoption permitted and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the start of that period. The Trust is in the process of assessing the impact of these amendments.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

3. Significant accounting policies (continued):

(j) Standards issued but not yet effective (continued):

(ii) Disclosure of accounting policies:

In February 2021, the IASB issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures. The amendments to IAS 1 require companies to disclose their material accounting policies rather than their significant accounting policies. The amendments are effective for the Trust's fiscal year beginning January 1, 2023 with early adoption permitted. The Trust is in the process of assessing the impact of these amendments.

4. Investments in mortgages:

The Trust holds mortgages on the following types of properties:

Property type	2022		2021	
	Number	Amount	Number	Amount
Residential	53	\$ 55,721,897	63	\$ 66,268,875
Commercial	4	7,605,093	5	9,273,986
Retail	1	4,452,232	-	-
Mixed use	4	13,331,910	3	6,763,948
Other	-	-	1	1,962,308
	62	81,111,132	72	84,269,117
Mortgage syndications		9,453,003		6,810,048
Accrued interest		1,040,544		573,449
Less: Provision for mortgage losses (note 4(c))		(643,000)		(358,000)
Investment in mortgages		\$ 90,961,679		\$ 91,294,614

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

4. Investments in mortgages (continued):

Property location	2022		2021	
	Number	Amount	Number	Amount
Texas	27	\$ 32,165,809	26	\$ 22,671,545
Florida	11	23,730,316	11	8,996,888
Georgia	6	5,546,568	8	6,094,064
North Carolina	1	71,260	3	4,377,322
Oregon	-	-	1	3,834,588
Arizona	6	6,641,457	8	18,639,453
Washington	2	5,685,665	2	4,773,036
Idaho	-	-	3	885,857
Tennessee	-	-	1	8,413,446
South Carolina	2	1,078,456	1	203,263
Utah	-	-	2	1,751,183
Colorado	2	921,411	1	1,559,608
Pennsylvania	1	1,356,657	1	481,606
Michigan	-	-	1	1,194,810
California	-	-	1	329,697
Ohio	-	-	1	200
Oklahoma	2	337,869	1	62,551
Alabama	1	2,719,149	-	-
Indiana	1	856,515	-	-
Total mortgages	62	\$ 81,111,132	72	\$ 84,269,117

The mortgages are secured by the real property to which they relate, bear interest at a weighted average interest rate of 13.81% (2021 - 8.85%).

All mortgages 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.

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

Maturity period	Number	Amount
Past due	2	\$ 7,438,678
Past due but not credit impaired	1	1,016,220
2023	27	37,293,998
2024	26	28,951,804
2025	4	4,314,390
2026 and beyond	2	2,096,042
	62	\$ 81,111,132

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

4. Investments in mortgages (continued):

(a) Provision for mortgage losses:

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

Gross carrying amount	December 31, 2022			Total
	Stage 1	Stage 2	Stage 3	
Property type:				
Residential	\$ 48,283,220	\$ -	\$ 7,438,678	\$ 55,721,898
Commercial	12,057,324	-	-	12,057,324
Mixed use	13,331,910	-	-	13,331,910
	\$ 73,672,454	\$ -	\$ 7,438,678	\$ 81,111,132

Gross carrying amount	December 31, 2021			Total
	Stage 1	Stage 2	Stage 3	
Property type:				
Residential	\$ 66,268,875	\$ -	\$ -	\$ 66,268,875
Commercial	9,273,986	-	-	9,273,986
Mixed use	6,763,948	-	-	6,763,948
Other	1,962,308	-	-	1,962,308
	\$ 84,269,117	\$ -	\$ -	\$ 84,269,117

Provision for credit losses	December 31, 2022			Total
	Stage 1	Stage 2	Stage 3	
Property type:				
Residential	\$ 525,000	\$ -	\$ -	\$ 525,000
Commercial	10,000	-	-	10,000
Mixed use	108,000	-	-	108,000
	\$ 643,000	\$ -	\$ -	\$ 643,000

Provision for credit losses	December 31, 2021			Total
	Stage 1	Stage 2	Stage 3	
Property type:				
Residential	\$ 309,000	\$ -	\$ -	\$ 309,000
Commercial	22,000	-	-	22,000
Mixed use	21,000	-	-	21,000
Other	6,000	-	-	6,000
	\$ 358,000	\$ -	\$ -	\$ 358,000

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

4. Investments in mortgages (continued):

(a) Provision for mortgage losses (continued):

The provision for mortgage losses, at December 31, 2022, is \$643,000 (2021 - \$358,000). This provision represents management's estimate of the ECLs on mortgages in the Trust's portfolio that have not experienced a significant increase in credit risk since initial recognition ("Stage 1"). 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 nil, primarily due to the mortgage collateral held on the mortgages.

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

	December 31, 2022			Total
	Stage 1	Stage 2	Stage 3	
December 31, 2021	\$ 358,000	\$ -	\$ -	\$ 358,000
Provision for mortgage losses for 2022:				
Transfers to Stage 1 ⁽¹⁾	-	-	-	-
Transfers to Stage 2 ⁽¹⁾	-	-	-	-
Transfers to Stage 3 ⁽¹⁾	-	-	-	-
Net remeasurement ⁽²⁾	101,000	-	-	101,000
Mortgage advances	408,000	-	-	408,000
Mortgage repayments	(224,000)	-	-	(224,000)
Write-offs	-	-	-	-
Total movement	285,000	-	-	285,000
December 31, 2022	\$ 643,000	\$ -	\$ -	\$ 643,000

	December 31, 2021			Total
	Stage 1	Stage 2	Stage 3	
December 31, 2020	\$ 322,000	\$ -	\$ -	\$ 322,000
Provision for mortgage losses for 2021:				
Transfers to Stage 1 ⁽¹⁾	-	-	-	-
Transfers to Stage 2 ⁽¹⁾	-	-	-	-
Transfers to Stage 3 ⁽¹⁾	-	-	-	-
Net remeasurement ⁽²⁾	(30,000)	-	-	(30,000)
Mortgage advances	300,000	-	-	300,000
Mortgage repayments	(234,000)	-	-	(234,000)
Write-offs	-	-	-	-
Write-offs	-	-	-	-
Total movement	36,000	-	-	36,000
December 31, 2021	\$ 358,000	\$ -	\$ -	\$ 358,000

(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.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

5. Investments held at fair value:

The Manager has concluded that the Trust's limited partnership investments in which it does not have control or significant influence, meet the definition of structured entities.

The table below describes the types of structured entities that the Trust does not consolidate but in which it holds an interest.

Type of structure entity	Nature and purpose	Interest held by the Trust
Limited partnerships participating in loan sharing.	<p>Limited partnerships created to enable the Trust to enter loan sharing arrangements with US domiciled financial institutions.</p> <p>The limited partnerships are financed by capital contributed by the Trust and entities related to the Trust in the form of limited partnership units and credit facilities with US domiciled financial institutions.</p>	Investment in limited partnership units.
Limited partnerships participating in preferred investment in real estate projects.	<p>Limited partnerships created to hold real estate projects in the U.S. Investments made by the Trust earn fixed monthly interest income from their preferred investment. Common equity investments in the limited partnerships are funded by entities related to the Manager</p> <p>The limited partnerships are financed by capital contributed by the Trust and entities related to the Trust in the form of limited partnership units and credit facilities with US domiciled financial institutions.</p>	Investment in preferred limited partnership units.
Limited partnerships participating in land banking.	<p>Limited partnerships created to facilitate land banking transactions.</p> <p>The limited partnerships are financed by capital contributed in the form of limited partnership units by the Trust and entities related to the Trust and credit facilities by the Trust and entities related to the Trust.</p>	Investment in limited partnership units.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

5. Investments held at fair value (continued):

December 31, 2022	Number of Limited Partnerships	Total assets	Carrying amount included in investments held at fair value
Investments in Limited Partnerships:			
Loan sharing	14	\$ 1,344,525,611	\$ 51,987,419
Real estate investments	6	151,256,323	17,023,830
Land banking	10	99,526,312	6,904,876
	30	\$ 1,595,308,246	\$ 75,916,125

December 31, 2021	Number of Limited Partnerships	Total assets	Carrying amount included in investments held at fair value
Investments in Limited Partnerships:			
Loan sharing	9	\$ 609,760,997	\$ 32,017,848
Real estate investments	5	89,642,945	11,846,822
Land banking	6	45,215,689	74,183
	20	\$ 744,619,631	\$ 43,938,853

During 2022, a change in fair value of \$6,765,247 was recorded (2021 - \$3,667,796). Included within the change in fair value is realized net interest income of \$3,984,391 (2021 - \$1,243,020). The unrealized portion of net interest income was \$2,780,856 (2021 - \$2,424,776).

In the event a mortgage investment held by a structured entity enters default, the Trust may have the obligation to repay the third-party loan sharing partner. At December 31, 2022 the total amount of third party loan sharing the Trust is committed to repay in event of default was \$ 81,275,920 (2021 - \$41,818,239).

At December 31, 2022, one mortgage held by a structured entity totaling \$1,914,105 was in default (2021 - nil). At the date of default the Trust repaid the senior loan sharing partner \$1,062,212.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

6. Investments in associate:

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

	Equity investment December 31, 2021	Share of income (loss)	Net contributions (distributions)	Equity investment December 31, 2022
Investments in associates:				
Urban Aspen Place 16.6% (2021 - 16.6%)	\$ 1,174,452	\$ (402,099)	\$ 144,136	\$ 916,489

The investment in Urban Aspen Place has been entered into with an established property developer in Oklahoma to enable the Trust to benefit from local real estate expertise while pursuing returns from its investment. The underlying assets of the associate are being developed with the counterparty acting as lead developer.

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.

	2022	2021
Total assets	\$ 32,623,339	\$ 29,725,245
Total liabilities	28,439,703	24,193,832
Revenue	1,428,631	1,879,165
Expenses	3,850,917	5,235,246
Net income	(2,422,286)	(3,356,080)

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

(a) As at December 31, 2022, the Trust has authorized an unlimited number of Series A, Series F and Series I redeemable, non-transferrable Units. The \$10 Units are issued in U.S. dollars in accordance with the Offering Memorandum of the Trust, dated April 30, 2021.

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 classified as financial liabilities under IFRS.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

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

(a) (continued):

Total distributions for each Unitholder are determined relative to the proportion of the year the Unitholder was invested in the Trust. The holders of Series A Units, Series F Units and Series I Units (collectively, the “Units”) are entitled to one vote per unit. The Units are redeemable on demand of the Unitholder in stipulated increments. 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 penalty if redeemed prior to the first anniversary.

For the year ended December 31, 2022, the taxable income of the Trust was \$22,596,521 (2021 -\$9,582,831) and the Trust has declared distributions totaling \$22,596,521 (2021 - \$10,375,239). There is no difference between distributions declared and taxable income for the year (2021 - \$792,408 return of capital).

In general, it is anticipated that distributions of foreign exchange will be distributed in the form of additional units with immediate consolidation to preserve the NAV per unit. For the year ended December 31, 2022, there was a distribution of \$10,942,373 (2021 - nil).

USD Class A units	2022		2021	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	1,330,137	\$ 13,269,190	1,237,304	\$ 12,343,789
Issued for cash	148,734	1,487,340	163,149	1,631,477
Issued for reinvested distributions	45,061	450,614	45,502	455,022
Redeemed for cash	(412,933)	(4,129,328)	(148,568)	(1,485,679)
Transfer between classes	(3,224)	(32,238)	32,750	327,504
Decrease in net assets attributable to redeemable units, from operations	-	(784,729)	-	(2,923)
Issued for top up	76,481	764,809	-	-
Consolidation of units	(76,481)	-	-	-
Issued and outstanding, end of year	1,107,775	11,025,658	1,330,137	13,269,190
IFRS 9 Stage 1 cumulative provisions	-	52,098	-	32,174
	1,107,775	\$ 11,077,756	1,330,137	\$ 13,301,364

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

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

(a) (continued):

USD Class F units	2022		2021	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	11,398,751	\$ 113,685,465	11,755,613	\$ 117,279,152
Issued for cash	1,849,629	18,496,285	2,066,151	20,661,499
Issued for reinvested distributions	425,359	4,253,594	427,833	4,278,329
Redeemed for cash	(3,183,242)	(31,832,420)	(2,744,716)	(27,447,160)
Transfer between classes	(553,018)	(5,530,182)	(106,130)	(1,061,309)
Decrease in net assets attributable to redeemable units, from operations	-	(7,038,582)	-	(25,046)
Issued for top up	685,991	6,859,912	-	-
Consolidation of units	(685,991)	-	-	-
Issued and outstanding, end of year	9,937,479	98,894,072	11,398,751	113,685,465
IFRS 9 Stage 1 cumulative provisions	-	480,688	-	302,023
	9,937,479	\$ 99,374,760	11,398,751	\$ 113,987,488

USD Class I units	2022		2021	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	3,648,227	\$ 36,458,461	2,091,296	\$ 20,897,189
Issued for cash	1,873,780	18,737,800	1,835,978	18,359,768
Issued for reinvested distributions	231,502	2,315,015	175,757	1,757,573
Redeemed for cash	(1,515,925)	(15,159,252)	(528,184)	(5,281,843)
Transfer between classes	556,242	5,562,420	73,380	733,805
Decrease in net assets attributable to redeemable units, from operations	-	(3,404,062)	-	(8,031)
Issued for top up	331,765	3,317,652	-	-
Consolidation of units	(331,765)	-	-	-
Issued and outstanding, end of year	4,793,826	47,828,034	3,648,227	36,458,461
IFRS 9 Stage 1 cumulative provisions	-	110,214	-	23,803
	4,793,826	\$ 47,938,248	3,648,227	\$ 36,482,264

USD Total units	2022		2021	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	16,377,116	\$ 163,413,116	15,084,214	\$ 150,520,130
Issued for cash	3,872,142	38,721,425	4,065,278	40,652,744
Issued for reinvested distributions	701,918	7,019,223	649,092	6,490,924
Redeemed for cash	(5,112,100)	(51,121,000)	(3,421,468)	(34,214,682)
Transfer between classes	-	-	-	-
Decrease in net assets attributable to redeemable units, from operations	-	(11,227,373)	-	(36,000)
Issued for top up	1,094,237	10,942,373	-	-
Consolidation of units	(1,094,237)	-	-	-
Issued and outstanding, end of year	15,839,076	157,747,764	16,377,116	163,413,116
IFRS 9 Stage 1 cumulative provisions	-	643,000	-	358,000
	15,839,076	\$ 158,390,764	16,377,116	\$ 163,771,116

(b) The distribution declared and payable as at December 31, 2022 was \$588,295 (2021 - \$320,547) and was distributed to the Unitholders subsequent to year-end.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

8. Promissory note receivable:

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 now holds an unsecured interest-free note from the affiliated Company in the amount \$104,269 (2021 - \$299,605).

9. Income taxes:

The Trust qualifies as a mutual fund trust under the *Income Tax Act (Canada)* (the "Tax Act").

The Trust allocates to its Unitholders taxable income including taxable capital gains that would otherwise attract tax in the Trust. Accordingly, no provision for Canadian income taxes is reflected in its 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 the Canadian dollar.

Any net gain accrued 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. The Trust intends to distribute at least 100% of the Trust's taxable income including capital gains for the 2022 fiscal tax period.

10. Related party transactions and balances:

The Trust invests in mortgages alone or on a participation basis with parties related to the Manager. Title to mortgages is held by nominee corporations as Trustee, on behalf of the beneficial owners of the mortgages. In addition, certain duties are performed by the Mortgage Broker.

The Manager and Mortgage Broker are related to 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 agreement, the Mortgage Broker agrees to administer and service the mortgages on behalf of the Trustee and other investees. The Mortgage Broker acts as the Trust's underwriter, servicer and syndicator; and
- 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.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

10. Related party transactions and balances (continued):

The Trust is managed by the Manager pursuant to the terms and conditions of the Declaration of Trust, a summary of which is set out in the most current Offering Memorandum. The Manager may, pursuant to the terms of the Declaration of Trust, delegate its power to third parties where it deems advisable.

Each series of units of the Trust is deemed to be entitled to its proportionate share of the average annual gross assets, as defined in the Declaration of Trust. The Manager will be entitled to receive an annual fee (the "Administration Fee") equal to 1.5% (2021 - 1.5%) of the proportionate share of the Series A Units and the Series F Units of the average annual gross assets and an annual fee equal to 1.15% (2021 - 1.15%) 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 all assets, excluding mortgage syndications, of the Trust) plus applicable taxes, payable monthly.

For each series of Units of the Trust, the Manager also receives an additional fee (the "Incentive Fee") equal to 10% (2021 - 10%) of net earnings and capital gains plus applicable taxes, but prior to the deduction for the Incentive Fee payable annually.

(a) Management and incentive fees:

During 2022, the Trust incurred Management and Incentive Fees in the amount of \$4,072,589 (2021 - \$3,507,047). For the year ended December 31, 2022, the Manager has agreed to waive any Incentive and Management Fees, which would cause distributions of cash to exceed net accounting income prior to distributions. Fees in the amount of nil were waived in 2022 (2021 - \$1,905,704). Any fees waived are no longer collectible in the current or future years. At December 31, 2022, \$1,708,586 was payable to the Manager (2021 - nil).

The Manager is responsible for the expenses of the Initial Offering of Units, other than brokerage fees, as well as, 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 will reimburse the Manager for all expenses incurred in the management of the Trust except as previously noted.

(b) Other operating expenses:

The Trust will pay for all expenses incurred in connection with its operation and administration. The Trust also will be responsible for commissions and other costs of portfolio transactions, and all liabilities and any extraordinary expenses which it may incur from time-to-time.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

10. Related party transactions and balances (continued):

(c) 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 2022, the Trust purchased investments in mortgages of \$6,997,293 (2021 - \$6,817,576) and sold investments in mortgages of \$29,118,487 (2021 - \$58,772,444), to entities under common management.

(d) Co-investment in mortgages and investments held at fair value:

The Trust has invested in a mortgage portfolio with a balance, at December 31, 2022, of \$81,111,132 (2021 - \$84,269,117), virtually all of which are made on a participation basis with related funds and parties.

The Trust has invested in investments held at fair value created to enable the Trust to enter into loan sharing arrangements with U.S. domiciled financial institutions, real estate development and lot banking. The balance at December 31, 2022 was \$75,916,124 (2021 - \$43,938,853), virtually all of which is made on a participation basis with related parties.

11. Bank indebtedness:

	2022	2021
(a) U.S. dollar indebtedness from a bank with maximum indebtedness of \$25,000,000 bearing interest at WSJ Prime less 1% and with maturity date of December 31, 2023	\$ 4,000,000	\$ -

- (a) In 2018, the Trust entered into a senior secured term loan facility, for available proceeds up to US\$25,000,000, bearing interest at WSJ Prime less 1% and maturing on December 31, 2023. As at December 31, 2022, the amount outstanding on the term loan is \$4,000,000 (2021 - nil). The loan is guaranteed by the Trust and other entities related to the Trust by virtue of common control.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

11. Bank indebtedness (continued):

(a) (Continued):

The credit facility has financial tests and other covenants with which the Trust must comply.

They are as follows:

As of the last day of each fiscal quarter, on a consolidated basis, the Trust shall maintain:

- Net worth - 80% of net worth on the closing date;
- Debt to net worth ratio - not more than 0.50 to 1.00; and
- Liquidity - greater of 2% of net worth and \$2,000,000.

As at December 31, 2022, the Trust was in compliance with all such covenants.

12. Financial instruments and risk management:

(a) Fair values:

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 the investments in mortgages and syndicated loans payable approximate their fair values because the Manager has determined there has been no significant changes in interest rates 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").

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

12. Financial instruments and risk management (continued):

(a) Fair values (continued):

December 31, 2022	Carrying value		Fair value
	Amortized cost	FVTPL	
Assets not measured at fair value:			
Investments in mortgages	\$ 90,961,679	\$ -	\$ 90,961,679
Promissory notes receivable	104,269	-	104,269
Cash and cash equivalents	4,231,919	-	4,231,919
Due from related parties	1,694,219	-	1,694,219
Assets measured at fair value:			
Investments held at fair value	-	75,916,124	75,916,124
Financial liabilities not measured at fair value:			
Bank indebtedness	4,000,000	-	4,000,000
Mortgage syndication liabilities	9,453,003	-	9,453,003
Distributions payable to holders of redeemable units	588,295	-	588,295
Accounts payable and accrued liabilities	358,094	-	358,094

December 31, 2021	Carrying value		Fair value
	Amortized cost	FVTPL	
Assets not measured at fair value:			
Investments in mortgages	\$ 91,294,614	\$ -	\$ 91,294,614
Promissory notes receivable	299,605	-	299,605
Cash and cash equivalents	32,732,063	-	32,732,063
Due from related parties	1,458,848	-	1,458,848
Assets measured at fair value:			
Investments held at fair value	-	43,938,853	43,938,853
Financial liabilities not measured at fair value:			
Mortgage syndication liabilities	6,810,048	-	6,810,048
Distributions payable to holders of redeemable units	320,547	-	320,547
Accounts payable and accrued liabilities	354,724	-	354,724

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

(i) Investments in mortgages and mortgage syndication liabilities:

There is no quoted price in an active market for the mortgage investments or mortgage syndication. 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 approximates 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.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

12. Financial instruments and risk management (continued):

(a) Fair values (continued):

(i) 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 Trust's investments in mortgages and mortgage syndication liabilities are carried at fair value in the consolidated 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 portion of mortgage loans in the U.S. 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 approximates their carrying value given the investments consist of short-term mortgages and the mortgages have variable interest rates. At December 31, 2022, a 25-basis point increase in the discount rate used in the discounted cash flow would decrease the fair value by \$772,994 (2021 - 25-basis points decrease - \$46,887) and a 25-basis point decrease in the discount rate would increase the fair value by \$792,906 (2021 - 25-basis points increase - \$203,949).

The Trust's assets and liabilities recorded at fair value have been categorized as follows:

2022	Level 1	Level 2	Level 3	Total
Investments held at fair value	\$ -	\$ -	\$ 75,916,124	\$ 75,916,124

2021	Level 1	Level 2	Level 3	Total
Investments held at fair value	\$ -	\$ -	\$ 43,938,853	\$ 43,938,853

There were no transfers between levels during 2022 (2021 - nil).

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

12. Financial instruments and risk management (continued):

(a) Fair values (continued):

(ii) investments held at fair value (continued):

A reconciliation of Level 3 assets at December 31, 2022 is as follows:

Investments held at fair value, December 31, 2021	\$ 43,938,853
Additions to investments	151,627,797
Realized change in fair value	3,984,391
Unrealized change in fair value	2,780,856
Distributions paid	(126,415,773)
Investments held at fair value, December 31, 2022	\$ 75,916,124

Investments held at fair value, December 31, 2020	\$ 28,728,215
Additions to investments	94,272,695
Realized change in fair value	1,243,020
Unrealized change in fair value	2,424,776
Distributions paid	(82,729,853)
Investments held at fair value, December 31, 2021	\$ 43,938,853

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
Discounted cash flow	Future cash flows Discount rate Probability of cash flows	The estimated fair value would increase (decrease) with changes in significant unobservable inputs

(iii) Other financial assets and liabilities:

The carrying values of financial assets and financial liabilities not measured at fair value, such as cash and cash equivalents, other assets, due from related parties, promissory notes, accounts payable and accrued liabilities, syndicated mortgage liabilities, management fees payable, distribution payable to holders of redeemable units, and net assets attributable to holders of redeemable units approximate their fair values due to the relatively short periods to maturity of these or because they are receivable or payable on demand.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

12. Financial instruments and risk management (continued):

(a) Fair values (continued):

(iv) Net assets attributable to holders of redeemable units:

The Trust routinely redeems and issues redeemable units at the amount equal to the proportionate share of net assets of the Trust at the time of redemption, calculated on a basis consistent with that used in these consolidated financial statements. Accordingly, the carrying amount of the net assets attributable to the holders of redeemable units approximates their fair value and are based on Level 2 inputs.

(b) Financial risk management:

The Trust has exposure to the following risks from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

The Manager'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. The Trust has not designated any transactions as hedging transactions to manage risk.

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, 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 manages its credit risk through extensive initial due diligence and careful monitoring of its mortgage portfolio, active communications with borrowers and the institution of aggressive enforcement procedures on defaulting mortgages by its Mortgage Broker, and by matching the cash flow profile of the assets and liabilities. All mortgage investments are approved by the Credit Committee comprised of senior management of the Mortgage Broker. The Mortgage Broker's Credit Committee reviews its policies regarding its lending limits on an ongoing basis. Minimal credit risk also arises from cash deposits. This is mitigated by holding deposits in Canada with major financial institutions.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

12. Financial instruments and risk management (continued):

(b) Financial risk management (continued):

(i) Credit risk (continued):

As at December 31, 2022, the largest mortgage investment in the Trust's mortgage portfolio was \$7,650,501 (2021 - \$8,413,446), which is 4.82% (2021 - 5.15%) of the Trust's net asset value and 9.43% (2021 - 9.98%) of its mortgage portfolio.

The Trust's maximum credit risk exposure (without taking into account collateral and other credit enhancements) at December 31, 2022 and 2021, is represented by the respective carrying amounts of the relevant financial assets in the consolidated statement of financial position.

(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, syndicated loan liability, 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).

The following table shows the contractual timing of cashflows.

December 31, 2022	Carrying value	Contractual cash flow	Within a year	Following year	3 - 5 years	5+ years
Accounts payable and accrued expenses	\$ 358,094	\$ 358,094	\$ 358,094	\$ -	\$ -	\$ -
Distribution payable	588,295	588,295	588,295	-	-	-
Due to Manager	1,708,586	1,708,586	1,708,586	-	-	-
Credit facility	4,000,000	4,000,000	4,000,000	-	-	-
Total	\$ 6,654,975	\$ 6,654,975	\$ 6,654,975	\$ -	\$ -	\$ -

1. As at December 31, 2022, there was \$4,000,000 drawn on the credit facility disclosed in Note 12. The amount was repaid during January 2023.

As at December 31, 2022, 10.42% of the Trust's mortgage portfolio, being 8,454,898, is due on or before December 31, 2022 (2021 - 43.98% or \$37,063,189 was due on or before December 31, 2022). The Trust had three mortgages that were overdue on December 31, 2022.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

12. Financial instruments and risk management (continued):

(b) Financial risk management (continued):

(ii) Liquidity risk (continued):

As at Dec 31, 2022, the Trust had a cash position of \$4,231,919 (December 31, 2022- \$32,732,063), an unutilized credit facility of \$21,000,000 (December 31, 2021- \$25,000,000). Management believes it will be able to finance its operations using the cash flow generated from operations, investing activities and credit facilities.

(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. 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 located within the U.S. that preserves capital and generates returns in order to permit the Trust to pay quarterly distribution to its unit holders.

The Trust's market risk is managed on a regular basis by the Manager in accordance with policies and procedures in place.

(A) Interest rate risk:

Interest rate risk is the risk that the fair value or the 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 return on investments in mortgages relative to its resources to fund the mortgages. As described in note 7, Units are redeemable by the unit holders upon 30-days' notice. A significant rise in interest rates may cause unit holders to redeem their Units and could cause a shortfall in funds available to meet such redemptions. The Trust charges a 1% prepayment penalty on redemptions made prior to the first anniversary from the Units' issuance.

As at December 31, 2022, a portion of the Trust's mortgage investments had a floating rate of return; therefore, an increase (decrease) in interest rates would have had an impact on the Trust' net income. A 0.25% (2021 - 0.25%) increase (decrease) in the interest rates with all other variables held constant would increase (decrease) the Trust's income by approximately \$190,412 (2021 - \$267,086) arising from income generated on the Trust's cash deposits and floating rate mortgages.

TREZ CAPITAL YIELD TRUST US

Notes to Consolidated Financial Statements

(Tabular amounts expressed in United States dollars, unless otherwise indicated)

Year ended December 31, 2022

12. Financial instruments and risk management (continued):

(b) Financial risk management (continued):

(iii) Market risk (continued):

(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 U.S. dollars.

(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. These risks arise from changes in the real estate market and could be local or national 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.

13. Capital management:

The Trust considers net assets attributable to holders of redeemable units to be capital, which at December 31, 2022, was \$157,747,764 (2021 - \$163,413,116).

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. The Trust manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Trust may issue new Units. The Trust is not subject to externally imposed capital requirements and has no legal restrictions on the issue, repurchase or resale of redeemable Units beyond those included in the Trust document.

14. Commitments and contingencies:

In the ordinary course of business activities, the Trust may be contingently liable for litigation and claims arising from investing in mortgage investments and other investments. Where required, management records adequate provisions in the accounts.

Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the Trust's consolidated financial position. The Trust's estimate involves significant judgement, given the fact that the Trust's liability, if any, has yet to be determined and as such could vary by a material amount in the future should this change.

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 29th day of April, 2024.

Trez Capital Yield Trust US
By its Manager and Promoter, Trez Capital Fund Management Limited Partnership,
by its general partner, Trez Capital Fund Management (2011) Corporation

"Dean Kirkham"

(Signed) Dean Kirkham
President and Director

"John Maragliano"

(Signed) John Maragliano
Chief Financial Officer and Director

On behalf of the Directors of Trez Capital (2011) Corporation,
the general partner of Trez Capital Limited Partnership

"Dean Kirkham"

(Signed) Dean Kirkham
Director

"John Maragliano"

(Signed) John Maragliano
Director

On behalf of the Directors of Trez Capital Fund
Management (2011) Corporation, the general partner of Trez Capital
Fund Management Limited Partnership

"Dean Kirkham"

(Signed) Dean Kirkham
Director

"John Maragliano"

(Signed) John Maragliano
Director