

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

Private Placement

OFFERING MEMORANDUM

April 30, 2025



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

Issuer	The Trust is a private open-ended investment trust established under the laws of British Columbia on March 20, 2013.
SEDAR Filer:	The Trust is only a SEDAR filer as required under Section 2.9 of National Instrument 45-106 – <i>Prospectus Exemptions</i> and does not file continuous disclosure documents on SEDAR required to be filed by reporting issuers.
Securities offered:	Series A, F and I Units.
Price per security:	The subscription price per Unit is \$10 per Unit.
Minimum/Maximum offering:	There is no Minimum or Maximum Offering. You may be the only purchaser.
Minimum Purchase:	500 Units (\$5,000)
Payment terms:	Bank draft, certified cheques or wire transfer on Closing.
Proposed closing date(s):	Continuous offering. Closings may occur from time to time as subscriptions are received.
Income tax consequences:	There are important tax consequences to these securities. See "Income Tax Considerations".
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 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 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 cash 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".

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SUMMARY

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

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

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

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

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

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

In general, Investments will generate income by earning interest payments, which are typically payable either periodically throughout the term of the Investments or upon maturity. Investments will consist primarily of residential (generally not including single family homes), office, retail, industrial, hotel or other commercial property. Mortgages may be either first ranking, a junior position in a first ranking Mortgage, or a subsequent ranking Mortgage, and individual Mortgages may be secured by more than one property owned by the same mortgagor. Preferred Equity Investments may be a senior position in an Equity Investment. See "Objectives and Policies – Investment Restrictions".

Loan Syndication: The Manager will arrange for third-parties, other investment entities managed by the Manager ("**Affiliated Funds**") and Joint Ventures to participate either in some senior portion of a Mortgage or participate in loans on either a pari passu or junior basis in relation to the Trust. The syndication process facilitates the ability to provide a more secure senior portion of a Mortgage to a lower risk entity, with progressively higher risk / higher return junior portions to those with higher risk tolerances. 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, 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 the Manager has permitted third-parties (such as banks, trust companies, and other mortgage investors),

Affiliated Funds or Joint Ventures to invest in such Mortgage at reduced interest rates in a senior position. This enables the Trust to retain a disproportionately large amount of interest revenue when compared to the size of the junior position in the Mortgages it retains. This practice – sometimes referred to as "tranching" – enables the Trust to effectively increase its returns while using less capital for each Mortgage Investment (thereby facilitating greater diversification for the Trust) and, 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 significantly 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. The Mortgages will be arranged by the Mortgage Broker. See "The Trust – Loan Syndication".

Equity Syndication:

Specifically in reference to Equity Investments, the Trust may participate in a Preferred Equity Investment (often pari passu with Affiliated Funds) 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 Syndication."

Series:

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

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

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

Distribution Policy:

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

The distribution to be made in respect of the December 31 year end (the "**Final Year End Distribution**") will equal at least 100% of the Trust's Taxable Income for the applicable Series, less non-capital losses incurred in the year or prior years

and carried forward, if any, less any reserves that the Manager deems appropriate and any previous distributions made in that year.

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

In each Fiscal Year, the monthly distributions will be proportionate to the number of days the Units have been issued and outstanding in the month to which the distribution relates. The second payment of the Final Year End Distribution will be proportionate to the number of days the Units have been issued and outstanding in the year to which the distribution relates.

Unitholders who redeem their Units prior to a month end or year-end will not participate in distributions for that month end or the Final Year End Distribution, as the case may be. 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. A Unitholder will thereby, by default, receive distributions in Units. In order to receive distributions in cash, the Unitholder must elect to receive distributions in cash at the time of purchase or notify the Manager in writing at least five (5) business days in advance of distribution's record date.

If the Trust has taxable income in excess of its accounting income the Trust may make distributions of such taxable income in Units. Such a distribution would be followed by a consolidation of the Units to maintain the Net Asset Value per Unit at \$10.00. Payment of income by the distribution of Units can result in Unitholders having a tax liability without a corresponding distribution of cash to pay that tax liability.

The Trust intends to distribute its net income and net realized capital gains, if any, in the year they are earned or realized to ensure that no income 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."

Foreign Exchange and Hedging Policy:

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

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

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

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

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

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

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

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

Mortgage Broker Fees: The Mortgage Broker will arrange Mortgages (with the exception of Mortgages in the State of California) on behalf of the Trust and will act as mortgage broker of the Trust. Affiliates of the Mortgage Broker, Trez Capital Texas L.P. ("**Trez Texas**") and Trez Capital Group (New York) LP ("**Trez New York**") and, collectively with the Mortgage Broker-California, the "**Originators**") will source Investments on behalf of the Mortgage Broker and the Mortgage Broker will undertake its customary due diligence review of the proposed investment.

Trez Capital (US) Limited Partnership ("**Mortgage Broker-California**") will arrange for California Mortgages on behalf of the Trust and will act as mortgage broker for California Mortgages on behalf of the Trust.

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

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

Trailer Fees:

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

Use of Proceeds:

The Net Subscription Proceeds will be invested in Investments. Investments in Mortgages and Preferred Equity 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 Mortgages and Preferred Equity 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 such taxable income is distributed to the Trust's 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. The taxable portion of a capital gain must be included in income. The allowable portion of a capital 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. The Trust will also carry out hedging transactions in respect of investments in Investments denominated in currencies other than Canadian dollars which are intended to reduce gains or losses resulting from fluctuations in the value of foreign currencies relative to Canadian dollars.

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

Investment by Deferred Plans:

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

No Transferability:

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

Risk Factors:

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

- a) Unitholders' returns will be determined by the returns generated by the Investment Portfolio. These investments are affected by general economic conditions, 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".
- b) 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.
- c) If there is an increase in interest rates, 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.

- d) Volatility in the capital markets can result in restrictions in the availability of capital and could affect the ability of the Trust's borrowers to refinance and pay out Investments when due. This lack of liquidity may result in the Trust suspending the Redemption of Units from time to time.
- e) 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.
- f) As at December 31, 2024, 4.0% of the Trust's Investment Portfolio by number of Investments relate to Investments granted to one borrower. Additionally, 7.9% of the Trust's Investment Portfolio by dollar amount relate to Investments granted to a single borrower. Given the concentration of the Trust's exposure to this borrower, the Trust will be more susceptible to adverse financial circumstances affecting this borrower than an investment entity that does not have its Investments concentrated with a small number of borrowers.
- g) Given the concentration of the Trust's exposure to the real estate lending sector, the Trust will be more susceptible to adverse economic or regulatory occurrences affecting that sector than an investment entity that is not concentrated in a single sector. Investments in Mortgages and Preferred Equity Investments 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 Investment Portfolio being less diversified than at other times.
- h) 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".
- i) 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 the Trust's Investment Portfolio will perform (either in terms of profitability, volatility or low correlation with other investments) in the future.
- j) Preferred Equity Investments are subordinate to indebtedness (including Mezzanine Loans) but are senior to equity interests and, as such, are significantly riskier investments than Mortgages or Mezzanine Loans. Preferred Equity Investments generally earn a fixed return and do not have security in the underlying real estate. Instead, Preferred Equity Investments, upon certain specified default events, have the right to effect a change of control of the ownership of the real estate, subject to any similar rights of lenders in respect of such real estate that rank ahead of the rights of the

Preferred Equity Investments. 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 a higher risk than primary financing.
- l) The Trust borrows funds and secures such borrowings by Investments in the portfolio and, at the same time, participates in junior (subordinated) positions in certain Mortgages, either through loan-by-loan syndication arrangements or through Pooled Loan Facilities. This increases the risk of the Trust's insolvency and the risk of loss of Investments to Unitholders as the Trust's portfolio of Mortgages 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. Pooled Loan Facilities more specifically have 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 will be highly dependent upon the expertise and abilities of the Manager and the Mortgage Broker. The loss of services of key personnel of the Manager or the Mortgage Broker could adversely affect the Trust.
- n) 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 Governor's 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.
- o) Conditions may arise which would cause the Manager to suspend the Redemption of Units, or postpone the day of payment or right of Redemption, for a period of not more than 180 days, for or during any period during which the Manager determines that conditions exist which render impractical the sale of the assets of the Trust or impair the ability of the Manager to determine the value of the assets held by the Trust. If the Manager receives a Redemption Notice or is required to make a Redemption for an amount exceeding the Net Asset Value per Unit, the Manager may, in

its discretion, give notice to terminate the Trust as of the Termination Date which precedes the intended date of such Redemption or Redemptions. See "Securities Offered – Unitholder's Right to Redeem".

- p) The Trust enters into hedging transactions relating to investments denominated in U.S. dollars to manage the risks from changes in currency conversion. Hedging instruments allow the Manager to reduce, but not eliminate, the potential effects of the variability in cash flow from fluctuations in currency conversion. In addition, as the interest rate differential between Canadian and U.S. rates widens, hedging costs typically increase and may have substantial impact on returns. The Manager's hedging strategy and future hedging transactions will be determined at its discretion.
- q) 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.
- r) Some of the Trust's Investments are, and will continue to be, made in the U.S. As the Trust continues to expand its existing cross-border Investments, it may face cross-border risks, including risks relating to political policy changes, staffing and managing cross-border investments, tariffs and other trade barriers, differing and potentially adverse tax implications, increased and conflicting regulatory compliance, and challenges caused by distance and cultural difference. On March 4, 2025, the U.S. government announced the introduction of tariffs of 25% on certain goods from Canada and Mexico, and 10% tariffs on certain goods from China and oil & gas from Canada sold in the U.S. In response, Canada and China have announced the introduction of corresponding retaliatory tariffs, and Mexico has indicated that it intends to impose retaliatory tariffs. The U.S. government has threatened to increase or expand the scope of the imposed duties in response to retaliatory action taken by Canada, Mexico and China. The tariffs apply to certain building products, among many other products. The potential impacts of these tariffs are uncertain and may have an adverse effect on the overall economies of the U.S. and Canada, real property values and our borrowers' ability to complete projects within expected timelines and budgets, which could adversely impact the Investments and returns of the Trust.
- s) The character of the Trust's income for Canadian tax purposes in any particular year may vary, depending on the investments held by the Trust in the year. This may in turn affect the character of distributions (including allocations of taxable income and/or returns of capital) by the Trust to Unitholders in a year. Investors should consult their own tax advisers.
- t) The return on the Unitholder's investment in Units is subject to changes in Canadian federal and provincial tax laws, tax proposals, other governmental policies or regulations and governmental, administrative or judicial interpretation of the same. To the extent the Trust earns income in the United States, it is also exposed to changes in U.S. federal and state 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.

- u) 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.
- v) The Trust's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics, pandemics or other public health crises, such as the COVID-19 novel coronavirus ("**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 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.
- w) 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.
- x) The Units share certain attributes common to equity securities. The Units represent an undivided interest in the assets of the Trust. However, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions.
- y) 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.

- z) Payment of income by the distribution of Units, for example, in satisfaction of a Unitholder's income distribution, can result in Unitholders having a tax liability without a corresponding distribution of cash to pay that tax liability.

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

Certificates:

Certificates for Units will not be issued to Unitholders.

GLOSSARY

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

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

"**Affiliated Funds**" has the meaning given to it under the heading "Summary – Loan Syndication";

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

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

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

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

"**Blocker Corp**" means Trez Capital Yield Blocker Corporation, a Delaware corporation;

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

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

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

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

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

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

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

"**Declaration of Trust**" has the meaning given to it under the heading "The Trust – Structure";

"**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;

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

"**Equity Investment**" means, in respect of Real Property, an agreement with a third-party to invest in Real Property through an indirect unsecured ownership interest in such Real Property. For greater certainty, "**Equity Investment**" does not include an investment by the Trust in a wholly-owned subsidiary of the Trust;

"**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 for a Series of the Trust for that period prior to the deduction of the Incentive Fee payable for that period and after the deduction of the Management Fee payable in respect of that Series;

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

"Investment Portfolio" means the portfolio of Investments acquired by the Trust in accordance with the investment policy of the Trust. For clarity, the portfolio includes Investments held through Special Purposes Entities to enable the Trust to enter into loan syndication arrangements with certain third-party investors;

"Investments" has the meaning given to it under the heading "Summary – Business Objective";

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

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

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

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

"Mezzanine Loan" means loans collateralized by a pledge of 100% of the direct or indirect equity in the entity that owns the underlying property, which loans are typically subject and subordinate to the first lien mortgage financing on the underlying property;

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

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

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

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

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

"Net Subscription Proceeds" means the gross proceeds to the Trust from the sale of the Units, less the payment of any costs associated with the Closing of the Offering, including legal expenses, and any other costs;

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

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

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

"Preferred Equity Investment" means an investment in Real Property through an unsecured ownership interest that is subordinate to indebtedness (including Mezzanine Loans) but senior to ownership equity; For greater certainty, "Preferred Equity Investment" does not include an investment by the Trust in a wholly-owned subsidiary of the Trust;

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

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

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

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

"Repo" has the meaning given to it under the heading "The Trust - 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, consisting of an annual fee, as estimated monthly, equal to 1.5% of the Proportionate Share of the Series A Units and Series F Units of the Average Annual Gross Assets of the Trust as of the date same is calculated;

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

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

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

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

"**Special Purpose Entity**" means a corporation, trust or person which the Trust invests through to facilitate loan syndication and loan sharing arrangements with certain third-party investors. For clarity, this includes syndications arranged through Pooled Loan Facilities;

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

"**Sub-Trust**" means Trez Capital Yield Trust 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 \$10.00 per Unit;

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

"**Syndicate Lenders**" has the meaning given to it under the heading "The Trust - 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 term are defined in the Declaration of Trust and the Tax Act) determined without any gross-up in respect of taxable dividends from corporations resident in Canada and without deduction for distributions by the Trust to Unitholders during the year;

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

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

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

"**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, a trust created pursuant to the Declaration of Trust;

"**Trust Property**" means:

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

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

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

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

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

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

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

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

CANADIAN CURRENCY

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

FORWARD LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "proposes", "expects", "estimates", "intends", "anticipates" or "believes", or variations (including negative and grammatical variations) of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "likely" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Trust to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Actual results, performance and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Offering Memorandum. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect including, but not limited to: the completion of this Offering, the ability of the Trust to acquire and maintain 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 Investments, 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 of the Trust, "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, 2024)	\$871,488,937	\$871,488,937
F. Working Capital Deficiency	\$Nil	\$Nil
G. Available Funds (G = (D + E) - F) (as at December 31, 2024)	<u>\$872,488,937</u>	<u>\$891,488,937</u>

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 Mortgages and, to a lesser degree, Preferred Equity Investments. Investments in Mortgages and Preferred Equity Investments will be made as set out in "Objectives and Policies". 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 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 March 20, 2013, as amended and restated effective March 8, 2016, and as amended at a special meeting of Unitholders held on August 14, 2018, and further amended at a special meeting of Unitholders held on March 31, 2022 (the "**Declaration of Trust**"). The principal place of business of the Trust is located at 1700-745 Thurlow Street, Vancouver, British Columbia, V6E 0C5. The Trust is not a "mutual fund" as defined by applicable securities legislation. The Trust differs from a mutual fund in that Units are redeemable monthly by the Unitholder at 99% of the Subscription Price during the first year after purchase, and at the Subscription Price thereafter, rather than based on their Net Asset Value or market value. Redemptions are processed 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 interest in the assets of the Trust is divided into Units issued in Series. Only Series A Units, Series F Units and Series I Units are offered hereby. The Manager may issue additional Series without the approval of the Unitholders, provided same are within the investment objectives of the Trust. All of the Series of Units have the same investment objective, strategies and restrictions but differ with respect to one or more of their features, such as fees or distributions, as set out in this Offering Memorandum. The Trust's Net Asset Value is calculated as the value of the Trust's assets, less its liabilities, computed on a particular date in accordance with the Declaration of Trust. The Manager will calculate the Net Asset Value for each Unit. The Net Asset Value per Unit will be the same for all Series.

Computershare Trust Company of Canada is the Trustee of the Trust for certain limited purposes under the Declaration of Trust. Trez Capital Fund Management Limited Partnership is the Manager of the Trust under the Declaration of Trust. Trez Capital Limited Partnership acts as the Mortgage Broker of the Trust pursuant to the Mortgage Broker Agreement. The telephone number of the Manager is (604) 689-0821, the email address of the Manager is 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 has been created for the purpose of generating revenues from interests acquired in a portfolio of Mortgages secured by Real Property and, to a lesser degree, Preferred Equity Investments in Canada and the United States. 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. Preferred Equity Investments may be a senior position in an Equity Investment. The Investments to be invested in by the Trust are a common form of financing within the real estate industry.

Investment Strategies

(A) Mortgage Lending

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

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

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

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

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

In general, the Mortgages will generate income through interest payments, which are typically payable either periodically throughout the terms of the Mortgages or upon maturity. All Mortgages will be secured by Real Property consisting primarily of residential (generally not including single family homes), retail, industrial, hotel, office or other commercial property. The Trust may co-invest with a third-party or third-parties in a Mortgage. Mortgages may be either first ranking, a junior position in a first ranking Mortgage, or a subsequent ranking Mortgage, and individual

Mortgages may be secured by more than one property owned by the same mortgagor. See "Objectives and Policies - Investment Restrictions".

For over 25 years, the Manager, as a result of deal flow from the Mortgage Broker and its predecessor Trez Capital Corporation, has managed a series of mortgage and real estate equity investment entities previously offered to investors on a prospectus-exempt basis, as well as TG Income Trust, TG Income Trust II, and TG Income Trust III, which have been offered in the Provinces of British Columbia and Alberta by prospectus. In 2012, the Manager offered shares in Trez Capital Mortgage Investment Corporation and Trez Capital Senior Mortgage Investment Corporation by prospectus in all the provinces and territories of Canada, except Québec.

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

(B) Preferred Equity Investments

The Trust makes Preferred Equity Investments that are senior to the interests of common equity holders and generally earns a fixed return and priority payment for such seniority as a preferred equity holder. Preferred Equity Investments commonly have terms and rights more closely aligned with debt securities than Equity Investments. The Trust will commonly make such investments as part of an Equity Investment arranged by the Manager, which is tranching into a senior or preferred equity position and a junior or common equity position to apportion the risks and rewards among the various investment entities managed by the Manager. In such Preferred Equity Investments, other entities managed by the Manager or third-parties may participate *pari passu* or on a junior basis in relation to the Trust. The Trust will 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 Equity Investment in the limited partnership that acquires and develops the Real Property.

Investment Process

The Mortgage Broker and Manager will utilize 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, and followed by the identification and initial evaluation of individual investment opportunities. This top-down approach to investment selection is expected to result in high quality investments that offer attractive returns on a risk adjusted basis.

Once an investment opportunity is determined by the Mortgage Broker or Manager to be satisfactory based on an initial review, the Mortgage Broker or Manager performs comprehensive due diligence on the underlying assets and borrowers or investment partners. 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 borrower or investment partner are reviewed and personal covenants are often obtained from the principals of the borrower.

The Mortgage Broker and Manager manage the risks associated with investments through initial due diligence and ongoing monitoring of the Investment Portfolio. Such monitoring is completed through active communication with borrowers and investment partners (including the tracking of covenants and milestones) and careful monitoring of market conditions and changes. The Mortgage Broker and Manager believe that a strong relationship with borrowers and investment partners is critical to the success of the investments and to the development of a good quality and repeat borrowers and investment partners.

Each member of management of the Manager and the Mortgage Broker has extensive knowledge and understanding of the mortgage and real estate industries that has enabled them to have a strong track record of making prudent investment decisions and identifying sound investment opportunities. As part of approving each Investment, the Mortgage Broker and Manager generally follows the approval process summarized below:

Approval Stage	Mortgage Approval Activity	Preferred Equity Investment Approval Activity
Committee 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 assessment is positive, the Mortgage Broker Credit Committee may authorize the issuance of a letter of 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>Upon review of the Acquisition Committee Brief, if the assessment is satisfactory, the acquisition committee may authorize the issuance of a letter of intent, 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>
Due Diligence Team Kickoff Meeting	<p>The underwriter assigned to the proposed transaction, the originator, the respective manager, Credit Risk &</p>	<p>The underwriter assigned to the proposed transaction, the originator, the respective manager of Credit Risk</p>

	<p>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>& 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 (collectively the "Acquisition Team") 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>Due Diligence</p>	<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, geotechnical and quantity surveyor reports); rent rolls, leases, and estoppel certificates; comparable transactions; a development budget and schedules, zoning and permits; local market research; and prior and subsequent ranking mortgage balances and terms. 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</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, geotechnical and quantity surveyor reports); rent rolls, leases, and estoppel certificates; comparable 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</p>

	proposed loan terms, underwriting and due diligence results.	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.
Credit Risk and Underwriting Manager Meeting	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. 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.	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. 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.
Approval	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.	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.
Legal Documentation	The Mortgage Broker's legal counsel prepares legal documents, obtains title insurance, and conducts the required enquiries and searches. The Mortgage Broker obtains advice from an insurance consultant whether the current and/or proposed insurance coverage is adequate. The Mortgage Broker obtains transmittal and reliance letters from various consultants who provided reports concerning the transaction.	The Mortgage Broker's legal counsel prepares legal documents, obtains title insurance, and conducts the required enquiries and searches. The Mortgage Broker obtains advice from an insurance consultant whether the current and/or proposed insurance coverage is adequate. The Mortgage Broker obtains transmittal and reliance letters from various consultants who provided reports concerning the transaction.

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

The Manager will arrange for third-parties, Affiliated Funds and Joint Ventures to participate either in some senior portion of a Mortgage or participate in loans on either a pari passu or junior basis in relation to the Trust. The syndication process facilitates the ability to provide a more secure senior portion of a Mortgage to a lower risk entity, with progressively higher risk / higher return junior portions to those with higher risk tolerances. 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, apportion the risks associated with the Mortgages appropriately, provide yield enhancement, as well as create liquidity for the Trust.

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.

Negotiation of the terms of loan syndication arrangements is generally done by the Mortgage Broker or its Affiliates. Such terms are included in the materials relating to the related proposed Mortgage Investment that are presented to the credit committee as part of its review and approval process.

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 banks, trust companies and other mortgage investment entities) ("**Syndicate Lenders**") who take a senior secured position in the investment. These Mortgage Investments are often (particularly in relation to U.S. Mortgage Investments) 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 and 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 other funds participating in the underlying Mortgage. Such participation will generally be on a *pari passu* basis with other funds 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 ("**Standalone Facility**") 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 (*i.e.* a Special Purpose Entity), typically a corporation, trust or limited partnership. 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(s). The third-party will receive a collateral assignment of the Mortgage(s) (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(s) 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(s).

3. Repurchase Arrangements

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(s), 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 Arrangements

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.

Risk Factors

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.

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.

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 be the common equity and the Trust (as well as other Affiliated Funds) will be the preferred equity. USLP will make Equity Investments into 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 the third-parties or other Affiliated Funds will participate on a pari passu or on a junior basis in relation to the Trust.

The Trust's Operating Facility

The Trust has a revolving credit facility with a syndicate of financial institutions, with a Canadian bank acting as administrative and collateral agent, providing for borrowings up to \$85,000,000 with an additional \$15,000,000 accordion feature that can increase the facility maximum amount to up to \$100,000,000. Effective January 1, 2022, the credit facility was amended and restated in order for the Sub-Trust to replace the Trust as the borrower under the

credit facility. The credit facility was further amended and restated effective June 20, 2024. The credit facility has financial tests and other covenants with which the Sub-Trust must comply. The Sub-Trust shall (a) maintain an Interest Coverage Ratio equal to or more than 3.0 to 1.0 calculated at the end of each Fiscal Quarter for the trailing 12-month period then ended; (b) maintain at all times a Total Debt to Tangible Net Worth Ratio equal to or less than 0.5 to 1.0; (c) maintain at all times a minimum Tangible Net Worth of \$750,000,000; and (d) maintain at all times a minimum Mortgage Payout Coverage Ratio equal to or more than 2.0 to 1.0 calculated at the end of each Fiscal Quarter for the trailing 12-month period then ended. During the year, the Sub-Trust was in compliance with all such covenants.

The credit facility is collateralized by a general security agreement representing a fixed and floating charge on all current and future Mortgage receivables and all other accounts and assets of the Sub-Trust and an assignment of the Sub-Trust's beneficial interest in all Mortgages held. As at January 1, 2025, there was 47,022,193 drawn down on the credit facility (2024 - nil).

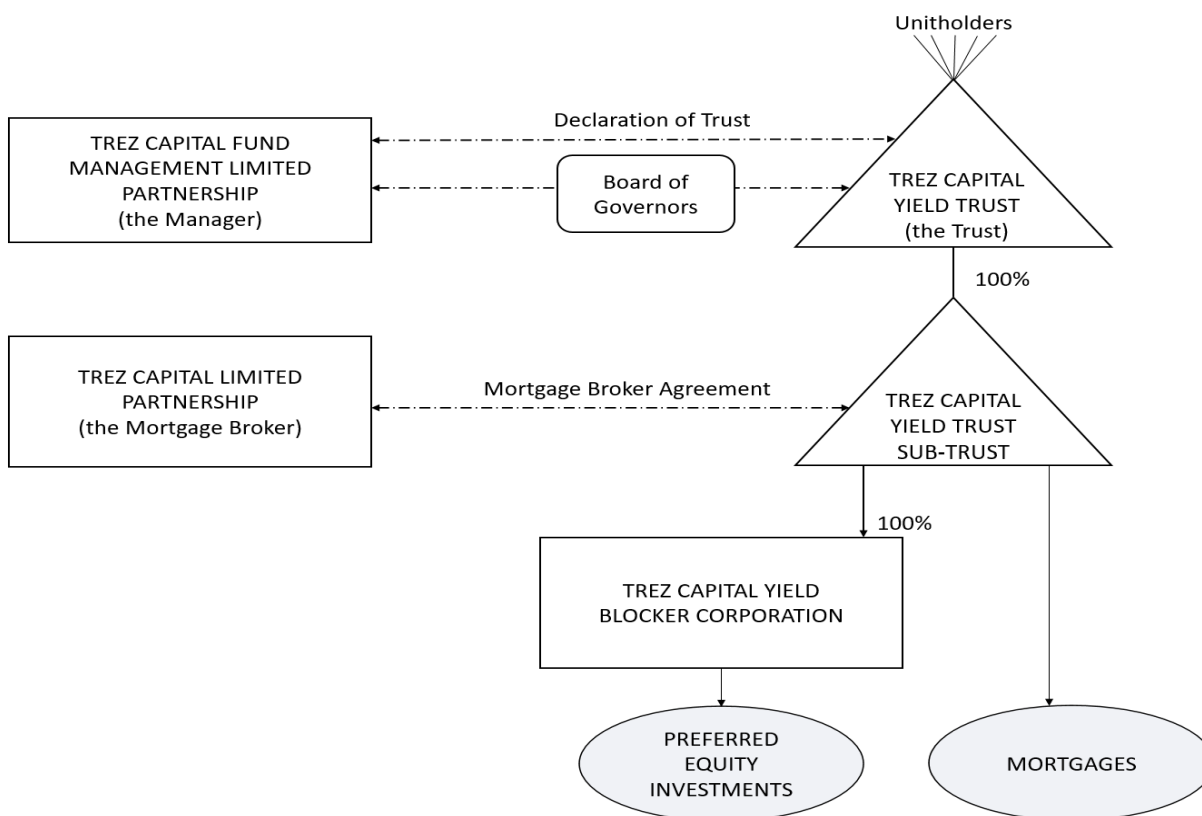
Management

The Trust has retained the services of the Mortgage Broker to provide advice to the Trust with respect to the acquisition of interests in Investments. The Manager is responsible for carrying out all the transactions of the Trust, providing management services for the Trust, and, as portfolio advisor, supervising the investment and Investment Portfolio of the Trust. 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 Investments and reinvest the proceeds or exchange such Investments for other Investments. See "Directors, Management, Promoters and Principal Holders – Trez Capital Limited Partnership (the Mortgage Broker)"; and "Directors, Management, Promoters and Principal Holders – The Independent Review Committee".

The Mortgage Broker is well known in the non-bank real estate lending industry in North America. It identifies potential transactions principally through a network of existing business contacts, repeat borrowers and its reputation. The Mortgage Broker seeks out, reviews and presents to the Trust, investment opportunities which are consistent with the investment objectives and operating policies of the Trust and services such Investments on its behalf. Trez Capital Corporation, the predecessor to the Mortgage Broker, has successfully originated, underwritten and serviced Mortgage Investments on behalf of, and syndicated Mortgage Investments with, numerous investor clients and financial institutions for over 25 years. See "Directors, Management, Promoters and Principal Holders – Trez Capital Limited Partnership (the Mortgage Broker)".

Organizational Relationships

The investment structure of the Trust and the 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 Trust generally intends to hold investments in Mortgages, either directly or indirectly (such as through Special Purpose Entities), through the Sub-Trust.

Preferred Equity Investments will generally be held through Trez Capital Yield Blocker Corporation (the "**Blocker Corp**"), a wholly-owned subsidiary of the Sub-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.

Investment Portfolio of the Trust as at December 31, 2024

The following are details of the Investment Portfolio of the Trust as at December 31, 2024, by type of Investment.

Type of Investment	Number of Investments	Outstanding Balance (\$)	Weighted Average Interest Rate ¹	% of Total Investments
First Mortgage – Non-Tranched ²	38	345,890,700	7.4%	38.9%
First Mortgage – Junior Position ³	78	460,896,377	11.4%	51.8%
Second Mortgage – Non-Tranched ²	4	36,336,594	12.5%	4.1%
Blanket Mortgage – Non-Tranched ²	1	2,363,456	7.1%	0.3%
Blanket Mortgage – Junior Position ³	1	5,695,632	0.0%	0.6%
Promissory Note Receivable	4	37,897,060	9.1%	4.3%
	126	889,079,819	9.7%	100.0%

¹ Where applicable, the weighted average interest rate is net of expenses incurred for loan syndications as well as currency hedging costs.

² Non-Tranched positions refer to Mortgages that have **not** been tranched into a senior and junior position and all participants in the Mortgage are thereby pari-passu participants.

³ Refers to either a "junior portion" or a "junior C portion".

The Trust has a total of \$466,592,009 or 52.4% in junior positions in its Mortgages.

The following are details of the Investment Portfolio of the Trust as at December 31, 2024, by nature of underlying property.

Nature of Underlying Property	Number of Investments	Outstanding Balance (\$)	Weighted Average Interest Rate	Weighted Loan-to-Value Ratio	% of Total Investments
Residential	103	635,346,222	10.0%	68.0%	71.5%
Office	10	106,526,118	8.3%	71.7%	12.0%
Retail	3	58,041,692	3.5%	68.7%	6.5%
Industrial	5	45,177,635	13.6%	74.0%	5.1%
Mixed-Use	1	29,181,253	13.2%	51.2%	3.3%
Hotel	1	12,882,760	11.1%	61.3%	1.4%
Other	3	1,924,139	6.6%	72.1%	0.2%
Total	126	889,079,819	9.7%	68.2%	100.0%

The following are details of the Investment Portfolio of the Trust as at December 31, 2024, by location of underlying property.

Location of Underlying Property	Number of Investments	Outstanding Balance (\$)	Weighted Average Interest Rate	% of Total Investments
Texas	37	216,536,100	9.3%	24.4%
Alberta	18	178,732,964	9.4%	20.1%
British Columbia	17	86,811,937	9.5%	9.8%
Ontario	8	82,148,079	13.0%	9.2%
Florida	10	72,724,012	12.0%	8.2%
Arizona	11	57,940,493	11.1%	6.5%
Washington	3	48,232,155	6.6%	5.4%
Colorado	1	40,412,447	0.0%	4.5%
Utah	4	31,823,065	10.3%	3.6%
North Carolina	6	20,745,765	10.5%	2.3%
Nevada	1	19,154,007	8.7%	2.2%
Indiana	1	5,535,109	17.8%	0.6%
Pennsylvania	1	5,255,742	10.0%	0.6%
Nova Scotia	1	4,989,656	8.0%	0.6%
Ohio	1	4,920,767	26.5%	0.6%
Georgia	2	4,629,479	11.0%	0.5%
California	1	4,617,096	14.1%	0.5%
South Carolina	2	2,110,654	13.9%	0.2%
New Mexico	1	1,760,292	10.9%	0.2%
Total	126	889,079,819	9.7%	100.0%

As at December 31, 2024, the average of the terms to maturity of the mortgages, weighted by the principal amount of the mortgages is 17.8 months and percentage of mortgages that mature in one year represent 40.8% 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, 2024.

Details of Investments	Number of Investments	Outstanding Balance (\$)	% of Total Investments
Investments with payments 90 days overdue ⁽¹⁾	8	136,213,907	15.3%
Investments with impaired value ⁽²⁾	2	23,008,048	2.6%
Investments not impaired or 90 days overdue, but with material accommodations	5	97,175,750	10.9%

⁽¹⁾ includes five defaulted loans totaling \$33,674,962 and 3 foreclosed assets totaling \$102,538,945. One of the defaulted loans and one of the foreclosed assets totaling \$23,008,048 or 2.6% of Total Investments are impaired and disclosed under "Investments with impaired value". One of the Investments totaling \$12,601,455, or 1.4% of Total Investments, was repaid in February 2025.

⁽²⁾ Investments in which an impairment to value has been recognized in accordance with IFRS. The gross value of the Investments is \$23,008,048 on which a provision of \$22,117,080 has been recognized, resulting in a net value of \$890,969. Two of the Investments (one defaulted loan and one foreclosed asset) totaling \$23,008,048 or 2.6% of Total 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 Investments 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 the AFS)	610,069,193
Investments held at fair value through Special Purpose Entities per AFS	218,618,393
Total Foreclosed Assets attributable to the Trust	21,847,499
Other investments per AFS (note 7 of the AFS) (i.e., Foreclosed Assets)	27,380,366
Portion of "Other investments" not attributable to the Trust ¹	(5,532,867)
Total Property Under Development Held for Sale attributable to the Trust	5,695,632
Property under development held for sale per AFS (note 6 of the AFS)	7,702,273
Portion of "Property under development" not attributable to the Trust ¹	(2,006,641)
Investment in promissory note	37,897,060
Other assets of Special Purpose Entities ²	(5,047,958)
Investment Portfolio	889,079,819

¹ Property under development and foreclosed assets are either invested in or owned by subsidiaries of the Trust. Adjustments are made to represent the difference between the portion of these investments in subsidiaries attributable to the Trust (including equity investments and/or associated intercompany lending balances) and the consolidated value of property under development or foreclosed assets as required to be accounted for in the AFS.

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 for the 10 most recently completed financial years.

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Series F Units (DRIP)¹	7.42%	7.35%	7.80%	6.75%	6.74%	6.17%	5.43%	6.16%	7.70%	7.68%
Series A Units (DRIP)¹	6.37%	6.30%	6.70%	5.71%	5.69%	5.12%	4.39%	5.11%	6.63%	6.61%

¹ All reported returns are net of fees

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

Recent Developments

Arizona Office

On May 27, 2024, the Mortgage Broker relocated its Seattle, Washington office to Phoenix, Arizona to continue to service to the Pacific Northwest origination platform. This office remains a branch of Trez Texas and the Mortgage Broker's activities in connection with the Trust in the Pacific Northwest region continue to be conducted through Trez Texas. The Phoenix, Arizona office will continue to source loans primarily in Washington and Oregon, and other areas as it finds suitable opportunities, for referral to, and approval by, the Mortgage Broker and will receive originating fees, commitment fees and renewal fees from borrowers. The Phoenix, Arizona office will continue to only refer investment opportunities to the Trust for consideration where such investments fall within the objectives or investment policies of the Trust.

Changes in Executive Roles

On January 31, 2025, John Maragliano was promoted to Co-Chief Executive Officer of the general partner of Trez Capital Group Limited Partnership (which owns a controlling, indirect interest of the Manager), Co-Chief Executive Officer and President of the general partner of the Manager, Co-Chief Executive Officer of the general partner of Trez Texas, Co-Chief Executive Officer of the general partner of Trez New York and Co-Chief Executive Officer of the general partner of Mortgage Broker-California. Christian Skogen was promoted to Chief Investment Officer of the general partner of the Manager and Keiju Yamasaki was appointed Chief Credit Officer of the general partner of the Manager also on January 31, 2025. Concurrently with these promotions, Dean Kirkham resigned from all of his roles with Trez Capital Group Limited Partnership, the Manager and its affiliates.

Morley Greene, Founder and Executive Chairman of the general partner of Trez Capital Group Limited Partnership, 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, 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.

As a result of Mr. Kirkham's resignation, the minority ownership interest held by Mr. Kirkham was subsequently transferred by Mr. Kirkham to Trez Capital Group Limited Partnership for cancellation on January 31, 2025.

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 2024. 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.

Loans in Default and Foreclosed Assets

As at December 31, 2024, the Trust had five Mortgages in default totalling \$33,674,962 (2023 – five totalling \$70,912,807). One of the Mortgages in default totaling \$12,601,455 or 1.4% of Total Investments was repaid in February 2025.

In addition, the Trust had the following three foreclosed assets:

- One foreclosed asset is related to residential land in Anmore, British Columbia in the amount of \$8,713,902 (2023 - \$9,052,903). A total provision of \$291,543 has been recognized on the foreclosed asset in 2023, of which \$nil was recognized in 2024 (2023 – \$291,543). After the provisions for losses, the net carrying value of the investment is \$8,422,359 (2023 - \$8,761,360). On December 31, 2024, an affiliate of the Manager acquired from the Trust \$8,422,359 in the foreclosed asset in exchange for a secured promissory note receivable.
- During 2020, a subsidiary of 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 is an office building in Edmonton, Alberta. The Trust currently consolidates the property as held for sale for \$14,000,000 (2023 - \$23,765,000). The property has a \$39,837,937 (2023 - \$38,836,386) first mortgage which is syndicated with a third-party. The third-party has a \$17,990,438 (2023 - \$17,990,438) investment in the first mortgage alongside the Trust's investment of \$21,847,499 (2023 - \$20,845,948). The Trust has recognized a total provision of \$21,847,499 on the first mortgage in 2024 (2023 – \$4,886,350). After the provisions for losses, the net carrying value of first mortgage totals \$17,990,438 (2024 - \$33,950,036). The Trust also held a senior position in a defaulted second mortgage on the property in the amount of \$19,442,458 as at December 31, 2022 which was paid out in 2023.
- During 2022, an entity affiliated with the Manager assumed ownership on the property that was in default during the year. The foreclosure occurred due to the borrower's missed interest payment and the borrower's failure to cure that default. The foreclosed property consisted of an income producing retail shopping center in Mansfield, Texas. The Trust has an investment in the foreclosed asset in the amount of \$40,278,999 (2023 - \$37,517,258).
- During 2023, a subsidiary of the Trust foreclosed on a property in Maricopa, Arizona, related to a defaulted mortgage receivable of \$14,464,965 held by the Trust. The property was sold on January 26, 2024, for proceeds of \$9,144,319. The borrower also provided a promissory note to the Trust in the amount of \$3,311,750 as additional settlement proceeds relating to their guarantee on the mortgage. The promissory note was repaid by the borrower in February 2024.

- During 2024, an entity affiliated with the Manager obtained title to a multi-family property in Denver, Colorado through a deed in lieu of foreclosure, following the borrower's default on two matured loans. A repurchase option granted to the borrower expired later in the same year without being exercised. Subsequently, the two loans were transferred to another affiliated entity in preparation for a foreclosure process expected to conclude by mid-2025, intent of which is to clear various subordinate liens and facilitate a future sale of the property. The Trust has an investment in the foreclosed assets in the amount of \$40,412,447 as at December 31, 2024 (2023 - \$36,036,057).

OBJECTIVES AND POLICIES

Business Objective

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

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

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 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, and will be subject to the investment requirements that must be met for certain trusts, as set out below under paragraph (d). However, the Trust may hold Real Property acquired as a result of foreclosure where such foreclosure was necessary to protect the Mortgage Investment of the Trust as a result of a default by the mortgagor. The Trust will use its reasonable best efforts to dispose of such Real Property acquired on foreclosure.
- c) The Trust will not make loans to, nor invest in securities issued by the Manager or its Affiliates nor make loans to the directors or officers of the Manager.
- d) The Trust 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.
- e) 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.
- f) The Trust will not invest more than 10% of its net assets in Preferred Equity Investments.

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

Canadian Economy and Canadian Real Estate

The Canadian economy grew by 1.6% year-over-year ("**YoY**") in real GDP in 2024, driven by a 2.4% increase in household spending compared to 2023. Key contributors to this growth included purchases of new trucks, vans, and SUVs, as well as increased spending on rent, telecommunications, and financial services. Exports of goods and services also rose by 0.6%, supported by stronger demand for crude oil and bitumen, travel services, and pharmaceutical and medicinal products. However, the strength in these areas was partially offset by a 0.6% decline in household expenditures, a 1.1% decrease in residential construction, and a 1.8% decline in business investment.

On a quarterly basis, Canada's real GDP grew at an annualized rate of 0.5% in Q1 2024 and 0.7% in Q2 2024, supported by increased government spending and business investment, despite softer household consumption and weakening exports. Growth slowed again in Q3 2024 to 0.5% as gains in household and government spending were offset by lower productivity, slower inventory accumulation, reduced business investment, and falling exports. However, the economy rebounded in Q4 2024 with 0.6% annualized growth, driven by improved household consumption, stronger exports, and increased business investment, despite continued weakness in inventories and imports.

As of December 2024, employment in Canada rose by 413,000 jobs, representing a 2.0% YoY increase. The employment rate edged up by 0.2 percentage points to 60.8%. Job gains were concentrated in educational services, transportation and warehousing, financial services, insurance, real estate, rental and leasing, and manufacturing. Despite the gains, the unemployment rate rose by 0.9 percentage points to 6.7% YoY. Average hourly wages increased by 3.8% YoY in December 2024, marking the slowest growth rate since May 2022. Total hours worked rose 0.5% month-over-month ("**MoM**") and were 2.1% higher than the same period in 2023.

Inflation eased to 2.4% in 2024, down from 3.9% in 2023. Excluding the pandemic-driven inflationary period of 2021–2023, this marks the highest annual average inflation rate since 2011, when inflation reached 2.9%. While the 2024 rate was the lowest since 2020—a year heavily impacted by the pandemic—it remained above pre-pandemic norms, reflecting a gradual return to historical averages.

The slowing economy helped ease inflationary pressures and prompted the Bank of Canada ("**BoC**") to begin a rate-cutting cycle. The BoC reduced its policy rate by 25 basis points in June, July, and September of 2024, bringing it down to 4.25% by the end of Q3 2024. This was followed by two additional 50 basis point cuts in October and December of 2024, lowering the policy rate to 3.25% by year-end. In total, the BoC reduced its policy rate by 175 basis points over the course of 2024.

In early 2025, renewed trade tensions—sparked by U.S. tariffs on Canadian exports—combined with softer domestic economic indicators, led the BoC to extend its easing cycle. The BoC ended quantitative tightening and cut rates by another 25 basis points in both January and March of 2025, bringing the policy rate down to 2.75% by the end of Q1 2025. Overall, the BoC has lowered interest rates by a cumulative 225 basis points from their peak, widening the gap with U.S. monetary policy. Meanwhile, long-term bond yields trended lower throughout 2024, with the Government of Canada's 10-year benchmark bond yield closing at 3.23% in December 2024.

Following a volatile housing market in 2023, monthly home sales declined slightly in the first half of 2024 but surged in the second half of 2024, surpassing the 10-year monthly moving average and reaching the highest levels since 2022, fueled by the BoC's rate cuts. Home prices rose 1.9% YoY by year-end. However, persistent uncertainty led many buyers to delay major financial decisions. After the U.S. announced tariffs, Canada's housing market saw a widespread adjustment—sales declined in 75% of local markets, including nearly all major urban centers. In February 2025, sales activity fell 9.8% MoM, the lowest level since November 2023 and the steepest monthly drop since May 2022. New listings also declined sharply, down 12.7% MoM, while average sale prices fell 3.3% YoY. Inventory levels rose, with months of inventory climbing to 4.7 months in February 2025 from 4.1 in January 2025.

Housing starts remained steady throughout 2024, reaching 245,000 by year-end, while personal savings rose 7.6%. Rental apartment construction hit record levels due to government support, a rapidly growing renter population, and strong rent growth. Rental units made up 63.1% of total housing starts, followed by row houses at 26.5% and single-family homes at 10.4%.

Canada's commercial real estate sector saw an 8% decline in sales in 2024. However, food-anchored retail strips, suburban multi-unit residential properties, and multi-tenant assets were the top three preferred asset types among investors. In the industrial segment, net absorption remained strong in Q1 2024, and average rents held steady. However, construction pipelines declined, indicating that development activity may have bottomed out. Large-scale projects accounted for 63.4% of active construction, with a substantial share of space still available for lease.

In Q1 2024, the office sector had 20.7 million square feet ("**MSF**") under construction—down from 24.8 MSF at year-end 2023—as completions outpaced new starts. The pre-leasing rate for total office development reached 52.8%. High material, labor, and financing costs continued to challenge developers, who required significant pre-leasing commitments before launching new office projects. Downtown office vacancy posted its first quarterly decline since Q1 2020—an encouraging sign of renewed interest in core markets.

Canada's economy experienced moderate growth in 2024, supported by stronger consumer spending and rate cuts that helped revive the housing market. However, momentum slowed toward year-end amid rising trade tensions and weakening market confidence.

Sources: Statistics Canada, BoC, Canadian Mortgage and Housing Corporation, The Canadian Real Estate Association, CBRE.

U.S. Economy and Real Estate

The U.S. economy posted solid growth throughout 2024, with real GDP rising by 2.8% over 2024, slightly below the 2.9% expansion recorded in 2023. The strongest performance occurred in Q3 2024, with a YoY increase of 3.1%. Growth was primarily driven by robust consumer spending, higher investment levels, increased government expenditure, and stronger exports. However, momentum slowed in Q4 2024, with GDP expanding at an annualized rate of 2.4%, as a decline in investment activity offset gains in consumer and government spending.

As of April 9, 2025, the Atlanta Fed's GDPNow estimate for Q1 2025 points to a contraction of 2.4% — a sharp reversal from the 2.4% growth recorded in Q4 2024. This downturn is largely attributed to the impact of newly imposed tariffs on imports, which have heightened uncertainty across capital markets and among businesses.

In the first half of 2024, the Consumer Price Index ("CPI") continued its gradual decline, driven primarily by deflation in oil, gas, and energy prices, alongside moderating food inflation. However, Q4 2024 saw a spike in inflation, fueled by surges in energy and food prices. Food prices rose by 2.5% YoY, with prices for food at home increasing by 1.8%, and food away from home rising at an annual rate of 3.6%. Prices for used cars and trucks, as well as new vehicles, continued their downward trend from 2023, declining by 3.3% and 0.4%, respectively. Overall, the CPI rose by 2.9% over the course of 2024.

Inflation trends during and after the COVID-19 pandemic were largely shaped by supply-side factors, including global supply chain disruptions and increased labor force participation among prime-age workers. A key economic development has been the significant reduction in inflation by 2024, achieved without a corresponding rise in the unemployment rate. However, in 2025, the trajectory of inflation may again be influenced by supply-side dynamics. Should the United States proceed with the implementation of proposed tariffs—particularly those targeting Chinese imports—these measures could incentivize the expansion of U.S. production and encourage the reconfiguration of supply chains toward North American sources.

Employment remained relatively stable throughout 2024, with the employment rate starting at 60.2% and declining slightly—by 20 basis points—to 60.0% by year-end. Nonfarm employment expanded at an average monthly pace of 186,000 jobs, surpassing the 2019 average by 9,000 jobs per month. In total, employment increased by 2.2 million in 2024, down from the 3.0 million jobs added in 2023.

In 2024, real average hourly earnings for all employees increased by 1.4%, driven by a combination of easing inflation and substantial nominal wage gains. Notably, real average hourly earnings in the manufacturing sector rose by 2.6% over the 12 months ending in September 2024, marking the largest YoY increase since August 2020.

The U.S. banking sector regained stability over the course of 2024, following the solvency concerns that emerged with two institutions in March 2023. In response to the turmoil, the Federal Reserve (the "Fed") moved quickly to inject liquidity into the system, while the Federal Deposit Insurance Corporation stepped in to guarantee deposits at the affected banks. Despite these stabilizing measures, the sector continues to face persistent headwinds, including the risk of deposit outflows, rising funding costs, increasing unrealized losses, and heightened exposure to commercial office loans. Additionally, growing regulatory scrutiny is limiting banks' capacity to participate in real estate lending. These challenges are further compounded by elevated uncertainty surrounding potential regulatory shifts under the Trump administration.

Amid significant uncertainty and rising inflation, the Fed began cutting interest rates in September 2024, lowering rates at three consecutive meetings by a total of 100 basis points and bringing the policy rate to a range of 4.25% to 4.50% by Q4 2024. In its March 2025 meeting, the Fed held the interest rate steady within this range.

By the end of Q1 2025, the Fed continued to navigate mixed economic signals, balancing its efforts to lower inflation with indications of sustained economic growth. In its March 20, 2025 announcement, the Fed highlighted that labor market conditions remained strong, with unemployment rates holding at low levels in recent months, even as inflation stayed above target. The Fed reiterated that the impact of monetary policy adjustments takes time to fully unfold and maintained a cautious, data-dependent approach. Ongoing tariff tensions between the U.S. and other countries contributed to market uncertainty, prompting a decline in yields. As a result, the 10-year U.S. Treasury yield fell to 4.15% on April 17, 2025, down 43 basis points from 4.56% at the start of January 2025.

Housing starts declined 3.7% YoY in 2024. High mortgage rates continued to limit affordability for buyers and reduced seller activity, contributing to a slower recovery in the residential market.

Commercial real estate experienced mixed results during 2024, with industrial real estate facing headwinds. Developers delivered 400 MSF in 2024 — 37% below the record 607 MSF completed in 2023. Net absorption declined by 27% to 168 MSF, while vacancy rose by 126 basis points to 6.8% by Q4 2024 as construction activity normalized to pre-pandemic levels of below 300 MSF. In retail, national vacancy remained at 4.1% throughout 2024, driven by limited new development. Tenants and brokers cited a lack of quality space as a key market challenge. Leasing activity

totaled 40.8 MSF, down 23% YoY due to store closures. Office vacancies declined by 2.0 percentage points to 17.6% in Q4 2024, with the sector experiencing its first positive net absorption since Q3 2022—an increase of 2.5 MSF.

Overall, the U.S. economy demonstrated solid performance in 2024, supported by resilient consumer spending, steady labor market gains, and easing inflation pressures. However, as 2025 unfolds, new headwinds are emerging—most notably from heightened geopolitical tensions, trade policy uncertainty, and signs of slowing investment activity. These factors may weigh on growth in the near term, even as underlying fundamentals remain broadly stable.

Sources: Atlanta Fed, U.S. Federal Reserve, U.S. Department of Treasury, BEA, BLS, FRED, S&P, Colliers.

Lending Industry in Canada and the U.S.

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

Overall, the Mortgage Broker believes that the above factors have created an opportunity for non-financial institution lenders to charge premium interest rates for high quality Mortgage loans and Preferred Equity Investments, 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 and Preferred Equity Investment 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 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, and select commercial real estate such as limited-service hotel and industrial.

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 or Preferred Equity Investments 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.

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 or Preferred Equity Investment 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 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

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

The Mortgage Broker classifies hotels into three principal types:

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

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

Retail

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

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

- (a) **Power Centres** – Specific purpose-built retail centres that are typically open-air and are comprised of three or more large-format retailers that are mostly freestanding.
- (b) **Retail Malls** – An all-purpose centre that is typically fully enclosed and includes retailers usually selling fashion apparel, accessories and other discretionary goods but also provides services in full depth and variety. Its main attraction is generally a combination of anchors.
- (c) **Factory Outlet Centres** – Consists of separate manufacturers and retailers' outlet stores selling goods at discount prices. Could be either open-air or enclosed / covered.
- (d) **Neighbourhood Centres** – A general-purpose centre that could be either open-air or enclosed / covered and provides convenience shopping for the daily needs of consumers in the immediate neighbourhood, and is typically anchored by a supermarket or drugstore.
- (e) **Convenience Centres** – A limited-purpose centre that could be either open-air or enclosed / covered that provides a narrow mix of goods and personal services to a very limited trade area, including walk-in traffic. A typical anchor would be a convenience store.

- (f) **Freestanding Stores** – Single store or multi-stores that are stand-alone, self-contained, not physically connected to other stores in the vicinity.

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

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.

Types of Mortgages

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.

Types of Preferred Equity Investments

The Manager anticipates that a Preferred Equity Investment made to carry out real estate acquisition or development in the United States will typically be conducted through a multi-tiered structure. 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 Equity Investment in the limited partnership with a third-party developer that acquires and develops the property. In some instances, the Trust may make, directly or indirectly, a Preferred Equity Investment in the limited partnership with the third-party developer that acquires and develops the property.

DISTRIBUTIONS

Monthly Distributions

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

The Final Year End Distribution will equal at least 100% of the Trust's Taxable Income for the applicable Series, less non-capital losses incurred in the year or prior years and carried forward, if any, less any reserves that the Manager deems appropriate and any previous distributions made in that year.

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

Subject to a Unitholder's election to receive distributions in cash, distributions by the Trust will be paid in Units. If the Trust has Taxable Income in excess of accounting income the Trust may make distributions of such Taxable Income in Units, including where a Unitholder has elected to receive distributions in cash. Such a distribution would be followed by a consolidation of the Units to maintain the Net Asset Value per Unit at \$10.00. Payment of income by the distribution of Units can result in Unitholders having a tax liability without a corresponding distribution of cash to pay that tax liability.

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

Unitholders who redeem their Units prior to a month end or year-end will not participate in distributions for that calendar month or the Final Year End Distribution, as the case may be. 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 intends to distribute all of the Taxable Income of the Trust to Unitholders, so that the Trust will not be liable to pay income tax pursuant to the Tax Act during any year. Distributions to Unitholders in excess of the Taxable Income of the Trust, will generally result in a reduction in the adjusted cost base of the Units to the Unitholder. See "Income Tax Considerations".

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

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

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

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

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

Taxable Income is calculated on an annual basis. For the year ended December 31, 2024, the Taxable Income of the Trust was \$56,963,777 (2023 - \$74,449,999) and the accounting income of the Trust attributable to holders of redeemable Units, before distributions was \$65,870,671 (2023 - \$72,563,703). In accordance with the Declaration of Trust, the Trust distributed an amount equal to Taxable Income which consisted of cash distribution of \$66,242,830 (2023 - \$72,560,606). The difference of \$9,279,053 (2023 - \$2,924,595) between cash distribution and Taxable Income is considered a return of capital for tax purposes (2023 - 1,889,393 notional distribution for tax purposes). The difference primarily reflects timing differences arising from Equity Investments, interest recognized in accounting income relating to property under development held for sale and Stage 1 IFRS 9 provisions.

Distribution on Termination of the Trust

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

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

MATERIAL AGREEMENTS

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

- (a) the Declaration of Trust made as of March 20, 2013, as amended and restated effective March 8, 2016, as further amended at a special meeting of Unitholders held on August 14, 2018, and further amended at a special meeting of Unitholders held on March 31, 2022, creating the Trust under the laws of the Province of British Columbia. For details, see the heading "Summary of Declaration of Trust";
- (b) the Mortgage Broker Agreement made as of March 20, 2013, between the Mortgage Broker and the Trust and amended and restated as of October 20, 2023, in order to add the Sub-Trust as a party to the agreement, 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"; and
- (c) the Custodial Agreement made as of March 21, 2013, among the Trust, the Manager and Computershare Trust Company of Canada, and the acknowledgment thereto made as of December 2, 2021, in order to add the Sub-Trust as a party to the agreement. For details, see the heading "Directors, Management, Promoters and Principal Holders – Custodian".

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

SUMMARY OF DECLARATION OF TRUST

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

Meetings of Unitholders and Resolutions

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

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

Each Unitholder is entitled to one vote per Unit held.

Matters Requiring Unitholder Approval

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

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

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

- (a) the amendment of the Declaration of Trust (except as provided under "Amendments to the Declaration of Trust 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; and
- (f) subject to the right of the Manager to do so, the termination of the Trust.

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

- (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) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law or regulation applicable to or affecting the Trust;

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

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

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

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

- (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 to Mortgages will generally be held in the name of the Custodian, in the case of Canadian Mortgages, or a subsidiary of the Mortgage Broker in the case of US Mortgages, and the Trust's legal entitlement thereto held pursuant to participation agreements 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; provided, however, that the Manager may, in its discretion, on 60 days' notice to Unitholders, terminate the Trust without the approval of Unitholders if, in the opinion of the Manager:

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

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

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

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

- (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.

CALCULATION OF NET ASSET VALUE

Valuation Policy

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

The Manager will calculate the Net Asset Value of the Units and Net Asset Value per Unit on each Valuation Date in accordance with the Valuation Policy as set out in the Declaration of Trust. In determining the Net Asset Value for such purpose, net assets will be calculated in accordance with the Declaration of Trust and will follow the significant accounting policies disclosed in the audited financial statements of the Trust for the period ended December 31, 2024, except modified as follows.

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

For purposes of inclusion in the Net Asset Value calculation, the value of Equity Investments and any other property, will be the value determined by the Manager, or its delegate, which most accurately reflects its fair value.

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

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

Net Asset Value of the Trust

The Manager will calculate the Net Asset Value of the Units and Net Asset Value per Unit as at each Valuation Date in accordance with the Valuation Policy.

Net Asset Value per Unit

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

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

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

Reporting of Net Asset Value

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

Suspension of Redemptions

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

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, 2023 and up to December 31, 2024:

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 (\$)
Residential – Lot development	Q2 2024	Trez Capital Yield Trust US (Canadian \$) Sub-trust	Trez Capital Yield Trust Sub-Trust	1	(760,571)
Residential – Multifamily construction	Q4 2024	Trez Capital Yield Trust Sub-Trust	Trez Capital Yield Trust US (Canadian \$) Sub-trust	1	25,635,600
Total Trez Capital Yield Trust US (Canadian \$) Sub-trust				2	24,875,029
Commercial – Office	Q2 2024	Trez Capital Yield Trust US	Trez Capital Yield Trust Sub-Trust	1	(1,825,528)
Total Trez Capital Yield Trust US				1	(1,825,528)
Residential – Multifamily construction	Q4 2024	Trez Capital Prime Trust Sub-Trust	Trez Capital Yield Trust Sub-Trust	1	(75,697)
Commercial – Industrial	Q4 2024	Trez Capital Prime Trust Sub-Trust	Trez Capital Yield Trust Sub-Trust	1	(2,022,129)
Total Trez Capital Prime Trust Sub-trust				2	(2,097,826)
Commercial – Industrial	Q1 2024	Trez Capital Yield Trust Sub-Trust	Private Institutional Closed-Ended Funds	2	1,005,594

Commercial – Retail	Q1 2024	Trez Capital Yield Trust Sub-Trust	Private Institutional Closed-Ended Funds	3	994,574
Other – Hotel	Q1 2024	Trez Capital Yield Trust Sub-Trust	Private Institutional Closed-Ended Funds	3	930,000
Commercial – Retail	Q2 2024	Private Institutional Closed-Ended Funds	Trez Capital Yield Trust Sub-Trust	1	(1,358,021)
Other – Hotel	Q2 2024	Private Institutional Closed-Ended Funds	Trez Capital Yield Trust Sub-Trust	1	(720,588)
Residential – Multifamily construction	Q2 2024	Private Institutional Closed-Ended Funds	Trez Capital Yield Trust Sub-Trust	1	(1,544,118)
Commercial – Industrial	Q2 2024	Trez Capital Yield Trust Sub-Trust	Private Institutional Closed-Ended Funds	2	638,682
Commercial – Office	Q2 2024	Trez Capital Yield Trust Sub-Trust	Private Institutional Closed-Ended Funds	1	1,600,878
Commercial – Retail	Q2 2024	Trez Capital Yield Trust Sub-Trust	Private Institutional Closed-Ended Funds	2	1,900,000
Other – Mixed-Used Land	Q2 2024	Trez Capital Yield Trust Sub-Trust	Private Institutional Closed-Ended Funds	1	1,002,510
Residential – Single family construction	Q2 2024	Trez Capital Yield Trust Sub-Trust	Private Institutional Closed-Ended Funds	1	2,235,103
Residential – Multifamily construction	Q2 2024	Trez Capital Yield Trust Sub-Trust	Private Institutional Closed-Ended Funds	1	2,050
Commercial – Retail	Q3 2024	Private Institutional Closed-Ended Funds	Trez Capital Yield Trust Sub-Trust	1	(97,852)
Other – Hotel	Q3 2024	Private Institutional Closed-Ended Funds	Trez Capital Yield Trust Sub-Trust	1	(50,537)
Residential – Multifamily construction	Q3 2024	Private Institutional Closed-Ended Funds	Trez Capital Yield Trust Sub-Trust	1	(108,294)
Residential – Multifamily construction	Q3 2024	Trez Capital Yield Trust Sub-Trust	Private Institutional Closed-Ended Funds	1	200,110
Residential – Single family construction	Q4 2024	Private Institutional Closed-Ended Funds	Trez Capital Yield Trust Sub-Trust	1	(342,689)
Residential – Lot development	Q4 2024	Trez Capital Yield Trust Sub-Trust	Private Institutional Closed-Ended Funds	1	1,395,816
Other – Hotel	Q4 2024	Trez Capital Yield Trust Sub-Trust	Private Institutional Closed-Ended Funds	1	6,656,326
Residential – Lot development	Q4 2024	Trez Capital Yield Trust Sub-Trust	Private Institutional Closed-Ended Funds	1	2,529,571
Residential – Lot development	Q4 2024	Trez Capital Yield Trust Sub-Trust	Private Institutional Closed-Ended Funds	1	1,267,743
Total Private Institutional Closed-Ended Funds				28	18,136,858

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 Fee 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 ⁽¹⁾</u>
John Maragliano, CPA, CA, CFA Vancouver, B.C.	Co-Chief Executive Officer, Chief Financial Officer, President and Director	Business Executive	2021
Morley Greene, B.A., LLB Vancouver, B.C.	Director	Business Executive	1997
Christian Skogen, B.A., MBA Vancouver, B.C.	Chief Investment Officer	Business Executive	2021
Keiju Yamasaki, BBA, MBA Vancouver, B.C.	Chief Credit Officer	Business Executive	2025

⁽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 January 1, 2025, the directors and senior officers of Trez Capital Fund Management Limited Partnership, own or control, directly or indirectly, 1.2% of the issued and outstanding Units.

Principal Occupations and Biographies

John Maragliano is Co-Chief Executive Officer, Chief Financial Officer, President and Director of the general partner of the Manager. Mr. Maragliano joined Trez in February, 2021. Mr. Maragliano has over 25 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).

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

Christian Skogen is Chief Investment 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.

Keiju Yamasaki is Chief Credit Officer of the general partner of the Manager. Mr. Yamasaki joined Trez in July, 2021. Mr. Yamasaki has more than 16 years of commercial banking experience with a deep knowledge in complex credit structuring, portfolio and relationship management. Throughout his career, he has managed a wide variety of loan structures, including various real estate financing including construction, auto dealership, sponsorship finance, project financing, M&A and syndicated financing. Mr. Yamasaki began his career with Hongkong and Shanghai Banking Corporation (HSBC), managing increasingly complex commercial portfolios. Prior to joining Trez he was at a major Canadian bank in the Corporate Finance Group, focusing on managing and originating complex senior debt financing for larger diversified industries clients. Most recently, Mr. Yamasaki held the position of Managing Director and Team Lead, where he directly managed a team of portfolio managers and associates managing approximately \$4 billion in loan authorizations. Mr. Yamasaki holds a MBA in Consulting & Strategic Management from the Sauder School of Business at the University of British Columbia and a Bachelor of Business Administration (BBA) in Finance & International Business from Simon Fraser University.

Manager's Fees

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

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

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 2024, the Manager waived \$6,938,555 in Incentive Fees (2023 - \$8,177,570) and Management Fees of \$8,019,248 (2023 – 701,291). 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 the Custodian; fees payable to accountants, the Auditors, legal advisors and any other professional consultants as required; ongoing regulatory fees, licensing fees and other fees; external bookkeeping fees and the costs associated with FundSERV; any costs associated with the hedging program; fees payable for banking charges, including set-up costs, service and other fees and interest expense on borrowings; 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 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 Investment Portfolio in the same manner, and with the same care, skill, prudence and diligence, with which it services and administers similar Mortgage loans for other similar third-party portfolios. It must also exercise reasonable business judgment in accordance with applicable law to maximize recovery under the 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 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 wilful misfeasance, dishonesty, bad faith or negligence of the Mortgage Broker. The Mortgage Broker Agreement has a term which ends on the termination of the Trust.

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

- (a) the Mortgage Broker may resign if the Trust or the Manager is in breach or default of the provisions of the Mortgage Broker Agreement and, if capable of being cured, any such breach or default has not been cured within 30 days of notice of such breach or default to the Trust or the Manager, as applicable;
- (b) the Mortgage Broker becomes bankrupt or insolvent;

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

The Mortgage Broker's Operations

Trez Capital Corporation, the predecessor to the Mortgage Broker, commenced operations in September 1997 in order to raise a pool of capital for investment in Mortgages, primarily in the commercial and multi-unit residential markets. Since inception, the Mortgage Broker and its predecessor have funded more than 1,800 loans totalling over \$20.5 billion. The Mortgage Broker currently is one of the largest non-bank providers of Mortgages in Canada with approximately \$5.7 billion in assets under management, of which approximately \$4.5 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 50 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 Mortgages have resulted in an excellent record of return of principal and interest to investors. Since the inception of the Mortgage Broker and its predecessor, out of 1,800 Mortgages, or approximately \$20.5 billion, funded by the Mortgage Broker and its predecessor, the realized losses on these Mortgages aggregate approximately 0.35%. The Mortgage Broker believes its core strategy of lending primarily on traditional commercial real estate (including multi-family), in major markets and with multiple contingent exit strategies has proved successful. See "Risk Factors".

The Mortgage Broker manages the risks associated with defaulting Investments through extensive initial due diligence and careful monitoring of its Investment Portfolio, active communication with borrowers and the institution of 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 of making prudent investment decisions and identify sound investment opportunities.

The Mortgage Broker intends to restrict investors' risk exposure by diversifying its portfolio geographically in both Canada and the United States. In particular, in addition to the key markets in Canada, the Mortgage Broker has identified that certain regions in the southeastern and southwestern U.S., and in parts of the western U.S., have much stronger local-level economies than in other parts of the country with a marked imbalance between the demand and supply sides of the real estate market in those areas, leading to a positive environment for real estate development. As a result the Trust intends to make the majority of its U.S. Mortgage Investments in those regions. See "The Trust – Investment Portfolio of the Trust as at December 31, 2024".

Although the Mortgage Broker also intends to restrict investors' risk exposure by diversifying its portfolio by borrowers, the Trust at December 31, 2024 had 4.0% of its Investment Portfolio by number of Investments and 7.9% of its Investment Portfolio by dollar amount of Investments advanced to a single borrower. The Mortgage Broker allocates participation in Investments 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 also be on a *pari passu* basis or on a basis where parties are subordinated to the Trust. Syndication of Mortgages is done to provide a dilution of risk of default of any one Mortgage among a number of entities and individuals. In some instances, the Mortgage Broker may syndicate a Mortgage to different parties at different rates, but never on interest or priority terms more favourable than those offered to the Trust. The syndication process also facilitates the ability to provide a more secure senior portion of a Mortgage to a lower risk entity, with progressively higher risk / higher return for junior portions to those with higher risk tolerances.

Mortgage Broker Regulation

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

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

The BC Financial Services Authority ("**BCFSA**") regulates the mortgage brokering and lending activities of mortgage investment entities (MIEs) under the *Mortgage Brokers Act*. The Registrar and the *Mortgage Brokers Act* do not regulate the capital raising and investment marketing activities of MIEs which are subject to securities legislation and regulation. Further information can be found at BCFSA's website: <http://www.bcfssa.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, 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. 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, 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 Arizona office which is a branch of Trez Texas opened in 2024. 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	Co-Chief Executive Officer and Vice President	Business Executive	2012
John Maragliano, CPA, CA, CFA Vancouver, B.C.	Co-Chief Executive Officer and Chief Financial Officer	Business Executive	2024

Principal Occupations and Biographies

John D. Hutchinson is currently the Co-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 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:

Name and Municipality	Office	Principal Occupation	Year First Became an Officer
John D. Hutchinson, Coppell, Texas	Co-Chief Executive Officer	Business Executive	2024
John Maragliano, CPA, CA, CFA Vancouver, B.C.	Co-Chief Executive Officer and 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 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 directors and 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:

Name and Municipality	Office	Principal Occupation	Year First Became a Director/Officer
John Maragliano, CPA, CA, CFA Vancouver, B.C.	Co-Chief Executive Officer, Chief Financial Officer and Director	Business Executive	2024
Morley Greene, B.A., LLB Vancouver, B.C.	Director	Business Executive	2017

Principal Occupations and Biographies

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

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

Mortgage Broker's Fees

The Mortgage Broker (and Trez Texas, in respect of Investments originated by the Texas, Florida and Washington offices and Trez New York in respect of Investments originated by the New York office) 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 as described below. The Mortgage servicing fees payable to the Mortgage Broker are commensurate with fees paid to other entities providing similar services as the Mortgage Broker and which have been negotiated at arm's length. In addition to such fees, the Mortgage Broker is entitled to retain any overnight float interest on all accounts maintained by the Mortgage Broker in connection with its originating and servicing of the Trust's 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 Investments, or interests in Investments, 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.

Expenses of the Mortgage Broker will be borne by the Mortgage Broker, the Manager or an Affiliate of the Mortgage Broker but such expenses will not be considered expenses of the Trust.

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

Prime Trust, Trez Capital Yield Trust US and Trez Capital Yield Trust US (Canadian \$). The fees paid to the members of the Board of Governors are paid in respect of their services to all of the foregoing trusts. Currently, the 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, and the ICD. D designation from the Institute of Corporate Directors.

Andrew Huntley has spent the bulk of his 40 year career involved in commercial real estate finance. He retired from Alberta Investment Management Corporation (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 is an experienced and strategic corporate director, with years of executive, financial and legal experience at several multinational public companies. She has an extensive experience with public income funds, corporate finance, corporate law, strategy, corporate governance, public and private capital markets, risk management, regulatory oversight, and international expansion.

Ms. Hiebert is currently the Vice Chair of the Board of Alberta Credit Union Deposit Guarantee Corporation (2016 – present), is a member of their Governance and Human Resources Committee (served as Chair from 2023 – 2025) and served as a member of their Audit Committee (2018 – 2022). She also serves on the Board of Trustees of Boston Pizza Royalties Income Fund (2019 - present) and serves as Chair of their Governance, Nominating and Compensation Committee. Ms. Hiebert has also been a member of the City of Edmonton Assessment Review Board since 2024.

Ms. Hiebert was previously the Vice President Legal and Corporate Secretary of The North West Company Inc. (2009 – 2017), Vice President Legal and Corporate Secretary for The Brick Group Income Fund, and Vice President and Chief Compliance Officer for Trans Global Insurance Companies (2002 - 2009). She began her legal career in 1994 with Milner Fenerty (now Dentons LLP) after holding senior finance positions in the banking, financial services, and venture capital industries. She left private practice in 1997 and joined ATB Financial as Associate Counsel, which position she held until 2002.

Ms. Hiebert holds a Bachelor of Commerce degree and Bachelor of Laws degree (with distinction) from the University of Saskatchewan and an MBA (with distinction) from the Richard Ivey School of Business at the University of Western Ontario. She is a member of the Law Society of Alberta.

Karen Keilty is a recognized financial expert and corporate director with 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 B.C. 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 and is a commissioner for the British Columbia Securities Commission. She has previously served on the BC Utilities Commission, as a member of the Audit Advisory Committee for the Public Guardian and Trustee of B.C and on 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 is an FCPA, FCA, a U.S. CPA (Illinois) and an ICD.D.

Joshua Varghese brings deep global expertise in the real estate sector in both the public and private markets. Mr. Varghese is a corporate consultant providing advisory services to companies across sectors with a significant focus on private and public market real estate investments. Mr. 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 is a Chartered Financial Analyst (CFA) and holds a Bachelor of International Business, Commerce, from Carleton University.

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.

Custodian

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

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

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

Promoters

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

PRINCIPAL HOLDERS OF THE TRUST

BMO Life Assurance Company, a company formed pursuant to the *Insurance Companies Act* (Canada), became an insider of the Trust on January 17, 2024, and as at April 1, 2025 held approximately 11.05% of the issued and outstanding Units.

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, 2025:

Description of Security ⁽¹⁾	Number Authorized to be Issued	Price per Security	Number Outstanding as at April 1, 2025
Series A Units	Unlimited	\$10.00	2,742,038
Series F Units	Unlimited	\$10.00	44,624,286
Series I Units	Unlimited	\$10.00	39,096,856
Total			86,463,179

⁽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, 2025:

Description of Security	Number of Securities Issued	Price per Security	Total Funds Received
Series A Units	200,748	\$10.00	\$2,007,480
Series F Units	7,221,572	\$10.00	\$72,215,720
Series I Units	2,044,704	\$10.00	\$20,447,040
Total	9,467,024		\$94,670,240

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
Series A Units	December 31, 2024	25,085	763,323	687,021	\$10.00	Income and repayment of investment	101,387
Series F Units	December 31, 2024	439,222	6,558,456	6,749,759	\$10.00	Income and repayment of investment	247,919
Series I Units	December 31, 2024	501	8,004,725	8,003,945	\$10.00	Income and repayment of investment	1,281
Series A Units	December 31, 2023	44,978	315,608	335,501	\$10.00	Income and repayment of investment	25,085
Series F Units	December 31, 2023	240,628	9,658,786	9,460,191	\$10.00	Income and repayment of investment	439,222
Series I Units	December 31, 2023	1,778,096	10,284,385	12,061,980	\$10.00	Income and repayment of investment	501

Pursuant to prior offerings, the following Units were redeemed for the period after December 31, 2024 up to April 1, 2025:

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	December 31, 2024 – April 1, 2025	101,387	142,910	173,721	\$10.00	Income and repayment of investment	70,576
Series F Units	December 31, 2024 – April 1, 2025	247,919	10,200,138	2,463,490	\$10.00	Income and repayment of investment	7,984,567

Series I Units	December 31, 2024 – April 1, 2025	1,281	600,558	305,275	\$10.00	Income and repayment of investment	296,564
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SECURITIES OFFERED

Description of the Units Offered

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

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

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

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

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

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

Foreign Exchange and Hedging Policy

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

The cost of hedging is allocated to all Series.

No Transfer of Units

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

Liquidity

There is no market through which the Units may be sold. No market is expected to develop. Investors may find it difficult or impossible to sell their Units. However, Unitholders may exercise their right of Redemption. See "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 of the Units may cause the Manager to delay redemption and ultimately to terminate the Trust. See "Summary of Declaration of Trust - Termination of the Trust".

Consolidation and Subdivision

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

Unitholder's Right to Redeem

Units may be surrendered to the Manager by entering a request for redemption, which may be entered on the FundSERV network where Units were purchased through that network. A Unitholder is entitled to, at any time, or from time to time, redeem ("**Redemption**") all or any of the Unitholder's Units in increments of not less than \$1,000, by giving 30 days' written notice to the Manager, which notice shall be irrevocable and shall contain a clear request that a specified number of Units be redeemed 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 and/or terminate the Trust when the Redemption price exceeds the Net Asset Value per Unit. The Manager is not obligated to accept Redemption notices for amounts exceeding, in aggregate, 5% of the Net Asset Value of the Trust at such time, in any one calendar month.

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

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

Short Term Trading

In order to protect the interests of the remaining Unitholders in the Trust and to discourage short term trading in the Trust, Unitholders will be subject to a short term trading deduction. If a Unitholder redeems Units during the first year

after purchasing Units, the Trust will deduct and retain, for the benefit of the remaining Unitholders in the Trust, 1% of the Subscription Price of the Units being redeemed.

Redemption at the Demand of the Manager

At no time may non-residents of Canada and/or partnerships that are not Canadian partnerships within the meaning of the Tax Act (or any combination thereof) (collectively, "**non-residents**") be the beneficial owners of a majority of the Units (on a number of Units or on a fair market value basis), and the Manager shall inform the Registrar and Transfer Agent of the Trust of this restriction. The Manager may require declarations as to the jurisdictions in which a beneficial owner of Units is resident and, if a partnership, its status as a Canadian partnership. If the Manager becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Units then outstanding (on a number of Units or on a fair market value basis) are, or may be, non-residents, or that such a situation is imminent, the Manager may make a public announcement thereof. If the Manager determines that more than 40% of the Units (on a number of Units or on a fair market value basis) are beneficially held by non-residents, or that such a situation is imminent, the Manager may send a notice to such non-resident Unitholders, chosen in inverse order to the order of acquisition or in such manner as the Manager may consider equitable and practicable, requiring them to dispose of their Units or a portion thereof within a specified period of not less than 30 days. If the Unitholders receiving such notice have not disposed of the specified number of Units or provided the Manager with satisfactory evidence that they are not non-residents within such period, the Manager may, on behalf of such Unitholders, redeem such Units at the Subscription Price and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such Redemption, the affected holders will cease to be beneficial holders of Units and their rights shall be limited to receiving the net proceeds of Redemption of such Units.

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

SUBSCRIPTION FOR UNITS

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

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

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

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

Subscription Procedure

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

- (a) an executed Subscription Agreement; and

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

The Trust will hold subscription funds in trust for the subscriber until midnight Eastern Time on the second Business Day after the day on which it receives a signed Subscription Agreement. After that and following acceptance by the Trust of the subscriber's subscription, 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 \$150,000, paid in cash at the time of acquisition, and (ii) the investor is not an individual.

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

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

- (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 \$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 \$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 \$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 Mortgages will be a "tax shelter investment" within the meaning of section 143.2 of the Tax Act; (ii) the Trust will not acquire any Mortgage that would cause the Trust to become a SIFT trust within the meaning of subsection 122.1(1) of the Tax Act; (iii) none of the Mortgages will be property that would be "taxable Canadian property" within the meaning of the Tax Act (without reference to paragraph (b) thereof); and (iv) none of the Mortgages will be an interest in an "offshore investment fund property" pursuant to section 94.1 of the Tax Act.

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

Status of the Trust

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

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 Preferred 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 the 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 or foreign income or realizes capital gains, the Trust intends to make designations under the Tax Act so that taxable dividends received from taxable Canadian corporations, income from foreign sources and net realized capital gains distributed to Unitholders will retain their character when distributed to Unitholders. Distributed amounts that retain their character as taxable dividends on shares of taxable Canadian corporations will be subject to the normal gross-up and dividend tax credit rules in the Tax Act applicable to individuals.

The Trust will carry out hedging transactions in respect of Investments denominated in currencies other than Canadian dollars which are intended to reduce gains or losses resulting from fluctuations in the value of foreign currencies relative to Canadian dollars. These hedging transactions will result in the Trust realizing both income and losses, and capital gains and losses, depending on the property to which the hedging transaction relates.

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.

Only a portion of a capital gain is included in income (the "**Taxable Capital Gain**") or allowed as a loss (the "**Allowable Capital Loss**"). In her 2024 budget the Minister of Finance proposed to increase the inclusion rate for capital gains from one-half to two-thirds for corporations and most trusts, other than graduated rate estates and qualified disability trusts. On January 31, 2025 the Minister of Finance announced that the effective date for the increase to the capital gains inclusion rate would be deferred until January 1, 2026.

On September 23, 2024, the government tabled a Notice of Ways and Means Motion to introduce a bill entitled *An Act to amend the Income Tax Act and the Income Tax Regulations*. This Notice of Ways and Means Motion modified the motion tabled on June 10, 2024 and addressed the increase to the capital gains inclusion rate. As Parliamentary convention dictates that taxation proposals are effective as soon as the government tables a Notice of Ways and Means Motion, the Canada Revenue Agency began administering the changes to the capital gains inclusion rate effective June 25, 2024, based on the proposals included in the Notice of Ways and Means Motion tabled September 23, 2024.

On January 6, 2025, the Governor General consented to the prorogation of Parliament. Generally speaking, legislation before Parliament that has not received Royal Assent at the time of prorogation "die" and must be reintroduced in the next Parliament before they can become law. Nevertheless, the CRA was of the view that the taxing authority granted by the Notice of Ways and Means Motion of September 23, 2024 remained effective and announced that it planned to continue to administer the change in the capital gains inclusion rate as announced in the 2024 federal budget and set out in the Notice of Ways and Means Motion of September 23, 2024.

Following the announcement by the Minister of Finance on January 31, 2025 that the increase to the capital gains inclusion rate would be deferred to January 1, 2026, the CRA announced that it would revert to administering the capital gains provisions of the Tax Act on the basis of the one-half inclusion rate. To ameliorate the disruption that may be caused by unavailability of forms and programming of tax software that reflect the two-thirds capital gain inclusion rate, the CRA announced on January 31, 2025 that it will grant relief in respect of late-filing penalties and arrears interest until June 2, 2025, for individuals and until May 1, 2025 for trusts that may require additional time to report capital dispositions. Corporations may continue to use existing forms.

On March 21, 2025 the Prime Minister of Canada announced that the Government of Canada would cancel the proposed increase in the capital gains inclusion rate.

On March 23, 2025, the Governor General of Canada, on behalf of King Charles III, dissolved Parliament. The dissolution of Parliament definitively resulted in the termination of the Notice of Ways and Means Motion tabled in Parliament on September 23, 2025. While it is open to a new government formed after the federal election on April 28, 2025 to re-introduce the increased capital gains inclusion rate in a future Notice of Ways and Means Motion, the two leaders of the federal political parties most likely to form the next government have both stated publicly that they will not do so.

Investors should consult their own tax advisors to determine whether any future changes in the capital gains inclusion rate would affect them in their particular circumstances.

The Taxable Capital Gain realized by a Unitholder on the disposition of Units must be included in the Unitholder's income. A Unitholder may deduct an Allowable Capital Loss from Taxable Capital Gains realized by the Unitholder in the year. Allowable Capital Losses of a Unitholder that exceed Taxable Capital Gains of the Unitholder in a year may be carried back three years or forward indefinitely and deducted against net taxable capital gains realized by the Unitholder in those earlier or later years, to the extent and in the circumstances specified in the Tax Act.

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

The Tax Act provides for an alternative minimum tax applicable to individuals (including certain trusts and estates) resident in Canada, which is computed by reference to an adjusted taxable income amount. 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**"). These proposed changes, should they be passed by Parliament, are intended to apply to tax years after 2023. On August 4, 2023, the Department of Finance (Canada) released draft legislative proposals that included updated proposed amendments to the AMT regime. The legislative changes relating

to the 2024 Budget included further changes to the AMT regime (the "**2024 NWMM**"). The 2024 NWMM, amongst other things:

- increased the AMT rate from 15% to 20.5%;
- increased the AMT capital gains inclusion rate from 80% to 100%;
- disallows 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 losses carried forward from other years;
- with limited exceptions, allows only 50% of non-refundable tax credits to reduce the AMT; and
- increased 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 is 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 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 2024:

Trailer Fees	Commission incurred by the Manager with respect to capital raised ⁽¹⁾
\$308,953	\$714,702

⁽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. 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 Investments will be direct or indirect investments in Real Property or be secured by Real Property, which can fluctuate in value. 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 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 on any such Mortgage loan might not provide the Trust with proceeds sufficient to satisfy the outstanding principal amount of the Mortgage loan.

While independent appraisals are generally required before the Trust may make any Mortgage Investments, the appraised values provided, even where reported on an "as is" basis, are not necessarily reflective of the market value of the underlying Real Property, which may fluctuate. In addition, the appraised values reported in independent appraisals may be subject to certain conditions, including the completion of construction, rehabilitation, remediation or leasehold improvements on the Real Property providing security for the loan. There can be no assurance that these conditions will be satisfied and if, and to the extent they are not satisfied, the appraised value may not be achieved. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the Real Property at the time the conditions are satisfied.

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. 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. 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

The Investment Portfolio will be invested in Mortgages and Preferred Equity Investments, although the Trust also may hold some cash and cash equivalents. Given the concentration of the Trust's exposure to these 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. 4.0% of the Trust's Investment Portfolio by number of Investments and 7.9% of the Trust's Investment Portfolio by dollar amount relate to Investments granted to a single borrower at December 31, 2024. 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 an investment entity that does not have its 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 Preferred Equity 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 be invested and may from time to time be concentrated by location of the properties, type of property, or other factors resulting in the Investment Portfolio being less diversified than at other times. As a result, the returns generated by the Investment Portfolio may change as its composition changes.

No Market

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

Investments Not Guaranteed or Insured

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

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

Lack of Liquidity

There is no market for Mortgages. An impairment of liquidity within the financial markets, such as the extraordinary credit crisis which commenced in 2008 or the COVID-19 health pandemic which began in 2019, could affect the ability of the Trust's borrowers to refinance and pay out the Investments in the Investment Portfolio when due. If a similar crisis were experienced, the Manager expects an impairment of liquidity will occur within the financial markets and this lack of liquidity may require that the Trust suspend the Redemption of its Units.

Preferred Equity Investment Risks

Preferred Equity Investments are subordinate to indebtedness (including Mezzanine Loans) but are senior to equity interests and, as such, are significantly riskier investments than Mortgages or Mezzanine Loans. Preferred Equity Investments generally earn a fixed return and do not have security in the underlying real estate. Instead, Preferred Equity Investments, upon certain specified default events, have the right to effect a change of control of the ownership of the real estate, subject to any similar rights of lenders in respect of such real estate that rank ahead of the rights of the Preferred Equity Investments. 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 portfolio and, at the same time, participates in junior (subordinated) positions in certain Mortgages, either through loan-by-loan syndication arrangements or through Pooled Loan Facilities. This increases the risk of the Trust's insolvency and the risk of loss of Investments to Unitholders as the Trust's portfolio of Mortgages 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. Pooled Loan Facilities more specifically have 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 estate. When a charge on

Real Property is in a position other than first ranking, it is possible for the holder of a prior charge on the Real Property, if the borrower is in default under the terms of its obligations to such holder, to take a number of actions against the borrower and ultimately against the Real Property in order to realize the security given for his loan. Such actions may include a foreclosure action, or an action forcing the Real Property to be sold. A foreclosure action may have the ultimate effect of depriving any person having other than a first ranking charge on the Real Property of the security of the Real Property. If an action is taken to sell the Real Property and sufficient proceeds are not realized from such sale to pay off all creditors who have prior charges on the Real Property, the holder of a subsequent charge may lose his investment or part thereof to the extent of such deficiency unless he can otherwise recover such deficiency from other property owned by the debtor.

As well, the Trust 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 and Preferred Equity Investments 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.

Cross-Border Risk

Some of the Trust's Investments are, and will continue to be, made in the U.S. As the Trust continues to expand its existing cross-border Investments, it may face cross-border risks, including risks relating to political policy changes, staffing and managing cross-border investments, tariffs and other trade barriers, differing and potentially adverse tax implications, increased and conflicting regulatory compliance, and challenges caused by distance and cultural difference. On March 4, 2025, the U.S. government announced the introduction of tariffs of 25% on certain goods from Canada and Mexico, and 10% tariffs on certain goods from China and oil & gas from Canada sold in the U.S. In response, Canada and China have announced the introduction of corresponding retaliatory tariffs, and Mexico has indicated that it intends to impose retaliatory tariffs. The U.S. government has threatened to increase or expand the scope of the imposed duties in response to retaliatory action taken by Canada, Mexico and China. The tariffs apply to certain building products, among many other products. The potential impacts of these tariffs are uncertain and may have an adverse effect on the overall economies of the U.S. and Canada, real property values and our borrowers' ability to complete projects within expected timelines and budgets, which could adversely impact the Investments and returns of the Trust.

Tax Matters

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

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

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

The character of the Trust's income for Canadian tax purposes in any particular year may vary, depending on the investments held by the Trust in the year. This may in turn affect the character of distributions (including allocations of taxable income and/or returns of capital) by the Trust to Unitholders in a year. Investors should consult their own tax advisers.

Hedging

The Trust enters into hedging transactions relating to investments denominated in U.S. dollars to manage the risks from changes in currency conversion. Hedging instruments allow the Manager to reduce, but not eliminate, the potential effects of the variability in cash flow from fluctuations in currency conversion. Hedging of U.S. dollar investments may not perfectly offset fluctuations in the Canadian-U.S. dollar exchange rate. In addition, as the interest rate differential between Canadian and U.S. rates widens, hedging costs typically increase and may have substantial impact on returns. The Manager's hedging strategy and future hedging transactions will be determined at its discretion.

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.

The Value of the Canadian Dollar Against the U.S. Dollar Will Affect the Trust's Results and Distributions

A substantial proportion of the net assets of the Trust are denominated in U.S. dollars. The Trust's revenues on these net assets are also earned in U.S. dollars. The Trust raises funds primarily in Canada from the sale of Units in Canadian dollars and invests indirectly through the Manager in certain U.S. assets, using U.S. dollars. When the Canadian dollar decreases in value against the U.S. dollar, the value of the Trust's U.S. assets increases, and the value of the Trust's hedges generally decrease, when valued in Canadian dollars. There would generally also be a corresponding foreign exchange gain or loss in the Trust's income for accounting purposes and its Taxable Income for Canadian income tax purposes.

Risks Related to Investment Extensions and Investment Defaults

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

When an Investment is extended past its maturity, it 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 Investment, the Manager has the ability to exercise its enforcement remedies in respect of the extended or renewed Investment. In addition, as a result of potential declines in real estate values, in particular given the current economic environment, there is no assurance that the Trust will be able to recover all or substantially all of the outstanding principal and interest owed to the Trust in respect of such Investments by exercising its enforcement remedies. Should the Trust be unable to recover all or substantially all of the principal and interest owed to the Trust in respect of such Investments, the Net Asset Value of the Trust would be reduced, and the returns, financial condition and results of operations of the Trust could be adversely affected.

Foreclosure and Related Costs

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

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

The Trust intends to hold any U.S. foreclosure property through a United States 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 will be highly dependent upon the good faith, experience and judgment of the directors and officers of the Manager and the Mortgage Broker to manage the business and affairs of the Trust. The loss of services of key personnel of the Manager and/or Mortgage Broker could adversely affect the Trust. Unitholders have no right to take part in the management of the Trust.

Very Limited Role of the Board of Governors

The role of the Board of Governors is generally advisory in nature 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

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

Public Health Crisis

The Trust'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 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.

Nature of Units

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

Potential Conflicts of Interest

The Manager is required to satisfy a standard of care in exercising its duties with respect to the Trust. However, neither the Manager nor its officers, directors, Affiliates, or employees are required to devote all or any specified portion of their time to their responsibilities relating to the Trust. The Manager and its officers, directors, 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. 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 to make investments in accordance with the objectives of the Trust will depend upon the availability of suitable investments. The Trust will compete with individuals, trusts and institutions for the investment in the financing of real properties. Many of these competitors have greater resources than the Trust or operate with greater flexibility.

Fees and Transaction Costs

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

Possible Personal Liability of Unitholders

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

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

Under the *Income Trust Liability Act* (British Columbia), Unitholders are not liable, as beneficiaries of a trust, for any act, default, obligation or liability of the Trust. This statute has not yet been judicially considered and it is possible

that reliance on the statute by a Unitholder could be successfully challenged on jurisdictional or other grounds. Unitholders who are resident in jurisdictions which have not enacted legislation similar to the British Columbia legislation may not be entitled to the protection of the British Columbia legislation. In any event, the Manager considers that the risk of any personal liability of Unitholders is minimal in view of the size of the anticipated equity of the Trust, the nature of its activities and the requirement of the Trust that any written contract or commitment of the Trust (except where such inclusion is not reasonably possible) include an express limitation of such liability.

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

General

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

An Independent Review Committee has been established for the Trust. The mandate of the Independent Review Committee is to consider, and to recommend or approve, the Manager's proposed course of action in response to conflict of interest matters that are referred to it by the Manager. The Independent Review Committee has adopted a written charter that prescribes its mandate, its responsibilities and functions and the policies and procedures that govern its activities. A conflict of interest matter is any situation where a reasonable person would consider the Manager, or any person related to the Manager, to have an interest that may conflict with the Manager's ability to act in good faith in the best interests of the Trust. Please see "Directors, Management, Promoters and Principal Holders – The Board of Governors – 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, 2024, the Trust purchased investments in Mortgages of \$8,906,025 (2023 - \$55,727,019) and sold investments in Mortgages of \$47,994,557 (2023 - \$76,290,698) to entities under common management. See "Related Party Transactions".

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

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

Other Competing Activities of the Manager and its Affiliates

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

The Manager may also establish or acquire an interest in one or more mortgage brokerage businesses (see "Risk Factors – 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 Investments 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 Investments 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 Investments which have been purchased from third-parties.

AUDITORS

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

REGISTRAR AND TRANSFER AGENT

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

LEGAL AND TAX MATTERS

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

CONTINUOUS REPORTING OBLIGATIONS TO INVESTORS

As the Trust is not a "reporting issuer" as defined in the *Securities Act* (British Columbia), the continuous reporting requirements of relevant securities laws do not generally apply to the Trust. The Trust will, however, on or before March 31 in each calendar year, provide to each Unitholder all information required to file Canadian income tax returns and will provide to each Unitholder annual audited financial statements, together with notice as to how the proceeds raised pursuant to this Offering Memorandum have been used, in accordance with Form 45-106F16.

RESALE RESTRICTIONS

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

Unless permitted under securities legislation, an Investor cannot trade the Units before the date that is 4 months and a day after the later of (i) the date the Trust 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 \$150,000, then if there is a misrepresentation in this Offering Memorandum, the Investor will have a statutory right of action for damages against the Trust and every director of the Manager at the date of this Offering Memorandum and every person who signs this Offering Memorandum. The Trust has granted an identical contractual right of action in the Subscription Agreement to Investors resident in British Columbia who are "accredited investors" or purchasing a sufficient number of Units such that the aggregate Subscription Price is not less than \$150,000.

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

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

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

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

Rights for Investors in Alberta

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

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

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

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

- (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

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

- (a) the right of action for rescission or damages will be exercisable by an Investor resident in Ontario, only if the Investor gives notice to the Trust, not later than 180 days for Investors resident in Ontario, after the date on which the payment is made for the Units, (or after the initial payment was made for the securities, where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to or concurrently with the initial payment), that the Investor is exercising this right; and, with respect to Investors resident in Ontario an action is commenced to enforce such right (i) in the case of an action for rescission not more than 180 days after the date of purchase; or (ii) in the case of an action for damages not more than the earlier of 180 days following the date the Investor first had knowledge of the Misrepresentation or three years after the date of purchase;

- (b) the Trust will not be liable if it proves that the Investor purchased the Units with knowledge of the Misrepresentation;
- (c) in the case of an action for damages, the Trust will not be liable for all or any portion of the damages that it proves does not represent the depreciation in value of the Units as a result of the Misrepresentation relied upon;
- (d) in no case will the amount recoverable in any action exceed the price at which the Units were sold to the Investor; and
- (e) the rights of action for rescission or damages are in addition to and without derogation from any other right the investor may have at law.

Rights for Investors in Saskatchewan

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

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

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

- (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.

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

- (a) that this Offering Memorandum or any amendment hereto was delivered to the Investor without the director's knowledge or consent;
- (b) that, after the delivery of this Offering Memorandum to the Investor and before the purchase of the Units by the Investor, on becoming aware of any false statement in this Offering Memorandum or

any amendment hereto, the director withdrew his consent to the delivery of this Offering Memorandum to prospective Investors and gave reasonable public notice of such withdrawal and of the reason therefore;

- (c) that, with respect to every false statement, the director has reasonable grounds to believe and did believe that the statement was true;
- (d) that where such false statement was that of any expert, the director had no reasonable grounds to believe that the expert who made the statement in this Offering Memorandum or any amendment hereto or whose report or valuation was produced or fairly summarized therein was not competent to make such statement, valuation or report; or
- (e) that, with respect to every false statement purporting to be a statement made by an official person or contained in what purports to be a copy of or extract from a public official document, it was a correct and fair representation of the statement or copy or extract from the document;

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

Rights for Investors in New Brunswick

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

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

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

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

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

Rights for Investors in Nova Scotia

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

action for damages against the Trust at the date of this Offering Memorandum, any director or any person who signed this Offering Memorandum, provided that:

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

Rights for Investors in Québec

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. If you are a resident of Québec and are relying on the OM exemption in purchasing the Units, and there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Trust to cancel your agreement to buy the Units or to revise the price of the Units, or
- (b) for damages against the Trust, its officers or directors, the dealer under contract to the Trust, any person who is required to sign an attestation in the Offering Memorandum and the expert whose opinion, containing a misrepresentation, appeared, with his consent, in this Offering Memorandum.

The statutory right to sue is available to you whether or not you relied on the document containing the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the Units.

In addition, the defendant will not be liable for a misrepresentation in forward looking information if the defendant proves that:

- (a) this Memorandum contains, proximate to the forward looking information, reasonable cautionary language identifying the forward looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection; and
- (b) there was a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.

If you intend to rely on the rights described in (a) and (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within three years from the day of the transaction. You must commence your action for damages within three years from knowledge of the facts giving rise to the action except on proof that delayed knowledge of the misrepresentation is attributed to you but in any event no later than five years from the filing of this Offering Memorandum.

The rights of action for damages or rescission discussed above are in addition to, and without derogation from, any other right or remedy which purchasers may have at law.

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, 2024 and for the year ended December 31, 2023.



Consolidated Financial Statements
(Expressed in thousands of Canadian dollars)

TREZ CAPITAL YIELD TRUST

And Independent Auditor's Report thereon

Year ended December 31, 2024



KPMG LLP

PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Trez Capital Yield Trust

Opinion

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

- the consolidated statement of financial position as at December 31, 2024
- 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 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, 2024, 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 ("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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
April 16, 2025

TREZ CAPITAL YIELD TRUST

Consolidated Statement of Financial Position
(Expressed in thousands of Canadian dollars)

December 31, 2024, with comparative information for 2023

	Notes	2024	2023
Assets			
Cash and cash equivalents		\$ 10,700	\$ 100,749
Margin deposits	4	260	1,256
Foreign currency derivative assets	4	131	7,694
Due from related parties	14(e)	30,191	21,705
Investments in mortgages	5, 14(c)	753,018	734,015
Investments held at fair value	6, 14(c)	218,618	190,895
Investments in associates		760	5,962
Investments in joint ventures		10	225
Property under development held for sale	7	7,702	15,497
Other investments	8	27,380	45,003
Promissory notes receivable	9	45,916	3,312
Other assets		1,420	1,680
		\$ 1,096,106	\$ 1,127,993
Equity			
Accumulated other comprehensive income		\$ 972	\$ 748
Non-controlling interest	14(d)	-	1,106
		972	1,854
Liabilities and Net Assets			
Credit facility	10	47,022	-
Accounts payable and accrued liabilities		2,538	3,250
Management and incentive fees payable	14(a)	1,322	697
Distributions payable to holders of redeemable units	11	2,330	2,425
Foreign currency derivative liabilities	4	8,577	686
Due to related parties	14(e)	5	5
Loan payable	12	31,474	35,556
Mortgage syndication liabilities	5(a)	140,635	169,504
		233,903	212,123
Redeemable units, representing net assets attributable to holders of redeemable units	13	861,231	914,016
		\$ 1,096,106	\$ 1,127,993

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) "Morley Greene"
Director

TREZ CAPITAL YIELD TRUST

Consolidated Statement of Comprehensive Loss

(Expressed in thousands of Canadian dollars)

Year ended December 31, 2024, with comparative information for 2023

	Notes	2024	2023
Revenue:			
Interest income on mortgages		\$ 82,139	\$ 105,380
Interest expense on mortgage syndication liabilities		(14,641)	(19,201)
Other income		3,847	1,783
		71,345	87,962
Expenses:			
(Recovery) provision for credit loss	5(b)	(3,936)	9,311
Foreign exchange loss (gain)		23,260	(2,342)
General and administrative		3,884	3,256
Management and incentive fees	14(a)	7,300	16,800
		30,508	27,025
Other income (expenses):			
Fair value gain on investments held at fair value	6	19,122	23,501
Foreign exchange gain (loss) on investments held at fair value	6	18,451	(4,622)
Gain from investments in associates		421	723
(Loss) gain from investments in joint ventures		(224)	281
		37,770	19,883
Income (expenses) from real estate properties:			
Revenue from property under development held for sale	7	8,135	15,505
Cost of sales from property under development held for sale	7	(8,157)	(13,932)
Expenses from property under development held for sale	7	(365)	(710)
Rental income from foreclosed property	8	7,841	7,702
Other income from foreclosed property	8	1,155	35,418
Fair value loss on foreclosed property	8	(9,716)	(39,876)
Expenses related to foreclosed property	8	(8,538)	(4,599)
		(9,645)	(492)
Income from operations		\$ 68,962	\$ 80,328
Other costs:			
Interest expense		3,021	7,735
Distributions to holders of redeemable units	11	66,243	72,561
		69,264	80,296
Net (loss) income		\$ (302)	\$ 32
Other comprehensive income (loss):			
Translation adjustment on foreign operations		224	(301)
Comprehensive loss		\$ (78)	\$ (269)
Net income attributable to:			
Holders of redeemable units		(373)	3
Non-controlling interests	14(d)	71	29
		\$ (302)	\$ 32
Net comprehensive income attributable to:			
Holders of redeemable units		(149)	(298)
Non-controlling interests		71	29
		\$ (78)	\$ (269)

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

TREZ CAPITAL YIELD TRUST

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

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Balance, beginning of the year	\$ 914,016	\$ 1,000,877
Net (loss) income attributable to holders of redeemable units	(373)	3
Contributions and redemptions:		
Issuance of units	64,019	89,478
Reinvestment of distributions on redeemable units	37,976	42,235
Redemption of units	(154,407)	(218,577)
	(52,412)	(86,864)
Balance, end of year	\$ 861,231	\$ 914,016

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

TREZ CAPITAL YIELD TRUST

Consolidated Statement of Cash Flows

(Expressed in thousands of Canadian dollars)

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Net (loss) income	\$ (302)	\$ 32
Items not involving cash:		
Interest income, net of interest expense on syndications	(67,498)	(86,179)
Interest expense	3,021	7,735
Provision (recovery) for expected credit losses	(3,936)	9,311
Gain from investments in associates	(421)	(723)
Loss (gain) from investments in joint ventures	224	(281)
Unrealized loss (gain) on foreign currency derivatives	15,453	(13,851)
Fair value gain on investments held at fair value	(19,122)	(23,501)
Foreign exchange (gain) loss on investments held at fair value	(18,451)	4,622
Foreign exchange (gain) loss on mortgage investments	(19,719)	4,348
Cost of sales for property under development held for sale	8,157	13,932
Distributions to holders of redeemable units	66,243	72,561
Fair value loss on foreclosed property	9,716	39,876
Other income from foreclosed property	(1,155)	(35,418)
Other expenses from foreclosed property	3,424	-
Interest received	37,024	47,925
Interest paid	(1,763)	(2,354)
Changes in operating working capital items:		
Margin deposits	996	8,290
Other assets	(3,164)	(499)
Accounts payable and accrued liabilities	(712)	56
Management and incentive fees payable	(7,394)	(7,286)
Change in due to related parties	-	5
	621	38,601
Investing activities:		
Funding of investments in mortgages	(442,218)	(295,916)
Repayments on investments in mortgages, including syndications	362,646	433,078
Contributions to investments held at fair value	(215,629)	(228,486)
Distributions from investments held at fair value	273,042	248,514
Distributions from investments in associates	5,660	1,340
Distributions from investments in joint ventures	-	1,830
Additions to property under development held for sale	(362)	(3,502)
Proceeds from foreclosed property	-	943
Proceeds from disposal of other investment	9,242	-
Repayments of promissory note receivable	3,312	7,223
Contributions (distributions) to non-controlling interests	(1,177)	-
Change in due from related parties	(8,119)	(13,187)
	(13,603)	151,837
Financing activities:		
Distributions paid	(28,361)	(30,914)
Issuance of units	64,019	89,478
Redemptions of units	(154,407)	(218,577)
Proceeds from credit facilities	79,685	-
Repayments to credit facilities	(32,663)	-
Proceeds from loan payable	-	23,192
Repayments of loan payable	(5,340)	(13,474)
	(77,067)	(150,295)
(Decrease) increase in cash and cash equivalents	(90,049)	40,143
Cash and cash equivalents, beginning of year	100,749	60,606
Cash and cash equivalents, end of year	\$ 10,700	\$ 100,749

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

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

1. Nature of business:

Trez Capital Yield Trust (the "Trust") is an unincorporated trust established under the laws of British Columbia pursuant to a Declaration of Trust dated March 20, 2013, which has been amended various times with the latest amendment dated March 31, 2022 (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 limited equity profit sharing arrangements through limited partnerships within the United States ("US").

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 16, 2025.

(b) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis, except for margin deposits, foreign currency derivative assets, investments held at fair value, other investments, and foreign currency derivative liabilities which are measured at fair value.

(c) Functional and presentation currency:

The Trust's functional currency is the Canadian dollar. Foreign currency monetary assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates.

The Trust is using the Canadian dollar as its presentation currency. Where the functional currency is a currency other than the Canadian dollar, amounts have been translated into Canadian dollars as follows:

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

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

2. Basis of preparation (continued):

(d) Use of estimates and judgments:

The preparation of consolidated financial statements requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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 the consolidated financial statements are related to investments 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(k)(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 the investments held at fair value are interests in limited partnerships created to enable the Trust to participate in loan sharing arrangements with US domiciled financial institutions ("Special Purpose Entities"). 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.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

3. Material accounting policy information:

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 loss and within equity in the consolidated statement of financial position.

The Trust consolidates the following material subsidiaries:

	Location of Registration	Percentage of ownership
Trez Capital Yield Trust Sub-Trust	British Columbia	100%
Trez CN Tower Holdings Ltd	British Columbia	100%
Victoria Customs House LP	British Columbia	60%
Trez Capital Yield Trust Blocker Corp	Delaware	100%

The principal business activity of Trez Capital Yield Trust Sub-Trust and Trez Capital Yield Trust Blocker Corp is to carry out the investment activity of the Trust. Trez CN Tower Holdings Ltd is invested in an office building in Edmonton, Alberta which was acquired through a foreclosure-like process during 2020. The principal business activity of Victoria Customs House LP is investment in real estate development.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

3. Material accounting policy information (continued):

(a) Basis of presentation (continued):

(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 at fair value primarily for the purpose of participating in loan sharing arrangements with US domiciled financial institutions.

(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 loss.

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

(iv) Investments in jointly controlled entities:

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

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

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

(b) Cash and cash equivalents:

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

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

3. Material accounting policy information (continued):

(c) Margin deposits:

Margin deposits relate to deposits made on foreign currency swap transactions.

(d) Property under development held for sale:

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

Property under development held for sale is 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.

(e) Other investments:

When the Trust obtains legal title of the underlying security of a mortgage investment, the carrying value of the mortgage investment, which is comprised of principal, costs incurred, accrued interest and the related provision for mortgage investment loss, if any, is reclassified from investments in mortgages to other investments.

At each reporting date, the investments are measured at fair value, with changes in fair value recorded in profit or loss in the period they arise. The Trust uses management's best estimate to determine fair value of the properties, which may involve frequent inspections, engaging realtors to assess market conditions based on previous property transactions or obtaining property appraisals from independent valuation specialists.

(f) Promissory notes receivable:

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

(g) Redeemable units:

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

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

3. Material accounting policy information (continued):

(h) 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.

(i) 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.

(j) Foreign currency translation:

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

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

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

3. Material accounting policy information (continued):

(k) 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.

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 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 financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

3. Material accounting policy information (continued):

(k) Financial instruments (continued):

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

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
Promissory notes receivable	Amortized cost
Other assets	Amortized cost
Margin deposits	FVTPL
Foreign currency derivative assets	FVTPL
Investments held at fair value	FVTPL
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
Loan payable	Amortized cost
Mortgage syndication liabilities	Amortized cost
Redeemable units, representing net assets attributable to holders of redeemable units	Amortized cost
Foreign currency derivative liabilities	FVTPL

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

3. Material accounting policy information (continued):

(k) Financial instruments (continued):

(ii) Impairment:

Under IFRS 9, an entity recognizes loss allowances for ECL to financial assets measured at amortized cost.

The Trust measures ECL on each balance sheet 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 another additional risk factor also needs to be identified for the mortgage to move to Stage 2.

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

Year ended December 31, 2024

3. Material accounting policy information (continued):

(k) 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: macroeconomic factors, such as interest rate forecasts.

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

Significant increase in credit risk is also assessed relative to the risk of default on the date of a 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").

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

Year ended December 31, 2024

3. Material accounting policy information (continued):

(k) Financial instruments (continued):

(ii) Impairment (continued):

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.

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 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 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 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.

TREZ CAPITAL YIELD TRUST

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

Year ended December 31, 2024

3. Material accounting policy information (continued):

(k) Financial instruments (continued):

(iii) Derecognition of financial assets and liabilities (continued):

(A) Financial assets (continued):

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 income is recognized in the consolidated statement of comprehensive loss. 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.

(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.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

3. Material accounting policy information (continued):

(k) Financial instruments (continued):

(iv) Loan modifications (continued):

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 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.

(l) Accumulated other comprehensive income:

Accumulated other comprehensive income represents the cumulative translation adjustment of foreign operations whose functional currency is in Canadian dollar.

(m) Income taxes:

The Trust is a mutual fund Trust under the *Income Tax Act* (Canada). The Trust will allocate to its Unitholders taxable income including taxable capital gains that would otherwise attract Canadian tax in the Trust. Accordingly, no provision for Canadian income taxes will be reflected in the Trust's consolidated financial statements. Certain controlled subsidiaries of the Trust 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, if any, is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are only recognized with respect to US tax assets and liabilities. 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, if any, 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.

(n) New standards adopted:

In January 2020, the IASB issued *Classification of liabilities as current or non-current (Amendments to IAS 1)* to clarify how to classify debt and other liabilities as current or non-current. The amendments are effective for reporting periods beginning on or after January 1, 2024. The amendments were effective and adopted by the Trust on January 1, 2024. The amendments had no material effect on the Trust's consolidated financial statements as at and for the year ended December 31, 2024.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

3. Material accounting policy information (continued):

(o) Standards issued but not yet effective:

As at December 31, 2024, a number of standards and amendments to standards had been issued by the IASB but are not yet effective for these consolidated financial statements.

(i) Presentation and Disclosure in Financial Statements:

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in the Financial Statements*, which replaces the guidance in IAS 1, *Presentation of Financial Statements* and sets out the requirements for presentation and disclosure of information, focusing on providing relevant information to users of the consolidated financial statements. IFRS 18 introduces changes to the structure of the consolidated statement of comprehensive loss, aggregation and disaggregation of financial information, and management-defined performance measures to be disclosed in the notes to the financial statements. The standard will be effective for the Trust on January 1, 2027. The Trust is currently assessing the impact of adopting this standard.

(ii) Amendments to the Classification and Measurement of Financial Instruments:

In May 2024, the IASB issued *Amendments to the Classification and Measurement of Financial Instruments*, which amended IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*. The amendment address matters related to the classification of financial assets and accounting for settlement by electronic payments. The amendments clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social, and governance linked features and other similar contingent features. The amendments also clarify the treatment of non-recourse assets and contractually linked instruments. Furthermore, the amendments clarify that a financial liability is derecognized on the settlement date and provide an accounting policy choice to derecognize a financial liability settled using an electronic payment system before the settlement date if certain conditions are met. Financially, the amendments introduce additional disclosure requirements for financial instruments with contingent features and equity instruments classified as FVOCI. The amendments will be effective for the Trust on January 1, 2026. The Trust is currently assessing the impact of adopting the amendments.

4. Foreign currency derivatives and margin deposits:

The Trust has put in place steps to mitigate the impacts from fluctuations in foreign exchange as the Trust has entered into foreign exchange contracts to manage most of its foreign exchange exposure. As at December 31, 2024, the Trust was participating in forward exchange contracts to sell US dollars totaling \$401,130 (2023 - \$365,900). The foreign currency derivatives are marked-to-market on the consolidated statement of financial position. As at December 31, 2024, the fair value of assets is \$131 (2023 - \$7,694) and the fair value of liabilities is \$8,577 (2023 - \$686). The foreign currency derivatives are entered directly by the Trust with third-party financial institutions.

As at December 31, 2024, the margin deposit on foreign exchange contracts, which is considered a restricted cash balance, totaled \$260 (2023 - \$1,256).

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Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

5. Investments in mortgages:

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

Property type	2024		2023	
	Number	Amount	Number	Amount
Residential	66	\$ 428,782	56	\$ 383,125
Office	7	74,358	10	91,779
Industrial	5	45,178	6	23,723
Mixed use	1	29,181	3	33,748
Retail	2	17,763	2	13,845
Hotel	1	12,883	2	14,437
Other	3	1,924	3	1,990
Total mortgages	85	610,069	82	562,647
Mortgage syndications		140,635		169,504
Accrued interest		5,616		9,642
Less: Provision for mortgage losses		(3,302)		(7,778)
Investment in mortgages		\$ 753,018		\$ 734,015

Property location	2024		2023	
	Number	Amount	Number	Amount
Alberta	15	\$ 146,563	18	\$ 183,126
Texas	22	138,147	15	64,404
Ontario	8	82,148	10	77,863
British Columbia	15	72,694	22	96,744
Florida	5	46,139	3	35,292
Washington	2	37,899	2	18,562
Utah	2	24,284	2	6,710
North Carolina	5	20,437	-	-
Arizona	4	19,248	4	19,919
Indiana	1	5,535	1	9,603
Pennsylvania	1	5,256	1	3,266
Nova Scotia	1	4,990	-	-
California	1	4,617	-	-
South Carolina	2	2,111	1	1,526
Georgia	1	1	1	9,596
Colorado	-	-	2	36,036
Total mortgages	85	\$ 610,069	82	\$ 562,647

The mortgages are secured by the real property to which they relate, bear interest at a weighted average interest rate of 11.3% (2023 - 12.2%).

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Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

5. Investments in mortgages (continued):

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

Maturity period	Number	Amount
Past due	3	\$ 15,047
Past due but not credit impaired	1	2,363
2025	29	242,966
2026	34	271,590
2027	17	74,241
2028 and beyond	1	3,862
	85	\$ 610,069

(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 is secured by first mortgage positions. As a result, the senior lenders' position is recorded as a nonrecourse mortgage syndication liability. The interest earned on the transferred participation interests and the related interest expense is recognized in the consolidated statement of comprehensive loss.

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, 2024, the carrying value, which is equivalent to the fair value, of the transferred assets and corresponding liabilities is \$140,635 (2023 - \$169,504).

(b) Provision for expected credit loss:

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

Gross carrying amount	December 31, 2024				Total
	Stage 1	Stage 2	Stage 3		
Property type:					
Residential	\$ 295,054	\$ 104,703	\$ 29,025	\$	428,782
Office	32,662	37,046	4,650		74,358
Industrial	45,178	-	-		45,178
Mixed use	29,181	-	-		29,181
Retail	17,763	-	-		17,763
Hotel	12,883	-	-		12,883
Other	1,924	-	-		1,924
	\$ 434,645	\$ 141,749	\$ 33,675	\$	610,069

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

Year ended December 31, 2024

5. Investments in mortgages (continued):

(b) Provision for expected credit loss (continued):

Gross carrying amount	December 31, 2023				Total
	Stage 1	Stage 2	Stage 3		
Property type:					
Residential	\$ 259,760	\$ 37,823	\$ 85,542	\$	383,125
Office	40,119	19,796	31,864		91,779
Industrial	19,121	1,726	2,876		23,723
Mixed use	33,748	-	-		33,748
Retail	13,845	-	-		13,845
Hotel	14,437	-	-		14,437
Other	1,990	-	-		1,990
	\$ 383,020	\$ 59,345	\$ 120,282	\$	562,647

Provision for expected credit loss	December 31, 2024				Total
	Stage 1	Stage 2	Stage 3		
Property type:					
Residential	\$ 2,194	\$ -	\$ 270	\$	2,464
Office	138	-	-		138
Industrial	565	-	-		565
Mixed use	1	-	-		1
Retail	53	-	-		53
Hotel	-	-	-		-
Other	81	-	-		81
	\$ 3,032	\$ -	\$ 270	\$	3,302

Provision for expected credit loss	December 31, 2023				Total
	Stage 1	Stage 2	Stage 3		
Property type:					
Residential	\$ 1,782	\$ -	\$ 560	\$	2,342
Office	105	-	4,334		4,439
Industrial	359	248	-		607
Mixed use	5	-	-		5
Retail	95	-	-		95
Hotel	76	-	-		76
Other	214	-	-		214
	\$ 2,636	\$ 248	\$ 4,894	\$	7,778

The provision for expected credit loss at December 31, 2024 is \$3,302 (2023 - \$7,778). Stage 1 provisions of \$3,032 (2023 - \$2,636) 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, 2024, management estimated the ECL for these as \$270 (2023 - \$5,142).

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Year ended December 31, 2024

5. Investments in mortgages (continued):

(b) Provision for expected credit loss (continued):

The changes in the provision for expected credit loss are shown in the following table:

	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
December 31, 2023	\$ 2,636	\$ 248	\$ 4,894	\$ 7,778
Provision for expected credit loss:				
Transfers to Stage 1 ⁽¹⁾	-	-	-	-
Transfers to Stage 2 ⁽¹⁾	-	-	-	-
Transfers to Stage 3 ⁽¹⁾	-	-	-	-
Net remeasurement ⁽²⁾	(639)	55	(4,334)	(4,918)
Mortgage advances	1,779	-	-	1,779
Mortgage repayments	(744)	(53)	-	(797)
Write-offs	-	(250)	(290)	(540)
Total movement	396	(248)	(4,624)	(4,476)
December 31, 2024	\$ 3,032	\$ -	\$ 270	\$ 3,302

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
December 31, 2022	\$ 2,032	\$ -	\$ 4,592	\$ 6,624
Provision for expected credit loss:				
Transfers to Stage 1 ⁽¹⁾	-	-	-	-
Transfers to Stage 2 ⁽¹⁾	-	-	-	-
Transfers to Stage 3 ⁽¹⁾	-	-	-	-
Net remeasurement ⁽²⁾	758	248	8,459	9,465
Mortgage advances	755	-	-	755
Mortgage repayments	(909)	-	-	(909)
Write-offs	-	-	(8,157)	(8,157)
Total movement	604	248	302	1,154
December 31, 2023	\$ 2,636	\$ 248	\$ 4,894	\$ 7,778

⁽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.

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6. 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 structured entity	Nature and purpose	Interest held by the Trust
Limited partnerships participating in loan sharing and real estate investments.	Limited partnerships created to enable the Trust to enter loan sharing arrangements with US domiciled financial institutions or manage certain real estate assets acquired through a foreclosure or foreclosure-like process. 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

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

December 31, 2024	Number of Limited Partnerships	Total assets	Carrying amount included in investments held at fair value
Investments in Limited Partnerships:			
Loan sharing	13	\$ 1,931,793	\$ 218,618
	13	\$ 1,931,793	\$ 218,618

December 31, 2023	Number of Limited Partnerships	Total assets	Carrying amount included in investments held at fair value
Investments in Limited Partnerships:			
Loan sharing	13	\$ 2,034,353	\$ 190,895
	13	\$ 2,034,353	\$ 190,895

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Year ended December 31, 2024

6. Investments held at fair value (continued):

During the year ended December 31, 2024, a change in fair value of investments held at fair value of \$19,122 was recorded (2023 - \$23,501). Included within the change in fair value is realized net interest income of \$16,365 (2023 - \$12,001), unrealized net interest income of \$3,090 (2023 - \$6,060) and unrealized property loss of \$333 (2023 - income of \$5,440). During the year ended December 31, 2024, a foreign exchange gain on investments held at fair value of \$18,451 (2023 - loss of \$4,622) was recognized.

During the year ended December 31, 2024, additions to investments held at fair value of \$314,754 (2023 - \$272,887) was recorded. Within additions, \$215,629 (2023 - \$228,486) were funded in cash and \$99,125 (2023 - \$44,401) were added by means of transfer of other financial assets, primarily mortgages.

During the year ended December 31, 2024, distributions paid from investments held at fair value of \$305,450 (2023 - \$261,420) was recorded. Within distributions paid, \$273,042 (2023 - \$248,514) were paid in cash and \$32,408 (2023 - \$12,906) were paid by means of transfer of other financial assets, primarily mortgages.

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, 2024, the total amount of third-party loan sharing the Trust is committed to repay in event of default was \$247,730 (2023 - \$188,783). Furthermore, as at December 31, 2024, 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 nil (2023 - \$37,545).

7. Property under development held for sale:

	2024	2023
Property under development held for sale	\$ 7,702	\$ 15,497

Property under development held for sale represents a real estate development in Victoria, British Columbia held in a Limited Partnership that the Trust controls and consolidates. The Trust owns 60% of the units in the Limited Partnership. This property is used as collateral for the loan payable discussed in Note 12.

For the year ended December 31, 2024, costs of sales incurred on the sale of residential units were \$8,157 (2023 - \$13,932). In addition to cost of sales, expenses of \$365 (2023 - \$710) were incurred.

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Notes to Consolidated Financial Statements

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Year ended December 31, 2024

8. Other investments:

(a) Office Tower Located in Edmonton, Canada:

During the year ended December 31, 2020, the Trust acquired an office tower located in Edmonton, Canada, through a foreclosure-like process that was funded through an assumption of debt. This investment is classified as held-for-sale as described in Note 3(e).

As at December 31, 2024, the investment had a net realizable value of \$27,380 (2023 - \$35,991), which includes consideration related to a guarantee provided by a Manager-affiliated entity with a net realizable value of \$13,380 (2023 - \$12,226).

The table below sets out the balances that comprise the carrying value of the investment:

	Net Realizable Value			Total
	Tangible real property	Manager-affiliated guarantee		
Balance, December 31, 2022	\$ 64,319	\$ -	\$	64,319
Increase in value of guarantee	-	36,793		36,793
Fulfilment of guarantee	-	(23,192)		(23,192)
Discount on realization of guarantee	-	(1,375)		(1,375)
Impairment	(39,611)	-		(39,611)
Partial proceeds	(943)	-		(943)
Balance, December 31, 2023	23,765	12,226		35,991
Increase in value of guarantee	-	1,154		1,154
Impairment	(9,765)	-		(9,765)
Balance, December 31, 2024	\$ 14,000	\$ 13,380	\$	27,380

As at December 31, 2024, the outstanding balance of loan payables secured by the investment as discussed in Note 12 was \$31,474 (2023 - \$30,216), which includes loan payables to entities related to the Manager by virtue of common ownership of \$13,380 (2023 - \$12,226).

(b) Units of For-Rent Townhomes in Maricopa County, Arizona:

During the year ended December 31, 2023, the Trust acquired rental townhome units located in Maricopa County, Arizona that were funded through an assumption of debt. On January 26, 2024, the Trust sold the units for total proceeds of \$9,144, which included a promissory note receivable of \$3,312 discussed in Note 9. During the year ended December 31, 2024, the promissory note was repaid in full. As at December 31, 2024, the carrying value of the investment is nil (2023 - \$9,012).

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9. Promissory notes receivable:

	2024	2023
Unsecured, interest free, promissory note due from a private guarantor	\$ -	\$ 3,312
Secured promissory note from entity affiliated with the Manager bearing interest at greater of (i) 8.5% per annum and (ii) Wall Street Journal prime rate plus 2% and due December 31, 2034 ^(a)	19,154	-
Secured promissory notes from entity affiliated with the Manager bearing interest at greater of (i) 8.5% per annum and (ii) Royal Bank of Canada prime rate plus 4.05% and due December 31, 2034 ^(a)	18,743	-
Unsecured promissory note from entity affiliated with the Manager bearing interest at the greater of (i) 8.0% per annum and (ii) Royal Bank of Canada prime rate plus 4.05% and due December 31, 2034 ^(b)	8,019	-
	\$ 45,916	\$ 3,312

- (a) On December 31, 2024, an affiliate of the Manager acquired from the Trust \$37,897 in underperforming mortgages and investments held at fair value in exchange for secured promissory notes receivable as described above (2023 - nil). The promissory notes are fully amortizing, repayable annually in 10 equal installments, and open for prepayment at any time without penalty. At the time of transfer, the carrying value of the transferred assets were equal to the par value of the promissory notes received by the Trust, and as such, no gain or loss was recognized.
- (b) On December 31, 2024, the Manager waived management and incentive fees of \$14,958, including \$8,019 of management fees that had been paid to the Manager during the normal course of operations throughout the year. As a form of repayment, the Trust received an unsecured promissory note in the amount of \$8,019 with terms as described above. The promissory note is fully amortizing, repayable in 10 equal instalments and open for prepayment at any time without penalty.

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Year ended December 31, 2024

10. Credit Facility:

During the year ended December 31, 2024, the Trust amended the terms to a revolving borrowing base credit facility with a Chartered bank located in Canada for available proceeds up to \$85,000 (2023 - \$105,000). As part of the amendment, the reference rate for term borrowing was updated from CDOR plus 2.5% to adjusted term CORRA plus 2.5%. The credit facility now bears interest at the lender prime rate plus 1.5% for demand borrowing and adjusted term CORRA plus 2.5% on a term basis. The credit facility is subject to an annual line fee equal to 0.625% of the available but undrawn portion of the credit facility. The credit facility matures on June 20, 2026.

The credit facility has financial tests and other covenants with which the Trust must comply. The Trust shall (a) maintain an interest coverage ratio equal to or more than 3.0 to 1.0 calculated at the end of each fiscal quarter for the trailing 12-month period then ended; (b) maintain at all times a total debt to tangible net worth ratio equal to or less than 0.5 to 1.0; and (c) maintain at all times a tangible net worth of \$750,000. As at December 31, 2024 and 2023, the Trust was in compliance with all of the applicable covenants of the credit facility.

As at December 31, 2024, there was \$47,022 drawn down on the credit facility (2023 - nil).

11. 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 distributions, which include cash and notional distributions, 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 15.

For the year ended December 31, 2024, the taxable income net of certain adjustments of the Trust was \$56,964 (2023 - \$74,450) and cash distributions were \$66,243 (2023 - \$72,561).

The difference between the tax distribution and cash distributions of \$9,279 is considered a return of capital for tax purposes (2023 - \$1,899 of notional distribution for tax purposes that was distributed via the issuance of units which were consolidated immediately thereafter).

For the year ended December 31, 2024, \$37,976 (2023 - \$42,235) of the declared distributions were reinvested.

As at December 31, 2024, the monthly distribution payable to be distributed to the Unitholders is as follows:

	2024	2023
Cash paid out subsequent to the year	\$ 2,330	\$ 2,425

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12. Loans payable:

	2024	2023
Secured borrowing with a related party on property under development held for sale bearing interest at greater of 5.25% and prime plus 2.80% per annum (Note 7)	\$ -	\$ 5,340
First mortgage payable secured by property-held-for-sale bearing interest at greater of 6.70% and prime plus 1.00% per annum maturing on May 1, 2025 (Note 8)	18,094	17,990
Second mortgage payable secured by property held-for-sale bearing interest at greater of 8.00% and prime plus 2.30% per annum. Payable to entities affiliated with the Manager maturing on May 1, 2025 (Note 8)	13,380	12,226
Total	\$ 31,474	\$ 35,556

During the year ended December 31, 2024, the Trust incurred interest charges of \$2,798 (2023 - \$6,843) relating to loans payable.

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

As at December 31, 2024, the Trust has authorized an unlimited number of Series A units, Series F units and Series I units (collectively, the "Units").

The holders 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 ("IASB").

Series A units	2024		2023	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	3,293	\$ 32,179	3,377	\$ 33,024
Issued for cash	166	1,659	166	1,657
Issued for reinvested distributions	127	1,266	133	1,327
Redeemed for cash	(687)	(6,870)	(336)	(3,355)
Transfer between series	(15)	(154)	(47)	(474)
Increase (decrease) in net assets	-	(12)	-	-
Issued for top up	-	-	-	-
Issued and outstanding, end of year	2,884	\$ 28,068	3,293	\$ 32,179

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

Series F units	2024		2023	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	50,317	\$ 497,500	51,302	\$ 507,296
Issued for cash	5,807	58,073	7,888	78,879
Issued for reinvested distributions	1,893	18,930	1,947	19,471
Redeemed for cash	(6,750)	(67,498)	(9,460)	(94,602)
Transfer between series	(5,782)	(57,821)	(1,360)	(13,546)
Increase (decrease) in net assets	-	(195)	-	2
Issued for top up	-	-	-	-
	45,485	\$ 448,989	50,317	\$ 497,500

Series I units	2024		2023	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	38,781	\$ 384,337	46,398	\$ 460,557
Issued for cash	429	4,287	894	8,942
Issued for reinvested distributions	1,778	17,780	2,144	21,437
Redeemed for cash	(8,004)	(80,039)	(12,062)	(120,620)
Transfer between series	5,797	57,975	1,407	14,020
Increase (decrease) in net assets	-	(166)	-	1
Issued for top up	-	-	-	-
	38,781	\$ 384,174	38,781	\$ 384,337

Total units	2024		2023	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	92,391	\$ 914,016	101,076	\$ 1,000,877
Issued for cash	6,402	64,019	8,948	89,478
Issued for reinvested distributions	3,798	37,976	4,224	42,235
Redeemed for cash	(15,441)	(154,407)	(21,858)	(218,577)
Transfer between series	-	-	-	-
Increase (decrease) in net assets	-	(373)	-	3
Issued for top up	-	-	-	-
	87,150	\$ 861,231	92,390	\$ 914,016

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14. 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 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 Mortgage Participation and Servicing 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;
 - 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; and
 - The Mortgage Broker delivers cash payments for interest and principal to the Trustee.

(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. Certain Manager duties may be performed by an entity or entities related to the Manager through common control.

Pursuant to the terms and conditions of the Declaration of Trust, the Manager is entitled to receive an annual fee (the “Management Fee”) payable monthly from the Trust in respect of each series of units. For Series A Units and Series F Units, this fee is equal to 1.5% of the proportionate share of the average gross assets of the Trust plus applicable taxes. For Series I Units, this fee is equal to 1.15% of the proportionate share of the average gross assets of the Trust plus applicable taxes. The average gross assets of the Trust are calculated by using a simple moving average of the month end value of all assets of the Trust. For each series of units of the Trust, the Manager receives an additional fee (the “Incentive Fee”) equal to 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, 2024, the Trust incurred management fees before waivers of \$15,320 (2023 - \$17,501) and incentive fees before waivers of \$6,939 (2023 - \$8,178) payable to the Manager. For the year ended December 31, 2024, the Manager has agreed to waive incentive fees of \$6,939 (2023 - \$6,939) and management fees of \$8,019 (2023 - \$1,940). Any fees waived are no longer collectible in the current or future years.

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14. Related party transactions and balances (continued):

(a) Management and incentive fees (continued):

As at December 31, 2024, the Trust had \$1,322 (2023 - \$697) of fees payable to the Manager.

The Manager and its affiliates are 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) 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, 2024, the Trust purchased investments in mortgages of \$8,906 (2023 - \$55,727) from and sold investments in mortgages of \$47,995 (2023 - \$76,291) 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, 2024 of \$753,018 (2023 - \$734,015), 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. The balance at December 31, 2024 was \$218,618 (2023 - \$190,895), virtually all of which is made on a participation basis with related parties.

(d) Non-controlling interest:

Included in non-controlling interests on the consolidated statement of financial position is nil (2023 - \$1,106) which is held by entities related under common management.

During the year ended December 31, 2024, the Trust has allocated income of \$71 (2023 - loss of \$29) to the non-controlling interest.

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14. Related party transactions and balances (continued):

(e) Amounts due to and from related parties:

Amounts due from related parties as at December 31, 2024 were \$30,191 (2023 - \$21,705). The balance related to amounts on deposit in a trust account administered by the Mortgage Broker and amounts receivable for invoices paid on behalf of a related parties. Amounts due to related parties as at December 31, 2024 were \$5 (2023 - \$5).

(f) Guarantees provided by an affiliate of the Manager:

An affiliate of the Manager has provided a series of limited and unlimited guarantees intended to safeguard and indemnify the Trust from incurring future realized losses on specific mortgage investments and property under development held for sale.

(i) Limited guarantees:

As at December 31, 2024, the Manager-affiliate had extended limited guarantees to the Trust with a total maximum exposure of \$25,600 (2023 - nil) in connection with six assets (2023 - nil).

(ii) Unlimited guarantees:

As at December 31, 2024, the Manager-affiliate had extended unlimited guarantees to the Trust in connection with one mortgage investment (2023 - three) with a total carrying value of \$13,432 (2023 - \$15,272). Subsequent to year-end, the remaining guaranteed mortgage investment was paid out in full and the guarantee was extinguished.

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

As at December 31, 2024, the Trust has co-invested in associates and joint ventures investments with the owners of the Manager and their close family members and other Trez managed funds which are related parties by virtue of common management, as follows:

- As at December 31, 2024, the owners of the Manager and their close family members own 42% (2023 - 42%) of the units of T-NWBP Investments LP.
- As at December 31, 2024, the owners of the Manager and their close family members own 8% (2023 - 8%) of the units of TC Logan Park Investments LP.
- As at December 31, 2023, the owners of the Manager and their close family members own 13% of the units of Trez NP Investors LP and other Trez managed funds own 7% of the units of Trez NP Investors LP. During the year ended December 31, 2024, Trez NP Investors LP was wound up with remaining proceeds of \$5,045 fully distributed.

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14. Related party transactions and balances (continued):

(h) Investments acquired from the Trust by an affiliate of the Manager:

During 2022, an entity related to the Manager acquired from an unrelated borrower, the title of two residential properties located in Edmonton, Alberta, in exchange for mortgages payable to the Trust and other affiliated entities. On the date of the transaction, the total mortgage balance payable to the Trust was \$46,426.

During 2022, the Manager-affiliate paid the Trust a total of \$14,803 from proceeds generated from a second mortgage.

During 2023, one of the two properties were sold, and the Trust received a further payoff of \$14,238.

During 2024, the remaining property was sold, and the Trust received final proceeds of \$20,914 from the entity related to the Manager.

As at December 31, 2024, the Trust received full repayment of principal and interest from these mortgages assumed by the Manager-affiliate with no further amounts owing.

15. Income taxes:

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

The Trust allocates taxable income including taxable capital gains that would otherwise attract tax in the Trust to its Unitholders. 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 Canadian dollar.

Any taxable income realized by the Trust for a particular taxation year will be paid or 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 2024 fiscal period.

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16. Fair value measurements:

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation or sale.

The 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").

December 31, 2024	Carrying value		Fair value
	Amortized cost	FVTPL	
Financial assets not measured at fair value:			
Cash and cash equivalents	\$ 10,700	\$ -	\$ 10,700
Due from related parties	30,191	-	30,191
Investments in mortgages	753,018	-	753,018
Promissory notes receivable	45,916	-	45,916
Financial assets measured at fair value:			
Margin deposits	-	260	260
Foreign currency derivative assets	-	131	131
Investments held at fair value	-	218,618	218,618
Financial liabilities not measured at fair value:			
Credit facility	\$ 47,022	\$ -	\$ 47,022
Accounts payable and accrued liabilities	2,538	-	2,538
Management and incentive fees payable	1,322	-	1,322
Distributions payable to holders of redeemable units	2,330	-	2,330
Due to related parties	5	-	5
Loan payable	31,474	-	31,474
Mortgage syndication liabilities	140,635	-	140,635
Redeemable units, representing net assets attributable to holders of redeemable units	861,231	-	861,231
Financial liabilities measured at fair value:			
Foreign currency derivative liabilities	-	8,577	8,577

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16. 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	\$ 100,749	\$ -	\$ 100,749
Due from related parties	21,705	-	21,705
Investments in mortgages	734,015	-	734,015
Promissory notes receivable	3,312	-	3,312
Other assets	265	-	265
Financial assets measured at fair value:			
Margin deposits	-	1,256	1,256
Foreign currency derivative assets	-	7,694	7,694
Investments held at fair value	-	190,895	190,895
Financial liabilities not measured at fair value:			
Accounts payable and accrued liabilities	\$ 3,250	\$ -	\$ 3,250
Management and incentive fees payable	697	-	697
Distributions payable to holders of redeemable units	2,425	-	2,425
Due to related parties	5	-	5
Loan payable	35,556	-	35,556
Mortgage syndication liabilities	169,504	-	169,504
Redeemable units, representing net assets attributable to holders of redeemable units	914,016	-	914,016
Financial liabilities measured at fair value:			
Foreign currency derivative liabilities	-	686	686

There were no transfers between Level 1, Level 2 and Level 3 during the years ended December 31, 2024 and 2023.

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 syndications. 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 investments in mortgages approximates their carrying value given the amounts consist of primarily of short-term variable interest rate loans that are repayable at the option of the borrower without yield maintenance or penalties. As a result, the fair value of investments in mortgages is based on Level 3 inputs.

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16. 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 portion 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 approximates their carrying value given the investments consist of short-term mortgages and the mortgages have variable interest rates.

As at December 31, 2024, a 1.00% increase in the discount rate used in the discounted cash flow would decrease the fair value by \$1,025 (2023 - \$1,035) and a 1.00% decrease in the discount rate would increase the fair value by \$1,041 (2023 - \$1,048).

A reconciliation of Level 3 investments held at fair value at December 31, 2024 is as follows:

Investments held at fair value, December 31, 2022	\$	160,549
Additions to investments		272,887
Realized change in fair value		12,001
Unrealized change in fair value		11,500
Impact of foreign exchange translation		(4,622)
Distributions paid		(261,420)
Investments held at fair value, December 31, 2023		190,895
Additions to investments		314,754
Realized change in fair value		16,365
Unrealized change in fair value		2,757
Impact of foreign exchange translation		18,451
Distributions paid		(305,450)
Conversion to promissory note		(19,154)
Investments held at fair value, December 31, 2024	\$	218,618

The key valuation techniques used in measuring the fair values of 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

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16. Fair value measurements (continued):

(c) Foreign currency derivatives:

The Trust has entered into foreign exchange contracts to mitigate the impact from fluctuations in foreign exchange rates. The Manager determines the fair value of foreign currency derivatives with reference to quotations from third-party derivative dealers and accepts the amount as fair value for the derivatives. As a result, the fair value of foreign currency derivatives is based on Level 2 inputs.

(d) Other financial assets and liabilities:

The carrying values of financial assets and financial liabilities not measured at fair values, such as cash and cash equivalents, due from related parties, promissory notes receivable, property under development held for sale, other investments, other assets, margin deposits, credit facility, accounts payable and accrued liabilities, management and incentive fees payable, distributions payable to holders of redeemable units, due to related parties, and loan payable approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

(e) 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.

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17. 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. The Manager 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. The Manager'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, the Manager 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 investments in mortgages and promissory notes receivable. 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 that are directly held or held through a Special Purpose Entity 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.

The Trust's maximum credit risk exposure (without taking into account collateral and other credit enhancements) at December 31, 2024, is represented by the respective carrying amounts of the relevant financial assets in the consolidated statement of financial position.

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17. Financial instruments and risk management (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 related to its credit facility, accounts payable and accrued liabilities, management and incentive fees payable, distributions payable to holders of redeemable units, due to related parties, loan payable, mortgage syndication liabilities, redeemable units, representing net assets attributable to the holder, and its obligations to make future advances under its existing mortgage portfolio. Liquidity risk is managed by ensuring that the sum of projected repayments under the existing mortgage portfolio and investments held at fair value availability under the credit facility, and the sourcing of other borrowing facilities, 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, 2024	Carrying value	Contractual Cash flow	Within a year	Following year	3-5 years	5+
Accounts payable and accrued expenses	\$ 2,538	2,538	2,538	-	-	-
Due to Manager	1,322	1,322	1,322	-	-	-
Distribution payable	2,330	2,330	2,330	-	-	-
Due to related parties	5	5	5	-	-	-
Credit facility	47,022	47,022	47,022	-	-	-
Loan payable	31,474	32,235	32,235	-	-	-
Total contractual liabilities, excluding mortgage syndication liabilities	\$ 84,691	85,452	85,452	-	-	-

1. As at December 31, 2024, there was \$47,022 drawn down on the credit facility (Note 10).

2. The principal repayments of mortgage syndication liabilities by contractual maturity date are shown net with investments in mortgages in Note 5.

As at December 31, 2024, the Trust had a cash and cash equivalent position of \$10,700 (2023 - \$100,749) and an unutilized credit facility of \$37,978 (2023 - \$105,000). Management believes the Trust will be able to finance its operations using the cash flow generated from operating activities, investing activities and credit facilities.

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17. Financial instruments and risk management (continued):

(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.

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 Canada and United States that preserves capital and generates returns in order to permit the Trust to pay monthly distribution to its Unitholders.

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

(i) 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 and investments held at fair value relative to its resources to fund the investments. Units are retractable 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 manages interest rate risk by generally investing in short-term variable rate mortgages with floor rates which are greater than the rate charged by its lenders. The Trust also charges a 1% penalty on redemptions made prior to the Units' first year anniversary.

As at December 31, 2024, a 0.25% increase in the interest rates with all other variables held constant would increase the Trust's income by approximately \$1,902 (2023 - increase by \$2,047) arising from income generated on the Trust's cash deposits and higher interest income generated on variable rate investments in mortgages that are directly held or held through a Special Purpose Entity after deducting increased interest expense from its borrowing facilities.

(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 the Canadian dollar.

The Trust has put in place steps to mitigate the impacts from fluctuations in foreign exchange on the Trust's obligation to redeem Canadian series units in Canadian dollars as explained in Note 4. As at December 31, 2024, the Trust was participating in forward exchange contracts to sell US dollars totalling \$401,130 (2023 - \$365,900).

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

17. Financial instruments and risk management (continued):

(c) Market risk (continued):

(ii) Currency risk (continued):

The foreign currency derivatives are marked-to-market on the consolidated statement of financial position. As at December 31, 2024, the fair value of assets is \$131 (2023 - \$7,694) and the fair value of liabilities is \$8,577 (2023 - \$686). The foreign currency derivatives are entered directly by the Trust with third party financial institutions.

The table below indicates the foreign currency to which the Trust had over hedged exposure at December 31, 2024 and underhedged in 2023. It also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 5% in relation to the other currency, with all other variables held constant.

Increase (decrease) in Canadian dollars:

		2024	
Currency	Exposure		Impact on net assets attributable to redeemable units
United States dollars exposure	\$ 224	\$	11
% of net assets attributable to redeemable units	0.03%		0.00%

		2023	
Currency	Exposure		Impact on net assets attributable to redeemable units
United States dollars exposure	\$ (6,671)	\$	(318)
% of net assets attributable to redeemable units	(0.73%)		(0.03%)

(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 investments in mortgages and real estate development projects. 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 investments in mortgages geographically to manage this risk.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2024

18. Capital management:

The Trust considers redeemable units, representing net assets attributable to holders of redeemable units to be capital, which at December 31, 2024 was \$861,231 (2023 - \$914,016).

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.

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 other than those described in Note 10 and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Trust agreement.

19. 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 thousands of Canadian dollars)

TREZ CAPITAL YIELD TRUST

And Independent Auditor's Report thereon
Year ended December 31, 2023



KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Trez Capital Yield Trust

Opinion

We have audited the consolidated financial statements of Trez Capital Yield Trust (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

Consolidated Statement of Financial Position
(Expressed in thousands of Canadian dollars)

December 31, 2023, with comparative information for 2022

	Notes	2023	2022
Assets			
Cash and cash equivalents		\$ 100,749	\$ 60,606
Margin deposits	9	1,256	9,546
Foreign currency derivative assets	9	7,694	-
Due from related parties	14(e)	21,705	7,850
Investments in mortgages	4, 14(c)	734,015	940,520
Investments held at fair value	5, 14(c)	190,895	160,549
Investments in associates		5,962	6,601
Investments in joint ventures		225	1,801
Property under development held for sale	6	15,497	31,861
Other investments	7	45,003	64,319
Promissory notes receivable	8	3,312	7,223
Other assets		1,680	1,181
		\$ 1,127,993	\$ 1,292,057
Equity			
Accumulated other comprehensive income		\$ 748	\$ 1,049
Non-controlling interests	14(d)	1,106	1,077
		1,854	2,126
Liabilities and Net Assets Attributable to Holders of Redeemable Units			
Accounts payable and accrued liabilities		\$ 3,250	\$ 3,193
Management and incentive fees payable	14(a)	697	7,983
Distributions payable to holders of redeemable units	12	2,425	3,014
Foreign currency derivative liabilities	9	686	6,844
Due to related parties	14(e)	5	-
Loans payable	11	35,556	46,381
Mortgage syndication liabilities	4	169,504	221,639
		212,123	289,054
Redeemable units, representing net assets attributable to holders of redeemable units	13	914,016	1,000,877
		\$ 1,127,993	\$ 1,292,057

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

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

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

	Notes	2023	2022
Revenue:			
Interest income on mortgages		\$ 105,380	\$ 82,497
Interest expense on mortgage syndication liabilities		(19,201)	(9,533)
Other income		1,783	787
		87,962	73,751
Expenses:			
Provision for mortgage losses	4	9,311	2,609
Foreign exchange (gain) loss		(2,342)	11,348
General and administrative		3,256	3,314
Management and incentive fees	14(a)	16,800	23,958
		27,025	41,229
Fair value gain on investments held at fair value	5	23,501	14,469
Foreign exchange (loss) gain on investments held at fair value	5	(4,622)	11,024
Gain (loss) from investments in associates		723	(186)
Gain from investments in joint ventures		281	583
		19,883	25,890
Income (expenses) from real estate properties:			
Revenue from property under development held for sale	6	15,505	20,968
Rental income from foreclosed property	7	7,702	8,203
Other income from foreclosed property	7	35,418	-
Fair value loss on foreclosed property	7	(39,876)	-
Cost of sales from property under development held for sale	6	(13,932)	(16,560)
Expenses from property under development held for sale	6	(710)	(261)
Expenses related to foreclosed property	7	(4,599)	(4,969)
		(492)	7,381
Income from operations		80,328	65,793
Financing costs:			
Interest expense		7,735	1,783
Distributions to holders of redeemable units	12	72,561	63,726
		80,296	65,509
Net income (loss) for the year		\$ 32	\$ 284
Other comprehensive income (loss):			
Translation adjustment on foreign operations		(301)	291
Comprehensive income (loss) for the year		\$ (269)	\$ 575
Net income attributable to:			
Holders of redeemable units		\$ 3	\$ 3,569
Non-controlling interests	14(d)	29	(3,285)
		\$ 32	\$ 284
Net comprehensive income (loss) attributable to:			
Holders of redeemable units		\$ (298)	\$ 3,860
Non-controlling interests		29	(3,285)
		\$ (269)	\$ 575

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

TREZ CAPITAL YIELD TRUST

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

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

	2023	2022
Balance, beginning of year	\$ 1,000,877	\$ 1,079,685
Net income (loss) attributable to holders of redeemable units	3	3,569
Contributions and redemptions:		
Issuance of units	89,478	77,234
Reinvestment of distributions on redeemable units	42,235	35,449
Redemption of units	(218,577)	(195,060)
	(86,864)	(82,377)
Balance, end of year	\$ 914,016	\$ 1,000,877

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

TREZ CAPITAL YIELD TRUST

Consolidated Statement of Cash Flows
(Expressed in thousands of Canadian dollars)

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

	2023	2022
Cash provided by (used in):		
Operating activities:		
Net income (loss)	\$ 32	\$ 284
Items not involving cash:		
Interest income, net of interest expense on syndications	(86,179)	(72,964)
Interest expense	7,735	1,783
Provision for mortgage losses	9,311	2,609
Fair value gain on investments held at fair value	(23,501)	(14,469)
Foreign exchange loss (gain) on investments held at fair value	4,622	(11,024)
Foreign exchange gain on mortgage investment	4,348	(10,451)
Other income from foreclosed property	(35,418)	-
Fair value loss on foreclosed property	39,876	-
(Gain) loss from investments in associates	(723)	186
Gain from investments in joint ventures	(281)	(583)
Cost of sales from property under development held for sale	13,932	16,560
Unrealized loss on foreign currency derivatives	(13,851)	7,993
Distributions to holders of redeemable units	72,561	63,726
Interest received	47,925	38,266
Interest expense paid	(2,354)	(1,783)
Changes in operating working items:		
Margin deposits	8,290	(4,470)
Other assets	(499)	-
Accounts payable and accrued liabilities	56	(5,428)
Management and incentive fees payable	(7,286)	3,763
Change in due to related parties	5	-
	38,601	13,998
Investing activities:		
Funding of investments in mortgages	(295,916)	(559,073)
Repayments on investments in mortgages, including syndications	433,078	483,366
Funding of investments held at fair value	(228,486)	(228,568)
Repayments on investments held at fair value	248,514	337,454
Distributions from investment in associates and joint ventures	3,170	1,699
Additions to property under development held for sale	(3,502)	-
Repayments on property under development held for sale	-	1,127
Repayments to foreclosed property	943	-
Repayments to other assets	-	4,145
Repayments of promissory notes receivable	7,223	191
Change in due from related parties	(13,187)	(6,025)
	151,837	34,316
Financing activities:		
Issuance of units	89,478	77,235
Redemption of units	(218,577)	(195,060)
Distributions paid	(30,914)	(27,493)
Proceeds from loans payable	23,192	18,814
Repayments of loans payable	(13,474)	(1,053)
Contributions (distributions) to non-controlling interest	-	248
	(150,295)	(127,309)
Increase (decrease) in cash and cash equivalents	40,143	(78,995)
Cash and cash equivalents, beginning of year	60,606	139,601
Cash and cash equivalents, end of year	\$ 100,749	\$ 60,606

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

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2023

1. Nature of business:

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

Trez Capital Fund Management Limited Partnership is the Trust's manager (the "Manager") 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 within Canada and the United States ("US") and from limited equity profit sharing arrangements through limited partnerships within the 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.

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 margin deposits, foreign currency derivative assets, investments held at fair value, other investments and foreign currency derivative liabilities which are measured at fair value.

(c) Functional and presentation currency:

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

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

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian 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(k)(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.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2023

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 and within equity in the consolidated statement of financial position.

The Trust consolidates the following material subsidiaries:

	Province of registration	% of ownership
Trez Capital Yield Trust Sub-Trust	British Columbia	100%
Trez CN Tower Holdings Ltd.	British Columbia	100%
Trez Capital Manistee Ranch LP	British Columbia	100%
TC H 2014 Partners Investments LP	British Columbia	100%
Trez NP Investors LP	British Columbia	77%
Victoria Customs House LP (formerly, T-816 Government Street LP)	British Columbia	60%

Trez CN Tower Holdings Ltd is invested in an office building in Edmonton, Alberta which was acquired through a foreclosure-like process during 2020. Trez Capital Manistee Ranch LP is invested in a property that consists of 71 units of for-rent townhomes in Maricopa County, Arizona which was acquired through a foreclosure-like process during 2023. The Trust is making efforts to dispose of the buildings through a sales process. The principal business activity of TC H 2014 Partners Investments LP is lot development and Trez NP Investors LP is investment in mortgages. The principal business activity of Victoria Customs House LP is investment in real estate development.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2023

3. Material accounting policy information (continued):

(a) Basis of presentation (continued):

(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.

(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.

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 associates are as follows:

- Property under development held for sale:

Property 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 property 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

Notes to Consolidated Financial Statements

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

Year ended December 31, 2023

3. Material accounting policy information (continued):

(a) Basis of presentation (continued):

(iv) Investments in jointly controlled entities:

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

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

Where the Trust has assessed that it has joint control over the investees, the investments are initially recognized at cost and are adjusted thereafter for the post-acquisition change in the Trust's share in the investee's net assets. The Trust's share of investee's profit or loss is included in the Trust's consolidated statement of comprehensive income.

(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) Margin deposits:

Margin deposits relate to deposits made on foreign currency swap transactions.

(d) Investments held for sale:

When the Trust obtains legal title of the underlying security of a mortgage investment, the carrying value of the mortgage investment, which is comprised of principal, costs incurred, accrued interest and the related provision for mortgage investment loss, if any, is reclassified from investments in mortgages to other investments. At each reporting date, the investments are measured at fair value, with changes in fair value recorded in profit or loss in the period they arise. The Trust uses management's best estimate to determine fair value of the properties, which may involve frequent inspections, engaging realtors to assess market conditions based on previous property transactions or obtaining property appraisals from independent valuation specialists. These investments are held in other investments as discussed in Note 7.

(e) Property under development held for sale:

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

Property 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.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2023

3. Material accounting policy information (continued):

(f) Promissory notes receivable:

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

(g) Redeemable units:

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

(h) Revenue recognition:

Interest income is recognized in the consolidated statement of comprehensive income 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.

Revenue from property under development held for sale is recognized at a point in time when possession or title passes to the purchaser, and all performance obligations of the sales contract have been met, and at which time all proceeds are received or collectability is reasonably assured.

Rental income is recognized when services are rendered, and the amount is earned.

(i) 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, following the units' classification as liabilities. Distributions are accrued in the period to which they relate.

(j) Foreign currency translation:

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

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

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

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2023

3. Material accounting policy information (continued):

(k) 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.

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.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2023

3. Material accounting policy information (continued):

(k) Financial instruments (continued):

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

The Trust has classified its financial instruments as follows:

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

(ii) Impairment:

Under IFRS 9, an entity recognizes loss allowances for 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.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2023

3. Material accounting policy information (continued):

(k) Financial instruments (continued):

(ii) Impairment (continued):

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.

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.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2023

3. Material accounting policy information (continued):

(k) 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 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.

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.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2023

3. Material accounting policy information (continued):

(k) Financial instruments (continued):

(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.

(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.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2023

3. Material accounting policy information (continued):

(k) Financial instruments (continued):

(iv) Loan modifications (continued):

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. 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. The origination date of the financial asset prior to the modification continues to be used for the purposes of assessing if the financial asset experienced a significant increase in credit risk.

(l) Accumulated other comprehensive income:

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

(m) Income taxes:

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

The Trust holds certain investments in associates and joint ventures based in the US. Certain of these investments in associates and joint ventures are held by controlled subsidiaries of the Trust that are required to pay income taxes to the US Internal Revenue Service based on a determination of taxable income for US tax purposes. Accordingly, current income tax recognized in the consolidated statement of comprehensive income 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.

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.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2023

3. Material accounting policy information (continued):

(n) 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 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.

(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.

(o) 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

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of Canadian 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	56	\$ 383,125	73	\$ 443,599
Office	10	91,779	12	101,323
Industrial	6	23,723	10	58,947
Retail	2	13,845	5	36,414
Hotel	2	14,437	3	10,741
Mixed-use	3	33,748	3	41,730
Other	3	1,990	2	20,742
	82	562,647	108	713,496
Mortgage syndications		169,504		221,639
Accrued interest		9,642		12,009
Less: Provision for mortgage losses (Note 4(b))		(7,778)		(6,624)
Investments in mortgages		\$ 734,015		\$ 940,520

Property location	2023		2022	
	Number	Amount	Number	Amount
Alberta	18	\$ 183,126	24	\$ 225,739
British Columbia	22	96,744	32	181,674
Ontario	10	77,863	12	75,214
Texas	15	64,404	15	105,309
Colorado	2	36,036	2	26,963
Florida	3	35,292	7	42,168
Arizona	4	19,919	6	26,263
Washington	2	18,562	4	13,574
Indiana	1	9,603	1	2,944
Georgia	1	9,596	1	5,201
Utah	2	6,710	1	2,389
Pennsylvania	1	3,266	1	1,471
South Carolina	1	1,526	-	-
Nova Scotia	-	-	1	2,857
Oregon	-	-	1	1,730
Total mortgages	82	\$ 562,647	108	\$ 713,496

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2023

4. Investments in mortgages (continued):

The mortgages are secured by the real property to which they relate, bear interest at a weighted average interest rate of 12.2% (2022 - 11.7%).

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

Maturity period	Number	Amount
Past due	8	\$ 70,474
Past due but not credit impaired	4	23,776
2024	44	314,799
2025	14	64,790
2026	12	88,808
2027 and beyond	-	-
	82	\$ 562,647

(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 comprehensive 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 \$169,504 (2022 - \$221,639).

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2023

4. Investments in mortgages (continued):

(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	\$ 259,760	\$ 37,823	\$ 85,542	\$ 383,125
Office	40,119	19,796	31,864	91,779
Industrial	19,121	1,726	2,876	23,723
Mixed-use	33,748	-	-	33,748
Retail	13,845	-	-	13,845
Hotel	14,437	-	-	14,437
Other	1,990	-	-	1,990
	\$ 383,020	\$ 59,345	\$ 120,282	\$ 562,647

Gross carrying amount	December 31, 2022			Total
	Stage 1	Stage 2	Stage 3	
Property type:				
Residential	\$ 350,179	\$ 56,329	\$ 37,091	\$ 443,599
Office	50,979	16,730	33,613	101,322
Industrial	49,499	1,265	8,184	58,948
Mixed-use	41,730	-	-	41,730
Retail	36,414	-	-	36,414
Hotel	10,741	-	-	10,741
Other	20,742	-	-	20,742
	\$ 560,284	\$ 74,324	\$ 78,888	\$ 713,496

Provision for mortgage losses	December 31, 2023			Total
	Stage 1	Stage 2	Stage 3	
Property type:				
Residential	\$ 1,781	\$ -	\$ 561	\$ 2,342
Office	105	-	4,334	4,439
Industrial	359	248	-	607
Mixed-use	5	-	-	5
Retail	95	-	-	95
Hotel	76	-	-	76
Other	214	-	-	214
	\$ 2,635	\$ 248	\$ 4,895	\$ 7,778

Provision for mortgage losses	December 31, 2022			Total
	Stage 1	Stage 2	Stage 3	
Property type:				
Residential	\$ 1,512	\$ -	\$ 292	\$ 1,804
Office	19	-	-	19
Industrial	37	-	4,300	4,337
Mixed-use	401	-	-	401
Retail	16	-	-	16
Hotel	23	-	-	23
Other	24	-	-	24
	\$ 2,032	\$ -	\$ 4,592	\$ 6,624

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2023

4. Investments in mortgages (continued):

(b) Provision for mortgage losses (continued):

The provision for mortgage losses at December 31, 2023 is \$7,778 (2022 - \$6,624). Stage 1 provisions of \$2,635 (2022 - \$2,032) 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 \$5,143 (2022 - \$4,592).

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

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
December 31, 2022	\$ 2,032	\$ -	\$ 4,592	\$ 6,624
Provision for mortgage losses:				
Transfers to Stage 1 ⁽¹⁾	-	-	-	-
Transfers to Stage 2 ⁽¹⁾	-	-	-	-
Transfers to Stage 3 ⁽¹⁾	-	-	-	-
Net remeasurement ⁽²⁾	758	248	8,459	9,465
Mortgage advances	755	-	-	755
Mortgage repayments	(909)	-	-	(909)
Write-offs	-	-	(8,157)	(8,157)
Total movement	604	248	302	1,154
December 31, 2023	\$ 2,636	\$ 248	\$ 4,894	\$ 7,778

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
December 31, 2021	\$ 1,715	\$ -	\$ 2,300	\$ 4,015
Provision for mortgage losses:				
Transfers to Stage 1 ⁽¹⁾	-	-	-	-
Transfers to Stage 2 ⁽¹⁾	-	-	-	-
Transfers to Stage 3 ⁽¹⁾	(9)	-	9	-
Net remeasurement ⁽²⁾	(440)	-	2,283	1,843
Mortgage advances	1,301	-	-	1,301
Mortgage repayments	(535)	-	-	(535)
Write-offs	-	-	-	-
Total movement	317	-	2,292	2,609
December 31, 2022	\$ 2,032	\$ -	\$ 4,592	\$ 6,624

(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

Notes to Consolidated Financial Statements

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Year ended December 31, 2023

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 or manage certain real estate assets. 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

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	13	\$ 2,034,353	\$ 190,895

December 31, 2022	Number of Limited Partnerships	Total assets	Carrying amount included in investments held at fair value
Investments in Limited Partnerships:			
Loan sharing	13	\$ 1,721,699	\$ 160,549

During the year ended December 31, 2023, a change in fair value of investments held at fair value of \$23,501 was recorded (2022 - \$25,493). Included within the change in fair value is realized net interest income of \$12,001 (2022 - \$9,120), unrealized portion of net interest income of \$6,060 (2022 - \$5,349) and unrealized property income of \$5,440 (2022 - nil). This was partially offset by a foreign exchange loss of \$4,622 (2022 - gain of \$11,024).

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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Year ended December 31, 2023

5. Investments held at fair value (continued):

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 \$188,783 (2022 - \$162,473). 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 \$37,545 (2022 - \$17,767).

As at December 31, 2023, one mortgage held by a structured entity totalling \$15,661 was in default (2022 - \$17,047). At the date of default in 2022, the Trust repaid \$8,535 to the senior loan sharing partner.

During the year ended December 31, 2023, one mortgage held by a structured entity totalling \$12,982 defaulted. At the date of default in 2023, the Trust repaid \$8,157 to the senior loan sharing partner. Subsequent to default, the Trust foreclosed on the property as discussed in Note 7.

6. Property under development held for sale:

	2023	2022
Property under development held for sale	\$ 15,497	\$ 31,861

Property under development held for sale represents a real estate development in Victoria, British Columbia held in a Limited Partnership that the Trust controls and consolidates. The Trust owns 60% of the units in the Limited Partnership.

For the year ended December 31, 2023, costs of sales incurred on the sale of residential units were \$13,932 (2022 - \$16,560).

In addition to cost of sales, expenses of \$710 (2022 - \$261) were incurred.

7. Other investments:

As at December 31, 2023, the Trust held two investments held for sale as described in Note 3(d). These investments relate to properties acquired through a foreclosure-like process including an office tower located in Edmonton, Canada acquired in 2020 and 71 units of for-rent townhomes located in Maricopa County, Arizona acquired in 2023. As at December 31, 2023, these properties had a net realizable value of \$32,778 (2022 - \$58,500), and a guarantee provided by the Manager as described in Note 14(f)(ii) with a fair value of \$12,226 (2022 - \$5,819).

(a) Office Tower Located in Edmonton, Canada:

As part of the 2020 transaction, the Trust assumed a loan payable of \$40,726 related to this property. Of this balance, a total of \$36,155 was refinanced in 2021 with the Trust assuming an additional first mortgage of \$17,990, which is eliminated upon consolidation. As at December 31, 2023, the outstanding balance of loan payables was \$30,216 (2022 - \$27,567) as discussed in Note 11. As at December 31, 2023, loan payables to entities related to the Manager by common control was \$12,226 (2022 - \$9,577) as discussed in Note 14(f).

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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Year ended December 31, 2023

7. Other investments (continued):

(a) Office Tower Located in Edmonton, Canada (continued):

As at December 31, 2023, the Manager determined the net realizable value of the property to be \$23,765 (2022 – \$64,319) based on an appraisal provided by an third party appraiser. The property was appraised using a sales comparison approach whereby the fair value less costs to sell is determined by evaluating the price per square foot of similar properties. The price per square foot used to determine fair value was \$85 per square foot. This net realizable value is lower than the carrying value and the Trust recorded an impairment of \$39,611 during the year ended December 31, 2023.

As part of a settlement agreement dated December 31, 2023, the Trust received cash consideration of \$23,192 as partial fulfilment of the guarantee valued at \$24,567 provided by an entity related to the Manager. The discount of \$1,375 applied in determining the settlement amount recognizes the time value of funds and the estimated timeframe required for the sale of the foreclosed property. During the year ended December 31, 2023, the Trust recorded other income from foreclosed property \$23,192 (2022 – nil) in the statement of comprehensive income in relation to this payment.

As at December 31, 2023, the remaining value of the outstanding guarantee provided by an entity related to the Manager was \$12,226 (2022 - \$12,226). As at December 31, 2023, the Trust has accounted for the value of this guarantee in other investments of \$12,226 (2022 – nil) on the consolidated statement of financial position and other income from foreclosed property of \$12,226 (2022 – nil) on the consolidated statement of comprehensive income for the year then ended.

For the year ended December 31, 2022, impairment of \$5,819 was recorded on the property and this was offset by the value attributed to the guarantee provided by the Manager of \$5,819.

(b) Units of For-Rent Townhomes in Maricopa County, Arizona:

As part of the 2023 transaction, the Trust assumed a mortgage receivable of \$14,465 related to this property. As at December 31, 2023, the Manager determined the net realizable value of the property to be \$9,013 (2022 – nil) based on the expected sale price of the property. The property was sold on January 26, 2024 for proceeds of CAD \$9,144. The Trust received a promissory note with carrying value of \$3,312 as at December 31, 2023 discussed in Note 8 as settlement on guarantees provided on the mortgage.

8. Promissory notes receivables:

	2023	2022
USD unsecured, interest free, promissory note due on demand from a private affiliated entity ^(a)	\$ -	\$ 124
USD secured, interest at 9% per annum effective January 1, 2022, promissory note due on demand from a private affiliated entity ^(b)	-	7,099
USD unsecured, interest free, promissory note due on December 31, 2024 from a private guarantor ^(c)	3,312	-
	\$ 3,312	\$ 7,223

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8. Promissory notes receivables (continued):

- (a) During 2017, an entity related to the Manager foreclosed on 66 single-family lots in Texas. The affiliated entity has a note payable to the Trust, which is being repaid as lots are sold to home builders. This promissory note was paid out during the year ended December 31, 2023.
- (b) During 2021, an entity related to the Manager foreclosed on a property in Venice Beach, California. As part of the foreclosure process, the entity related to the Manager assumed the mortgage provided by the Trust. This promissory note was paid out during the year ended December 31, 2023.
- (c) During 2023, an entity related to the Manager foreclosed on a property in Maricopa, Arizona. As part of the foreclosure process, the entity related to the Manager collected on guarantees provided on the mortgage with the receipt of cash of US \$500 and a promissory note of US \$2,500.

9. Foreign currency derivatives and margin deposits:

The Trust has put in place steps to mitigate the impacts from fluctuations in foreign exchange as the Trust has entered into foreign exchange contracts to manage most of its foreign exchange exposure. As at December 31, 2023, the Trust was participating in forward exchange contracts to sell US dollars totalling \$365,900 (2022 - \$321,233). The foreign currency derivatives are marked-to-market on the consolidated statement of financial position. As at December 31, 2023, the fair value of assets is \$7,694 (2022 - nil) and fair value of liabilities is \$686 (2022 - \$6,844). The foreign currency derivatives are entered directly by the Trust with third party financial institutions.

As at December 31, 2023, the margin deposit on foreign exchange contracts, which is considered a restricted cash balance, totalled \$1,256 (2022 - \$9,546).

10. Credit Facility:

On June 20, 2022, the Trust amended the terms to the revolving borrowing base credit facility with a Chartered bank located in the Canada for available proceeds up to \$105,000, bearing interest at lender prime plus 1.5% for demand borrowing and CDOR plus 2.5% on a term basis. The credit facility is subject to an annual line fee equal to 0.625% of the available but undrawn portion of the credit facility. The credit facility matures on June 20, 2024.

The credit facility has financial tests and other covenants with which the Trust must comply. The Trust shall (a) maintain an Interest Coverage Ratio equal to or more than 3.0 to 1.0 calculated at the end of each Fiscal Quarter for the trailing 12-month period then ended; (b) maintain at all times a Total Debt to Tangible Net Worth Ratio equal to or less than 0.5 to 1.0; and (c) maintain at all times a minimum Tangible Net Worth of \$750,000. As at December 31, 2023 and 2022, the Trust was in compliance with all of the applicable covenants of the credit facility.

As at December 31, 2023, there was nil drawn down on the credit facility (2022 - nil).

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11. Loans payable:

	2023	2022
Secured borrowing with a related party on property under development held for sale bearing interest at greater of 5.25% or prime plus 2.80% per annum	\$ 5,340	\$ 18,814
First mortgage payable related to property held-for-sale bearing interest at greater of 6.70% or prime plus 1.00% per annum maturing on May 1, 2024 (Note 7)	17,990	17,990
Second mortgage payable related to property held-for-sale bearing interest at greater of 8.00% or prime plus 2.30% per annum. Payable to entities related to the Manager maturing on May 1, 2024 (Note 7)	12,226	9,577
	<u>\$ 35,556</u>	<u>\$ 46,381</u>

During the year ended December 31, 2023, the Trust incurred interest charges of \$6,843 (2022 - \$1,108) relating to loans payable.

12. 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 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 15.

For the year ended December 31, 2023, the taxable income of the Trust was \$74,450 (2022 - \$67,172) and the cash distributions were \$72,561 (2022 - \$63,726).

In accordance with its trust indenture, the Trust distributed an amount equal to taxable income. The difference between cash distributions and taxable income of \$1,889 (2022 - \$3,446) is considered a notional distribution for tax purposes that is distributed via the issuance of units which are consolidated immediately thereafter.

For the year ended December 31, 2023, \$42,235 (2022 - \$35,449) 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	\$ 2,425	\$ 3,014

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13. 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 classes. As a result, the Units have been classified as financial liabilities under IFRS Accounting Standards as issued by the International Accounting Standards Board.

Series A units	2023		2022	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	3,377	\$ 33,024	3,778	\$ 36,912
Increase (decrease) in net assets	-	-	-	118
Issued for cash	166	1,657	158	1,579
Issued for reinvested distributions	133	1,327	109	1,090
Redeemed for cash	(336)	(3,355)	(435)	(4,345)
Transfer between series	(47)	(474)	(233)	(2,330)
Issued and outstanding, end of year	3,293	\$ 32,179	3,377	\$ 33,024

Series F units	2023		2022	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	51,302	\$ 507,296	52,160	\$ 514,067
Increase (decrease) in net assets	-	2	-	1,809
Issued for cash	7,888	78,879	6,286	62,860
Issued for reinvested distributions	1,947	19,471	1,514	15,138
Redeemed for cash	(9,460)	(94,602)	(7,685)	(76,849)
Transfer between series	(1,360)	(13,546)	(973)	(9,729)
Issued and outstanding, end of year	50,317	\$ 497,500	51,302	\$ 507,296

Series I units	2023		2022	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	46,398	\$ 460,557	53,377	\$ 528,706
Increase (decrease) in net assets	-	1	-	1,642
Issued for cash	894	8,942	1,280	12,795
Issued for reinvested distributions	2,144	21,437	1,922	19,221
Redeemed for cash	(12,062)	(120,620)	(11,387)	(113,866)
Transfer between series	1,407	14,020	1,206	12,059
Issued and outstanding, end of year	38,781	\$ 384,337	46,398	\$ 460,557

Total units	2023		2022	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	101,076	\$ 1,000,877	109,314	\$ 1,079,685
Increase (decrease) in net assets	-	3	-	3,569
Issued for cash	8,948	89,478	7,723	77,234
Issued for reinvested distributions	4,224	42,235	3,545	35,449
Redeemed for cash	(21,858)	(218,577)	(19,506)	(195,060)
Transfer between series	-	-	-	-
Issued and outstanding, end of year	92,390	\$ 914,016	101,076	\$ 1,000,877

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

(a) Management and incentive fees:

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

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

During the year ended December 31, 2023, the Trust incurred incentive fees before waivers of \$8,178 (2022 - \$7,673) and management fees of \$17,501 (2022 - \$17,461), payable to the Manager. For the year ended December 31, 2023, the Manager has agreed to waive management and incentive fees of \$8,879 (2022 - \$1,176). 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 \$697 (2022 - \$7,983) 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.

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14. Related party transactions and balances (continued):

(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 \$55,727 (2022 - \$161,185) and sold investments in mortgages of \$76,291 (2022 - \$119,747) 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 \$734,015 (2022 - \$940,520), 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. The balance at December 31, 2023 was \$190,895 (2022 - \$160,549), virtually all of which is made on a participation basis with related parties.

(d) Non-controlling interest:

Included in non-controlling interest on the consolidated statement of financial position is \$1,106 (2022 - \$1,077) which is held by entities related to the Manager by common ownership. The non-controlling interest relates to the Trust's investments in property held-for-sale. During the year ended December 31, 2023, a gain of \$29 (2022 - loss of \$3,285) has been allocated to the non-controlling interest for its share of the net income.

(e) Amounts due to and from related parties:

Amounts due from related parties as at December 31, 2023 were \$21,705 (2022 - \$7,850). The amounts primarily related to amounts receivable from special purpose entity loan sharing partners relating to funding made on their behalf. Amounts due to related parties as at December 31, 2023 were \$5 (2022 - nil).

(f) Guarantees provided and mortgages or properties acquired by entities related to the Manager:

(i) An entity related to the Manager assumed ownership of three properties and the associated mortgages held by the Trust. The total amount assumed was \$18,491. The entity related to the Manager provided guarantees to the Trust on the same three mortgages and one additional mortgage. During the year ended December 31, 2022, one of the guaranteed mortgages was repaid in full.

The amount guaranteed in relation to the remaining three mortgages was \$15,272 (2022 - \$17,470), which is the full amount of the mortgages outstanding at December 31, 2023.

(ii) During 2020, the Trust acquired one property through a foreclosure-like process. As at December 31, 2023, the remaining value of the outstanding guarantee provided by an entity related to the Manager was \$12,226 (2022 - \$12,226) as discussed in Note 7.

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14. Related party transactions and balances (continued):

(f) Guarantees provided and mortgages or properties acquired by entities related to the Manager (continued):

(iii) During 2021, the Trust assumed a mortgage from a related entity totalling \$3,750. The transfer occurred net of a Stage 3 IFRS 9 provision. An entity related to the Manager has provided a guarantee totalling \$3,750.

(iv) During 2022, an entity related to the Manager foreclosed on a property in Venice Beach, California. As part of the foreclosure process, the entity related to the Manager assumed the mortgage provided by the Trust. As at December 31, 2023, a promissory note receivable totalling nil (2022 - \$7,098) remains outstanding.

(v) During 2022, an entity related to the Manager assumed ownership of two properties in exchange for mortgages payable to the Trust and other affiliated entities. On the date of assumption, the total mortgage balance payable to the Trust was \$46,426. Subsequent to the assumption, a third-party lender provided the entity related to the Manager a second mortgage, secured by the two properties, for the purpose of reducing the mortgage balance owing to the Trust. During 2022, the entity related to the Manager paid the Trust a total of \$14,803 from proceeds generated from the second mortgage.

During 2023, one of the two properties were sold and the Trust received a further paydown of \$14,238 from the entity related to the Manager.

Subsequent to year-end, the remaining property was sold and the Trust received final proceeds of \$20,914 from the entity related to the Manager.

(g) Co-investment in associates:

As at December 31, 2023, the Trust has co-invested in certain associates and joint ventures investments with the owners of the Manager and their close family members and other Trez managed funds which are related parties by virtue of common management, as follows:

- As at December 31, 2023, the owners of the Manager and their close family members own 42% (2022 - 42%) of the units of T- NWBP Investments LP.
- As at December 31, 2023, the owners of the Manager and their close family members own 8% (2022 - 8%) of the units of TC Logan Park Investments LP.
- As at December 31, 2023, the owners of the Manager and their close family members own 13% (2022 - 13%) of the units of Trez NP Investors LP and other Trez managed funds own 7% (2022 - 7%) of the units of Trez NP Investors LP.

15. Income taxes:

The Trust is 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 will be reflected in the Trust's consolidated financial statements.

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15. Income taxes (continued):

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 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 period.

During the year ended December 31, 2023, the Trust has recorded current tax expense of \$171 (2022 - \$48).

16. Fair value measurements:

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation or sale.

The 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").

December 31, 2023	Carrying value		Fair value
	Amortized cost	FVTPL	
Financial assets not measured at fair value:			
Cash and cash equivalents	\$ 100,749	\$ -	\$ 100,749
Due from related parties	21,705	-	21,705
Investments in mortgages	732,059	-	732,059
Promissory notes receivable	3,312	-	3,312
Other assets	265	-	265
Financial assets measured at fair value:			
Margin deposits (Level 2)	-	1,256	1,256
Foreign currency derivative assets (Level 2)	-	7,694	7,694
Investments held at fair value (Level 3)	-	190,895	190,895

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16. Fair value measurements (continued):

December 31, 2023	Carrying value		Fair value
	Amortized cost	FVTPL	
Financial liabilities not measured at fair value			
Accounts payable and accrued liabilities	\$ 3,250	\$ -	\$ 3,250
Management and incentive fees payable	697	-	697
Distributions payable on redeemable units	2,425	-	2,425
Due to related parties	5	-	5
Loans payable	35,556	-	35,556
Mortgage syndication liabilities	169,504	-	169,504
Net assets attributable to holders of redeemable units	914,016	-	914,016
Financial liabilities measured at fair value:			
Foreign currency derivative liabilities (Level 2)	-	686	686
December 31, 2022			
December 31, 2022	Carrying value		Fair value
	Amortized cost	FVTPL	
Financial assets not measured at fair value:			
Cash and cash equivalents	\$ 60,606	\$ -	\$ 60,606
Due from related parties	7,850	-	7,850
Investments in mortgages	940,520	-	940,520
Promissory notes receivable	7,223	-	7,223
Financial assets measured at fair value:			
Margin deposits (Level 2)	-	9,546	9,546
Foreign currency derivatives assets (Level 2)	-	-	-
Other investments	-	64,319	64,319
Investments held at fair value (Level 3)	-	160,549	160,549
December 31, 2022			
December 31, 2022	Carrying value		Fair value
	Amortized cost	FVTPL	
Financial liabilities not measured at fair value			
Accounts payable and accrued liabilities	\$ 3,193	\$ -	\$ 3,193
Management and incentive fees payable	7,983	-	7,983
Distributions payable on redeemable units	3,014	-	3,014
Loans payable	46,381	-	46,381
Mortgage syndication liabilities	221,639	-	221,639
Net assets attributable to holders of redeemable units	1,000,877	-	1,000,877
Financial liabilities measured at fair value:			
Foreign currency derivative liabilities (Level 2)	-	6,844	6,844

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.

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16. 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 \$260 (2022 - \$1,079) and a 0.25% decrease in the discount rate would increase the fair value by \$261 (2022 - \$1,083).

A reconciliation of Level 3 investments held at fair value at December 31, 2023 is as follows:

Investments held at fair value, December 31, 2021	\$	175,759
Additions to investments		296,751
Realized change in fair value		9,120
Unrealized change in fair value		5,349
Unrealized foreign exchange		11,024
Distributions paid		(337,454)
Investments held at fair value, December 31, 2022		160,549
Additions to investments		272,887
Realized change in fair value		12,001
Unrealized change in fair value		11,500
Unrealized foreign exchange		(4,622)
Distributions paid		(261,420)
Investments held at fair value, December 31, 2023	\$	190,895

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) Foreign currency derivatives:

The Trust has entered into foreign exchange contracts to mitigate the impact from fluctuations in foreign exchange rates. The Manager determines the fair value of foreign currency derivatives with reference to quotations from third party derivative dealers and accepts the amount as fair value for the derivatives. As a result, the fair value of foreign currency derivatives is based on Level 2 inputs.

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16. Fair value measurements (continued):

(d) Other financial assets and liabilities:

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

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

The Trust routinely redeems and issues redeemable units at \$10 per unit. 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.

17. 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.

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

Year ended December 31, 2023

17. Financial instruments and risk management (continued):

(a) Credit risk (continued):

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. As at December 31, 2023, 14.5% (2022 - 11.6%) of the Trust's investments in mortgages was advanced to a single borrowing group. Minimal credit risk also arises from cash, and deposits which is mitigated by holding cash and deposits in Canada with a major financial institution.

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

(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 loans payable, accounts payable and accrued liabilities, mortgage syndication liabilities, distributions payable to holders of redeemable units, redeemable units, loans payable and its obligations to make future advances under its existing mortgage portfolio. Liquidity risk is managed by ensuring that the sum of: (i) availability under the Trust's bank borrowing line; (ii) the sourcing of other borrowing facilities; and (iii) projected repayments under the existing mortgage portfolio 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 expenses	\$ 3,250	\$ 3,250	\$ 3,250	\$ -	\$ -	\$ -
Due to Manager	697	697	697	-	-	-
Distribution payable	2,425	2,425	2,425	-	-	-
Due to related parties	5	5	5	-	-	-
Loans payable	35,556	35,556	35,556	-	-	-
Total contractual liabilities, excluding mortgage syndication liabilities	\$ 41,933	\$ 41,933	\$ 41,933	\$ -	\$ -	\$ -

1. As at December 31, 2023, there was nil drawn down on the credit facility (Note 10).

2. Loans payable include one year of interest based on annual interest rates assuming all loans are repaid at December 31, 2023.

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

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2023

17. Financial instruments and risk management (continued):

(b) Liquidity risk (continued):

As at December 31, 2023, the Trust had a cash and cash equivalents position of \$100,749 (2022 - \$60,606) and an unutilized credit facility of \$105,000 (2022 - \$105,000). 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 and investments in associates. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

The Trust's strategy for the management of market risk is driven by the Trust's investment objective which is to invest in a diversified portfolio of mortgages on real property and development projects within Canada and the United States that preserves capital and generates returns in order to permit the Trust to pay quarterly distribution to its Unitholders.

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

(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 13, units are retractable 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 manages interest rate risk by generally investing in short-term variable rate mortgages with floor rates which are greater than the rate charged by its lenders. The Trust also charges a 1% penalty on redemptions made prior to the Units' first year anniversary.

As at December 31, 2023, a 0.25% increase/decrease in interest rates with all other variables held constant would increase/decrease the Trust's income by approximately \$1,570 (2022 - \$3,835), 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 Canadian dollars; however, the Trust invests in mortgages and investments in associates and joint ventures that are denominated in US dollars.

The Trust has put in place steps to mitigate the impacts from fluctuations in foreign exchange as the Trust has entered into forward exchange contracts to manage its foreign exchange exposure. As at December 31, 2023, the Trust was participating in forward exchange contracts to sell US dollars totalling \$365,900 (2022 - \$321,233).

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2023

17. Financial instruments and risk management (continued):

(c) Market risk (continued):

(iii) Currency risk (continued):

The foreign currency derivatives are marked-to-market on the consolidated statement of financial position. As at December 31, 2023, the fair value of assets is \$7,694 (2022 - nil) and fair value of liabilities is \$686 (2022 - \$6,844). The foreign currency derivatives are entered directly by the Trust with third party financial institutions.

The table below indicates the foreign currency to which the Trust had unhedged exposure at December 31, 2023 and over hedged exposure at December 31, 2022. It also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 5% in relation to the other currency, with all other variables held constant.

		2023
Currency	Exposure	Impact on net assets attributable to redeemable units
United States dollars	\$ (6,671)	\$ (318)
% of net assets attributable to redeemable units	(0.73%)	(0.03%)

		2022
Currency	Exposure	Impact on net assets attributable to redeemable units
United States dollars	\$ (30)	\$ (2)
% of net assets attributable to redeemable units	0.00%	0.00%

(iv) Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Trust is exposed to price risk because of its investment in mortgages and development projects through its investments in associates and joint ventures. These risks arise from changes in the real estate market and could be local, national, and global in nature. Deteriorating real estate values increase the Trust's risk. The Trust manages these risks by actively maintaining strong borrower relationship and active monitoring of all loans. Further, the Trust has diversified its portfolio of investment mortgages geographically to manage this risk.

TREZ CAPITAL YIELD TRUST

Notes to Consolidated Financial Statements

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

Year ended December 31, 2023

18. Capital management:

The Trust considers net assets attributable to holders of redeemable units to be capital, which at December 31, 2023 was \$914,016 (2022 - \$1,000,877).

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.

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 other than those described in Note 10 and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Trust agreement.

19. 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 30th day of April, 2025.

Trez Capital Yield Trust
By its Manager and Promoter, Trez Capital Fund Management Limited Partnership,
by its general partner, Trez Capital Fund Management (2011) Corporation

"John Maragliano"
(Signed) John Maragliano
Co-Chief Executive Officer, Chief
Financial Officer, President and Director

On behalf of the Directors of Trez Capital Fund Management (2011) Corporation,
the general partner of Trez Capital Fund Management Limited Partnership

"Morley Greene"
(Signed) Morley Greene
Director

"John Maragliano"
(Signed) John Maragliano
Director

On behalf of the Directors of Trez Capital (2011) Corporation,
the general partner of Trez Capital Limited Partnership

"Morley Greene"
(Signed) Morley Greene
Director

"John Maragliano"
(Signed) John Maragliano
Director