



Trez Capital Senior Mortgage Investment Corporation

Annual Information Form
April 1, 2019

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FORWARD LOOKING STATEMENTS

This annual information form (the “AIF”) 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” 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 Company (as defined herein) to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Examples of such forward-looking statements include, but are not limited to: statements regarding the Orderly Wind-Up Plan (as defined herein), including the acceleration of the monetization of the Company’s loan portfolio, the distribution of the net cash proceeds from the monetization of loans to Shareholders and the purchase for cancellation of Shares through a normal course issuer bid, substantial issuer bid or otherwise. 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 AIF. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect including, but not limited to, the Company continuing to have sufficient financial resources and working capital to conduct its ongoing operations, to complete the Orderly Wind-Up Plan and to pursue its foreseeable or planned business opportunities, including strategic dispositions of loans and future purchases of Shares, the ability of the Company to establish and maintain relationships and agreements with key financial partners, the qualification of the Company as a MIC under the Tax Act, the maintenance of prevailing interest rates at favourable levels, the ability of borrowers to service their obligations under the Mortgages (as defined herein), the ability of Trez (as defined herein) to effectively perform its obligations to the Company, anticipated costs and expenses, and changes in general economic conditions. While the Company anticipates that subsequent events and developments may cause its views to change, the Company 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 Company’s views as of any date subsequent to the date of this AIF. Although the Company 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 Company. Additional factors are noted under “Risk Factors” in this AIF.

GLOSSARY OF TERMS

The following terms used in this AIF have the respective meanings set out below.

“\$” means Canadian dollars.

“**AIF**” means this annual information form.

“**Audit Committee**” means the Audit Committee of the Board.

“**Automatic Repurchase**” has the meaning set forth under “Description of Capital Structure - Restrictions on Ownership”.

“**Automatic Repurchase Shareholder**” has the meaning set forth under “Description of Capital Structure - Restrictions on Ownership”.

“**Board**” means the board of directors of the Company.

“**CBCA**” means the *Canada Business Corporations Act*, as amended.

“**CDS**” means CDS Clearing and Depository Services Inc.

“**CDS Participant**” means a participant in CDS.

“**Class A Share**” means a Class A share of the Company.

“**Class A Shareholder**” means a holder of Class A Shares.

“**Class B Share**” means a Class B share of the Company.

“**Class B Shareholder**” means a holder of Class B Shares.

“**Commitment Fee**” means a one-time fee, net of the amount paid as compensation to the Originator for sourcing the Mortgage, paid by a borrower to the Company in return for obtaining a commitment for Mortgage financing, stated either as a fixed dollar amount or a percentage of the principal amount of the Mortgage.

“**Company**” means Trez Capital Senior Mortgage Investment Corporation.

“**Custodian**” means Computershare Trust Company of Canada in its capacity as the custodian of the assets of the Company pursuant to the Custodian Agreement.

“**Custodian Agreement**” means the custodian agreement dated November 23, 2012 among the Company, the Manager and the Custodian.

“**DPSPs**” means deferred profit sharing plans as defined in the Tax Act.

“**Early Termination Date**” has the meaning set forth under “Management of the Company - The Manager - Management Agreement”.

“**Early Termination Fee**” has the meaning set forth under “Management of the Company - The Manager - Management Agreement”.

“**Incentive Fee**” has the meaning set forth under “Management of the Company - The Manager - Compensation of the Manager”.

“**Investment Guidelines**” means the investment guidelines followed by the Company prior to the commencement of the Orderly Wind-Up Plan, which had been determined by the Board.

“**Investment Objective**” means the historical investment objective of the Company as described under “Description of the Business - Overview”.

“**Loan-to-Value**” means the ratio, expressed as a percentage, determined by $A/B \times 100$ where:

A = the principal amount of the Company’s interest in the Mortgage, together with all other equal and prior ranking Mortgages on the Real Property, and

B = the appraised market value of the Real Property securing the Mortgage at the time of funding the Mortgage or its most recent renewal, whichever occurs later.

“**Management Agreement**” means the amended and restated management agreement dated November 30, 2013 between the Company and the Manager.

“**Management Fee**” means a management fee equal to 0.85% per annum of the gross assets of the Company, calculated and paid monthly in arrears plus applicable taxes.

“**Manager**” means Trez Capital Fund Management Limited Partnership and, when discussing the history of the Manager, includes its predecessors, Trez Capital Limited Partnership and Trez Capital Corporation.

“**Memorandum of Understanding**” has the meaning set forth under “General Development of the Business - Recent Developments - Monetization Process”.

“**Monetization Process**” has the meaning set forth under “General Development of the Business - Recent Developments - Monetization Process”.

“**MIC**” means a “mortgage investment corporation” as defined in section 130.1(6) of the Tax Act.

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

“**Mortgage Broker**” means Trez Capital Limited Partnership.

“**Mortgage Brokerage Agreement**” means the mortgage brokerage agreement dated November 21, 2012 among the Company, the Manager and the Mortgage Broker.

“**NCIB**” means the Company’s normal course issuer bid for its Class A Shares, as more particularly described under “General Development of the Business - Recent Developments - Normal Course Issuer Bid”.

“**Nomination & Compensation Committee**” means the Nomination & Compensation Committee of the Board.

“**Orderly Wind-Up Plan**” has the meaning set forth under “General Development of the Business - Recent Developments - Completion of Strategic Review Process”.

“**Originator**” means the officer, employee or other person who works or sources Mortgage lending opportunities for the Mortgage Broker..

“**Plans**” means trusts governed by RRSPs, DPSPs, RRIFs, RDSPs, RESPs and TFSAs.

“**Portfolio**” means the portfolio of Mortgages owned by the Company from time to time.

“**Real Property**” means land, rights or interest in land in Canada (including, without limitation, leaseholds, air rights and rights in condominiums, but excluding Mortgages) and any buildings, structures, improvements and fixtures located thereon.

“**RDSPs**” means registered disability savings plans as defined in the Tax Act.

“**Related Persons**” has the meaning ascribed to that term in the Tax Act as it relates to the description of the number of shares that may be held by shareholders of a “mortgage investment corporation”, as such term is defined in the Tax Act.

“**Repurchase Price**” means (a) the volume weighted average trading price of the particular class or series of Shares for the five (5) consecutive trading days ending immediately preceding the date of the Triggering Transaction; and (b) if the particular class or series of Shares is not listed on any organized trading facility, then the Repurchase Price will be, subject to the necessary approvals of any applicable regulatory authorities, such value as is determined by the Company or as specified in the terms attached to the Shares.

“**Repurchased Shares**” has the meaning set forth under “Description of Capital Structure - Restrictions on Ownership”.

“**Required Property**” has the meaning set forth under “Description of the Business - Lending Policies and Guidelines - Mortgage Investment Corporation Requirements”.

“**RESPs**” means registered education savings plans as defined in the Tax Act.

“**Right**” has the meaning set forth under “Description of Capital Structure - Rights Plan”.

“**Rights Plan**” has the meaning set forth under “General Development of the Business – Recent Developments – Monetization Process”.

“**RRIFs**” means registered retirement income funds as defined in the Tax Act.

“**RRSPs**” means registered retirement savings plans as defined in the Tax Act.

“**Shareholder**” means a holder of Shares.

“**Shares**” means the Class A Shares and Class B Shares of the Company.

“**Special Committee**” means the Special Committee of the Board.

“**Strategic Review Process**” has the meaning set forth under “General Development of the Business - Recent Developments – Initiation of Strategic Review Process”.

“**Tax Act**” means the *Income Tax Act* (Canada), as amended.

“**Termination for Cause**” has the meaning set forth under “Management of the Company - The Manager - Management Agreement”.

“**TFSAs**” means tax-free savings accounts as defined in the Tax Act.

“**Trez**” means, collectively, the Manager and the Mortgage Broker and, when discussing the history of Trez, includes the Mortgage Broker’s predecessor, Trez Capital Corporation.

“**Triggering Transaction**” has the meaning set forth under “Description of Capital Structure - Restrictions on Ownership”.

“**TSX**” means the Toronto Stock Exchange.

CORPORATE STRUCTURE

Trez Capital Senior Mortgage Investment Corporation is a federal corporation incorporated under the *Canada Business Corporations Act* pursuant to articles of incorporation dated October 18, 2012. The articles were amended on November 21, 2012 to (i) change the one outstanding common share of the Company into 0.1 of a common share, (ii) redesignate the common shares as “Voting Shares”, (iii) create Class A shares, Class B shares, Class F shares and Class I shares, (iv) set out the rights, privileges, restrictions and conditions of each class of shares of the Company, and (v) specify the Investment Objectives and investment restrictions of the Company. The articles were further amended on November 30, 2013 to (i) remove the Voting Shares, Class B shares, Class F shares and Class I shares, (ii) revise the rights, privileges, restrictions and conditions of the Class A Shares, (iii) create the Class B Shares and set out the rights, privileges, restrictions and conditions of the Class B Shares, and (iv) remove the investment restrictions previously imposed upon the Company. The Company’s head and registered office is at 1700-745 745 Thurlow Street, Vancouver, British Columbia V6E 0C5.

The Company qualifies as a MIC. The Company is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. The Shares 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.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

The Company completed its initial public offering of securities in December 2012 for aggregate gross proceeds of \$89,150,000 (including securities subsequently issued pursuant to the exercise of an over-allotment option). The net proceeds of the offering were used by the Company to fund Mortgage loans in accordance with the Company’s Investment Objectives.

The Company’s Portfolio decreased from an aggregate principal amount of \$84,137,157 on December 31, 2015 to an aggregate principal amount of \$41,378,272 on December 31, 2016. The net reduction was due to principal repayments exceeding investments in Mortgages by \$39,739,008, capitalized interest of \$1,442,691, a fair value adjustment on investments in mortgages totaling \$150,000, and other net reduction composed of changes in loan sharing syndications and interest and fees accrued totaling \$4,312,568.

The Company’s Portfolio decreased from an aggregate principal amount of \$41,378,272 on December 31, 2016 to an aggregate principal amount of \$19,670,075 on December 31, 2017. The net reduction was due to principal repayments exceeding investments in Mortgages by \$20,016,206, capitalized interest of \$1,098,828, a fair value adjustment on investments in mortgages totaling \$700,000, and other net reduction composed of changes in loan sharing syndications and interest and fees accrued totaling \$2,090,819.

The Company’s Portfolio decreased from an aggregate principal amount of \$19,670,075 on December 31, 2017 to an aggregate principal amount of \$13,703,314 on December 31, 2018. The net reduction was due to principal repayments exceeding investments in Mortgages by \$6,896,062, capitalized interest of \$950,350 and other net reduction composed of changes in loan sharing syndications and interest and fees accrued totaling \$21,049.

Until June 2016, the Company declared and paid monthly cash dividends to Class A Shareholders each month. From its first record date on February 28, 2013 to the record date on April 30, 2014, the Company paid cash dividends each month of \$0.0416 per Class A Share (\$0.50 per annum). On May 2, 2014 at the recommendation of management, the Board raised the Company's annual dividend by 8% from \$0.50 per annum to \$0.54 per annum. Effective March 16, 2015, the Board approved an increase to the annual rate of dividend payments to \$0.58 per share per annum. Since the record date on March 31, 2015 until the record date on June 30 2016, the Company paid a cash dividend each month of \$0.0485 per Class A Share (\$0.58 per annum, representing an annual cash dividend of 5.8% based on the initial public offering price of \$10.00 per Class A Share). Such dividends were treated as interest income to Shareholders with the end result that each Shareholder was effectively in the same position as if the Shareholder directly held an interest in the Mortgages held by the Company.

From July 2016 through to November 2017, as part of the discontinuance and winding up of the business of the Company, the Company declared distributions as a return of capital of \$0.0485 per Class A Share payable to Shareholders of record on the last business day of each month during this period. Regular monthly distributions were discontinued in December 2017. The Company also declared and paid special distributions as a return of capital of \$1.981, \$1.33, \$0.66 and \$1.34 per Class A Share payable to Shareholders of record on September 30, 2016, February 6, 2017, May 19, 2017 and August 15, 2017, respectively, for an aggregate of \$6.1335 per share.

A distribution of paid-up capital is not treated as a dividend to a Shareholder. The amount of paid-up capital returned to a Shareholder reduces the Shareholder's adjusted cost base in the Shares of such Shareholder. Provided that a Shareholder's adjusted cost base in the Shares is not a negative amount at the end of the taxation year, the return of paid-up capital is a tax-free distribution. To the extent a Shareholder's adjusted cost base in such Shares becomes a negative amount, the Shareholder will generally realize a capital gain to the extent of the negative amount. Any Shareholders whose adjusted cost base in their Shares may become a negative amount as a result of returns of capital on the Shares by the Company should consult their own tax advisors.

2016

- Dividends declared by the Company between January 2016 and June 2016 totaled \$2,205,195 (\$0.291 per Class A Share). Regular monthly distributions, excluding special distributions, declared by the Company as a return of capital between July 2016 and December 2016 totaled \$2,194,494 (\$0.291 per Class A Share).
- During 2016, the Company declared and paid a special distribution as a return of capital totaling \$14,967,396, or \$1.981 per Class A Share to Shareholders of record at September 30, 2016.
- At December 31, 2016, the Company's Portfolio included 12 Mortgages totaling an aggregate principal amount of \$41,378,272.
- The Company's Shareholders approved the Orderly Wind-Up Plan at the annual and special meeting of shareholders held on June 16, 2016.
- During 2016, the Company purchased 86,752 Class A Shares at a volume weighted average price of \$6.94 per Class A Share under a normal course issuer bid.

2017

- Regular monthly distributions declared by the Company as a return of capital between January 2017 and November 2017 totaled \$3,960,730 (\$ 0.5335 per Class A Share). In November 2017, regular monthly distributions were suspended until further notice.
- During 2017, the Company declared and paid three special distributions as a return of capital of \$1.33, \$0.66 and \$1.34 per Class A Share payable to Shareholders of record on February 6, 2017, May 19, 2017 and August 15, 2017, respectively, for an aggregate of \$24,787,520.
- At December 31, 2017, the Company's Portfolio included four Mortgages totaling an aggregate principal amount of \$19,670,075.
- During 2017, the Company purchased 173,659 Class A Shares at a volume weighted average price of \$4.03 per Class A Share under a normal course issuer bid.

2018

- There were no distributions during the year ended December 31, 2018.

At December 31, 2018, the Company's Portfolio included two Mortgages totaling an aggregate principal amount of \$13,703,314.

Recent Developments

Initiation of Strategic Review Process

On September 28, 2015, the Board established the Special Committee, composed of directors who are independent of the Manager, to consider alternatives to enhance value for Shareholders. The Special Committee was authorized to oversee a review process to be undertaken in response to concerns raised by Shareholders regarding the discount of the Company's share trading price relative to its book value (the "**Strategic Review Process**").

Monetization Process

On February 18, 2016, as part of the Strategic Review Process, the Special Committee announced that it was pursuing a monetization process (a "**Monetization Process**") and discussions were ongoing with third parties who had expressed an interest in a monetization transaction involving the Company and/or its assets.

In order to facilitate the Monetization Process, on February 18, 2016, the Company and the Manager entered into a memorandum of understanding (the "**Memorandum of Understanding**"), pursuant to which the Manager consented to an early termination of the Management Agreement prior to November 30, 2018 in exchange for an early termination fee in the event that the Special Committee recommended a sale of the Company or substantially all of its assets that was approved by the Shareholders. Further, in order to facilitate the process in the best interest of all Shareholders, the Board, at the direction of the Special Committee, implemented a shareholder rights plan agreement (the "**Rights Plan**"). See "Description of

Capital Structure - Rights Plan” for a description of the Rights Plan. The Monetization Process was concluded in April 2016 as no bids were received that the Special Committee was prepared to recommend to Shareholders.

Completion of Strategic Review Process

On May 9, 2016, the Special Committee of the Board announced the completion of a strategic review process and a go-forward plan to maximize value for all Shareholders by way of an orderly wind-up of the Company’s assets and the return of capital to Shareholders (the “**Orderly Wind-Up Plan**”), which was approved at the shareholders meeting held on June 16, 2016.

The Company also entered into an agreement with the Manager dated May 6, 2016 to amend the terms of the Management Agreement (the “**Amending Agreement**”). See “Management of the Company -The Manager - Amending Agreement”.

In accordance with the Amending Agreement, the Board irrevocably and unconditionally directed the Manager to cease all new mortgage origination and, unless approved by the Board and subject to compliance with contractual requirements, all mortgage renewal activity. The Company has ceased all new mortgage originations and mortgage renewals, subject to contractual requirements.

Description of the Orderly Wind-Up Plan

The nature of the Company’s assets are such that the Company has contractual liquidity rights in the form of scheduled maturities. The Company has two mortgages remaining in the Portfolio to be liquidated. The expected weighted average term to maturity of the Portfolio as of December 31, 2018 is 13.3 months. Approximately \$12.6 million relating to one mortgage (representing approximately 82.6% of the total Portfolio) is scheduled to mature on December 1, 2020. The final scheduled loan maturity in the Company’s Portfolio is currently during 2024. The Company may pursue, where appropriate, opportunities to accelerate the monetization of the Company’s loan Portfolio through the sale of loans to third parties.

Under the Orderly Wind-Up Plan, net cash proceeds from the monetization of loans will be distributed to Shareholders in a manner that is in the best interests of Shareholders as approved by the Board.

Since July 2016, the Company ceased paying dividends and, between July 2016 and November 2017, declared and paid distributions as a return of capital of \$0.0485 per Class A Share payable to Shareholders of record on the last business day of each month. Regular monthly distributions were discontinued in December 2017. The Company declared special distributions as a return of capital of \$1.981, \$1.33, \$0.66, and \$1.34 per Class A Share payable to Shareholders of record on September 30, 2016, February 6, 2017, May 19, 2017 and August 15, 2017 respectively for an aggregate of \$39,754,916. The Company did not pay distributions in 2018.

Normal Course Issuer Bid

The Company received approval from the TSX for an NCIB, commencing on May 19, 2016 for up to 739,397 Class A Shares, which bid expired on May 18, 2017. The Company purchased 92,401 Class A Shares at a volume weighted average price of \$6.91 per Class A Share under this NCIB.

The Company received approval from the TSX for the renewal of its NCIB, commencing on May 19, 2017 for up to 746,066 Class A Shares.. The Company purchased 167,520 Class A Shares at a volume weighted average price of \$6.91 per Class A Share under the NCIB in 2017 and no Class A Shares in 2018. On May 18, 2018, the NCIB expired and was not renewed.

The purpose of the NCIB program was to improve Shareholder value by buying back and cancelling Class A Shares, thereby increasing the ownership interest percentage of the remaining Shareholders. Purchases pursuant to the NCIB were by way of open market purchases through the facilities of the TSX, and other Canadian marketplaces, and payment for the Shares was made in accordance with the TSX's bylaws and rules. Any Shares purchased by the Company were subsequently cancelled.

DESCRIPTION OF THE BUSINESS

Overview

Prior to commencing the Orderly Wind Up, the Company's objective was to fund a diversified portfolio of first ranking Mortgages that generated attractive returns in order to permit the Corporation to pay monthly dividends to its Shareholders while preserving capital (the "**Investment Objective**"). The Company sought to accomplish this objective through prudent investments in first Mortgages to qualified real estate investors and developers, focusing primarily on short-term bridge financing needs not currently serviced by traditional real estate lenders. See "General Development of the Business – Recent Developments – Description of the Orderly Wind Up Plan" above.

The current Portfolio consists of two mortgage investments in Canada. The underlying real estate in the Company's Portfolio is residential. Given the limited amount of principal and interest payments expected in the future, the Company is maintaining its current cash levels until the senior position of the more significant Mortgage is fully repaid by the borrower. The Board anticipates making further special distributions as the two remaining Mortgages in the Portfolio mature or are sold, subject to reasonable expected operating expenditures and the repayment of the senior loan participant in the more significant Mortgage.

Mortgage Administration Process

Mortgages are secured primarily by income producing Real Property where the principal and interest can be serviced from cash flow generated by the underlying Real Property. Trez manages the risks associated with defaulting Mortgages through careful monitoring of Mortgages, active communication with borrowers and prompt institution of enforcement procedures on defaulting Mortgages. Trez regularly monitors the status of each Mortgage and that of the borrower. Trez communicates regularly with borrowers to understand how their Real Property is performing and to discuss and monitor their repayment strategies and redevelopment strategies, where appropriate. Trez believes that a strong relationship with borrowers is critical to the success of the Mortgages. Trez monitors the performance of the Portfolio, including tracking the status of outstanding payments due, due dates, and the calculation and assessment of other applicable charges. Each member of management of Trez has extensive knowledge and understanding of the Mortgage and real estate industries.

All legal costs and costs related to default procedures under the Mortgages are for the account of the mortgagors.

Where appropriate, and in most cases, title insurance has been obtained. Any title insurance is held in the name of the Manager and not the Company. In addition, the lender of record obtains standard security in respect of commercial Mortgages which, depending on the specific Mortgage, may include one or more of an assignment of rents, an assignment of purchase agreements (on residential development projects), a general security agreement and personal covenants from borrowers.

The Company's Mortgages generally are with borrowers who require funding in a transitional phase of their investment process, therefore it is not unusual for these borrowers to be temporarily non-compliant with a Mortgage covenant (such as late delivery of a reporting requirement or late payment of an amount due under the Mortgage). Trez refers to these instances of technical non-compliance as a "default" and works with the borrower and if needed, the courts, to remedy the default as quickly as reasonably possible. In all cases, Trez seeks to obtain payment of all principal and interest due under the Mortgage. Far less common are circumstances where, in Trez's opinion, there has been a deterioration of the credit quality to the extent that there no longer is a reasonable assurance as to the collection of the full amount of principal and interest due under the Mortgage. Trez refers to these Mortgages as "impaired" and makes a provision for any expected losses in its financial statements to take into account the risk that the Mortgage will not be repaid in full.

Mortgage Tranching

The Company holds junior positions in the two remaining Mortgages in which third parties were permitted to participate on a senior basis at reduced interest rates. This enabled the Company to retain a larger amount of interest revenue when compared to the portions of the Mortgages retained by the other investors.

The participation interests of the Company, other mortgage investment entities managed by the Manager, and any third parties in Mortgages are represented through participation agreements under which Trez retains control over administering the entire Mortgage. The standard participation agreements used with respect to Mortgages provide that, in the event of a failure by the borrower to pay any amount owing under a Mortgage, the mortgagees are entitled to enforce the Mortgage in accordance with applicable law. In the event of a failure by a mortgagor to make a scheduled payment of interest and/or principal, the mortgagees will immediately communicate with the mortgagor and, failing prompt rectification, will issue a notice of their intent to exercise such remedy or remedies available to the mortgagees which Trez considers appropriate. The participation agreements provide a legal entitlement of the Company in the subject Mortgage, although not necessarily a directly registered interest.

Investment Guidelines

Prior to commencement of the Orderly Wind-Up, the Company followed certain Investment Guidelines, which had been determined by the Board. The Company intends to qualify as a MIC for the near term and, as such, is subject to certain investment restrictions under applicable law that, among other matters, limit the investments that may be made by the Company. See "Mortgage Investment Corporation Requirements" below for additional information.

Following commencement of the Orderly Wind-Up, no new mortgages have been or will be initiated. Accordingly, the Investment Guidelines are no longer applicable. In particular, the Company is no longer required to maintain its status as a MIC.

Mortgage Investment Corporation Requirements

The Company currently qualifies as a MIC. In order to qualify as a MIC for the purposes of the Tax Act throughout a taxation year, the Company must meet all of the following criteria throughout the taxation year:

1. Canadian Corporation. The Company be a “Canadian corporation”, as defined in the Tax Act, which generally means a corporation incorporated or resident in Canada.
2. Undertaking. The Company’s only undertaking be the investing of its funds. The Company must not have managed or developed any real or immovable property.
3. Prohibited Foreign Investment. None of the property of the Company consists of debts owing to the Company secured on real or immovable property situated outside Canada, debts owing to the Company by non-resident persons unless such debts are secured on real or immovable property situated in Canada, shares of the capital stock of corporations not resident in Canada, or real or immovable property situated outside of Canada or any leasehold interest in such property.
4. Shareholder Requirements. The Company has at least 20 Shareholders. In addition, no Shareholder (together with Related Persons) at any time in the year owned, directly or indirectly, more than 25% of the issued Shares of any class.
5. Preferred Shareholders. Holders of preferred shares (if any) of the Company have the right, after payment to them of their preferred dividends and payment of dividends in a like amount per share to the Class A Shareholders, to participate *pari passu* (equally) with the Class A Shareholders in any further payment of dividends.
6. 50% Asset Test. The cost amount for tax purposes to the Company of its property in the form of or as a combination of money, debts secured on certain specified residential properties, and funds on deposit with a Canada Deposit Insurance Fund or Régie de l’assurance-dépôts du Québec insured institution or credit union (such debts and deposits referred to as “**Required Property**”) constituted at least 50% of the cost amount to the Company of all of its property.
7. 25% Asset Test. The cost amount for tax purposes to the Company of all real or immovable property of the Company (including leaseholds but excepting real or immovable property acquired by foreclosure after default by the mortgagor) must not exceed 25% of the cost amount to the Company of all of its property.
8. Debt to Equity Ratio. Where at any time in the year the cost amount to the Company of its money and Required Property represented less than two-thirds of the aggregate cost amount to the Company of all of its property, the Company’s liabilities may not exceed three times the amount by which the cost amount to the Company of all of its property exceeds its liabilities. Where, however, throughout the year the cost amount to the Company of its money and Required Property represented two-thirds or more of the aggregate cost amount to the Company of all of its property, the Company’s liabilities may not exceed five times the amount by which the cost amount to the Company of all of its property exceeds its liabilities.

With respect to the requirement noted above that no Shareholder (together with Related Persons) may own more than 25% of the shares of any class of the Company, “**Related Persons**” includes, without limitation, for this purpose, a corporation and the person or persons that control

the corporation, a parent corporation and its subsidiary corporation(s) and corporations that are part of the same corporate group, and an individual and that individual's spouse, common law partner or child under 18 years of age. The rules in the Tax Act defining "related persons" are complex and holders should consult with their own tax advisors in this regard.

For the purposes of the 50% asset test noted above, the Company's investments must comprise the specified minimum amount of debts that are secured by mortgages, hypothecs or in any other manner, on "houses" or on property included within a "housing project", as those terms are defined in the *National Housing Act* (Canada). Generally, a "house" includes all or part of a building or moveable structure that is intended for human habitation containing not more than two family housing units, and "housing project" includes all or part of a building or movable structure intended for human habitation, any property intended to be improved, converted or developed to provide housing accommodation or services supporting housing accommodations, or property associated with housing accommodation such as parking, public and recreational facilities.

Loss of MIC Status

In the event that the Company loses its status as a "mortgage investment corporation" for purposes of the Tax Act in the 2019 taxation year or a subsequent taxation year, the Company will not be able to deduct dividends, if any, paid to Shareholders in computing its taxable income for the purposes of the Tax Act for the relevant taxation year and subsequent taxation years. Should such an event occur, the Manager believes that the Company's non-capital losses available to be carried forward would be sufficient to offset any income of the Company in 2018 and in subsequent taxation years and the Manager would not expect the Company to be subject to tax under Part I of the Tax Act on its income in 2019 and in subsequent years.

RISK FACTORS

There are certain risks inherent in an investment in Shares of the Company, including the factors summarized below, which investors should carefully consider before investing in Shares. Some of the following factors are interrelated and, consequently, investors should treat such risk factors as a whole. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF. These risks and uncertainties are not the only ones that could affect the Company and additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also impair the returns, book value and financial condition of the Company and the market value of the Shares. If any such risks actually occur, the returns, book value and financial condition of the Company and the market value of the Shares could be materially adversely affected and the financial performance of the Company and the ability of the Company to pay distributions could be materially adversely affected.

Risks Associated with the Orderly Wind-Up

Amount and Timing of Distributions to Shareholders is Uncertain

The amount of cash to be distributed to Shareholders and the timing of any such distributions cannot currently be quantified or estimated with certainty and is subject to change. In particular, the cash amount distributed to Shareholders may be lower than anticipated: (i) to the extent that there are any unforeseen adverse events, including defaults, that impact the value of the

Company's Portfolio; (ii) to the extent the monetization of the Company's Portfolio, including on any sales or on scheduled maturities, does not yield the proceeds anticipated; (iii) to the extent that the costs incurred to complete the Orderly Wind-Up are greater than anticipated; and (iv) to the extent there are material unforeseen costs or liabilities that must be satisfied by the Company. A Shareholder may receive substantially less than its *pro rata* share of the net assets of the Company, as set out on its most recent balance sheet.

The Company does not have the right to direct administration decisions in respect of certain Mortgages in the Portfolio

The Company holds junior positions in Mortgages in which third parties are permitted to participate on a senior basis. As a result, the Company does not currently own 100% of the interests in either of the Mortgages in its Portfolio and does not have the right to direct the administration decisions such as renewals, extensions and modifications in respect of such Mortgages. As of December 31, 2018, both of the Mortgages in the Company's Portfolio are not 100% owned by the Company. The determination by the administrator of the Mortgages (a separate corporate affiliate of the Manager that is not subject to the Amending Agreement) of what is in the best interests of all of the participants in the Mortgage may be inconsistent with the monetization of a Mortgage or the Board's determination under the Orderly Wind-Up Plan. While the Board will work with the Manager and the administrator of the Mortgages to establish protocols to be followed throughout the process in respect of renewals, extensions, modifications and other administrative decisions relating to the Company's Mortgages, there is no assurance that such protocols will yield results which are consistent with the Orderly Wind-Up Plan. In light of the foregoing, there can be no assurance that the Company will complete the Orderly Wind-Up Plan on the basis described herein, which may have an adverse impact on the timing and amount of cash distributions made to Shareholders under the Orderly-Wind Up Plan.

Stock Exchange Listing and Status as a Reporting Issuer

Until an application is made and an order is issued by the Canadian securities regulatory authorities deeming the Company to no longer be a "reporting issuer", the Company will continue to be subject to ongoing disclosure and other obligations as a reporting issuer under applicable securities legislation in Canada.

There can be no assurance that the Class A Shares will continue to be listed on, and meet the listing requirements of, the TSX. Although the Company may seek an alternative listing should the Shares be delisted from their current market, there can be no assurance that such a listing can be obtained or that such a listing will provide appropriate liquidity for the Shareholders. Furthermore, the Company may decide to cancel the Class A Shares and thus delist them. This can be expected to materially adversely affect the liquidity of the Shares and the transparency and availability of trading prices.

Potential Liability of Shareholders

Under the CBCA, despite the liquidation and dissolution of the Company, each Shareholder to whom any of its property has been distributed is liable to any person claiming under section 226 of the CBCA to the extent of the amount received by that Shareholder upon the distribution, and an action to enforce such liability may be brought.

Section 226 of the CBCA provides that, despite the dissolution of the Company under the CBCA, a civil, criminal or administrative action or proceeding may be brought against the

Company within two years, as if the Company had not been dissolved, and provides, among other things, that any property that would have been available to satisfy any judgment or order if the Company had not been dissolved, remains available for such purpose. Under the CBCA, the dissolution of the Company does not remove or impair any remedy available against the Company for any right or claim existing, or any liability incurred, prior to such dissolution or arising thereafter.

Risks Associated With the Business

Changes in Real Property Values

The Company's Mortgages are secured by Real Property, the value of which can fluctuate. The value of Real Property is affected by general economic conditions, local real estate markets, the attractiveness of the property to tenants where applicable, competition from other available properties, fluctuations in occupancy rates, operating expenses and other factors. The value of income-producing Real Property may also depend on the creditworthiness and financial stability of the borrowers and/or the tenants. Changes in market conditions may decrease the value of the secured Real Property and reduce the cash flow from the property, thereby impacting the ability of the borrower to service the debt and/or repay the Mortgage based on the property income. This, in turn, could negatively impact the Company's business and the market value of the Shares.

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

While independent appraisals were required before the Company made any Mortgage loan, the appraised values, 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 Mortgage. 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.

Composition and Concentration of the Portfolio

The Portfolio is comprised of two Mortgages, although the Company may also hold some cash and cash equivalents on a transitional basis. Given the concentration of the Company's exposure to Mortgages, the Company is more susceptible to adverse economic or regulatory occurrences affecting Real Property than an issuer that owns a diversified portfolio of assets. Mortgages are relatively illiquid.

No Guarantees or Insurance

There can be no assurance that Mortgage loans of the Company will result in a guaranteed rate of return or any return to Shareholders, or that losses will not be suffered on one or more Mortgage loans.

A Mortgage borrower's obligations to the Company are not guaranteed by the Government of Canada, the government of any province or any agency thereof nor are they insured under the

National Housing Act (Canada). In the event that additional security is given by the borrower or a third party or that a private guarantor guarantees the Mortgage borrower's obligations, there is no assurance that such additional security or guarantee will be sufficient to make the Company whole if and when resort is to be had thereto. Further, Shares 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.

Sensitivity to Interest Rates

The market value for the Shares and the value of the Portfolio at any given time may be affected by the level of interest rates prevailing at such time. The Company's income consists primarily of interest payments on the Mortgages comprising the Portfolio. There can be no assurance that an interest rate environment in which there is a significant change in interest rates would not adversely affect the value of the Company's Portfolio.

Fluctuations in Book Value, Market Value and Distributions

The market value of the Shares and the cash available for distributions will vary according to, among other things, the value of the Portfolio, the interest earned thereon and the effects of the Orderly Wind-Up Plan. Fluctuations in the market value of the Portfolio may occur for a number of reasons beyond the control of the Company.

There can be no assurance regarding the amount of revenue that will be generated by the Mortgages comprising the Portfolio. The amount and frequency of distribution payments depend upon numerous factors, including the ability of borrowers to make applicable payments under Mortgages, interest rates, unexpected costs, and other factors which may not currently be known by or which may be beyond the control of the Company. If the directors of the Company determine that it would be in the best interests of the Company to do so, they may reduce or suspend for any period, or altogether cease indefinitely, the payment of distributions on Shares.

Mortgage Extensions and Defaults

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

When a Mortgage is extended past its maturity, the Mortgage 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 Mortgage, the Company has the ability to exercise its Mortgage enforcement remedies in respect of the extended or renewed Mortgage. Exercising Mortgage enforcement remedies is a process that requires a significant amount of time to complete, which could adversely impact the cash flows of the Company during the period of enforcement. In addition, as a result of potential declines in real estate values, there is no assurance that the Company will be able to recover all or substantially all of the outstanding principal and interest owed to the Company in respect of

such Mortgages by exercising its Mortgage enforcement remedies. Should the Company be unable to recover all or substantially all of the principal and interest owed to the Company in respect of such Mortgages, the book value of the Company would be reduced, and the returns and financial condition of the Company could be adversely impacted.

Mortgage Enforcement and Related Costs

If one or more borrowers fail to make payments according to the terms of their Mortgage, the Company would therefore be forced to exercise its rights as mortgagee. The recovery of a portion of the Company'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 Company's rights as mortgagee. Legal fees, expenses and other costs incurred by the Company 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 Company.

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 Company may therefore be required to incur such expenditures to protect its investment, even if the borrower is not honouring its contractual obligations.

Litigation Risks

The Company may, from time to time, become involved in legal proceedings in the course of its business. The costs of litigation and settlement can be substantial and there is no assurance that such costs will be recovered in whole or at all. During litigation, the Company may not receive payments of interest on a Mortgage that is the subject of litigation, thereby impacting cash flows. The unfavourable resolution of any legal proceedings could have a material adverse effect on the Company, its financial position and the quantum of distributions.

Trading Price of Class A Shares and Liquidity

The Class A Shares may trade in the market at a premium or discount to the book value per Class A Share and there can be no assurance that the Class A Shares will trade at a price equal to the book value per Class A Share or that a liquid market will exist. This risk is separate and distinct from the risk that the book value per Class A Share may decrease. The Company anticipates that the trading price of the Class A Shares will, in any event, vary from the book value per Class A Share. The trading price of the Class A Shares will be determined by, among other things, the relative demand for and supply of Class A Shares in the market, trading liquidity, the Class A Shares' yield and investor perception of the Orderly Wind-Up Plan.

Qualification as a MIC

The Company currently qualifies as a MIC, although no assurance can be provided that the Company will continue to do so. If for any reason the Company does not maintain its qualification as a MIC under the Tax Act, dividends, if any, paid by the Company on its Shares in the taxation year in which it ceases to so qualify and in subsequent taxation years will cease to be deductible by the Company in computing its income and will no longer be deemed to have been received by Shareholders as interest or a capital gain, as the case may be. In such event the rules in the Tax Act regarding the taxation of public corporations and their shareholders apply.

However, the Manager expects that even if the Company were to lose its MIC status, the Company has sufficient non-capital losses that could be carried forward to be applied to offset its income such that the Manager does not anticipate that the Company would be subject to tax under Part I of the Tax Act. In addition, if the Class A Shares cease to be listed on a designated stock exchange and if the Company ceases to be a “public corporation”, for purposes of the Tax Act, the Class A Shares may not constitute qualified investments for Plans.

Reliance on Trez

Pursuant to the Management Agreement and the Mortgage Brokerage Agreement, Trez provides, or arranges to provide, to the Company all of the services it requires on a day-to-day basis. Although the employees of Trez who are primarily responsible for the performance of the obligations owed to the Company have extensive experience, there is no certainty that such individuals will continue to be employees of Trez in the future. In addition, each of the Management Agreement and the Mortgage Brokerage Agreement may be terminated in certain circumstances. There is no assurance that Trez will continue to provide services to the Company.

There also is no certainty that the persons who are currently officers and directors of Trez will continue to act in such capacity. Shareholders will be required to rely on the good faith, expertise and judgment of the individuals comprising the management of Trez from time to time. Shareholders do not have the right to direct or influence in any manner the business or affairs of Trez.

Conflicts of Interest

The Company is subject to a number of actual and potential conflicts of interest involving Trez and its affiliates because Trez provides management services to others and Trez may also invest for its own account. The services provided by Trez pursuant to the Management Agreement and the Mortgage Brokerage Agreement are not exclusive to the Company and the Management Agreement does not restrict Trez from engaging in other business activities, even though such activities may involve substantial time and resources of Trez.

The Company relies upon Trez to manage the business of the Company and to provide managerial skill. The directors and officers of Trez may have a conflict of interest in allocating their time between the respective businesses and interests of Trez and the Company, and other businesses or projects in which they may become involved.

Restrictions on Ownership and Repurchase of Shares

No Shareholder of the Company is permitted, together with Related Persons, at any time to hold more than 25% of any class of the issued Shares. The articles of the Company provide that the portion of such Shares held by a Shareholder, together with Related Persons, that exceeds 24.9% of the issued Shares of any class will be repurchased by the Company at a price per Share equal to their Repurchase Price, less any costs associated with such purchase. Such repurchases of Shares could be significant. See “Description of Capital Structure - Restrictions on Ownership”.

Changes in Legislation

There can be no assurance that certain laws applicable to the Company, including Canadian federal and provincial tax laws, tax proposals, securities laws, other governmental policies or regulations and governmental, administrative or judicial interpretation thereof, will not change in a manner that will adversely affect the Company or fundamentally alter the tax consequences to

Shareholders acquiring, holding or disposing of Shares.

Environmental Matters

The Company may in the future take possession, through enforcement proceedings, of properties that secure defaulted Mortgages to recover its investment in such Mortgages. Prior to taking possession of properties which secure a Mortgage, Trez will assess the potential environmental liability associated with such enforcement and determine whether it was significant, having regard to the value of the property. If Trez subsequently determines to take possession of the property, the Company could be subject to environmental liabilities in connection with such real property, which could exceed the value of the property. As part of the due diligence performed in respect of the Company's Mortgages, Trez may have obtained a Phase I Environmental Audit on the underlying real property provided as security for the Mortgage, where it determined that a Phase I Environmental Audit was appropriate. However, there can be no assurance that any such Phase I Environmental Audit will reveal any or all existing or potential environmental liabilities necessary to effectively insulate the Company from potential liability for a materially adverse environmental condition at any mortgaged property. If hazardous substances are discovered on a property of which the Company has taken possession, the Company may be required to remove such substances and remediate the property. The Company may also be liable to tenants and other users of neighbouring properties and may find it difficult or not possible to resell the property prior to or following such remediation.

DIVIDENDS AND DISTRIBUTIONS

Pursuant to the articles of the Company, Shareholders are entitled to receive dividends as and when declared thereon from time to time by the Board of Directors, acting in its sole discretion, out of the assets of the Company properly available for the payment of dividends. Until June 2016, the Company declared monthly cash dividends to Class A Shareholders of record on the last business day of each month and paid such dividends on or before the 15th day of the following month. Notwithstanding the above, the Company has the right to determine a record date that is other than the last business day of each month. From its first record date on February 28, 2013 to the record date on April 30, 2014, the Company paid cash dividends each month of \$0.0416 per Class A Share (\$0.50 per annum). On May 2, 2014 at the recommendation of management, the Board raises the Company's annual dividend by 8% from \$0.50 per annum to \$0.54 per annum. Effective March 16, 2015, the Board approved an increase to the annual rate of dividend payments to \$0.58 per share per annum. From the record date on March 31, 2015 to the record date on June 30, 2016, the Company paid a cash dividend each month of \$0.0485 per Class A Share (\$0.58 per annum representing an annual cash dividend of 5.8% based on the \$10.00 price per Class A Share at which Class A Shares were issued during the Company's initial public offering) for a total of \$0.46 per Class A Share declared in 2013, \$0.53 per Class A Share declared in 2014, \$0.58 per Class A Share declared in 2015 and \$0.291 per Class A Share declared from January to June 2016.

From July 2016 to November 2017, as part of the discontinuance and winding up of the business of the Company, the Company declared and paid distributions as a return of capital of \$0.0485 per Class A Share payable to Shareholders of record on the last business day of each month during this period. Regular monthly distributions were discontinued in December 2017. The Company also declared and paid special distributions as a return of capital of \$1.981, \$1.33, \$0.66 and \$1.34 per Class A Share payable to Shareholders of record on September 30, 2016, February 6, 2017, May 19, 2017 and August 15, 2017, respectively. No distributions were paid in 2018.

A distribution of paid-up capital is not treated as a dividend to a Shareholder. The amount of paid-up capital returned to a Shareholder reduces the Shareholder's adjusted cost base in the Shares of such Shareholder. Provided that a Shareholder's adjusted cost base in the Shares is not a negative amount, the return of paid-up capital is a tax-free distribution. To the extent a Shareholder's adjusted cost base in such Shares becomes a negative amount, the Shareholder will generally realize a capital gain to the extent of the negative amount. Any Shareholders whose adjusted cost base in their Shares may become a negative amount as a result of returns of capital on the Shares by the Company should consult their own tax advisors.

DESCRIPTION OF CAPITAL STRUCTURE

Authorized and Issued Capital

The Company is authorized to issue an unlimited number of Class A Shares and an unlimited number of Class B Shares, a summary of the terms and conditions of which are set forth below. As at April 1, 2019, 7,318,067 Class A Shares and nil Class B Shares were issued and outstanding.

Class A Shares

Voting

Class A Shareholders are entitled to receive notice of and to attend and vote at all meetings of the Shareholders of the Company (except where the holders of a specified class or classes of Shares, other than Class A Shares, are entitled to vote separately or collectively as a class as provided in the applicable Share conditions or in the CBCA) and a Class A Shareholder is entitled to one vote for each Class A Share held.

Dividends

Class A Shareholders are entitled to receive dividends as and when declared thereon from time to time by the Board, out of the assets of the Company properly applicable to the payment of dividends, in such amount as is determined by the directors of the Company in their absolute discretion. Dividends are generally paid in cash. However, the Board may, for fiscal planning or other tax efficiency reasons, in its discretion declare that a dividend will be payable to Class A Shareholders of record on December 31 and will be satisfied by the issuance of additional Class A Shares and/or cash and/or other property of the Company. Immediately following payment of any such dividend in Class A Shares, the number of Class A Shares outstanding after the dividend will be consolidated such that each Class A Shareholder will hold after the consolidation the same number of Class A Shares as the Class A Shareholder held before such dividend. In such case, each certificate representing one or more Class A Shares prior to the dividend of additional Class A Shares shall be deemed to represent the same number of Class A Shares after the dividend of additional Class A Shares and consolidation.

Dissolution

In the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or on the occurrence of any other event as a result of which Class A Shareholders are entitled to a distribution of assets of the Company for the purpose of winding-up its affairs, Class A Shares and Class B Shares shall rank equally with each other and in priority to any other shares of the Company ranking junior to the Class A Shares and Class B Shares.

Book-Entry Only System

Registration of interests in and transfers of the Class A Shares are currently made solely through the book-entry only system maintained by CDS. Class A Shares must be purchased, transferred and sold through a CDS Participant. All rights of an owner of Class A Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by CDS. Upon the acquisition of Class A Shares, the owner will receive only the customary confirmation. References in this AIF to a Class A Shareholder mean, unless the context otherwise requires, the owner of the beneficial interest in Class A Shares. The ability of an owner of Class A Shares to pledge such Class A Shares or otherwise take action with respect to such owner's interest in such Class A Shares (other than through a CDS Participant) may be limited due to the lack of a physical certificate. The Company has the option to terminate registration for the Class A Shares through the book-entry only system in which case certificates for such securities in fully registered form would be issued to beneficial owners of such Class A Shares or to their nominees.

Class B Shares

Issuable in Series

The Class B Shares may be issued from time to time in one or more series composed of such number of Class B Shares and with such special rights, privileges, restrictions and conditions attached thereto as shall be fixed from time to time before issuance by any resolution or resolutions providing for the issue of the Class B Shares of any series which may be passed by the directors of the Company and confirmed and declared by articles of amendment.

Dissolution

In the event of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or on the occurrence of any other event as a result of which Class B Shareholders are entitled to a distribution of assets of the Company for the purpose of winding-up its affairs, Class B Shares and Class A Shares shall rank equally with each other and in priority to any other shares of the Company ranking junior to the Class B Shares and Class A Shares.

Restrictions on Ownership

No Shareholder is permitted, together with Related Persons, at any time to hold more than 25% of any class of the issued Shares.

In the event that a transaction (each a "**Triggering Transaction**"), if completed, would cause any Shareholder(s) (each an "**Automatic Repurchase Shareholder**"), together with Related Persons, to hold more than 25% of the Shares of any class, that portion of such Shares held by each Automatic Repurchase Shareholder which constitutes in excess of 24.9% of the issued Shares of such class (the "**Repurchased Shares**") will, simultaneously with the completion of a Triggering Transaction, automatically be deemed to have been repurchased by the Company (an "**Automatic Repurchase**") without any further action by the Company or the Automatic Repurchase Shareholder. The purchase price for any Repurchased Shares will be equal to the Repurchase Price, less any costs associated with such purchase. The proceeds of any Automatic Repurchase will be remitted to each applicable Automatic Repurchase Shareholder at the time of the Automatic Repurchase.

Rights Plan

On February 18, 2016, the Board adopted a Rights Plan for the Company. On May 17, 2016, the Board amended and restated the Rights Plan to ensure that the Rights Plan preserves the fair treatment of Shareholders, is consistent with current Canadian best corporate practices and addresses institutional investor guidelines. The Rights Plan was ratified by Shareholders at the annual and special meeting of Shareholders held on June 16, 2016.

The Rights Plan is designed to ensure that Shareholders and the Board have adequate time to consider and evaluate any unsolicited bid for the Shares, provide the Board with adequate time to identify, develop and negotiate value-enhancing alternatives to any such unsolicited bid and encourage the fair treatment of Shareholders in connection with any take-over bid for the Company. The Rights Plan encourages a potential acquirer to proceed by way of a “Permitted Bid”, which requires the take-over bid to satisfy specified minimum standards designed to promote fairness.

The Rights Plan was not adopted in response to any specific take-over bid, nor is the Board currently aware of any pending or threatened take-over bid for the Company.

Summary

The material terms of the Rights Plan are summarized below. This summary is qualified in its entirety by the full text of the Rights Plan, which can be found on SEDAR at www.sedar.com.

General

The Rights Plan is effective as of February 25, 2016. One right (a “**Right**”) has been issued and is attached to each Share.

The Rights will separate from the Shares and will be exercisable 10 trading days after a person has acquired, or commences a take-over bid to acquire, 20% or more of the Shares, other than by an acquisition pursuant to a take-over bid permitted by the Rights Plan (a “**Permitted Bid**”). The acquisition by any person (an “**Acquiring Person**”) of 20% or more of the Shares, other than by way of a Permitted Bid (or other exceptions included in the Rights Plan), is referred to as a “Flip-in Event”. Any Rights held by an Acquiring Person will become void on the occurrence of a Flip-in Event. Once Rights become exercisable, holders of Rights (other than an Acquiring Person) will be entitled to acquire Shares with a market value of five times the market price for an amount equal to the exercise price, resulting in a significant dilution to the Acquiring Person.

Permitted Bid Requirements

If a take-over bid is structured as a Permitted Bid, a Flip-in Event will not occur and the Rights will not become exercisable. Permitted Bids must be made by means of a take-over bid circular and comply with the following:

- (a) the take-over bid must be made to all Shareholders as registered on the books of the Company other than the bidder;

- (b) the take-over bid must not permit the bidder to pay for any Shares that have been tendered until 105 days after the take-over bid is made (or such shorter period that a non-exempt take-over bid must remain open for deposits pursuant to applicable securities law), and then only if at such time more than 50% of the Shares held by the Independent Shareholders have been tendered to the take-over bid and not withdrawn;
- (c) the take-over bid must contain an irrevocable and unqualified condition that, unless it is withdrawn, Shares may be tendered at any time during the deposit period described in (b) above, and that any Shares deposited to the take-over bid may be withdrawn until they have been taken up and paid for; and
- (d) the take-over bid must contain an irrevocable and unqualified condition that, if more than 50% of the Shares held by Independent Shareholders are tendered to the take-over bid within the deposit period described in (b) above, the bidder will make a public announcement of that fact and the take-over bid will remain open for not less than 10 business days from the date of the public announcement.

The Rights Plan also allows a Competing Permitted Bid to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all of the requirements for a Permitted Bid, except that it may expire on the same date as the Permitted Bid, subject to the requirement that it be open for the minimum number of days that such Competing Permitted Bid must remain open for deposits of securities under applicable securities law.

Redemption and Waiver

The Board may waive the application of the Rights Plan to a particular take-over bid or redeem the Rights at a price of \$0.0001 per Right in certain circumstances.

Fiduciary Duty of Board

The Rights Plan will not detract from or lessen the duty of the Board to act honestly and in good faith with a view to the best interests of the Company. The Board will continue to have the duty and power to take such actions and make such recommendations to the Shareholders as are considered appropriate.

MARKET FOR SECURITIES

The Company's Class A Shares are listed on the TSX and are quoted under the symbol "TZS". The following table sets forth the price ranges and trading volumes for the Class A Shares on the TSX for the periods indicated:

Trading Price and Volume

Month	High (\$)	Low (\$)	Volume
2018			
January	2.88	2.62	168,605
February	2.75	2.55	263,438
March	2.70	2.56	191,638
April	2.65	2.50	111,845
May	2.55	2.40	179,509
June	2.42	2.30	141,192
July	2.48	2.27	85,839
August	2.60	2.20	253,006
September	2.66	2.31	86,991
October	2.44	2.29	159,908
November	2.37	2.25	119,384
December	2.35	2.16	478,314
2019			
January	2.34	2.16	118,930
February	2.27	2.12	77,437
March	2.35	2.19	102,100

MANAGEMENT OF THE COMPANY

Directors and Executive Officers of the Company

The following table sets forth the name, municipality of residence and position of the directors and executive officers of the Company, and their respective principal occupations during the past five years.

Name and Municipality of Principal Residence	Position with the Company	Principal Occupation(s)
Gregory S. Vorwaller Vancouver, B.C.	Director	President of Trez Capital Fund Management (2011) Corporation since July 6, 2015.
Alexander (Sandy) Manson, B. Comm., C.A. ⁽¹⁾ West Vancouver, B.C.	President, Chief Executive Office, and Director	Chief Financial Officer of Trez Capital Fund Management (2011) Corporation since July 1, 2012 and Chief Financial Officer of Trez Capital (2011) Corporation (previously Trez Capital Corporation) since February 2006

Name and Municipality of Principal Residence	Position with the Company	Principal Occupation(s)
Clint Matthews ⁽¹⁾ Coquitlam, B.C.	Chief Financial Officer	VP Finance, Trez Capital Fund Management Limited Partnership (the “Manager”) since November 2015
Stephen Pustil ⁽²⁾⁽³⁾ Toronto, Ontario	Director	Currently Vice Chairman Peerage Realty Partners. President of Peerage Realty Partners since June 2007 to December 2015. Vice Chairman of MDC Partners from 1992 to June 2015.
Stewart J.L. Robertson ⁽²⁾⁽³⁾ Vancouver, British Columbia	Director	President of the Crerar Group of Companies since 1993
Gary M. Samuel ⁽²⁾⁽³⁾ Toronto, Ontario	Director & Chairman	Chief Executive Officer-Rodenbury Investments Ltd. President, Perek Bet Inc.

(1) Mr. Matthews was appointed Chief Financial Officer of the Company on August 15, 2018, replacing Mr. Manson. Mr. Manson remains the President, Chief Executive Officer and a Director of the Company.

(2) Member of the Audit Committee and the Nomination & Compensation Committee.

(3) Independent director of the Board.

Each director of the Company has served in that capacity since the Company’s incorporation on October 18, 2012, with the exception of Mr. Samuel, who has served as director since August 7, 2014 and Mr. Vorwaller, who has served as a director since November 11, 2016. Each director is elected annually and the term of office expires at the next annual meeting of Shareholders.

To the knowledge of the Company, as at April 1, 2019, the directors and executive officers of the Company beneficially owned or controlled, directly or indirectly, in aggregate, nil Class A Shares, representing 0% of the issued and outstanding Class A Shares.

Biographies

The following are biographies of the directors and executive officers of the Company:

Alexander (Sandy) Manson has been the Chief Financial Officer of Trez since February 2006. On September 28, 2016 he was also appointed President & Chief Executive Officer following the resignation of Michael J.R. Nisker. Mr. Manson has been a Chartered Accountant since 1983 and has more than thirty years of experience in finance and accounting. From January 2001 through December 2005, Mr. Manson was the Chief Financial Officer for Autostock International, an international autoglass replacement company with 2,000 employees based in Burnaby B.C. which operated the “Speedy Glass” stores in Canada and the United States. Prior thereto, he was the Chief Financial Officer of Coast Mountain Hardwoods (1997-2000), a lumber company based in Ladner, B.C. Mr. Manson is responsible for all finance and administrative operations of Trez.

Clint Matthews has been the VP Finance at Trez Capital since November 2015 and the Chief Financial Officer of the Corporation since September 28, 2016 following Mr. Manson's appointment to President & Chief Executive Officer. Mr. Matthews manages financial operations and reporting responsibilities for all Trez Capital investment funds and joined the company in 2015, bringing over 30 years of financial services experience. He has served as finance leader and Chief Financial Officer of prominent asset managers and investment dealers in Toronto and Vancouver. Mr. Matthews graduated from the University of Waterloo with a double minor in mathematics and economics and a Masters degree in finance. Mr. Matthews articulated with KPMG and is a member of the Chartered Professional Accountants of British Columbia.

Stephen Pustil is Vice Chairman of Peerage Realty Partners and serves on the Board of Mount Sinai Hospital as well as the advisory board of the Cambridge Group of Clubs based in Toronto, Ontario. Mr. Pustil brings 39 years of investment and real estate experience as the former President of Penwest Development Corporation Limited from 1972 to 2007. Penwest was a real estate development company investing in income-producing properties, hotels and industrial buildings as well as land development and residential construction. In addition, Mr. Pustil was formerly Vice Chairman of MDC Partners, one of the most influential marketing and communications networks globally, from April 1992 to June 2015. Mr. Pustil is a Chartered Accountant.

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

Gary M. Samuel founded and was the former Chief Executive Officer of Canadian Real Estate Investment Trust (TSX: REF.UN), Canada's first publicly traded REIT. Mr. Samuel formerly served as Chairman of HOMEQ Corporation (TSX: HEQ) and its wholly owned subsidiary HomeEquity Bank. He was also formerly a Director of First Capital Realty Corporation (TSX: FCR) and lead director of Gazit America Inc. (TSX: GAA), both real estate companies and formerly a trustee of Slate Office REIT (TSX: SOT.UN). Mr. Samuel is a co-founder and retired partner of Crown Realty Partners, a Canadian institutional real estate investment and management corporation. Mr. Samuel was co-founder and Chief Executive Officer of Royop Properties Corporation, a Canadian real estate development company formerly listed on the TSX. Mr. Samuel holds a JD from Osgoode Hall Law School, Toronto.

Gregory S. Vorwaller was appointed President of Trez Capital on July 6, 2015. As President, Greg is responsible for overseeing the day-to-day operations of the firm, building both new and existing business, capitalizing on strategic opportunities and developing and implementing Trez' overall strategy.

Greg has held a number of senior executive positions at prominent financial and real estate services firms where he led and built businesses encompassing investment sales, mortgage brokerage and investment banking to market leading positions. Most recently he served as Executive Vice President and Global Head of Capital Markets of Cushman & Wakefield, prior to which he served as the President and Chief Operating Officer of CBRE's Global Capital Markets business line. In each capacity, Greg developed a reputation for leading from the front line, working with teams and clients throughout the US, Canada, Europe and Asia Pacific in developing and executing business plans which resulted in the advancement of the key strategic

initiatives of each firm.

Greg graduated with distinction from the University of Wisconsin with a Bachelor of Arts. He serves as a board member of Dental Associates and sits on the Board of Advisors of the UW Madison Graaskamp Center for Real Estate Member. In addition, Greg is a member of the Urban Land Institute and Economic Club of Chicago.

Mandate of the Board of Directors

The articles of incorporation of the Company provide that the Company will have a minimum of three and maximum of eleven directors. The Company currently has five directors, three of whom are independent (within the meaning of applicable securities laws).

The mandate of the Board is to supervise the management of the business and affairs of the Company with a view to the best interests of the Company. The Manager acts as the manager of the Company and provides or arranges for the provision of all management and administrative services required by the Company, other than the services provided by the Mortgage Broker.

Audit Committee

The Board has an Audit Committee comprised of Stephen Pustil, Stewart J.L. Robertson and Gary M. Samuel, each of whom is independent (within the meaning of applicable securities laws) and financially literate in that each has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. Mr. Stewart Robertson is the Chair of the Audit Committee. For a description of relevant education and experience of each of the members of the Audit Committee, please refer to the biographies of each director under "Management of the Company - Directors and Executive Officers of the Company - Biographies".

The Audit Committee assists the directors of the Company in fulfilling their responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures of the Company and the quality and integrity of financial statements of the Company. Not less frequently than annually, the Audit Committee also reviews the Mortgage Portfolio for compliance with the Company's Investment Guidelines. In addition, the Audit Committee is responsible for directing the auditors' examination of specific areas and for reviewing the performance of the independent auditors. The Audit Committee Charter is attached as Schedule "A".

The table below sets out the fees paid to KPMG LLP, the Company's auditors, for the two most recently completed fiscal years.

Type of Work	Fees - Fiscal 2018	Fees - Fiscal 2017
Audit fees ⁽¹⁾	134,238	134,238
Audit-related fees ⁽²⁾	34,335	34,335
Tax fees ⁽³⁾	-	-
All other fees	-	-
Total	168,573	168,238

Notes:

- (1) Fees for audit services.
- (2) Fees for interim reviews of the Company's financial statements and other assurances.
- (3) Fees for tax advice regarding compliance and planning.

Nomination & Compensation Committee

The Board has a Nomination & Compensation Committee comprised of Stephen Pustil, Stewart J.L. Robertson and Gary M. Samuel, each of whom is independent (within the meaning of applicable securities laws). Mr. Pustil is the Chair of the Nomination & Compensation Committee.

The Nomination & Compensation Committee assists the Board with maintaining high standards for stewardship of the Company by assessing the suitability of the size of the Board, identifying and recruiting directors for nomination and assisting the Board on compensation matters.

Remuneration of Directors and Officers

The officers of the Company and the directors of the Company who are not independent directors receive no compensation from the Company. Each independent director of the Company receives total compensation of between \$15,000 and \$87,000 per annum for serving on various committees as an independent director of the Company. The independent directors are also reimbursed for out-of-pocket expenses.

Expenses of the Company

In addition to compensating its independent directors, the Company pays a Management Fee and an Incentive Fee to the Manager for its services under the Management Agreement as described below under "The Manager - Compensation of the Manager". The Company also pays for all expenses it incurs or the Manager incurs on the Company's behalf in connection with the operations and management of the Company which include, without limitation: financial reporting costs, and mailing and printing expenses for periodic reports to Shareholders and other Shareholder communications; any taxes payable by the Company; fees payable to its transfer agent and its Custodian; costs and fees payable to any agent, legal counsel, investment counsel, portfolio manager, actuary, valuator, technical consultant, accountant or auditor or other third party service provider; ongoing regulatory filing fees, licence fees and other fees (including in respect of the Company, stock exchange fees); any expenses incurred in connection with any legal proceedings in which the Manager participates on behalf of the Company or any other acts of the Manager or any other agent of the Company in connection with the maintenance or protection of the property of the Company, including, without limitation, costs associated with the enforcement of Mortgages; any fees, expenses or indemnity payable to, and expenses incurred by, the independent directors; any additional fees payable to the Manager for performance of extraordinary services on behalf of the Company; consulting fees including website maintenance costs and expenses associated with the preparation of tax filings; and other administrative expenses of the Company. The Company is also responsible for all taxes, commissions, brokerage commissions and other costs of securities transactions, debt service, commitment fees and costs relating to any credit facilities, insurance premiums and any extraordinary expenses which it may incur or which may be incurred on its behalf from time to time, as applicable. For greater certainty, the salaries of the employees of Trez are borne by Trez.

Trez

The Company does not have any employees of its own. Accordingly, the Company has retained the Manager and the Mortgage Broker to manage the day-to-day affairs of the Company and the Mortgage Broker to provide mortgage broker services to the Company. The head office of the Manager and the Mortgage Broker is located at 1700-745 Thurlow Street, Vancouver, British Columbia V6E 0C5. Both the Manager and the Mortgage Broker are wholly-owned by Trez Capital Group Limited Partnership. Trez Capital Fund Management (2011) Corporation, the general partner of the Manager, and Trez Capital (2011) Corporation, the general partner of the Mortgage Broker, are affiliates of each other and wholly-owned subsidiaries of the general partner of Trez Capital Group Limited Partnership.

Trez is a mortgage brokerage and investment management business that employs a conservative and risk-averse approach to real estate-based investments. Trez is currently one of the largest alternative lenders of short-term bridge Mortgages in Canada with approximately \$3.0 billion in fee-earning assets of which approximately \$2.5 billion is invested in Mortgages and the balance is in a portfolio of real estate assets managed on behalf of a major Canadian pension fund.

The Manager

Management Services

The Manager is the sole and exclusive manager of the Company to direct the business, operations and affairs of, and provide, or arrange to provide, all day-to-day management and administrative services required by, the Company. Pursuant to the Management Agreement, the Manager's duties include, without limitation: (i) managing the lending and relending of the assets of the Company in accordance with the lending guidelines set out in the Management Agreement; (ii) authorizing the payment of operating expenses incurred on behalf of the Company; (iii) preparing financial statements and financial and accounting information as required by the Company; (iv) ensuring that Shareholders are provided with financial statements (including quarterly and annual financial statements) and other reports as are required by applicable law from time to time; (v) ensuring that the Company complies with regulatory requirements; (vi) preparing the Company's reports to Shareholders and the Canadian securities regulatory authorities; (vii) recommending to the Board the amount of dividends to be paid by the Company; and (viii) negotiating contractual agreements with third-party providers of services, including registrars, transfer agents, auditors and printers. Notwithstanding the foregoing, pursuant to the Amending Agreement, the Manager, acting in its capacity as manager of the Company, provides the day-to-day management services set out above in a manner consistent with the Orderly Wind-Up Plan, under the supervision of the Board.

Management Agreement

Pursuant to the Management Agreement, the Manager is required to exercise its powers and discharge its duties diligently, honestly and in good faith and, in connection therewith, to exercise the standard of care that a reasonably prudent person would exercise in the circumstances. The Management Agreement provides that the Manager will indemnify the Company for any losses incurred as a result of the wilful misconduct, bad faith or negligence of the Manager or the Manager's breach of its standard of care under the Management Agreement or a material breach or default of the Manager's obligations under the Management Agreement.

The term of the Management Agreement is for a period of 10 years ending on November 30, 2023, and will automatically renew for successive 5 year terms thereafter, unless terminated by the Company upon approval of a two-thirds majority of the votes cast by the independent directors of the Company (a) at the conclusion of the initial term or any renewal term, upon not less than 12 months' prior written notice to the Manager, (b) at any time, in the event that there is (i) a material breach of the Management Agreement by the Manager that is not remedied within 60 days of written notice to the Manager (or such longer period as may be reasonably required to remedy such breach, provided such longer period does not exceed 120 days), and that has a material adverse effect on the business, operations or affairs of the Company, (ii) the Manager commits any act of bad faith, wilful malfeasance, gross negligence or reckless disregard of its duties or breach of its standard of care; or (iii) any bankruptcy, insolvency or liquidation proceedings are taken against the Manager or if the Manager makes an assignment for the benefit of its creditors, commits any act of bankruptcy or declares itself or is declared to be insolvent (each of (i), (ii) and (iii), a "**Termination for Cause**"); or (c) upon the date (the "**Early Termination Date**") specified in a written notice to the Manager, such notice to be delivered at any time after November 30, 2017 and such Early Termination Date being not less than 12 months following the date of such written notice, and upon payment of an amount equal to three times the total amount of management fees earned by the Manager in the previous twelve months (the "**Early Termination Fee**"). The Management Agreement also provides for a reduction to the Early Termination Fee in certain circumstances. Upon the wind-up of the Company approved by a special resolution of Shareholders, no Early Termination Fee shall be payable to the Manager.

The Management Agreement also may be terminated by the Manager (a) in the event that there is a breach of the Management Agreement by the Company that is not remedied within 60 days of written notice to the Company (or such longer period as may be reasonably required to remedy such breach, provided such longer period does not exceed 120 days) and that has a material adverse effect on the business, operations or affairs of the Manager, or any bankruptcy, insolvency or liquidation proceedings are taken against the Company or the Company makes an assignment for the benefit of its creditors, commits any act of bankruptcy or declares itself or is declared to be insolvent; or (b) at any time after the initial term, provided at least 12 months' written notice is given to the Company.

Notwithstanding the foregoing, pursuant to the Amending Agreement, upon completion of the Orderly Wind-Up Plan, the Management Agreement shall terminate and the Manager shall not be entitled to any termination fee including, for greater certainty, the Early Termination Fee described above.

Amending Agreement

On May 6, 2016, the Company also entered into an amending agreement with the Manager to amend the terms of the Management Agreement (the "**Amending Agreement**") in order to facilitate the Orderly Wind-Up Plan. Under the Amending Agreement, the Manager is currently providing the full asset management services necessary to support the Orderly Wind-Up Plan. The Amending Agreement also provides for an amendment to the fees payable to the Manager to align the Manager's interest to the implementation of the Orderly Wind-up Plan, as described under "Compensation of the Manager" below.

In accordance with the Amending Agreement, the Board irrevocably and unconditionally directed the Manager to cease all new mortgage origination and, unless approved by the Board and subject to compliance with contractual requirements, all mortgage renewal activity. The

Company has ceased all new mortgage originations and mortgage renewals, subject to contractual requirements.

The Amending Agreement provides that the Orderly Wind-Up Plan shall be implemented through a combination of the following actions: (i) allowing the mortgages in the Company's portfolio to expire at their scheduled maturities and in accordance with the terms thereof; (ii) selling mortgages in the Company's portfolio at par prior to their scheduled maturities; and (iii) in addition to or in lieu of the foregoing, by effecting other transactions, as determined by the Board, in its discretion, acting in a fiduciary capacity consistent with its obligations to maximize value to all Shareholders.

The Amending Agreement provides that the Company shall distribute the net proceeds resulting from the Orderly Wind-Up Plan to Shareholders in a manner determined by the Board, whether through special dividends, the repurchase of shares pursuant to a normal course issuer bid or a substantial issuer bid, a return of capital or otherwise.

Compensation of the Manager

For its services under the Management Agreement, the Manager receives from the Company a Management Fee equal to 0.85% per annum of the gross assets of the Company, calculated and paid monthly in arrears, plus applicable taxes. Under the terms of the Amending Agreement, the foregoing Management Fee shall continue until the earlier of the completion of the Orderly Wind Up Plan and the termination of the Management Agreement.

Pursuant to the Amending Agreement, in consideration for its additional services to the Company in connection with the Orderly Wind-Up Plan, the Manager is entitled to a fee (the "**Incentive Fee**") calculated as the greater of the following:

- (i) 20% of the amount by which the sum of:
 - (A) the aggregate Realized Proceeds; and
 - (B) the Company's Unrestricted Cash as at April 30, 2016 (\$2,924,748)
 exceeds \$65,549,596 (the "**Threshold**"); and
- (ii) \$300,000.

For the purpose of the foregoing calculation: (i) Realized Proceeds means the amount of proceeds on the sale, repayment or maturity of mortgages or any other transaction resulting in the monetization of the mortgages as approved by the Board in accordance with the terms of the Amending Agreement, in each case, realized by the Company in respect of the principal of the mortgages under the Orderly Wind-Up Plan; and (ii) Unrestricted Cash means the amount of Company's cash derived from the proceeds on the sale, repayment or maturity of mortgages or any other transaction resulting in the monetization of the mortgages on or prior to April 30, 2016.

Concurrent with any distributions made to Shareholders by the Company, whether through dividends, the repurchase of shares pursuant to a normal course issuer bid or a substantial issuer bid, a return of capital or otherwise, the Company shall pay to the Manager a portion of the minimum Incentive Fee (i.e., \$300,000) (the "**Minimum**"), calculated so that after the payment, the Manager shall have been paid in aggregate the same proportion of the Minimum that the aggregate of the Realized Proceeds and the Unrestricted Cash represent of the Threshold at the time of each such distribution to Shareholders until such time as the Manager has received at

least the Minimum. Upon the completion of the Orderly Wind-Up Plan and concurrent with the final distribution to Shareholders, any Incentive Fee due in excess of the Minimum and any portion of the Minimum that has not been paid, shall be paid by the Company to the Manager.

The Manager pays the Mortgage Broker a fee out of the Manager's compensation under the Management Agreement.

The Manager also is entitled to be reimbursed for all expenses incurred by the Manager on behalf of the Company. The Manager may assign its rights to receive Management Fees in whole or in part to an affiliate of the Manager. In addition, the Manager and each of its directors, officers, employees and partners are not liable to the Company for any default, failure or defect in the Portfolio or for any act or omission within the scope of the Manager's authority, except those resulting from the Manager's wilful misconduct, bad faith, negligence, breach of the Manager's standard of care or material breach or default by the Manager of its obligations under the Management Agreement.

The management services provided by the Manager under the Management Agreement are not exclusive to the Company and nothing in the Management Agreement prevents the Manager from providing similar management services to other persons or from engaging in other activities provided that the Manager acts, at all times, in accordance with its standard of care and thereby allocates Mortgage lending opportunities to the Company and to its other clients on a fair and equitable basis.

The Mortgage Broker

Mortgage Broker Services

The Mortgage Broker provides or arranges for the provision of all services required by the Company and the Manager to administer on a day-to-day basis the Mortgage loans of the Company.

The Mortgage Broker actively oversees the servicing of all Mortgages in the Portfolio in order to monitor the status of all loans and respond to any potential issues that may arise. The Mortgage Broker (i) provides day-to-day administration of individual Mortgages in the Portfolio directly or (ii) ensures, in instances where the Company participates in a syndicated Mortgage and other direct participants in the investment act as the Mortgage servicing agents, that the servicing agents appointed to administer an individual Mortgage are licensed in accordance with the requirements of the *Mortgage Brokers Act* (British Columbia) or other similar applicable legislation. The servicing agents' duties are the day-to-day administration of individual Mortgages, including, among others things, responsibilities such as the collection of monthly payments, management of property tax and other escrow accounts, regular remittance to the Company of interest and other income collected, monitoring the status of loans, and regular reporting to the Mortgage Broker as required by the applicable servicing agreement.

Mortgage Brokerage Agreement

The Mortgage Broker is required to exercise its powers and discharge its duties diligently, honestly, in good faith and in the best interests of the Company and to exercise the care, diligence and skill of a reasonably prudent person in the circumstances. The Mortgage Brokerage Agreement provides that the Mortgage Broker will not be liable in any way for any default, failure or defect in the Portfolio held by the Company if it has satisfied the duties and the standard

of care, diligence and skill set forth in the Mortgage Brokerage Agreement. The Mortgage Broker will incur liability, however, in cases of wilful misconduct, bad faith, negligence, breach of the Mortgage Broker's standard of care or any material breach or default by it of its obligations under the Mortgage Brokerage Agreement.

Unless the Mortgage Broker resigns or is removed as described below, the Mortgage Broker will continue as Mortgage Broker until the dissolution of the Company. The Mortgage Broker may resign if the Company or the Manager is in breach or default of the provisions of the Mortgage Brokerage 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 Company or the Manager. The Mortgage Broker will continue as Mortgage Broker until it becomes bankrupt or insolvent. The Mortgage Brokerage Agreement may be terminated by the Company only if the Mortgage Broker is in material breach or default of the provisions of the Mortgage Brokerage 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. The Mortgage Broker may also terminate the Mortgage Brokerage Agreement upon not less than 120 days written notice to the Company.

For its services under the Mortgage Brokerage Agreement, the Mortgage Broker is paid a fee by the Manager out of the Manager's compensation under the Management Agreement and is reimbursed for all expenses incurred by the Mortgage Broker on behalf of the Company. The Mortgage Broker and each of its directors, officers, employees and partners are indemnified by the Company for any losses incurred in connection with any claims that are made against the Mortgage Broker, or any of its officers, directors, employees or partners, arising out of its activities on behalf of the Company or in furtherance of the interests of the Company, except those resulting from the Mortgage Broker's wilful misconduct, bad faith, negligence, breach of the Mortgage Broker's standard of care, material breach or default by the Mortgage Broker of its obligations under the Mortgage Brokerage Agreement or a breach of fiduciary duty by the Mortgage Broker. The services provided by the Mortgage Broker under the Mortgage Brokerage Agreement are not exclusive to the Company and nothing in the Mortgage Brokerage Agreement prevents the Mortgage Broker from providing similar services to other persons or from engaging in other activities.

The Custodian

Computershare Trust Company of Canada is the custodian of the Company's assets pursuant to the Custodian Agreement. The Custodian is, among other things, in the business of providing professional custodial services. The address of the Custodian is 9th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1. In consideration for the services provided by the Custodian, the Company pays a monthly fee agreed upon between the Custodian and the Company.

CONFLICTS OF INTEREST

The Company is subject to a number of actual and potential conflicts of interest involving Trez because Trez provides management and mortgage brokerage services to others, including other mortgage investment entities, and Trez may also invest for its own account. The services that are provided by Trez pursuant to the Management Agreement and the Mortgage Brokerage Agreement are not exclusive to the Company and the Management Agreement and Mortgage Brokerage Agreement do not restrict Trez from engaging in other business activities, even though such activities may involve substantial time and resources of Trez.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Mr. Alexander (Sandy) Manson, who is a director and the President and Chief Executive Officer of the Company, and Mr. Gregory Vorwaller, who is a director of the Company, are also directors and officers of the general partners of the Manager and the Mortgage Broker and are partners of the limited partnership which controls the Manager and the Mortgage Broker. Accordingly, the duties of Messrs. Manson and Vorwaller to the Company may, from time to time, conflict with their interests in the Manager and the Mortgage Broker.

TRANSFER AGENT AND REGISTRAR

Pursuant to a transfer agent, registrar and dividend disbursing agency agreement dated November 21, 2012, Computershare Trust Company of Canada at its principal offices located in Toronto, Ontario is the registrar and transfer agent for the Class A Shares.

MATERIAL CONTRACTS

The material contracts of the Company are the:

- (a) Management Agreement, as amended by the Amending Agreement, described under “Management of the Company - The Manager - Management Agreement and - Amending Agreement”;
- (b) Mortgage Brokerage Agreement described under “Management of the Company - The Mortgage Broker - Mortgage Brokerage Agreement”;
- (c) Custodian Agreement described under “Management of the Company - Custodian”; and
- (d) the Rights Plan described under “Description of Capital Structure - Rights Plan”.

INTERESTS OF EXPERTS

The auditors of the Company are KPMG LLP. KPMG LLP were first appointed the auditors of the Company on April 25, 2012. The address of the auditors is 777 Dunsmuir Street, Pacific Centre, Vancouver, British Columbia, V7Y 1K3. KPMG LLP have confirmed that they are independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

ADDITIONAL INFORMATION

Additional information about the Company is available on SEDAR at www.sedar.com. Additional information, including directors’ and officers’ remuneration and the principal holders of the Company’s Shares is contained in the Company’s information circular prepared in connection with the annual meeting of Shareholders held on May 31, 2018.

Additional financial information is provided in the Company’s financial statements and management’s discussion and analysis for its most recently completed financial year.

SCHEDULE “A”

AUDIT COMMITTEE CHARTER

1.0 INTRODUCTION

- 1.1 The primary responsibility for the financial reporting, accounting systems and internal controls of Trez Capital Senior Mortgage Investment Corporation (the “**Corporation**”) is vested in the officers of the Corporation and the manager of the Corporation, Trez Capital Fund Management Limited Partnership, or such other manager as may be appointed by the Corporation from time to time (the “**Manager**” and, together with the officers of the Corporation, the “**Management**”) in accordance with the requirements of the *Canada Business Corporations Act* as well as other applicable legislation, rules and regulations (including those of any stock exchange on which securities of the Corporation are listed for trading), the articles of the Corporation and the by-laws of the Corporation (collectively, “**Applicable Laws**”).
- 1.2 The Audit Committee (the “**Committee**”) is a standing committee of the board of directors of the Corporation (the “**Board**”) established to oversee the financial reporting process. The primary responsibilities of the Committee include the following:
- review the integrity of the Corporation’s financial statements, management’s discussion and analysis (“**MD&A**”), annual and interim profit or loss press releases and other financial disclosures of the Corporation;
 - monitor the integrity of the financial reporting and disclosure processes and the system of internal controls that Management and the Board have established;
 - monitoring the Corporation’s compliance with legal and regulatory requirements;
 - selecting the external auditors for recommendation to the Board;
 - reviewing the qualifications, independence and performance of the external auditors; and
 - establishing procedures for complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

2.0 COMPOSITION

- 2.1 Following each annual meeting of shareholders of the Corporation, the Board shall appoint not less than three directors to serve on the Committee, all three of whom shall be

Independent Directors and Financially Literate (as such terms are defined by Applicable Laws).

- 2.2 The chair of the Committee shall be appointed by the Board and shall not be an officer or employee of the Corporation, the Manager or their respective affiliates.
- 2.3 Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member upon ceasing to be a director of the Corporation. Each member of the Committee shall hold office until the close of the next annual meeting of shareholders of the Corporation or until the member resigns or is replaced, whichever occurs first.
- 2.4 The Committee will meet at least four times per year. The meetings will be scheduled to permit timely review of the interim and annual financial statements. Additional meetings may be held as deemed necessary by the chair of the Committee or as requested by any member of the Committee or by the external auditors. At least 48 hours' notice shall be given in advance of any meeting of the Committee.
- 2.5 If all members consent, and proper notice has been given or waived, a member or members of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other, and a member participating in such a meeting by any such means is deemed to be present at that meeting.
- 2.6 A quorum for the transaction of business at all meetings of the Committee shall be a majority of the members of the Committee. Questions arising at any meeting shall be determined by a majority of votes of the members of the Committee present, and in case of an equality of votes the Chair of the Committee shall have a second casting vote.
- 2.7 The Committee may invite such directors, officers and employees of the Corporation and the Manager as it may see fit from time to time to attend meetings of the Committee and assist in the discussion and consideration of the business of the Committee, but without voting rights.
- 2.8 The Committee shall keep regular minutes of proceedings and shall cause them to be recorded in books kept for that purpose, and shall report the same to the Board at such times as the Board may, from time to time, require.
- 2.9 Supporting schedules and information reviewed by the Committee will be available for examination by any director upon request to the secretary of the Committee.
- 2.10 The Committee shall choose as its secretary such person as it deems appropriate.
- 2.11 The external auditors shall be given notice of, and shall have the right to appear before and to be heard at, every meeting of the Committee, and shall appear before the Committee when requested to do so by the Committee.

3.0 ACCOUNTABILITIES AND RESPONSIBILITIES

3.1 The Committee shall have the accountabilities and responsibilities set out below as well as any other accountabilities as assigned by law or regulation or that are specifically delegated to the Committee by the Board.

(1) Financial Reporting

(a) General — The Committee is responsible for reviewing the integrity of the Corporation's financial statements, MD&A, annual and interim profit or loss press releases and other financial disclosures prior to the public disclosure of such materials by the Corporation. Management is responsible for the preparation, presentation and integrity of the Corporation's financial statements MD&A, annual and interim profit or loss press releases and other financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the Corporation. The external auditors are responsible for auditing the Corporation's annual consolidated financial statements.

(b) Review of Annual Financial Reports — The Committee shall review the annual consolidated audited financial statements of the Corporation, the external auditors' report thereon and the related MD&A of the Corporation's financial condition and results of operations and managements report that they present fairly, in all material respects in accordance with Canadian generally accepted accounting principles, or any other generally accepted accounting principles in which the financial statements of the Corporation are prepared from time to time, the financial condition, results of operations and cash flows of the Corporation. After completing its review, if advisable, the Committee shall approve and recommend for Board approval the annual financial statements and the related MD&A.

(c) Review Considerations — In conducting its review of the annual financial statements, the Committee shall:

- i. meet with Management and the external auditors to discuss the financial statements and MD&A;
- ii. review the disclosures in the financial statements;
- iii. review the audit report or review report prepared by the external auditors;
- iv. discuss with Management, the external auditors and internal legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the financial statements;
- v. review critical accounting and other significant estimates and judgments underlying the financial statements as presented by Management;
- vi. review any material effects of regulatory accounting initiatives, significant transactions or off-balance sheet structures on the financial statements as presented by Management;

- vii. review any material changes in accounting policies and practices and their impact on the financial statements as presented by Management or the external auditors;
- viii. review Management's and the external auditors' reports on the effectiveness of internal control over financial reporting;
- ix. review results of the Corporation's whistleblowing program; and
- x. review any other matters, related to the financial statements, that are brought forward by the internal auditors, external auditors, Management or which are required to be communicated to the Committee under accounting policies, auditing standards or applicable law.

(d) Review of Public Disclosure — The Committee must be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the disclosure in the MD&A and annual and interim profit or loss press releases, and must periodically assess the adequacy of such procedures.

(2) External Auditors

(a) General — The Committee shall be responsible for oversight of the work of the external auditors engaged for the purpose of providing services (the “**Auditor Services**”) such as the following: preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, and auditing and reviewing the Corporation's financial statements and internal controls over financial reporting. The Committee is also responsible for the resolution of disagreements between Management and the external auditors regarding financial reporting .

(b) Appointment and Compensation — The Committee shall review and, if advisable, select and recommend to the Board, subject to shareholder approval (as applicable) (i) the appointment of the external auditors and (ii) the compensation of the external auditors.

(c) Annual Review Report — At least annually, the Committee shall obtain and review a report by the external auditors describing: (i) their internal quality-control procedures and (ii) any material issues raised by their most recent internal quality-control review, peer review or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the external auditors and any steps taken to deal with any of these issues.

(d) Audit Plan — At least annually, the Committee shall review a summary of the external auditors' annual audit plan. The Committee shall consider and review with the external auditors any material changes to the scope of the plan.

(e) **Independence of External Auditors** — At least annually, and before the external auditors issue their report on the annual financial statements, the Committee shall: obtain from the external auditors a formal written statement describing all relationships between the external auditors and the Corporation; discuss with the external auditors any disclosed relationships or services that may affect the objectivity and independence of the external auditors; and obtain written confirmation from the external auditors that they are independent within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which they belong

(f) **Evaluation and Rotation of Lead Partner** — At least annually, the Committee shall review the qualifications and performance of the external auditors. The Committee shall obtain a report from the external auditors annually confirming that they are in compliance with all audit firm and regulatory requirements relating to partner rotation and that the engagement team collectively possesses the experience and competence to perform an appropriate audit.

(g) **Pre-Approval of Audit and Non-Audit Services** — The Committee shall pre-approve any retainer of the external auditors for any audit and non-audit service to the Corporation or its subsidiaries in accordance with applicable. The Committee may delegate pre-approval authority to a member of the Committee. The decisions of any member of the Committee to whom this authority has been delegated must be presented to the full Committee at its next scheduled Committee meeting.

(3) **Internal Controls** — The Committee shall monitor the integrity of the financial reporting and disclosure processes and the system of internal controls that Management and the Board have established.

(4) **Regulatory Reports and Returns** — The Committee shall provide or review, as applicable, all reports and returns required of the Committee under applicable law.

(5) **Compliance with Legal and Regulatory Requirements** — The Committee shall receive and review regular reports from the Corporation's senior officers and other Management members on: legal or compliance matters that may have a material impact on the Corporation; the effectiveness of the Corporation's compliance policies; and any material reports received from regulators. The Committee shall review Management's evaluation of and representations relating to compliance with specific regulatory requirements, and Management's plans to remediate any deficiencies identified.

(6) **Whistleblowing Procedures** — The Committee shall establish, approve and periodically review the procedures for (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by employees of the Corporation or others of concerns regarding questionable accounting or auditing matters.

4.0 ACCOUNTABILITY

- 4.1 The Committee shall report to the Board at its next regular meeting all such action it has taken since the previous report.
- 4.2 The Committee is empowered to investigate any activity of the Corporation and all employees are to co-operate as requested by the Committee. The Committee may retain persons having special expertise to assist it in fulfilling its responsibilities.
- 4.3 The Committee is authorized to request the presence at any meeting, but without voting rights, of a representative from the external auditors, Management, legal counsel or anyone else who could contribute substantively to the subject of the meeting and assist in the discussion and consideration of the business of the Committee, including directors, officers and employees of the Corporation.