

**Charter of the Independent Review Committee  
(the “IRC” or the “Committee”)  
for  
Trez Capital Mortgage Investment Corporation  
(the “Fund”)**

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# **Charter of the Independent Review Committee (the “IRC” or the “Committee”) of Trez Capital Mortgage Investment Corporation (the “Fund”)**

This Charter is created pursuant to National Instrument 81-107 *Independent Review Committee for Investment Funds* (“NI 81-107”), as amended from time to time, which requires that each investment fund that is a reporting issuer establish an IRC<sup>1</sup>. In the event of any conflict or inconsistency between NI 81-107 and this Charter, the provisions of NI 81-107 shall govern. Any defined terms used herein shall have the meanings ascribed thereto in NI 81-107, unless otherwise noted. All footnotes hereunder are references to provisions of NI 81-107, unless otherwise noted. The manager of the Fund is Trez Capital Limited Partnership (the “**Manager**”). Any reference to “**advisor**” refers to the Manager in its capacity as the portfolio advisor to the Fund.

## **Mandate of IRC**

The initial members of the IRC were appointed by the Manager effective May 25, 2012 pursuant to NI 81-107. The IRC has been established by the Manager, from the effective date hereof, to consider the conflict of interest matters that are referred to it by the Manager in connection with the operations and management of the Fund.

Unless otherwise set out in this Charter or agreed to in writing by the Manager and the IRC, the primary functions of the IRC shall be:

- (a) to review and provide its decision to the Manager, on conflict of interest matters requiring IRC approval under NI 81-107 and on conflict of interest matters subject to IRC recommendation under NI 81-107, on all such conflict of interest matters that the Manager refers to the IRC for review;<sup>2</sup>
- (b) to perform the regular assessments required under NI 81-107;<sup>3</sup>
- (c) to provide the reports to the Manager and to the shareholders of the Fund required under NI 81-107;<sup>4</sup>
- (d) to report to the securities regulatory authorities or regulators as required under NI 81-107;<sup>5</sup>
- (e) to maintain the records required under NI 81-107;<sup>6</sup> and

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<sup>1</sup> section 3.1

<sup>2</sup> section 4.1(1)

<sup>3</sup> section 4.2

<sup>4</sup> sections 4.3 and 4.4

<sup>5</sup> section 4.5

<sup>6</sup> section 4.6

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(f) to perform any other function required by securities legislation.<sup>7</sup>

Any other function that the IRC may agree with the Manager to assume in respect of the Fund that is not required by NI 81-107 shall be described in, and governed by, this Charter, as amended, and not by NI 81-107.<sup>8</sup> In addition, the members of the IRC have been elected as directors of the Fund and in such capacity will carry out the responsibilities imposed on them under applicable corporate legislation. Acting as directors of the Fund is a role that is not subject to NI 81-107 or this Charter.

### **Composition of IRC**

The IRC shall have a minimum of three members and a maximum of seven members, each of which shall be “**independent**” within the meaning of that term as defined in NI 81-107. The Committee shall initially be comprised of three members. The size of the IRC, as determined by the Manager, has been fixed with a view to facilitating effective decision-making, and may only be changed by the Manager<sup>9</sup> after considering the recommendations of the IRC, if any.

The Manager has appointed the initial members of the IRC.<sup>10</sup> The members of the IRC must fill any vacancy on the IRC, as it arises, as soon as practicable.<sup>11</sup> A member whose term has expired, or will soon expire, may be reappointed by the other members of the Committee.<sup>12</sup>

Before a member of the IRC is appointed, the Manager or the IRC, as the case may be, shall consider:

- (a) the competencies and skills the IRC, as a whole, should possess;
- (b) the competencies and skills of each other member of the IRC;
- (c) the competencies and skills the prospective member would bring to the IRC;
- (d) the prospective member’s independence within the meaning of NI 81-107;<sup>13</sup>  
and
- (e) the ability of the prospective member to contribute the necessary time needed to fulfill effectively his or her duties on the IRC.

Subject to the foregoing requirement, the Manager and the IRC may from time to time establish nominating criteria in addition to those set out above.<sup>14</sup>

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<sup>7</sup> section 4.1(2)

<sup>8</sup> section 3.6(2) and section 3.6 Commentary (4)

<sup>9</sup> section 3.7

<sup>10</sup> section 3.2

<sup>11</sup> section 3.3(1)

<sup>12</sup> section 3.3(2)

<sup>13</sup> section 3.5

<sup>14</sup> section 3.5 Commentary

## Independence of IRC Members

Every IRC member must be “**independent**”.<sup>15</sup> A member of the IRC is “**independent**” if the member has no “**material relationship**” with the Manager, the Fund or an “**entity related to the Manager**” within the meaning of that term as defined in NI 81-107. A “**material relationship**” means a relationship which could reasonably be perceived to interfere with the member’s judgment regarding a conflict of interest matter.<sup>16</sup>

Members of the IRC will be permitted to invest in the securities of the Fund. Such investment will not be a requirement in order to act as a member.<sup>17</sup>

Each member of the IRC shall advise the other members of the IRC and the Manager of any interest that such member may have in any matter that is being discussed by the IRC. The other members, in consultation with the Manager, shall then determine how best to conduct the review of such matter in light of the disclosed interest. Depending on the particular facts and circumstances, the other members may choose whether the interested member should participate in the review of the matter, vote thereon or should be present for such discussion.

Each member shall advise the other members of the IRC and the Manager of any relationships the member has with the Fund, the Manager or any entity related to the Manager. Within ten days of that member’s first acquiring the relationship and annually as at the end of each calendar year, the Manager shall maintain a list of the entities considered to be “**entities related to the Manager**” and will circulate the list to members prior to the end of each calendar year. Such relationships shall include: holding investments in the Manager or any of its affiliates; ownership interests in any service provider to the Fund, the Manager or any of its affiliates; and acting as a director or officer of the Manager or any of its affiliates or any service provider to the Fund. It shall be the responsibility of the other members of the IRC to assess whether any such disclosed interest or relationship results in such member no longer being independent for purposes of NI 81-107. It is the responsibility of each IRC member to inform the other IRC members in a timely fashion of any change in circumstances that would prevent the member from continuing to act as a member of the IRC or re-appointed, as the case may be.

## Term of Office, Resignation and Removal of an IRC Member

Each member of the IRC, once appointed, shall hold office until his or her successor has been appointed or until his or her appointment has terminated as provided in this Charter or by law. The term of office of an IRC member shall be no less than one year and no more than three years and must be set by the Manager or the IRC, as the case may be, at the time the member is appointed.<sup>18</sup>

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<sup>15</sup> section 3.7(3)

<sup>16</sup> section 1.4(2)

<sup>17</sup> section 3.6 Commentary (3)

<sup>18</sup> section 3.4

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The initial terms of office shall be staggered<sup>19</sup> with one member appointed for an initial one-year term, another member for an initial two-year term and the remaining member for an initial three-year term, all commencing on May 25, 2012. Following the initial terms of office, all re-elected members shall be appointed for a term of three years such that members of the IRC have staggered terms of office.

The initial members of the Committee, appointed as of May 25, 2012, and their respective terms are set forth in the table below:

<b>IRC Member</b>	<b>Initial Term of Office</b>
Stewart Robertson (Chair)	3 years
Stephen Pustil	2 years
Clare Copeland	1 year

The IRC shall fill any vacancies as soon as practicable. In filling a vacancy on the Committee or reappointing a member of the IRC whose term has expired, the Manager will suggest candidates and provide assistance to the IRC in the selection and recruitment process. The IRC must consider the Manager’s recommendations, if any.<sup>20</sup>

A member may not be reappointed for a term or terms of office that, if served, would result in the member serving on the IRC for longer than 6 years, unless the Manager agrees in writing to such reappointment.<sup>21</sup>

If, for any reason, the IRC has no members, the Manager will appoint a member to fill each vacancy as soon as practicable in accordance with NI 81-107.<sup>22</sup>

An individual ceases to be a member of the IRC if the individual is:

- (a) no longer independent and the cause of the member’s non-independence is not temporary for which the member can recuse himself or herself;
- (b) of unsound mind and has been so found by a court in Canada or elsewhere;
- (c) bankrupt;
- (d) prohibited from acting as a director or officer of any issuer in Canada;
- (e) subject to any penalties or sanctions made by a court relating to provincial and territorial securities legislation; or
- (f) a party to a settlement agreement with a provincial or territorial securities regulatory authority.<sup>23</sup>

A member of the IRC may resign at any time by an instrument in writing signed by him or her and delivered or mailed to the Manager and the other members of the IRC. Such resignation shall take effect on the date such instrument is delivered or mailed or at any later time specified in the notice. Unless the Manager provides its written consent, a

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<sup>19</sup> *section 3.4 Commentary*

<sup>20</sup> *section 3.3(3)*

<sup>21</sup> *section 3.3(4)*

<sup>22</sup> *section 3.3(5)*

<sup>23</sup> *section 3.10(3)*

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member of the IRC must resign if he or she becomes an officer or employee of, or a member of an independent review committee or other similar governance body of, any entity that:

- (a) is an investment fund, including a mutual fund; or
- (b) carries on a financial services business that, in the opinion of the Manager, is in competition with the business of the Manager, including acting as a manager of investment funds.

Subject to the Manager providing to an IRC member its written consent to act as an officer or employee of, or a member of an independent review committee or other similar governance body as specified above, no IRC member shall commit to more than three such positions at any time that they are a member of the IRC hereunder. A member of the IRC shall promptly provide to all other members of the IRC written notice of their appointment to any such position.

A member may be removed from the Committee:

- (a) if a majority of the other members of the IRC vote to remove the individual;<sup>24</sup>
- (b) if a majority of the shareholders of the Fund vote to remove the individual at a special meeting called for that purpose by the Manager;<sup>25</sup> or
- (c) as otherwise may be permitted under NI 81-107.

A member of the IRC may be removed at any time for any reason by an instrument in writing signed by the majority of the remaining members of the IRC and delivered or mailed to the applicable member, to each other member of the IRC and to the Manager. The IRC will consider any recommendation made by the Manager for removal of a particular member, including the Manager’s reasons why that member should be removed by the remaining members of the IRC. If the Manager deems it desirable, the Manager may call a special meeting of shareholders of the Fund to ask the shareholders to vote on the Manager’s proposal that a member of the IRC be removed from the IRC for the Fund. The Manager shall comply with NI 81-107 in calling such a meeting and shall deliver or mail to each member of the IRC a copy of the notice of meeting and information circular prepared to convene any applicable special meeting. The Manager shall also, together with or separate from such notice and circular, deliver to the shareholders as soon as practicable a copy of any written statement of the relevant IRC member, in which he or she states his or her reasons for opposing his or her removal from the IRC.<sup>26</sup>

An individual ceases to be a member of the IRC of the Fund when:

- (a) the Fund terminates;
- (b) the Manager of the Fund changes, unless the new Manager is an affiliate of the former Manager; or
- (c) there is a change of control of the Manager of the Fund.<sup>27</sup>

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<sup>24</sup> section 3.10(2)(c)

<sup>25</sup> section 3.10(2)(d)

<sup>26</sup> section 3.10(7)

<sup>27</sup> section 3.10(1)

If an individual ceases to be a member of the IRC due to any of the circumstances described above, the Manager will, as soon as practicable, notify the securities regulatory authority or regulator of the date and the reason the individual ceased to be a member.<sup>28</sup>

### **Orientation and Ongoing Education**

The IRC shall avail itself of, and if so requested, the Manager shall, as soon as is reasonable, provide, orientation and education programs relating to the role of the IRC and its members collectively and the role of each individual member as the IRC or any member reasonably requires to discharge its, his or her duties.<sup>29</sup>

Educational programs may include presentations, seminars or discussion groups conducted by:

- (a) personnel of the Fund or the Manager;
- (b) outside experts;
- (c) industry groups;
- (d) representatives of the Fund’s various service providers; and
- (e) educational organizations and institutions.<sup>30</sup>

### **Appointment of Chair of IRC**

The initial term of this position will be three years. Thereafter, the term of this position shall be no less than one year and no more than three years, to be determined by the IRC after considering the recommendations of the Manager, if any.

At the end of the initial three-year term and in each following year, one IRC member shall be appointed as the Chair of the Committee.<sup>31</sup> If in any year the IRC does not appoint a Chair, the incumbent Chair will continue to act as Chair until a successor is appointed. The Chair is responsible for managing the mandate, and responsibilities and functions, of the IRC in accordance with this Charter.<sup>32</sup> The Chair will lead IRC meetings, foster communication among IRC members, and ensure the IRC carries out its responsibilities in a timely and effective manner. It is anticipated that the Chair will be the primary person to interact with the Manager on issues relating to the Fund. The Chair and the Manager may agree to have regular communication as a way for the Chair to keep informed of the operations of the Fund between IRC meetings, and of any significant events relating to the Fund and to discuss issues that are of interest or of concern to the IRC and that require the Manager’s particular attention to explain or resolve.<sup>33</sup>

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<sup>28</sup> *section 3.10(4)*

<sup>29</sup> *section 3.15(1)*

<sup>30</sup> *section 3.15 Commentary (1)*

<sup>31</sup> *section 3.7(4)*

<sup>32</sup> *section 3.7(5)*

<sup>33</sup> *section 3.7 Commentary (2)*

## Compensation of IRC Members

The Manager shall set the initial compensation and expense reimbursement of the members of the IRC.<sup>34</sup> Thereafter, at least annually, the IRC will review and set reasonable compensation and expense reimbursement for its members.<sup>35</sup> When setting its compensation and expenses, the IRC shall take into consideration its most recent assessment of its compensation and effectiveness and the Manager's recommendations, if any.<sup>36</sup> Among the factors the IRC and the Manager should consider when determining the appropriate level of compensation are: the number, nature and complexity of the Fund for which the IRC acts; the nature and extent of the workload of each member of the IRC, including the commitment of time and energy that is expected from each member; relevant industry surveys and best practices and, generally, the best interests of the Fund.<sup>37</sup>

## Meetings and Record-Keeping

The IRC shall meet no less than four times per year, holding regular quarterly meetings to review any matters before the Committee. Meetings will be coordinated with the Manager so that representatives of the Manager may attend and provide any necessary information needed to conduct the meeting. The IRC shall determine whether it wishes to deliberate and decide on any conflict of interest matter in the absence of the Manager and representatives of the Manager or of any entity related to the Manager.<sup>38</sup> A member may participate in a meeting of the IRC by telephone, electronic or other means of communication as will permit all persons attending the meeting to communicate adequately during the meeting and a member attending by such means is deemed to be present at that meeting.

The IRC will hold at least one meeting annually at which the Manager, any representative of the Manager or any entity related to the Manager is not in attendance.<sup>39</sup> This requirement is satisfied if the IRC holds a portion of any meeting annually without the presence of the Manager, any representative of the Manager or any entity related to the Manager.<sup>40</sup>

Meetings of the IRC may be called at any time by the Chair, or any two members. Notice specifying the time and place of each such meeting shall be given by prepaid mail, facsimile, electronic communication or other telecommunication, or may be delivered personally to members at their last address as shown in the records of the Manager, not less than forty-eight (48) hours prior to the meeting. A member may in any manner waive notice of a meeting of the IRC. The attendance of a member at a meeting of the IRC is deemed to be a waiver of the notice of the meeting unless such member's attendance is for the specific purpose of objecting to the holding of such meeting.

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<sup>34</sup> section 3.8(1)

<sup>35</sup> section 4.2(2)(b)

<sup>36</sup> section 3.8(3)

<sup>37</sup> section 3.8 Commentary (2)

<sup>38</sup> section 4.1(3)

<sup>39</sup> section 4.1(4)

<sup>40</sup> section 4.1 Commentary (4)



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The holding of quarterly meetings does not preclude holding meetings outside of such time periods. Ad hoc or special meetings may also be called, including at the request of the Manager, to handle items outside of the normal course of business.

The quorum for any meeting of the IRC will be considered to be met when a majority of members are in attendance. The powers of the IRC may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all the members entitled to vote on the matter at a meeting of the IRC.

A decision by the IRC requires the agreement of a majority of the IRC’s members.<sup>41</sup> If, for any reason, the IRC has two members, a decision by the IRC must be unanimous.<sup>42</sup> An IRC with one member may not approve any matter.<sup>43</sup> In the case of a tie vote, the Chair of the IRC shall not have a second or casting vote.

The IRC will maintain records relating to its operations, including

- (a) a copy of its current written charter;
- (b) minutes of any material discussions at its meetings;
- (c) copies of any materials and written reports provided to it;
- (d) copies of materials and written reports prepared by or for it; and
- (e) a record of its decisions, recommendations or actions it takes on any matter referred to it.<sup>44</sup>

The foregoing records shall, on behalf of the IRC, be maintained by a representative of the Manager and kept at the premises of the Manager for safekeeping or at such other premises as the IRC may designate. Such records will be maintained by the Manager for a minimum of seven years.

The IRC may elect to nominate a representative of the Manager to act as secretary for the IRC. This individual will, at no additional cost, be responsible for maintaining the IRC’s records as listed above on behalf of the IRC and for recording the minutes of each meeting, subject to the approval and adoption of those minutes by the IRC.<sup>45</sup> Once approved by the IRC, the final version of the minutes will be provided to each member of the IRC. At the annual meeting, or portion thereof, which is to be exclusive of the presence of any representative of the Manager or any entity related to the Manager, the Chair will be responsible for recording and maintaining the minutes of the meeting. Unless the IRC otherwise agrees or it is otherwise required by law, the minutes of IRC meetings held exclusive of the presence of any representative of the Manager or any entity related to the Manager will be considered to be private and confidential documents and may be reviewed only by members of the IRC.

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<sup>41</sup> *section 3.12(1)*

<sup>42</sup> *section 3.12(2)*

<sup>43</sup> *section 3.12(3)*

<sup>44</sup> *section 4.6*

<sup>45</sup> *IFIC – A Framework for Independent Review Committees Under National Instrument 81-107 Part 6 Guidance Notes*

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The Manager will also maintain a record of any activity that is subject to the review of the IRC, including a copy of the policies and procedures that address the matter and the actions the Manager takes in respect of any matter referred to the IRC, minutes of its meetings, if any, and copies of materials including any written reports provided to the IRC.<sup>46</sup>

### **Sub-Committees**

The IRC may delegate any of its functions under this Charter, with the exception of the removal of an IRC member, to one or more sub-committees.<sup>47</sup> The formation of a sub-committee and the delegation of functions will not absolve the IRC of its responsibilities with respect to the delegated functions.<sup>48</sup>

If the IRC delegates any of its functions to a sub-committee, this Charter shall include a defined mandate and procedural and reporting requirements for such sub-committee,<sup>49</sup> all as determined by the IRC after considering the recommendations of the Manager, if any.

Any sub-committee will have no fewer than three members<sup>50</sup> with a quorum of not less than a majority of its members and will report on its activities to the IRC at least annually.<sup>51</sup>

Each member of a sub-committee will receive a meeting attendance fee as determined by the IRC (at a rate that is no greater than that paid to members of the IRC in respect of their attendance at meetings of the IRC) plus reasonable expense reimbursement for each meeting of the sub-committee that the member attends (including via telephone conference call or other electronic means).

### **IRC Standard of Care**

Every member of the IRC, in exercising his or her powers and discharging his or her duties related to the Fund shall:

- (a) act honestly and in good faith, with a view to the best interests of the Fund;  
and
- (b) exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.<sup>52</sup>

Every member of the IRC must comply with NI 81-107 and this Charter.<sup>53</sup>

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<sup>46</sup> section 2.3

<sup>47</sup> section 3.11(1)(d)

<sup>48</sup> section 3.11 Commentary (2)

<sup>49</sup> section 3.11 Commentary (2)

<sup>50</sup> section 3.11(1)(d)

<sup>51</sup> section 3.11(2)

<sup>52</sup> section 3.9(1)

<sup>53</sup> section 3.9(2)

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A member of the IRC shall not be in breach of subparagraph (b) above if the member exercised the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, including reliance in good faith on:

- (a) a report or certification represented as full and true to the IRC by the Manager or an entity related to the Manager; or
- (b) a report of a person whose profession lends credibility to a statement made by the person.<sup>54</sup>

A member of the IRC has complied with his or her duties to act honestly and in good faith, with a view to the best interests of the Fund, if the member has relied in good faith on:

- (a) a report or certification represented as full and true to the IRC by the Manager or an entity related to the Manager; or
- (b) a report of a person whose profession lends credibility to a statement made by the person.<sup>55</sup>

### **Confidentiality**

Other than as otherwise may become public, the members of the IRC shall keep strictly confidential all proceedings at meetings of the IRC and all information they receive about the Manager's business and the operations of the Fund, unless they are:

- (a) required by law to disclose that information;
- (b) seeking advice from counsel or experts, as contemplated in this Charter; or
- (c) communicating with shareholders of the Fund or the securities regulatory authorities, as contemplated in this Charter.

### **Responsibilities, Functions and Powers of IRC**

The IRC shall only be responsible for the following matters:

- (a) considering and making any amendments to the Charter, including reviewing any amendments to the Charter proposed by the Manager which, for greater certainty, may be approved only by the IRC;
- (b) reviewing and providing its decision to the Manager, on conflict of interest matters requiring IRC approval under Section 5.2 of NI 81-107 and on conflict of interest matters subject to IRC recommendation under Section 5.3 of NI 81-107, on all such conflict of interest matters that the Manager refers to the IRC for review;<sup>56</sup>
- (c) performing the regular assessments required under NI 81-107;<sup>57</sup>

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<sup>54</sup> section 3.9(3)

<sup>55</sup> section 3.9(4)

<sup>56</sup> section 4.1(1)

<sup>57</sup> section 4.2

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- (d) providing the reports to the Manager and to the shareholders of the Fund required under NI 81-107;<sup>58</sup>
- (e) reporting to the securities regulatory authorities or regulators as required under NI 81-107; and<sup>59</sup>
- (f) considering any other matters required by law of which notice is provided by the Manager (using its reasonable best efforts) to the IRC.

Unless the Manager refers a matter to the IRC, the IRC shall have no power, authority or responsibility to consider any conflict of interest matter or any other matter. The IRC has no power, authority or responsibility for the operation, administration or performance of the Fund or the Manager, except as set out in this Charter.<sup>60</sup>

The IRC shall have the resources made available to it and the authority appropriate to discharge its responsibilities, including the authority to:

- (a) request information it determines useful or necessary from the Manager and its officers;
- (b) engage independent counsel and other advisors it determines useful or necessary; and
- (c) set reasonable compensation and proper expenses for any such independent counsel and other advisors,<sup>61</sup> which is an expense of the Fund.

The IRC may (but need not) rely and act upon any document prepared by, or advice given by, any counsel or other advisor if the IRC has complied with its standard of care in the selection of the counsel or other advisor and in the decision to rely or act or to not rely or not act on such document or advice. The IRC shall discuss with the Manager any proposal to hire independent counsel or other advisors and shall consider any recommendations made in that regard by the Manager. Any such proposal to hire independent counsel or other advisors shall be made by the IRC only in selective, non-routine circumstances and then only to assist and not replace IRC decision-making.

### **Review of Conflict of Interest Matters**

The IRC will not approve a proposed action that requires its approval under NI 81-107 unless it has determined, after reasonable inquiry, that the action

- (a) is proposed by the Manager free from any influence by an entity related to the Manager and without taking into account any consideration relevant to an entity related to the Manager;
- (b) represents the business judgment of the Manager uninfluenced by considerations other than the best interests of the Fund;

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<sup>58</sup> sections 4.3 and 4.4

<sup>59</sup> section 4.5

<sup>60</sup> section 4.1(5)

<sup>61</sup> section 3.11(1)

- (c) is in compliance with the Manager’s written policies and procedures relating to the action; and
- (d) achieves a fair and reasonable result for the Fund.<sup>62</sup>

For a proposed action that is subject to IRC recommendation under NI 81-107, the IRC will provide a recommendation to the Manager as to whether, in the IRC’s opinion after reasonable inquiry, the proposed action achieves a fair and reasonable result for the Fund.<sup>63</sup>

### **Standing Instructions by the IRC**

The IRC may give its recommendation or approval, as the case may be, for certain conflict of interest matters in the form of a standing instruction. If no standing instruction is in effect, the Manager is required to seek the IRC’s recommendation or approval, as the case may be, in accordance with NI 81-107, prior to proceeding. The IRC may consider as guidance any conditions in prior exemptive relief orders, waivers or approvals obtained from the securities regulatory authorities when contemplating the appropriate terms and conditions in its recommendation or approval.<sup>64</sup>

The Manager is not required to refer a conflict of interest matter nor its proposed action to the IRC if the Manager complies with the terms of a standing instruction that is in effect.<sup>65</sup>

In the event the IRC deems it necessary to terminate or revoke a Standing Instruction, it may do so at a meeting of the Committee in which any such termination or revocation, together with the reasons therefor, shall be recorded in the minutes of the meeting.

Before providing or continuing a standing instruction to the Manager for an action or category of actions, the IRC will:

- (a) review the Manager’s written policies and procedures with respect to the action or category of actions;
- (b) request from the Manager or other persons a report or certification to assist in deciding whether to give its approval or recommendation for the action or category of actions;
- (c) consider whether a standing instruction for the particular action or category of actions is appropriate for the Fund; and
- (d) establish very clear terms and conditions surrounding the standing instruction for the action or category of actions.<sup>66</sup>

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<sup>62</sup> section 5.2(2)

<sup>63</sup> section 5.3(1)(a)

<sup>64</sup> section 5.2 Commentary (1)

<sup>65</sup> section 5.4(1)

<sup>66</sup> section 5.4 Commentary (2)

## Annual Assessments

The IRC shall carry out the annual assessments required by NI 81-107 on the adequacy and effectiveness of the matters specified by NI 81-107 and report to the Manager, the shareholders of the Fund and the securities regulators on the results of its assessments in the manner contemplated by NI 81-107.

## Annual Self-Assessments

At least annually, the IRC will review and assess its effectiveness as a committee, as well as the effectiveness and contribution of each of its members.<sup>67</sup> It must also review and assess, at least annually, the independence of its members.<sup>68</sup> The purpose of the annual self-assessment by the IRC is to improve performance by strengthening each member’s understanding of his or her role and fostering better communication and greater cohesiveness among members.<sup>69</sup>

This review will include a consideration of:

- (a) the IRC’s written charter;
- (b) the competencies and knowledge each member is expected to bring to the IRC;
- (c) the level of complexity of the issues reasonably expected to be raised by members in connection with the matters under review by the IRC; and
- (d) the ability of each member to contribute the necessary time required to serve effectively on the IRC.<sup>70</sup>

The self-assessment should focus on both substantive and procedural aspects of the IRC’s operations. When evaluating the IRC’s structure and effectiveness, the IRC should consider factors such as the following:

- (a) the frequency of meetings;
- (b) the substance of meeting agendas;
- (c) the policies and procedures that the Manager has established to refer matters to the IRC;
- (d) the usefulness of the materials provided to the members of the IRC;
- (e) the collective experience and background of the members of the IRC; and
- (f) the amount and form of compensation the members receive from the Fund.<sup>71</sup>

When evaluating individual performance, the IRC should consider factors such as the member’s attendance and participation in meetings, continuing education activities and industry knowledge.<sup>72</sup>

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<sup>67</sup> section 4.2(3)

<sup>68</sup> section 4.2(2)(a)

<sup>69</sup> section 4.2 Commentary (2)

<sup>70</sup> section 4.2(4)

<sup>71</sup> section 4.2 Commentary (3)

<sup>72</sup> section 4.2 Commentary (3)

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The IRC shall discuss its findings with the Manager prior to making (i) any recommendations to the Manager on changes to the Manager’s policies and procedures or (ii) any changes to the composition or compensation of the IRC. The IRC shall request that the Manager provide the IRC with feedback on the IRC’s effectiveness and/or the effectiveness of the members of the IRC and shall consider any feedback given in conducting its assessments.

The IRC may recommend to the Manager any changes to the number of members of the IRC. The IRC shall notify the Manager in advance of any change to be made by the IRC to this Charter. For greater certainty, changes to this Charter in respect of any matter that is not governed by NI 81-107 or in respect of the number of members of the IRC<sup>73</sup> cannot be made without the Manager’s express agreement in writing.

For any action for which the IRC has provided a standing instruction, at the time of the IRC’s regular assessment,<sup>74</sup>

- (a) the Manager must provide a written report to the IRC describing each instance or category of instances that the Manager acted in reliance on a standing instruction; and
- (b) the IRC must:
  - (i) review and assess the adequacy and effectiveness of the Manager’s written policies and procedures on the matter or on that type of matter with respect to all actions permitted by each standing instruction;
  - (ii) review and assess the Manager’s and Fund’s compliance with any conditions imposed by it in each standing instruction;
  - (iii) reaffirm or amend each standing instruction;
  - (iv) establish new standing instructions, if necessary; and
  - (v) advise the Manager in writing of all changes to the standing instructions.

## **Reporting on the Manager**

At least annually, the IRC will review and assess the adequacy and effectiveness of:

- (a) the Manager’s written policies and procedures required under Section 2.2 of NI 81-107;
- (b) any standing instruction it has provided to the Manager under Section 5.4 of NI 81-107;
- (c) the Manager’s and the Fund’s compliance with any conditions imposed by the IRC in a recommendation or approval it has provided to the Manager; and
- (d) any subcommittee to which the IRC has delegated any of its functions.<sup>75</sup>

With a view to assisting the IRC in the preparation of the assessments, the IRC may request that the Manager provide such information as the IRC may request and the

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<sup>73</sup> section 3.7(2)

<sup>74</sup> section 5.4(2)

<sup>75</sup> section 4.2(1)

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Manager, at the IRC’s request, shall prepare, in each case, a draft assessment for consideration by the IRC.

Other items which the IRC may wish to include in its annual assessment include the:

- (a) sufficiency of amount of time given to the IRC to respond to conflict of interest matters;
- (b) willingness of the Manager to work with the IRC to find a compromise acceptable to the IRC in the event that the IRC disagrees with the Manager with respect to a conflict of interest matter;
- (c) adequacy of training/ongoing education provided to members of the IRC;
- (d) recommendations from the Manager to improve or streamline the policies and procedures of the IRC; and
- (e) general support provided by the Manager to the IRC, including documentary, informational and personnel support.

The IRC will, as soon as practicable, deliver to the Manager a written report of the results of any assessment that includes:

- (a) a description of each instance of a breach of any of the Manager’s policies or procedures of which the IRC is aware, or that it has reason to believe has occurred;
- (b) a description of each instance of a breach of a condition imposed by the IRC in a recommendation or approval it has provided to the Manager, of which the IRC is aware, or that it has reason to believe has occurred; and
- (c) recommendations for any changes the IRC considers should be made to the Manager’s policies and procedures.<sup>76</sup>

The IRC may, on request, meet with the senior management of the Manager responsible for the Fund, to present and discuss the assessment report of the IRC. The IRC may, at the discretion of the Manager, also be invited to meet with the board of directors of the Manager.

## **Reporting to Shareholders**

The IRC will prepare, for each financial year of the Fund and no later than the date the Fund files its annual financial statements, a report to shareholders of the Fund that describes the IRC and its activities for the financial year and includes:

- (a) the name of each member of the IRC at the date of the report, with
  - (i) the member’s length of service on the IRC;
  - (ii) the name of any other fund family on whose IRC the member serves; and
  - (iii) if applicable, a description of any relationship that may cause a reasonable person to question the member’s independence and the

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<sup>76</sup> section 4.3



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basis upon which the IRC determined that the member is independent;

- (b) the percentage of securities of each class or series of voting or equity securities beneficially owned, directly or indirectly, in aggregate, by all the members of:
  - (i) the Fund if the aggregate level of ownership exceeds 10%;
  - (ii) the Manager; or
  - (iii) in any person or company that provides services to the Fund or the Manager;
- (c) the identity of the Chair of the IRC;
- (d) any changes in the composition or membership of the IRC during the period;
- (e) the aggregate compensation paid to the IRC and any indemnities paid to members of the IRC by the Fund during the period;
- (f) a description of the process and criteria used by the IRC to determine the appropriate level of compensation of its members and any instance when, in setting the compensation and expenses of its members, the IRC did not follow the recommendation of the Manager, including
  - (i) a summary of the Manager’s recommendation; and
  - (ii) the IRC’s reasons for not following the recommendation;
- (g) if known, a description of each instance when the Manager acted in a conflict of interest matter referred to the IRC for which the IRC did not give a positive recommendation, including
  - (i) a summary of the recommendation; and
  - (ii) if known, the Manager’s reasons for proceeding without following the recommendation of the IRC and the result of proceeding;
- (h) if known, a description of each instance when the Manager acted in a conflict of interest matter but did not meet a condition imposed by the IRC in its recommendation or approval, including
  - (i) the nature of the condition;
  - (ii) if known, the Manager’s reasons for not meeting the condition;
  - (iii) whether the IRC is of the view that the Manager has taken, or proposes to take, appropriate action to deal with the matter; and
  - (iv) a brief summary of any recommendations and approvals the Manager relied upon during the period.<sup>77</sup>

The report to shareholders will, as soon as practicable:

- (a) be sent by the Fund, without charge, to a shareholder of the Fund, upon the shareholder’s request;

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<sup>77</sup> section 4.4(1)

- (b) be made available and prominently displayed by the Manager on the Manager’s website;
- (c) be filed by the Fund with the securities regulatory authority or regulator; and
- (d) be delivered by the IRC to the Manager.<sup>78</sup>

The IRC shall prepare the reports to shareholders required by NI 81-107<sup>79</sup> and may authorize representatives of the Manager to prepare initial drafts of such reports. The IRC shall discuss with the Manager, in a timely manner, the contents of its reports prior to finalizing such reports for formal delivery to the Manager as contemplated by NI 81-107. The Chair may also, on request of the IRC, meet with the designated representative of the Manager to discuss such assessment report.<sup>80</sup>

### **Reporting to Securities Regulatory Authorities**

The IRC may communicate directly and without undue influence from the Manager with the securities regulatory authority or regulator in any province or territory of Canada concerning matters within its mandate.<sup>81</sup>

If the IRC is aware of an instance where the Manager acted in a conflict of interest matter requiring IRC approval under section 5.2 of NI 81-107 but did not comply with a condition or conditions imposed by securities legislation or the IRC in its approval, the IRC will, as soon as practicable, notify in writing the securities regulatory authority or regulator.<sup>82</sup> This notification is satisfied if it is made to the Fund’s principal regulator (the British Columbia Securities Commission).<sup>83</sup>

The IRC will include in its notification the steps the Manager proposes to take, or has taken, to remedy the breach, if known.<sup>84</sup>

The IRC shall notify the Manager, in advance, of all such communications with securities regulatory authorities or regulators and the reasons for such communications.<sup>85</sup>

### **Indemnification and Insurance**

The Fund and the Manager may indemnify the members of the IRC in the manner and in respect of the matters set out in NI 81-107.<sup>86</sup>

The Fund and the Manager may purchase and maintain insurance for the benefit of the members of the IRC as contemplated by NI 81-107.<sup>87</sup>

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<sup>78</sup> section 4.4(2)

<sup>79</sup> section 4.4

<sup>80</sup> section 3.6 Commentary 3

<sup>81</sup> section 3.1 and section 3.11(3)

<sup>82</sup> section 4.5(1)

<sup>83</sup> section 4.5(2)

<sup>84</sup> section 4.5 Commentary (2)

<sup>85</sup> IFIC – A Framework for Independent Review Committees Under National Instrument 81-107 Part 13  
Guidance Notes

<sup>86</sup> section 3.14

## Responsibilities and Functions of the Manager

Before proceeding with a conflict of interest matter or any other matter that securities legislation requires the Manager to refer to the IRC, the Manager will establish written policies and procedures that it will follow on that matter or on that type of matter and refer the policies and procedures to the IRC for its review and input.<sup>88</sup> The Manager may revise its policies and procedures if it provides the IRC with a written description of any significant changes for the IRC’s review and input before implementing the revisions.<sup>89</sup> If an unanticipated conflict of interest matter arises for which the Manager does not have a policy and procedure, the Manager will bring the matter and its proposed action to the IRC for its review and input at the time the matter is referred to the IRC.<sup>90</sup>

The Manager should consider whether any “entity related to the Manager”, as such term is defined in NI 81-107, would have any interest that gives rise to a “conflict of interest matter” within the definition of that term in NI 81-107 as well as the commentary regarding conflict of interest matters contained in NI 81-107.<sup>91</sup>

It is to be expected that an “entity related to the Manager” that provides services to the Fund will have its own policies and procedures to address any conflicts of interest in its operations with respect to those services. The Manager shall report and certify to the IRC on an annual basis that the policies and procedures of such parties adequately protect against conflicts of interest of such parties that are relevant to the Fund, that those policies and procedures are substantially similar in content and effect to those of the Manager on the same subject, taking into consideration the activities and circumstances of the particular related entity, and that any conflicts of interest of the related entity on that subject that are relevant to the Fund, have been reported to the independent review committee of such parties for its review and decision in accordance with NI 81-107. The conflicts of interest facing these entities, including any third party portfolio manager or sub-advisor, may affect, or be perceived to affect, the Manager’s ability to make decisions in the best interests of the Fund. The Manager is expected to refer such conflicts to the IRC in such circumstances.<sup>92</sup>

The Manager shall provide the IRC with compliance certificates with respect to ongoing conflict of interest matters including its reliance on any standing instructions issued by the IRC as determined by the IRC in discussion with the Manager and set out in the relevant standing instruction or otherwise from time to time.

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<sup>87</sup> section 3.14

<sup>88</sup> section 2.2(1)

<sup>89</sup> section 2.2(3)

<sup>90</sup> section 2.2 Commentary (3)

<sup>91</sup> section 1.2 Commentary (3)

<sup>92</sup> section 1.2 Commentary (4)

## Policies and Procedures of the Manager

When a conflict of interest matter arises that is required to be referred to the IRC, and before taking any action in the matter, the Manager shall:

- (a) determine what action it proposes to take in respect of the matter, having regard to
  - (i) its duties under securities legislation;
  - (ii) its written policies and procedures on the matter; and
- (b) refer the matter, along with its proposed action, to the IRC for its review and decision.<sup>93</sup>

When the Manager refers to the IRC a conflict of interest matter or any other matter that securities legislation requires it to refer, the Manager shall:

- (a) provide the IRC with information sufficient for the IRC to properly carry out its responsibilities, including
  - (i) a description of the facts and circumstances giving rise to the matter;
  - (ii) the Manager's policies and procedures;
  - (iii) the Manager's proposed course of action, if applicable; and
  - (iv) all further information the IRC reasonably requests;
- (b) make its officers who are knowledgeable about the matter available to attend meetings of the IRC or respond to inquiries of the IRC about the matter; and
- (c) provide the IRC with any other assistance it reasonably requests in its review of the matter.<sup>94</sup>

Before a Manager may proceed with a proposed action, other than those actions requiring the IRC's approval under NI 81-107, the IRC will provide a recommendation to the Manager as to whether, in the Committee's opinion after reasonable inquiry and, if appropriate, discussion with the Manager, the proposed action achieves a fair and reasonable result for the Fund.<sup>95</sup> This should be done in the form of a positive or negative response.<sup>96</sup> The Manager will consider the recommendation of the Committee.<sup>97</sup>

If the Manager decides to proceed with an action in a conflict of interest matter that, in the opinion of the IRC after reasonable inquiry, does not achieve a fair and reasonable result for the Fund, the Manager will notify in writing the IRC before proceeding with the proposed action.<sup>98</sup> If after receiving this notification the IRC determines that the proposed action is sufficiently important to warrant notice to shareholders of the Fund,

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<sup>93</sup> section 5.1(1)

<sup>94</sup> section 2.4(1)

<sup>95</sup> section 5.3(1)(a)

<sup>96</sup> section 5.3 Commentary (2)

<sup>97</sup> section 5.3(1)(b)

<sup>98</sup> section 5.3(2)

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the IRC has the authority to require the Manager to give such notification before proceeding with the action.<sup>99</sup>

**Notices**

Any notice (which term includes any communication or document) to be given (which term includes sent, delivered or served), pursuant to this Charter to any member of the IRC or to the Manager shall be sufficiently given if delivered personally to the person to whom it is to be given or if delivered to such person’s recorded address or if mailed to such person at such person’s recorded address by prepaid ordinary mail or air mail, or if sent to such person at such person’s recorded address by facsimile or electronic mail. A notice so delivered shall be deemed to have been delivered when it is delivered personally or to the recorded address as aforesaid; a notice mailed shall be deemed to have been received by the addressee on the fifth day after mailing; and a notice so sent by facsimile or electronic mail shall be deemed to have been given when transmitted.

The accidental omission to give any notice to any member of the IRC or to the Manager or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

Any member of the IRC or the Manager entitled to attend a meeting of the IRC may at any time waive any notice, or waive or abridge the time for any notice, required to be given to such person under any provision of this Charter or by law or otherwise and such waiver or abridgement, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in the giving or in the time of such notice, as the case may be. Any such waiver or abridgement shall be in writing except a notice of waiver or notice of a meeting of the IRC, which may be given in any manner.

**Effective Date of Charter**

This Charter is effective as of May 25, 2012.

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<sup>99</sup> *section 5.3(3)*