

Condensed Interim Financial Statements

## **TREZ CAPITAL SENIOR MORTGAGE INVESTMENT CORPORATION**

For the three and six months ended June 30, 2020 and 2019  
(Unaudited)

The accompanying unaudited condensed interim financial statements of the Company as at June 30, 2020 have been prepared in accordance with the International Accounting Standard 34 – Interim Financial Reporting as issued by the International Accounting Standards Board and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements. The Company's auditor will perform an audit of the December 31, 2020 Financial Statements.

# TREZ CAPITAL SENIOR MORTGAGE INVESTMENT CORPORATION

Condensed Interim Statements of Financial Position  
(Unaudited)

	Notes	June 30, 2020	December 31, 2019
<b>Assets</b>			
Investments in mortgages	3	\$ 12,081,358	\$ 12,883,546
Cash		10,616,048	10,668,051
<b>Total assets</b>		<b>\$ 22,697,406</b>	<b>\$ 23,551,597</b>
<b>Liabilities and Shareholders' Equity</b>			
Accounts payable and accrued liabilities		23,818	20,000
Management fees payable	5, 7	50,553	55,684
Incentive fee provision	6	451,943	711,943
<b>Total liabilities</b>		<b>526,314</b>	<b>787,627</b>
Shareholders' equity		22,171,092	22,763,970
<b>Total liabilities and shareholders' equity</b>		<b>\$ 22,697,406</b>	<b>\$ 23,551,597</b>

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

# TREZ CAPITAL SENIOR MORTGAGE INVESTMENT CORPORATION

Condensed Interim Statements of Income and Comprehensive Income  
(Unaudited)

	Notes	For the three months ended June 30,		For the six months ended June 30,	
		2020	2019	2020	2019
<b>Revenue:</b>					
Interest and fee income		\$ 325,154	\$ 344,227	\$ 659,960	\$ 700,577
		325,154	344,227	659,960	700,577
<b>Expenses:</b>					
Management fees	5, 7	50,553	55,308	102,985	110,041
Incentive fees	6	-	-	(260,000)	-
General and administrative expenses		68,282	56,423	109,853	97,341
		118,835	111,731	(47,162)	207,382
Income from operations		206,319	232,496	707,122	493,195
Fair value loss adjustment on investment in mortgages		-	-	1,300,000	-
Net income (loss) and comprehensive income (loss) for the period		\$ 206,319	\$ 232,496	\$ (592,878)	\$ 493,195
<b>Earnings (loss) per share:</b>					
Basic and diluted	8	\$0.03	\$0.03	\$(0.08)	\$0.07

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

# TREZ CAPITAL SENIOR MORTGAGE INVESTMENT CORPORATION

Condensed Interim Statements of Changes in Shareholders' Equity  
(Unaudited)

## Six months ended June 30, 2020:

	Notes	Common shares	Deficit	Total
Shareholders' equity, at December 31, 2019		\$ 70,195,908	\$(47,431,938)	\$22,763,970
Net income and comprehensive income for the period		-	(592,878)	(592,878)
Dividends to shareholder	4	-	-	-
Share repurchases	4	-	-	-
Shareholders' equity, at June 30, 2020		\$ 70,195,908	\$(48,024,816)	\$ 22,171,092

## Six months ended June 30, 2019:

	Notes	Common shares	Deficit	Total
Shareholders' equity, at December 31, 2018		\$ 70,195,908	\$(46,946,118)	\$ 23,249,790
Net income and comprehensive income for the period		-	493,195	493,195
Dividends to shareholder	4	-	-	-
Share repurchases	4	-	-	-
Shareholders' equity, at June 30, 2019		\$ 70,195,908	\$(46,452,923)	\$ 23,742,985

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

# TREZ CAPITAL SENIOR MORTGAGE INVESTMENT CORPORATION

Condensed Interim Statements of Cash Flows  
(Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Cash provided by (used in):				
Operations:				
Net income (loss) and comprehensive income	\$206,319	\$232,496	\$(592,878)	\$493,195
Non-cash adjustments				
Interest income	(325,154)	(344,227)	(659,960)	(700,578)
Incentive fee	-	-	-	-
Interest received	58,082	82,793	122,404	175,913
Changes in non-cash operating items:				
Amounts receivable	-	(3,232)	-	(3,232)
Fair value adjustment on mortgages	-	-	(260,000)	-
Incentive fee payable	-	-	1,300,000	-
Management fees payable	(57,564)	(17,542)	(5,131)	19,128
Accounts payable and accrued liabilities	(17,470)	(9,883)	3,818	6,273
Cash flows from operating activities	(135,787)	(59,595)	(91,747)	(9,301)
Financing:				
Dividends to holders of Class A shares	-	-	-	-
Repurchase of shares	-	-	-	-
	-	-	-	-
Investing:				
Funding of investment in mortgages	-	-	-	-
Principal repayments or sold investment in mortgages	19,981	19,127	39,744	38,047
	19,981	19,127	39,744	38,047
Increase (decrease) in cash during the period	(115,806)	(40,468)	(52,003)	28,746
Cash and cash equivalents, beginning of period	\$10,731,854	\$10,743,813	\$10,668,051	\$10,674,599
Cash and cash equivalents, end of period	\$10,616,048	\$10,703,345	\$10,616,048	\$10,703,345

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

# TREZ CAPITAL SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to Condensed Interim Financial Statements  
(Unaudited)

For the three and six month periods ended June 30, 2020 and 2019

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## 1. Operations:

Trez Capital Senior Mortgage Investment Corporation (the “Company”) is a non-bank lender providing residential and commercial short-term bridge and conventional real estate financing, including construction and mezzanine mortgages. Trez Capital Senior Mortgage Investment Corporation was incorporated on October 18, 2012 under the Canada Business Corporations Act. The Company is managed by Trez Capital Fund Management Limited Partnership (the “Manager”). The Mortgage Broker for the Company is Trez Capital Limited Partnership.

The shares of the Company are publicly listed on the Toronto Stock Exchange under the symbol TZS. The Company is a Canadian mortgage investment corporation and the registered office of the Company is 1700-745 Thurlow Street, Vancouver, B.C., V6E 0C5.

On May 9, 2016, the Special Committee of the Board of Directors announced the completion of a strategic review process and a plan for the orderly wind-up of the Company’s assets and the return of capital to shareholders (the “Orderly Wind-Up Plan”). The Orderly Wind-Up Plan in its entirety was approved by shareholders at the Company’s annual and special meeting of shareholders held on June 16, 2016.

Under the Orderly Wind-Up Plan, the Company ceased originating new loans and all mortgage renewal activity, subject to contractual rights, and its assets are being monetized over time. Management has estimated the value of its mortgage portfolio based on its best judgement as to the eventual cash flows that it expects to receive in the normal course of business. Eventual cash flows could vary by a material amount as outlined in note 3 of annual audited financial statements at December 31, 2019. The Orderly Wind-Up Plan was implemented in 2016 and capital is being returned to shareholders under the supervision of the Board of Directors with the assistance of the Manager. In addition, the Manager and its affiliates as part of the Orderly Wind-Up Plan ceased providing any financial support in respect to any of the mortgages held in the Company’s portfolio. The fees to the Manager were restructured at the initiation of the Orderly wind up as outlined in note 5 & 6.

The Company continues to be a Mortgage Investment Corporation pursuant to the Income Tax Act (Canada). As such, the Company is entitled to deduct from its taxable income, dividends paid to shareholders during the year or within 90 days of the end of the year to the extent the dividends were not deducted previously.

# TREZ CAPITAL SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to Condensed Interim Financial Statements  
(Unaudited)

For the three and six month periods ended June 30, 2020 and 2019

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## 2. Basis of presentation:

### (a) Statement of compliance:

The condensed interim financial statements have been prepared in compliance with International Accounting Standard 34, *Interim Financial Statements*. The accompanying condensed interim financial statements should be read in conjunction with the notes to the Company's audited financial statements for the year ended December 31, 2019 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), since they do not contain all disclosures required by IFRS for annual financial statements. These condensed interim financial statements reflect all normal and recurring adjustments which are in the opinion of the Manager, necessary for a fair presentation of the respective interim periods presented.

These condensed interim financial statements were approved by the Board of Directors on August 6th, 2020.

### (b) Functional and presentation currency:

These condensed interim financial statements are presented in Canadian dollars, which is the functional currency of the Company.

### (c) Basis of measurement:

These condensed interim financial statements have been presented on a historical cost basis, except for investments in mortgages and mortgage syndication liabilities which are measured at fair value.

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

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

The most significant estimates that the Manager is required to make relate to the fair value of the investments in mortgages.

# TREZ CAPITAL SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to Condensed Interim Financial Statements  
(Unaudited)

For the three and six month periods ended June 30, 2020 and 2019

## 3. Investments in mortgages:

(a) Mortgages:

Property type	Number	June 30, 2020
Residential	2	\$ 16,732,126
Accrued interest and fees receivable		99,232
Fair value adjustments on investments in mortgages		(4,750,000)
		<u>\$ 12,081,358</u>

Property type	Number	December 31, 2019
Residential	2	\$ 16,235,281
Accrued interest and fees receivable		98,265
Fair value adjustments on investments in mortgages		(3,450,000)
		<u>\$ 12,883,546</u>



# TREZ CAPITAL SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to Condensed Interim Financial Statements  
(Unaudited)

For the three and six month periods ended June 30, 2020 and 2019

### 3. Investments in mortgages (continued):

(a) Mortgages (continued):

Location	Number	June 30, 2020
Alberta	1	\$ 14,202,236
Ontario	1	2,529,890
	2	\$ 16,732,126

Location	Number	December 31, 2019
Alberta	1	\$ 13,665,646
Ontario	1	2,569,635
	2	\$ 16,235,281

The mortgages are secured by the real property to which they relate, bear interest at a weighted average interest rate of 7.11% (December 31, 2019 – 7.27%) and mature between 2020 and 2024.

The mortgage agreements stipulate a minimum interest rate and a variable interest rate based on the Prime Rate for Canadian Dollar Loans established by HSBC (“Prime Rate”). Current premium to the Prime Rate ranges from 1.82% to 5.17% (December 31, 2019 - plus 0.32% to plus 3.88%), with the current minimum rates ranging from 4.27% to 7.62% (December 31, 2019 - 4.27% to 7.83%).

# TREZ CAPITAL SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to Condensed Interim Financial Statements  
(Unaudited)

For the three and six month periods ended June 30, 2020 and 2019

### 3. Investments in mortgages (continued):

(a) Mortgages (continued):

Principal repayments based on contractual maturity dates are as follows:

	Number	June 30, 2020
Past due	-	\$ -
2020	1	14,202,236
2024	1	2,529,890
	2	\$ 16,732,126

As part of the assessment of fair value, the Manager routinely reviews each mortgage for changes in credit risk to determine whether or not the fair value of a mortgage should be adjusted for the change in credit risk.

In Q1 of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. During Q2, the global reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, quarantines, temporary business closures and a general reduction in consumer activity. While these effects are expected to be temporary, the duration of the disruptions to business internationally and the related financial impact cannot be estimated with any degree of certainty at this time. The public health crises has resulted in disruptions and volatility in financial markets and global supply chains as well as declining trade and market sentiment and reduced mobility of people, all of which could impact Real Property prices, interest rates, credit ratings, credit risk and inflation. These impacts could include decreases in the fair value of our mortgage investments.

At this point in time it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company as it relates to its ability to complete the Orderly Wind-Up Plan.

(b) Default or past due mortgages:

A mortgage is considered in default when a payment has not been received by the contractual due date, or a term in the mortgage agreement has been breached. Mortgages that are in default are not subject to a fair value adjustment if they are fully secured and collection efforts are reasonably expected to result in repayment of principal plus all associated costs and accrued interest.

In Q2, as a result of tenants delaying payments as a result of the Covid-19 crisis a borrower on one of the remaining mortgages asked for a three month deferral of payments which was granted.

# TREZ CAPITAL SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to Condensed Interim Financial Statements  
(Unaudited)

For the three and six month periods ended June 30, 2020 and 2019

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### 3. Investments in mortgages (continued):

#### (c) Renewed default mortgage (continued):

Since January 1, 2017, the following default mortgage has been renewed but remains challenged:

- (i) In the first quarter of 2018, the borrower for a loan in Alberta, that was previously in default requested a new three-year loan agreement with pay down of \$1,000,000. Management approached the loan-sharing partner which still holds the senior portion of the loan and requested their input regarding a potential renewal. A new term for 31 months was agreed upon between the parties, with the borrower agreeing to pay on a go forward basis the portion of the principal that was being paid by the Company. The borrower also agreed to make the requested \$1,000,000 pay down on June 1, 2018, and additional payments of \$500,000 every six months thereafter until December 1, 2020 when payment in full is due. All the scheduled payments for 2018, 2019 and the first quarter of 2020 were made by the borrower and used to pay down the position of the senior loan sharing partner. However as described earlier as a result of Covid-19 the borrower had requested and was granted a three month deferral on payments, therefore has not made the scheduled \$500,000 payment for June 2020.

Due to continued risk and the challenged nature of the loan, and developments in the first half of the year the Manager reassessed the fair value of the property, the obligations to the loan-sharing partner and reasonability of being repaid on maturity. This analysis of the fair value of the mortgage post Q1 resulted in additional fair value loss provision of \$1,300,000 recorded on the Q1 statements and added to the existing \$3,450,000 provision.

Though there is continued uncertainty around the economy in Alberta, management feels the current total fair value provision at June 30, 2020 of \$4,750,000 (December 2019 - \$3,450,000) continues to be reflective of the increased credit risk of the mortgage.

### 4. Class A shares:

As at June 30, 2020 and December 31, 2019, there were an unlimited number of Class A common shares and an unlimited number of Class B common shares authorized. As at June 30, 2020, there were 7,318,067 Class A shares outstanding (December 31, 2019 – 7,318,067).

The holders of the Class A shares are entitled to receive dividends as and when declared by the Board of Directors of the Company.

#### (a) Dividends:

The Company made no dividend payments for the three and six months ended June 30, 2020 (June 30, 2019 - nil). Regular monthly distributions were discontinued in December 2017. The monthly distributions had constituted returns of capital since the distribution of August 15, 2016.

Subsequent to the quarter end the board of directors declared a special distribution of \$0.34 per Class A share of the Company. The special distribution, which constitutes a return of capital pursuant to the winding up of the Company's business as approved by Shareholders on June 16, 2016, will be paid on August 20, 2020 to holders of Class A shares of record at the close of business on August 7, 2020.

# TREZ CAPITAL SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to Condensed Interim Financial Statements  
(Unaudited)

For the three and six month periods ended June 30, 2020 and 2019

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## 5. Management fees:

The Manager is responsible for the day-to-day operations, including administration of the Company's mortgage portfolio. Pursuant to the Management Agreement dated November 21, 2012 (amended November 30, 2013 and May 6, 2016), the Manager is entitled to a fee of 0.85% per annum of the gross assets of the Company (the "Management Fee"), plus applicable taxes, calculated daily and paid monthly in arrears.

## 6. Incentive fees:

The Manager is assisting in the Orderly Wind-Up Plan and had agreed to certain amendments to the Company's management agreement to facilitate the Orderly Wind-Up Plan. Pursuant to those amendments, the Manager is currently providing full asset management services necessary to support the Orderly Wind-Up Plan. The Manager has also waived its rights, if any, to early termination fees, in exchange for an incentive fee calculated as the greater of the following:

- (a) 20% of the amount by which the sum of:
  - (i) The aggregate realized proceeds; and
  - (ii) The Company's unrestricted cash as at April 30, 2016 exceeds \$65,549,596; and
- (b) \$300,000.

Aggregate realized proceeds are defined as the amount of proceeds on the sale, repayment or maturity of mortgages or any other transaction resulting in the monetization of the mortgages under the Orderly Wind-Up Plan.

Unrestricted cash is defined as the amount of Company's cash derived from the proceeds on the sale, repayment on maturity of mortgages or any other transaction resulting in the monetization of the mortgages on or prior to April 30, 2016.

At June 30, 2020, the estimated total amount of the incentive fee is \$682,623 (December 31, 2019 - \$942,623) of which \$230,680 (December 31, 2019 - \$230,680) has been paid to date, with the future remaining incentive fee obligation totaling \$451,943 (December 31, 2019 - \$711,943). The provision has been calculated using the projected realized proceeds at the current fair value of investments in mortgages at June 30, 2020. The amount of the provision is subject to change with any changes to realized proceeds as a result of timing or fair value adjustments of the mortgage portfolio. The provision is assessed each quarter and adjusted accordingly.

The current realized portion of the obligation payable to the Manager at June 30, 2020 is \$30,106 (December 31, 2019 - \$32,380). This amount is a percentage of the lower threshold level, determined by adding the sum of total realized proceeds received to the period end, plus the unrestricted cash as at April 30, 2016, divided by the upper threshold.

# TREZ CAPITAL SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to Condensed Interim Financial Statements  
(Unaudited)

For the three and six month periods ended June 30, 2020 and 2019

## 6. Incentive fees (continued):

A reconciliation of incentive fee payable as at June 30, 2020 and December 31, 2019 is as follows:

	2020	2019
Opening balance	\$ 711,943	1,071,943
Increase (decrease) in provision	(260,000)	(360,000)
Incentive fees realized and paid	-	-
Incentive fee provision	\$ 451,943	711,943

## 7. Related party transactions and balances:

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

- (a) The Company is managed by the Manager, a related party by virtue of common management. Pursuant to the Management Agreement referred to in note 5, during the three months ended June 30, 2020, the Company incurred management fees of \$102,985 (2019 - \$110,041). At June 30, 2020, \$50,553 (December 31, 2019 - \$55,684) of these fees were payable.
- (b) As at June 30, 2020, the Company has co-invested in one (December 31, 2019 – one) mortgage investments with other funds managed by the Manager. The total amount of the co-invested mortgage is \$27,699,148 (December 31, 2019 - \$27,655,322), of which the Company's share is \$14,202,236 (December 31, 2019 - \$13,665,646). During the six months ended June 30, 2020, the Company sold investments in mortgages of nil (June 30, 2019 – nil) to entities under common management.

All related party transactions are measured at the amount of consideration established and agreed to by the related parties. The Company invests in mortgages on a participation basis with parties related to the Manager. Title to mortgages is held by Computershare Canada, (the "Custodian"), on behalf of the beneficial owners of the mortgages. In addition, certain Mortgage Broker duties are performed by the Mortgage Broker. The Manager and the Mortgage Broker are related to the Company through common management.

## 8. Earnings per share:

- (a) Basic and diluted earnings per share:

Basic and diluted earnings per share are calculated by dividing net income attributable to common shares by the weighted average number of common shares during the three and six month periods ended June 30, 2020 and 2019:

# TREZ CAPITAL SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to Condensed Interim Financial Statements  
(Unaudited)

For the three and six month periods ended June 30, 2020 and 2019

## 8. Earnings per share (continued):

### Three months ended June 30, 2020

Total income and comprehensive income for the period	\$	206,319
Earnings attributable to common shares	\$	206,319
Weighted average number of common shares (basic and diluted)		7,318,067
Earnings per share (basic and diluted)	\$	0.03

### Three months ended June 30, 2019

Total income and comprehensive income for the period	\$	232,496
Earnings attributable to common shares	\$	232,496
Weighted average number of common shares (basic and diluted)		7,318,067
Earnings per share (basic and diluted)	\$	0.03

## (a) Basic and diluted earnings per share (continued):

### Six months ended June 30, 2020

Total income and comprehensive income for the period	\$	(592,878)
Earnings attributable to common shares	\$	(592,878)
Weighted average number of common shares (basic and diluted)		7,318,067
Earnings per share (basic and diluted)	\$	(0.08)

### Six months ended June 30, 2019

Total income and comprehensive income for the period	\$	493,195
Earnings attributable to common shares	\$	493,195
Weighted average number of common shares (basic and diluted)		7,318,067
Earnings per share (basic and diluted)	\$	0.07

# TREZ CAPITAL SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to Condensed Interim Financial Statements  
(Unaudited)

For the three and six month periods ended June 30, 2020 and 2019

## 9. Fair value of financial instruments and risk management:

### *Fair value of financial instruments:*

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

The following table shows a hierarchy for disclosing fair value based on inputs used to value the Company's investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements).

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

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

The Company's assets recorded at fair value have been categorised as follows:

June 30, 2020	Level 1	Level 2	Level 3	Total
Investments in mortgages	\$ -	\$ -	\$ 12,081,358	\$ 12,081,358

December 31, 2019	Level 1	Level 2	Level 3	Total
Investments in mortgages	\$ -	\$ -	\$ 12,883,546	\$ 12,883,546

There were no transfers between Level 1 and Level 2 during the period.

# TREZ CAPITAL SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to Condensed Interim Financial Statements  
(Unaudited)

For the three and six month periods ended June 30, 2020 and 2019

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## 9. Fair value of financial instruments and risk management (continued):

A reconciliation of Level 3 assets at June 30, 2020 is as follows:

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Investments in mortgages, December 31, 2019	\$ 12,883,546
Funding of investments in mortgages	-
Interest capitalized to investments in mortgages	536,589
Change in accrued interest and fees receivable	967
Principal repayments or sold investments in mortgages	(39,744)
Change in mortgage syndication liabilities	-
Fair value adjustment on investments in mortgages	(1,300,000)
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Investments in mortgages, June 30, 2020	\$ 12,081,358

A reconciliation of Level 3 assets at December 31, 2019 is as follows:

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Investments in mortgages, December 31, 2018	\$ 13,703,314
Funding of investments in mortgages	-
Interest capitalized to investments in mortgages	1,054,882
Change in accrued interest and fees receivable	2,283
Principal repayments or sold investments in mortgages	(76,933)
Fair value adjustment on investments in mortgages	(1,800,000)
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Investments in mortgages, December 31, 2019	\$ 12,883,546



# TREZ CAPITAL SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to Condensed Interim Financial Statements  
(Unaudited)

For the three and six month periods ended June 30, 2020 and 2019

## 9. Fair value of financial instruments and risk management (continued):

The key valuation techniques used in measuring the fair values of investments in mortgages include:

<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between significant unobservable inputs and fair value measurement</b>
Discounted cash flow model	The adjusted credit risk premium based on the change in the borrower's credit risk utilizing the knowledge gained since the loan was originated.  Assessment of fair value of collateral of loans in default where payments expected from sale of property.  The projected length of time the mortgage will remain in default without the underlying property being liquidated or foreclosed upon.	The estimate of fair value would increase (decrease) if:  - The adjusted risk premium rate was lower (higher)  - Estimated fair value of collateral was (lower) higher  - The term of the mortgage was shortened (or extended)

## 10. Subsequent Event:

Subsequent to the quarter end on July 13<sup>th</sup>, the board of directors declared a special distribution of \$0.34 per Class A share of the Company. The special distribution, which constitutes a return of capital pursuant to the winding up of the Company's business as approved by Shareholders on June 16, 2016, will be paid on August 20, 2020 to holders of Class A shares of record at the close of business on August 7, 2020.