Fundamental Research Corp.
Investment Analysis for Intelligent Investors

October 9, 2015

Growth and Risk Profile

of the

Unregulated Mortgage Lending Sector

Prepared For:

Canada Mortgage and Housing Corporation (CMHC)

CMHC SCHL

PLEASE READ THE IMPORTANT DISCLOSURES AT THE BACK OF THIS REPORT

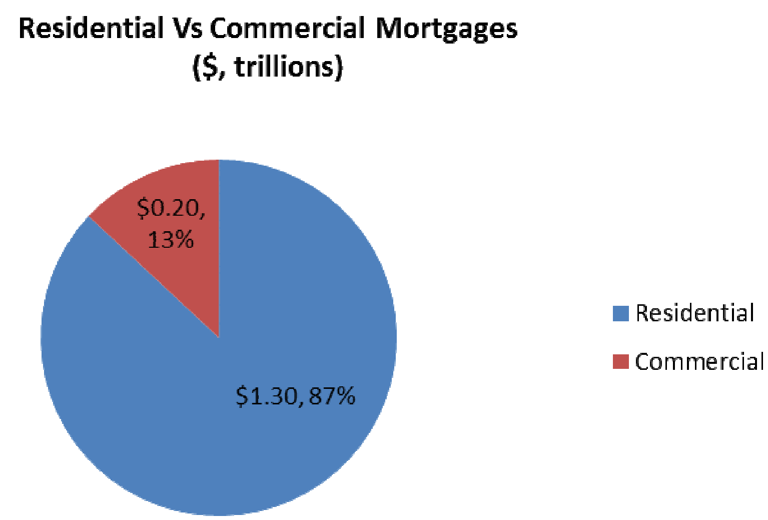
Purpose of the Report

Approximately 85% - 90% of the mortgages in Canada are originated by federally or provincially regulated entities such as chartered banks, credit unions and caisses populaires. The remaining mortgages are originated by lenders that are either partially regulated or totally unregulated. The totally unregulated lending sector is comprised primarily of Mortgage Investment Corporations ("MIC") and individual lenders.

The purpose of this report is to provide an overview of the residential mortgage lending sector in Canada and analyze the size, business model, lending practices, and the risk profile of Mortgage Investment Corporations ("MIC"). MICs account for a major share of the unregulated mortgage lending sector in the country.

Overview of the Canadian Mortgage Industry

The mortgage industry can be broadly classified into residential and commercial sub-sectors. Residential real estate includes single family houses, townhouses, condominiums, etc., while commercial real estate includes office, industrial, retail, multi-family apartments, hotels, etc. As of May 2015, the total outstanding mortgages in Canada were estimated at $1.50 trillion. As shown in the following chart, approximately 87% of the total outstanding mortgages, or $1.30 trillion, were residential mortgages.

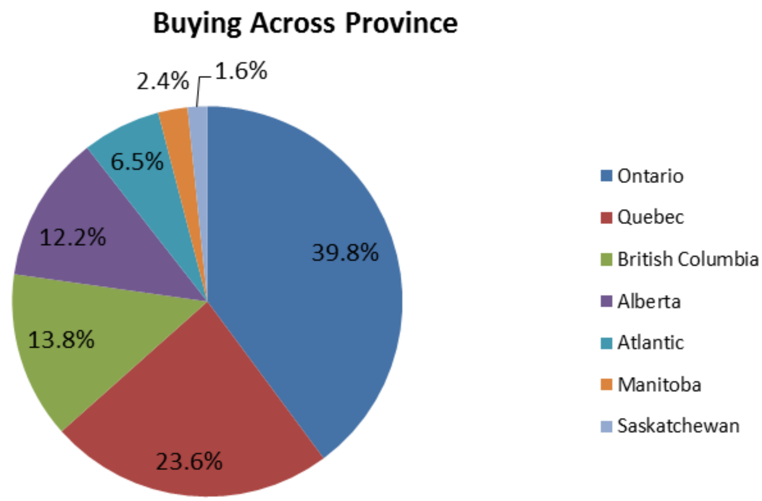


Data Sources: CAAMP & CMLS Financial

According to the Canadian Association of Accredited Mortgage Professionals ("CAAMP"), the amount of home buying activity in the country is not known with certainty. The following section presents CAAMP's recent estimates.

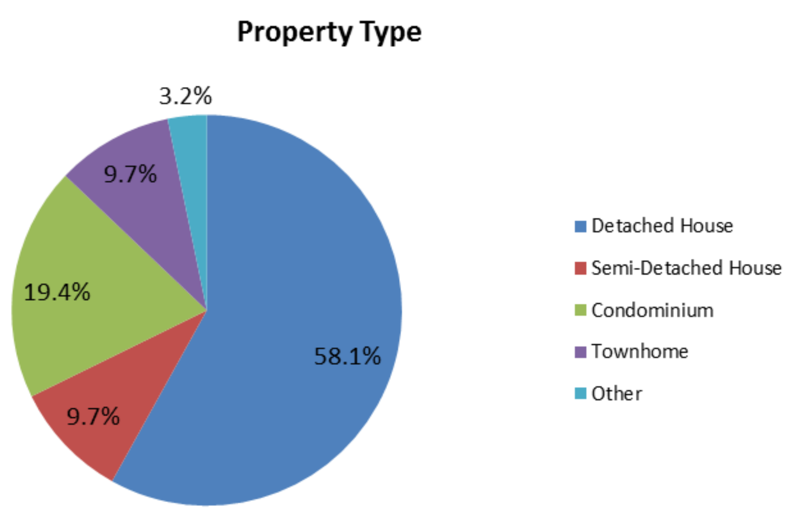
In a report published by the CAAMP in November 2014, it was indicated that there are approximately 9.62 million homeowners in Canada, of whom about 59%, or 5.64 million, have a mortgage and/or a home line of credit. Approximately 3.98 million homeowners are mortgage-free. According to CAAMP, the data used in their report were obtained from various sources, including an online survey of 2,000 Canadians.

In their June 2015 report, CAAMP estimated that, in a year, approximately 620,000 households move into dwellings they have purchased. CAAMP noted that this figure was based on residential sales activity reported by the Canadian Real Estate Association ("CREA"), and the data on housing completions reported by the Canada Mortgage and Housing Corporation ("CMHC"). The following chart shows the distribution of the purchases by province. Ontario typically accounts for 39.8%, followed by Quebec (23.6%), and British Columbia (13.8%). This data was based largely on a survey of over 800 Canadians.



Data Source: CAAMP

The following chart shows that detached and semi-detached houses typically account for 67.8% of the purchases, while condominiums account for 19.4%.



Data Source: CAAMP

Of the 620,000 homebuyers per year:

- approximately 45% (280,000) are first-time buyers
- approximately 21% (130,000 per year) make their second purchase
- third-time and subsequent purchases account for the remaining 34% (210,000 per year).

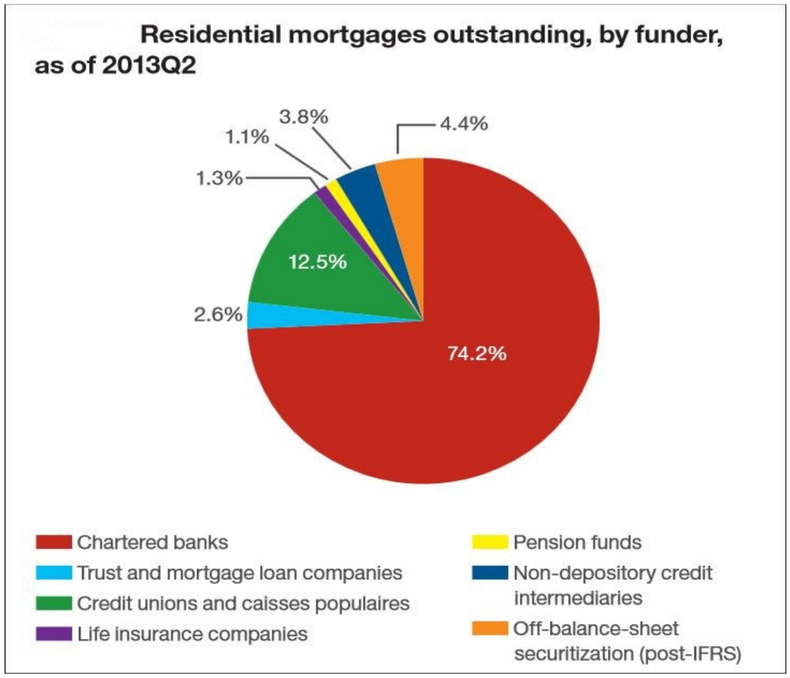
It is estimated that approximately 540,000 would have a mortgage and/or some type of credit, and 80,000 (13%) would own the property outright.

Over 85% of the homeowners have 25% or more equity in their homes. Approximately 11% of homeowners took equity out of their home (averaging $55k) in 2013, totaling $63 billion. The most common uses of the funds were listed below:

- *$20.6 billion (33%) for debt consolidation / repayment*
- *$17.4 billion (28%) for renovation / home repair*
- *$6.6 billion (11%) used for purchases (including education)*
- *$7.7 billion (12%) is for investments, and*
- *$10.3 billion (16%) is for other purposes*

Residential mortgage providers: With regard to the financing required for the purchase, buyers typically finance 67% of their purchase through a mortgage and/or a home equity line of credit, ranging from 81% for first-time buyers, to 67% for second-time buyers, and 50% for those purchasing their third or subsequent home.

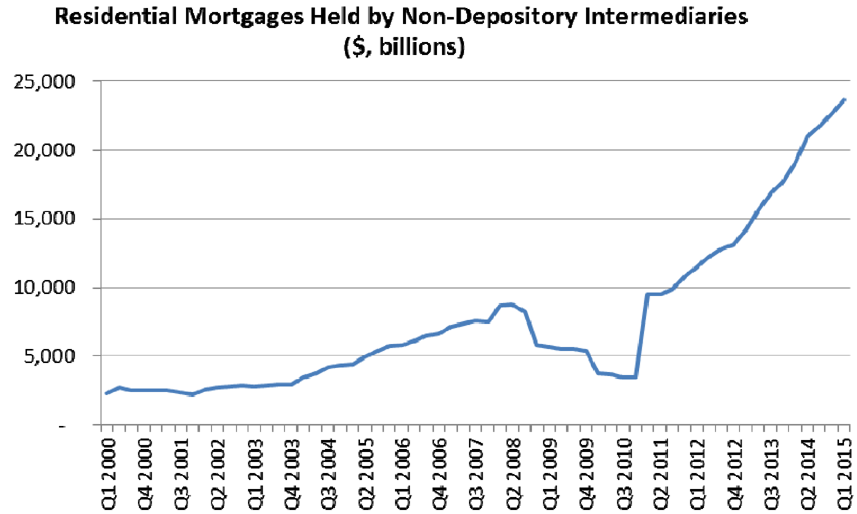
The majority of the outstanding mortgages are through chartered banks (74.2%) and credit unions / caisses populaires (12.5%), as shown in the chart below by the Bank of Canada ("BoC").



Source: Bank of Canada

The BoC estimates that approximately 80% of the mortgages are originated by lenders that are federally regulated by the Office of the Superintendent of Financial Institutions (OSFI). A significant portion of the remaining are originated by credit unions and caisses populaires, who are provincially regulated. BoC estimates that approximately **5% of the mortgages are originated by unregulated mortgage lenders** (included in the *'non-depository credit intermediaries'* and a portion of the *'off-balance-sheet securitization'* categories listed in the above chart), and that their share has stayed relatively flat over the past decade. However, in the report, it is unclear as to what type of entities were included in the 'unregulated mortgage lenders' category, and therefore, does not give us a good estimate of the share of mortgages originated by MICs.

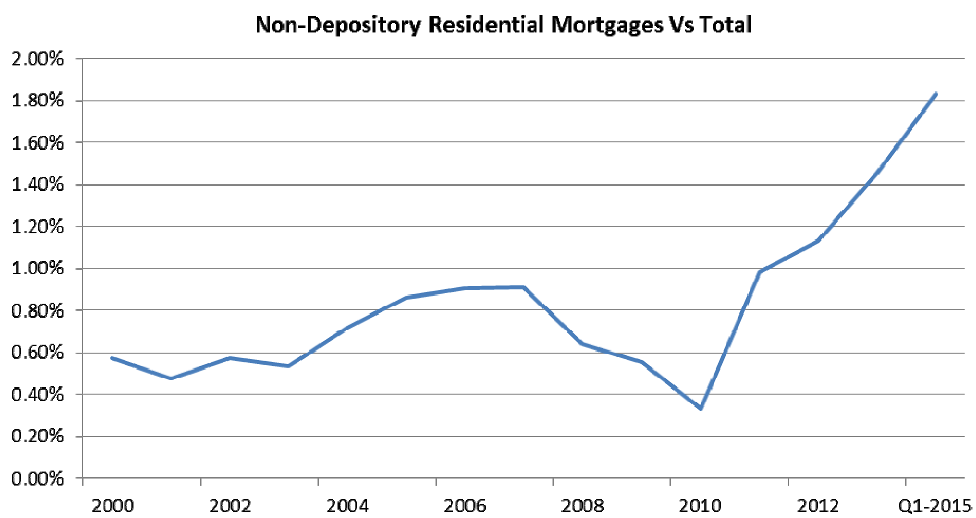
The chart below shows the mortgages held by non-depository intermediaries since 2000. They held $2.29 billion in mortgages in 2000, which grew at a 16.8% p.a. through Q1-2015.



Data Source: Statistics Canada

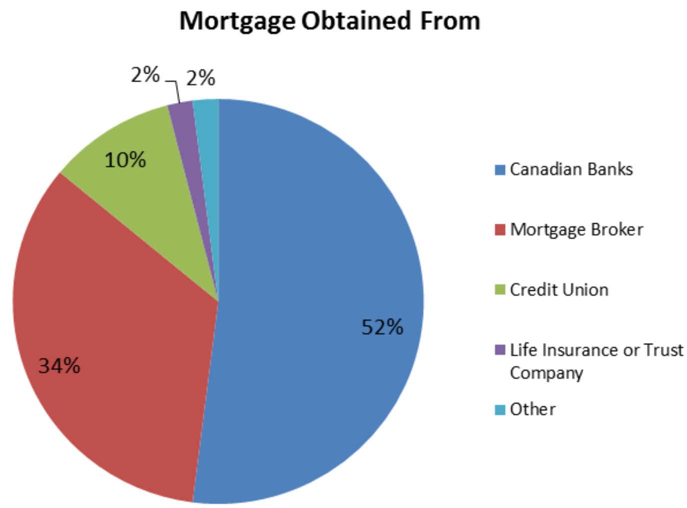
As of Q1-2015, non-depository intermediaries held approximately 1.83%, or $23.63 billion, in residential mortgages. As with the BoC report, it is unclear as to whether Statistics Canada included MICs and the other totally unregulated lenders in this category.

The following chart shows the increasing market share of non-depository intermediaries.



Data Source: Statistics Canada

CAAMP estimates (as of June 2015) that of the current outstanding mortgages, 52% were obtained from banks, 34% from mortgage brokers, 10% from credit unions, 2% from life insurance/trust companies, and the remaining 2% from other sources.

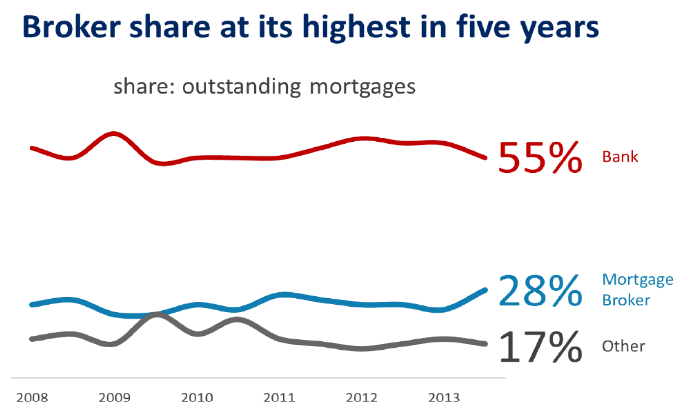


Data Source: CAAMP (June 2015 report)

The above chart, however, does not clearly indicate the share of unregulated mortgage lenders. For example, 34% of the mortgages were obtained from mortgage brokers, who could have sourced funds from a wide range of lenders, including banks, trust companies, unregulated private lenders, or even individual lenders. We contacted CAAMP for further details on their data and to verify the unregulated mortgage lenders' contribution. CAAMP indicated to us that they do not have precise data on the loans originated by unregulated lenders, but did confirm to us that unregulated lenders account for a very small or insignificant portion of the overall mortgage industry.

We built a database by gathering detailed information on 72 entities, that operate as MICs or have similar structures, across the country through management interviews, surveys, public filings, company websites, etc. **Our database suggests that these 72 lenders may be currently holding at least $6.74 billion in mortgages, or 0.45% of the total mortgages currently outstanding in Canada ($1.5 trillion). This estimate is based on the outstanding mortgages held by these lenders as of either December 31, 2014 or June 30, 2015.**

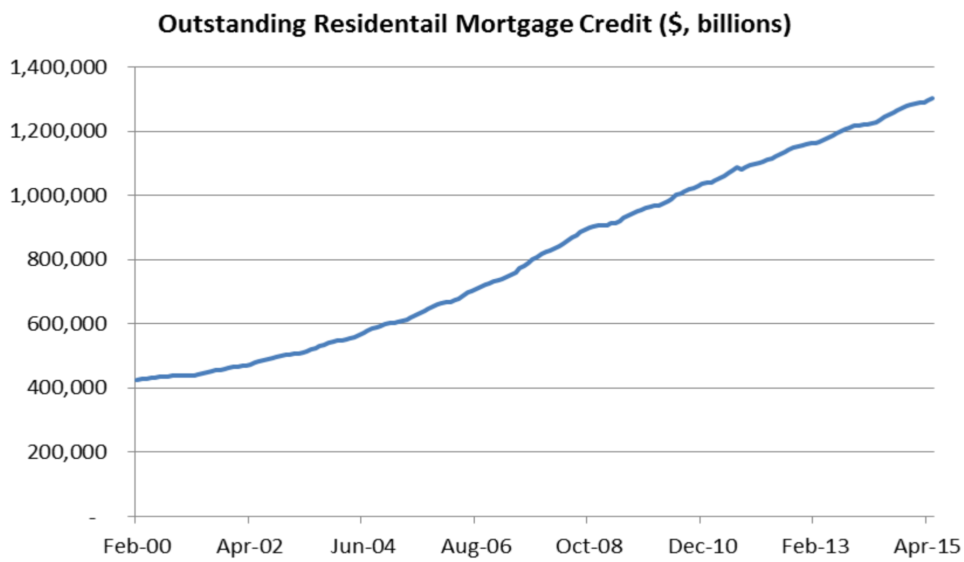
The share of mortgages represented by mortgage brokers, as of 2013, was the highest since 2008 (chart below). We feel that the increasing use of mortgage brokers may be an indication of the increasing market share of unregulated lenders.



Source: CAAMP

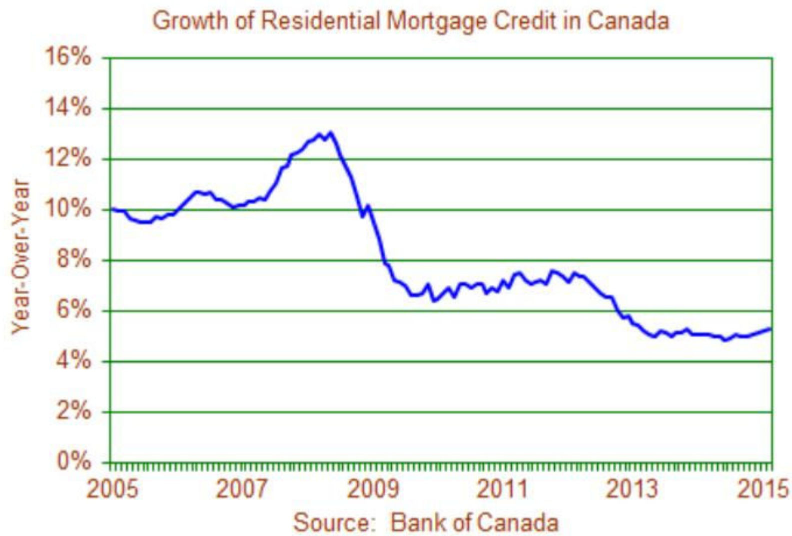
Industry Growth

The total residential mortgage credit in Canada (outstanding balance of the major private institutional lenders) has increased from $0.42 billion in 2000, to $1.30 trillion by May 2015, reflecting a compounded annual growth rate ("CAGR") of 7.8%.



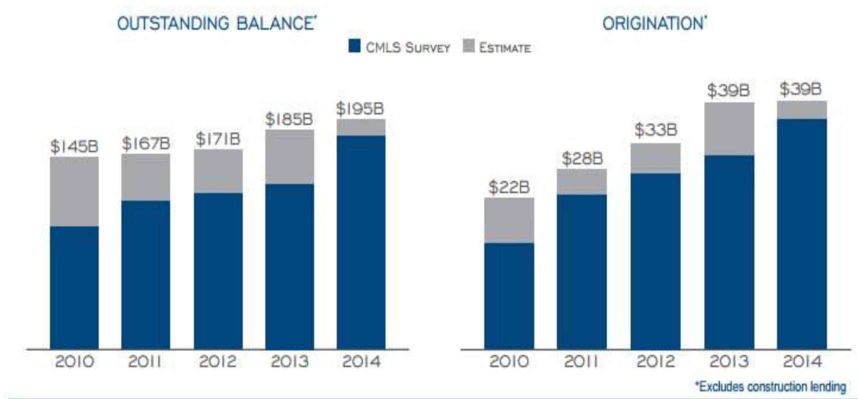
Data Source: Statistics Canada

The following chart shows the annual growth rate. The annual growth rate has dropped to 4% - 6% in recent years. The CAGR in the past five years was 5.7%.



Source: CAAMP

As multi-family apartment mortgages fall in the commercial mortgage category, we examined the growth of commercial mortgages. The following chart shows the total outstanding commercial mortgages and the annual originations since 2000.



Source: CMLS

CMLS Financial estimates the size of the commercial mortgage market was $195 billion in 2014, up from $145 billion in 2010, reflecting a CAGR of 7.7%. Approximately $39 billion in new loans were originated in 2014. The key lenders in this segment are chartered banks, trust and mortgage loan companies, credit unions, life insurance companies, etc. The share of each lender type is shown in the charts below:

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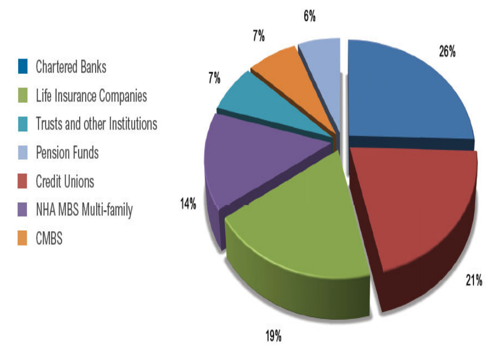
	2011	2013	Change
Chartered Banks	28.4	35.6	25%
Credit Unions	23.7	29.2	23%
Life Insurance Companies	28.7	26.5	-8%
NHA MBS Multi-family	15.8	19.7	25%
Trusts and other Institutions	7.2	10.0	39%
CMBS	13.7	10.0	-27%
Pension Funds	9.2	8.6	-7%
TOTAL	126.7	139.5	10%

Source: Statistics Canada, DBRS, CMHC



Source: REALpac

The strong housing prices, decreasing unemployment rates, increasing immigration, and the extremely low interest rate environment are expected to keep the mortgage industry healthy over the next two to three years. CMHC recently reported that they expect stable growth in housing prices in the country's key markets, as shown in the chart below.

OVERALL HOUSING MARKET ASSESSMENT FOR CANADA'S LARGER CENTRES

LOW RISK | MODERATE RISK | HIGH RISK

	Overall assessment	Overheating of demand	Acceleration in growth rate of house prices	Overvaluation in the level of house prices	Overbuilding of the housing market
National overview	Low risk	Stable / unchanged	Stable / unchanged	Stable / unchanged	Increasing
Vancouver	Low risk	Stable / unchanged	Stable / unchanged	Stable / unchanged	Stable / unchanged
Victoria	Low risk	Stable / unchanged	Stable / unchanged	Stable / unchanged	Stable / unchanged
Calgary	Low risk	Decreasing	Stable / unchanged	Increasing	Stable / unchanged
Edmonton	Low risk	Decreasing	Stable / unchanged	Increasing	Stable / unchanged
Saskatoon	Low risk	Decreasing	Stable / unchanged	Increasing	Increasing
Regina	High risk	Decreasing	Decreasing	Stable / unchanged	Increasing
Winnipeg	High risk	Decreasing	Stable / unchanged	Increasing	Increasing
Toronto	High risk	Stable / unchanged	Stable / unchanged	Increasing	Increasing
Hamilton	Low risk	Stable / Unchanged	Stable / unchanged	Increasing	Stable / unchanged
Ottawa	Low risk	Decreasing	Stable / unchanged	Stable / unchanged	Increasing
Montreal	Moderate risk	Decreasing	Stable / unchanged	Increasing	Increasing
Quebec	Moderate risk	Decreasing	Stable / unchanged	Stable / unchanged	Stable / unchanged
Moncton	Low risk	Decreasing	Stable / unchanged	Stable / unchanged	Stable / unchanged
Halifax	Low risk	Decreasing	Stable / unchanged	Decreasing	Stable / unchanged
St. John's	Low risk	Decreasing	Decreasing	Stable / unchanged	Increasing

SOURCE: CANADA MORTGAGE AND HOUSING CORPORATION — NATIONAL POST

Developments contributing the growth of the unregulated mortgage lending sector

<u>Recent Changes in the Mortgage Regulations in Canada:</u> Subsequent to the recession in 2008, there have been several changes in mortgage rules in Canada as the government began to tighten mortgages rules in an effort to further strengthen the Canadian housing finance system.

- Minimum down payment increased to at least 5% for home buyers (previously no down payment was required), and to 20% for non-owner occupied properties (investment/speculative properties).
- The maximum amortization period has been reduced to 25 years from 40 years.
- Lowered the maximum amount that can be borrowed from 95% to 80% of the value of the

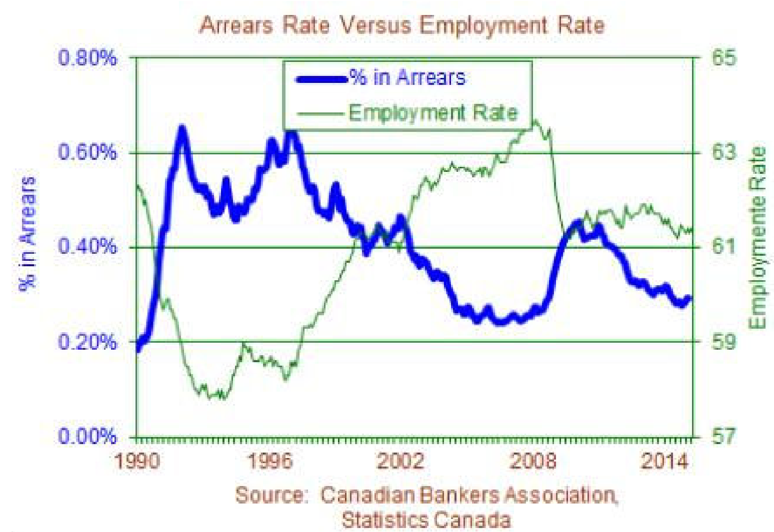
homes when refinancing.

- Limiting the maximum gross debt service ("GDS") ratio to 0.39x and the maximum total debt service ("TDS") ratio to 0.44x. GDS reflects the portion of a homeowner's gross annual income required to meet payments related to housing, such as mortgage principal and interest, property taxes, etc. TDS reflects the portion of a homeowner's gross annual income required to meet all debt payments.

- Government-backed mortgage insurance made available to homes with a price of less than $1 million.

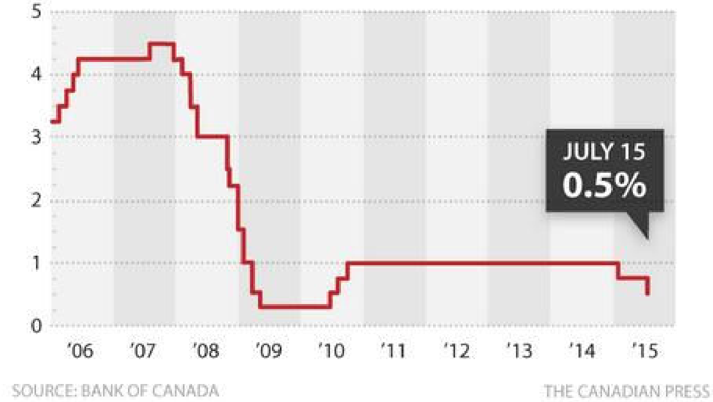
The tighter lending policies set by banks and conventional lenders have been encouraging more and more unregulated private lenders to enter the market. This is evident from our discussions with lenders and professionals related to the mortgage lending space. Another indicator of the growth of unregulated private lenders in the country is that we estimate that the combined size of the portfolios of the ten largest MICs (including funds with a very similar structure to MICs) grew by 29.4% from December 2013 to June 2015.

Another factor that is contributing to increased lending is the improving unemployment rate, and the strong growth in housing prices. Data from the major banks show that there was a rise in mortgage arrears during the recession (mid-1990s and 2008-2009). The rate has been dropping since 2010, and is currently at just over 0.3% - which is highly encouraging for lenders.



Source: CAAMP

Historically low interest rate is another factor that is driving lending. The following chart shows the overnight lending rate since 2006.

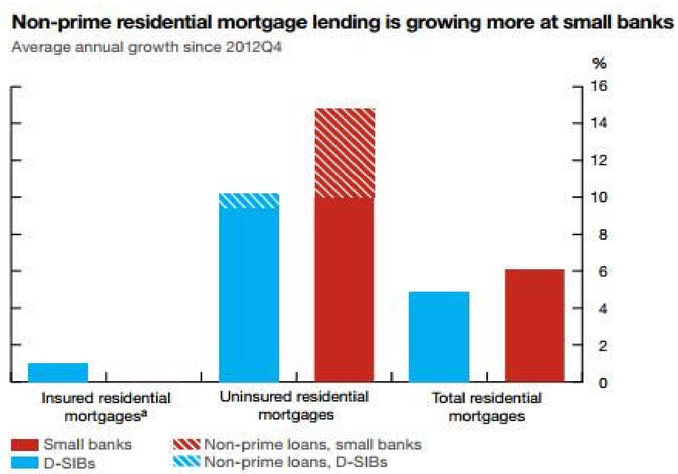


The major banks currently offer five-year fixed mortgage rates at about 2.5% p.a. to borrowers, while rates offered by MICs range between 5% - 15% p.a. MICs typically do not offer five-year terms as their loans are typically short-term (6 months - 24 months).

Recent concerns on the partially regulated lenders' growth

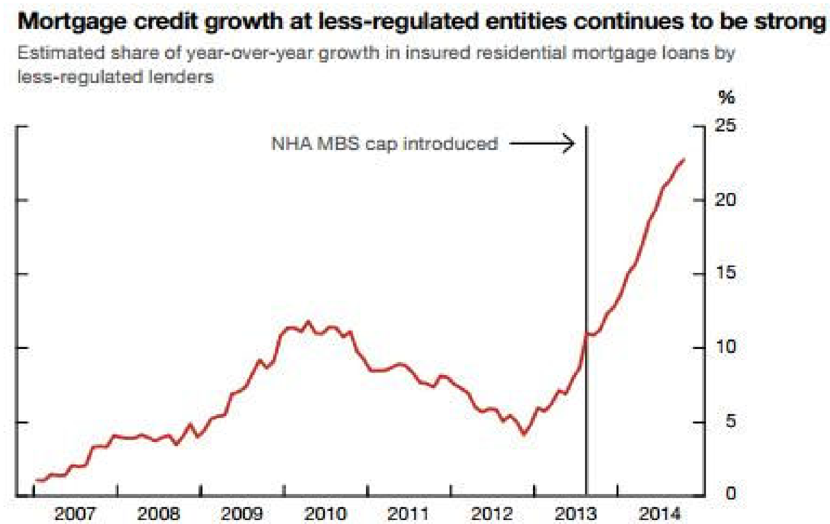
In December 2014, the BoC expressed their concerns on the potential risk associated with increased lending activity by the partially regulated lenders. The BoC was primarily concerned that the strong competition among lenders and the low interest rates may encourage lenders to lend to riskier borrowers. The concern also stems from the fact that unlike banks and credit unions, there are no legislated reserve requirement, and limitations on loan-to-values ("LTVs") for the unregulated lenders.

The BoC estimates that approximately 35% of new uninsured mortgages originated by smaller banks since the end of 2012 may be considered as non-prime. The following charts show the increased lending by smaller banks.



"D-SIBs" are domestic systemically important banks / "Small banks" are the remaining federally regulated domestic deposit-taking institutions.

Source: Bank of Canada (as of Q3-2014)



Sources: Canada Mortgage and Housing Corporation and Bank of Canada

The following statement captures the key concern of the BoC – *"There is a possibility that risk management practices (including pricing and provisioning for potential losses) may not be sufficient to compensate for the increase in default rates during periods of stress."*

Mortgage Investment Corporations ("MICs")

In the following section, we present an overview of MICs. In the section, we examine their lending practices and other key metrics to evaluate the following:

a) their overall impact on the Canadian mortgage lending market,

b) whether they are adopting efficient management practices, and

c) whether they present a potential risk for the Canadian economy if and when there is a housing price collapse.

What is a MIC?

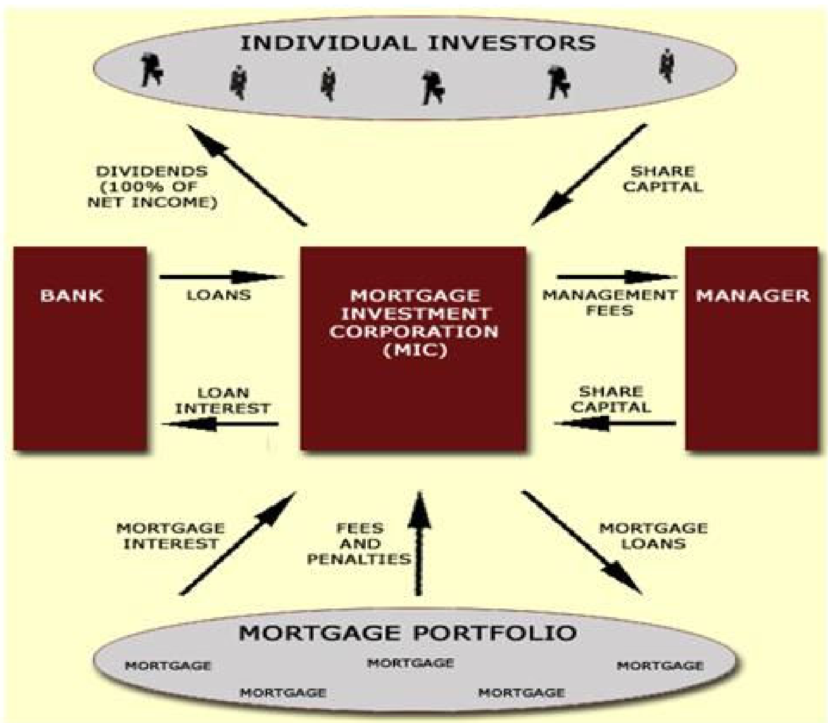
In 1973, through the Residential Mortgage Financing Act, the Government of Canada introduced MICs to make it easier for small investors to participate in the residential mortgage and real estate markets. A MIC typically provides short-term (typically 6 months - 24 months) loans secured by real estate properties in Canada.

MICs pay no corporate tax and act as a flow-through entity. In order to avoid entity level taxation, a MIC has to pay 100% of all of its income as dividends to investors. MIC dividends are treated as interest income for tax purposes. A key benefit of MIC shares for investors is that they are eligible for registered plans such as RRSPs, RESPs, TFSA, etc. As 100% of the income is distributed, the value of a MIC's share should remain the same (allowing for capital preservation) unless the MIC suffers a capital loss.

Why do borrowers use MICs over banks?

Almost all MICs offer advantages over traditional banks because they do not conform within the strict lending guidelines of banks and other traditional lenders. MICs are more flexible in their lending terms and therefore, can offer individually structured / tailor made loans to meet the specific requirements of a borrower. Also, banks have lengthy due diligence processes (up to 2 months) and are typically not able to meet some borrowers' quick capital needs. Most MICs are typically able to structure, complete due diligence and fund loans within 2 - 4 weeks. The above reasons allow non-bank lenders, including MICs, to charge a higher interest rate on their loans (5% - 15% p.a. in the current environment) compared to banks / traditional lenders.

The following chart shows the business model of a typical MIC:



Source: canadianmortgagetrends.com

- Almost all MICs are externally managed by the founders through a separate management company, which originates and manages mortgages for the MIC. In return, the management company earns an asset management fees and/or a performance from the MIC, and usually receives 100% or a portion of the origination fees received from the borrower.
- MICs earn interest and fees (origination, renewal and cancelation) from borrowers.
- MICs finance their mortgage portfolio through debt (banks) and equity (investors).

- After deducting management / origination fees, loan interest and other operational expenses, MICs pay out net income as dividends to investors.

Regulations

MICs are governed by Section 130.1 of the Income Tax Act. In order for an entity to maintain its status as a MIC, it has to comply with several rules; a few of the key rules are listed below. For the full list, refer to the Income Tax Act, Section 130.1.

- Invest at least 50% of the assets in residential mortgage loans, cash and CDIC (Canada Deposit Insurance Corporation) insured deposits.

- Have a minimum of 20 shareholders, and no shareholder can own over 25% of the total outstanding shares.

- All MIC investments must be in Canada.

- May invest up to 25% of its assets directly in real estate, but cannot be involved in development or construction.

Key Parameters

The following key parameters define a MICs lending policies, return expectations and risk tolerance:

- **Maturity and loan types:** Most MICs provide short-term (typically 6-24 months) loans. Typically, the shorter the term, the lower the risk. This is because short-term loans have less exposure to interest rate and real estate price fluctuations than longer term loans.

- **Composition of real estate:** MICs are required to hold residential mortgages. As mentioned earlier, at least 50% of a MIC's assets must be in residential mortgages, cash and CDIC insured deposits. The remaining assets can be held in mortgages secured by commercial properties, land, industrial properties, developments, etc. We discuss the various real estate types MICs lend to and their characteristics later.

- **Position of the lender (seniority):** Loans with a first claim on an asset (real estate) are called first mortgages. MICs may also accept lower claim positions on assets (second, third, fourth, etc.). The lender with a first mortgage would have the highest security as in the event of a default their claim would be settled before those in lower positions. Therefore, MICs seeking a lower risk profile tend to only hold first mortgages. MICs seeking a higher risk profile will only hold second or lower priority mortgages.

- **Loan to value ("LTV")**: LTV is basically the borrowed amount as a percentage of the value of the real estate. Although there are no restrictions in maintaining a certain level of LTV, MIC loans typically have LTVs between 50% and 85%. Loans with a lower LTV carry lower risk, as they can sustain a higher drop in real estate prices.

- **Geographically diversified portfolio**: In order to achieve diversification, MICs seek to geographically diversify their portfolio (loans secured by properties across various cities and provinces in Canada) mitigates region specific real estate or mortgage lending risks. As mentioned later in this report, our research indicates that larger MICs (over $100 million in assets under management) tend to hold diversified portfolios, while smaller MICs tend to hold concentrated portfolio.

- **Dividend yields:** An investment in MICs can be considered an investment in short-term / high-yield bonds**.** In the current environment, low-risk profile MICs generate about 4% – 7% p.a., while medium to high risk profile MICs generate about 7% – 10% p.a. for investors in the form of dividends.

- **Deal flow:** Since MICs generally lend short-term, a manager has to always source new loans or roll-over old loans to ensure cash is deployed. MICs typically source their mortgages directly through their internal managers, and/or indirectly through mortgage brokers.

- **Historic default or loan loss rate:** Historic defaults give an indication towards management's ability to manage the portfolio. Of the companies we surveyed, the average default rates were less than 1.0% p.a. in the past three years. Typical residential mortgages have arrears rates of approximately 0.3% (Source: CAAMP).

- **Fees:** Major fees that MICs incur are management fees and loan origination fees: i) Management fees are generally 1.0% - 2.5% p.a. – the fee can be tied to Net Asset Value (NAV), investors' capital, or investors' capital plus debt. If there are no defaults, the NAV of a MIC should ideally be the same as the original value as all the excess cash flows generated each year are distributed to investors. ii) a loan origination fee of 1% - 3% of the loan amount. Managers might either keep this amount for themselves, or pass a portion (all) of it to the fund.

- **Operational expenses**: If managers keep loan origination fee to themselves, it is reasonable for operating expenses of the fund to be 0.5% - 1.5% of the size of the portfolio. If the origination fee is passed on to the fund, operating expenses can be 2.0% - 2.5%.

- **Hurdle rate:** MICs tend to set a hurdle rate – all returns up to the hurdle rate will be passed on to investors before management receives a performance fee. Returns over the hurdle rate will usually be shared between investors and managers. Typical hurdle rates are - floating (GOC + 4% to 7%) or fixed (6% to 8% p.a.). Most of the low risk profile MICs do not set any hurdle rate to restrict management from taking on higher risks.

- **Performance share** (once hurdle rate is exceeded) is typically 80% to investors: 20% to manager.

- **Redemption options**: Redemption of public MICs depends on the liquidity of their shares. Most private MICs offer redemption options – subject to certain penalties if redeemed prior to a lock-in period.

- **Reliance on the housing market** - As at least 50% of the portfolio should be invested in residential mortgages cash and CDIC insured deposits, the performance of MICs is closely linked to the health of the Canadian housing market. Of the companies we surveyed, on an average, residential mortgages accounted for 74% of the portfolio of larger MICs (over $100 million in assets under management), and 83% of the smaller MICs.

- **Sensitivity to changes in interest rates and real estate prices:** MICs offer fixed or floating rates to its borrowers. The structure of the majority of MICs makes them so they are minimally affected by home prices and interest rates in the short term. Since a majority of MIC loan terms range from 6-24 months, they can re-price interest rates almost annually. Over the long-term, we feel that MICs will be able to maintain their spread over bank rates due to the additional risks. The short terms also allow MICs to reassess LTVs if there is a significant fluctuation in real estate prices. Of the companies we surveyed, the average LTV for funds with a portfolio greater than $100 million was 61.5% versus 66.3% for funds under $100 million, indicating there would need to be a significant one year drop in property prices to cause the underlying property to be valued at less than the mortgage. However, long term, real estate prices will have an impact on the deal flow to MICs due to the following:
    - If prices decrease, there will be less activity because people hold off purchasing and selling until the market stabilizes.
    - Borrowers will have less collateral to borrow with.
    - Developers and builders will limit construction / development until demand growth returns.
    - A decrease in market activity will reduce mortgage volume, which will impact lenders' deal flow.

Loan Types

The properties MICs secure their loans to are not restricted to just owner-occupied residential properties, but also include other property types. The various property types, loan types, and characteristics of each are discussed below.

- **Loans secured on existing residential houses / apartments**. This category typically has the lowest risk profile. Funds are provided to individuals and landlords mostly to acquire houses and apartments. This sector is a highly competitive due to the active presence of banks and other private lenders. MICs provide loans to borrowers who require financing but are unable to obtain it from large financial institutions.

- **Construction loans:** These loans are granted to developers of residential, mixed-use and commercial buildings to use the funds for construction purposes. For construction loans, since they are secured by non-income producing properties, a MIC typically tries to mitigate risks by - i) using third parties to monitor / assess the construction process, ii) provide the loan in stages based on the progress of construction, iii) require borrowers to assign an interest reserve (from the loan provided) to make interest payments on the loan. Typically, loans secured by low rise developments carry less risk, mainly because these developments can be constructed in stages; if market conditions are unfavorable, these projects can be partially sold and stopped. High-rise loans have a higher risk profile, primarily due to the higher capital requirements (for development and construction), longer construction timeline, possibility of delays, and the presale process.

- **Renovation / re-developments:** These loans are provided to landlords and developers seeking to renovate or re-develop existing buildings. Borrowers typically borrow in the short term from a MIC to complete improvements, and when finished, refinance with traditional financial institutions (possibly at a longer-term, and at lower interest rates) or sell the property.

- **Mezzanine and subordinated financing:** For these types of debt financing, MICs will have a lower claim on the asset. These types of financing are inherently riskier than first mortgages. There are no institutional providers of this financing, and those that do finance are typically small private entities.

- **Discounted or distressed debt:** These mortgages consist of existing mortgages acquired from larger institutions. These loans are generally bought at a discount to the repayment value. Returns are generated from the interest earned on the mortgage, as well as potential gain from buying at a discount to face value.

- **Commercial properties:** MICs also extend financing for commercial properties, which is generally seen as riskier than residential property because performance is tied to the success of the businesses that occupies the building. Commercial properties are also exposed to higher concentration risks due to the fewer number of tenants compared to residential buildings.

Risk Mitigation Strategies

Lenders typically adopt the following risk mitigation strategies.

- form an independent board of directors, credit and audit committee. Certain large MICs make it mandatory for every loan to attain approval from an independent board.
- loans cannot be offered to the manager or its affiliates.
- provide audited financial statements and unaudited interim financial statements for investors
- use of independent third party for appraisals, environmental audits, etc.
- set a cap on the loan-to-value of each mortgage
- set a cap on the maximum borrowing; for example, large MICs typically keep their debt to capital below 45% - 50%
- limit the share of higher risk loans
- no one mortgage can account for more than 10% of the overall portfolio
- MICs typically set aside loan loss provisions if there is an indication of potential loss on a mortgage. Large MICs also typically set aside 0.5% - 1.0% of their overall portfolio as general loan loss provision to account for any unforeseen losses.

Database of Private Lenders

We built a database of approximately 150 MICs and funds with a very similar structure to MICs. From that list, we have gathered detailed information on 72 companies. From our research and discussions with provincial securities commissions, industry players etc., we feel there may be 200 to 300 MICs in the country. We estimate that eight of them are publicly traded - Atrium MIC, Trez Capital MIC, Trez Capital Senior MIC, Timbercreek MIC, Timbercreek Senior MIC, Firm Capital MIC, Eclipse Residential MIC, and Builders Capital Mortgage Corp.

If a private MIC has less than 50 shareholders, and issues shares only to family, friends and business associates, they are not required to file private placement reports with the securities commissions. As a result, there is a serious lack of credible information on a number of private lenders.

Private company data was attained through management interviews, surveys, company websites, investor presentations, and public filings. For public companies, data was attained through company websites, investor presentations and public filings. In the following section, we present a summary of our analysis, and the key portfolio parameters of each fund. Note that not all the companies in the section below are structured as MICs, but they all have the same business model.

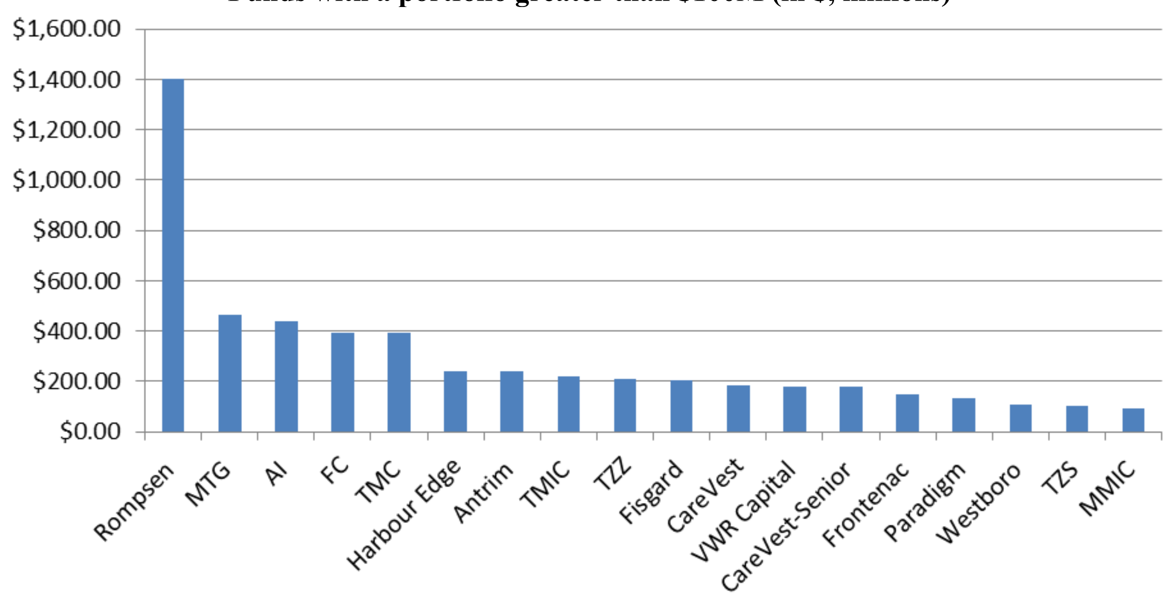
The figures presented for individual MICs are as of either December 31, 2014 or June 30, 2015.

Portfolio Size

We estimate the total outstanding mortgages of the 72 funds to be approximately $6.74 billion, reflecting 0.45% of the total mortgages outstanding ($1.5 trillion) in Canada. Since our database includes almost all of the larger MICs, we estimate that our study represents at least 75% of the total mortgages held by the MIC industry.

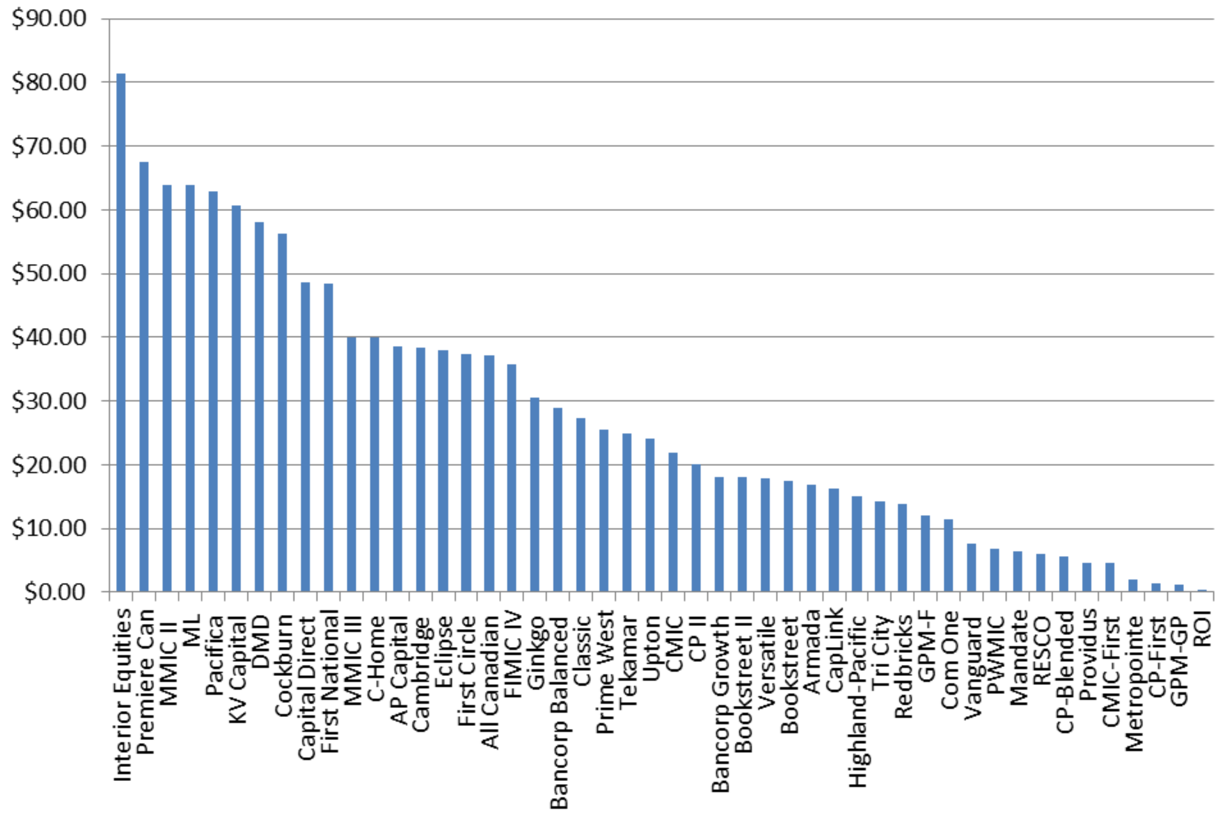
The following chart shows a list of funds with a portfolio greater than $100 million. Rompsen Mortgage Investment Fund is by far the largest fund with approximately $1.4 billion in mortgages. Securities of five out of the top 10 funds are listed on the Toronto Stock Exchange. In total, 18 funds have a portfolio greater than $100 million. These funds have a total of $5.34 billion mortgages (79% of the total of 70 funds) outstanding at this time.

Funds with a portfolio greater than $100M (in $, millions)



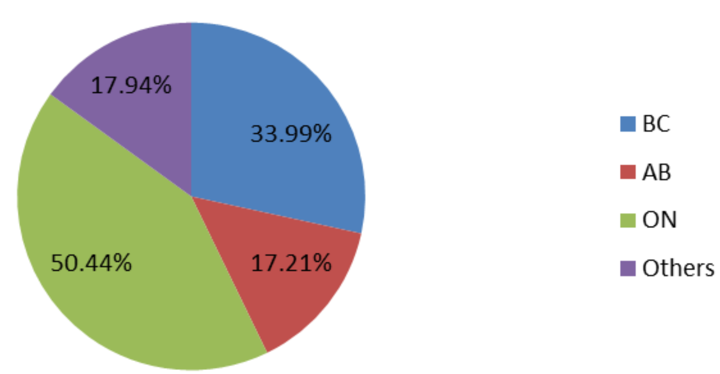
The chart below displays funds with portfolios of up to $100 million; the average portfolio size per fund is $29 million.

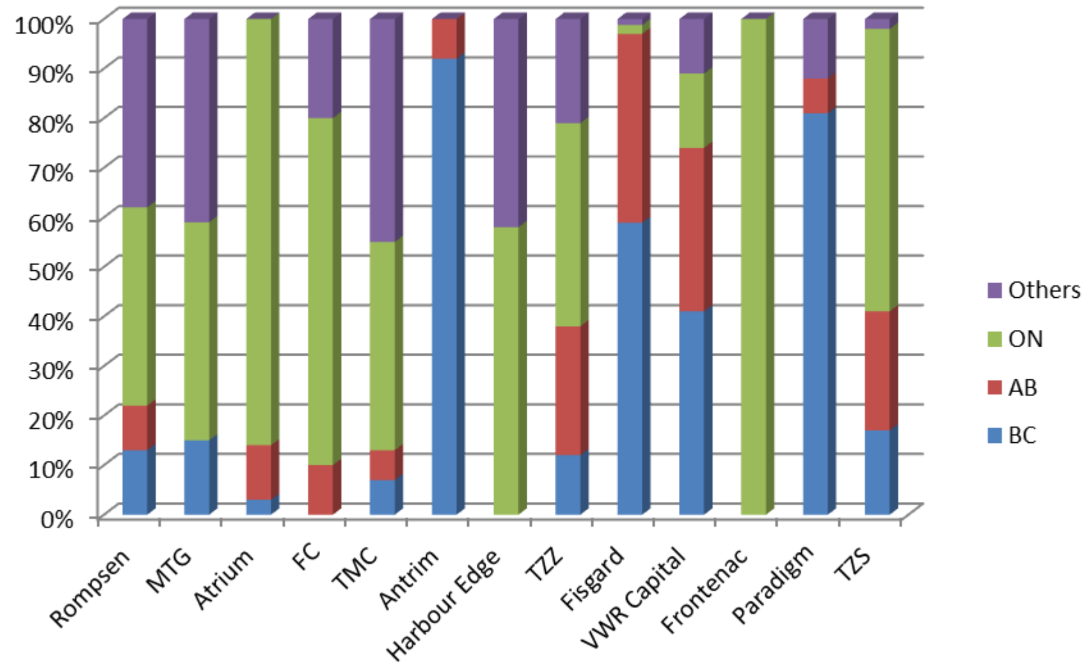
Funds with a portfolio lesser than $100M (in $, millions)



Geographical Diversification - The following charts show the average regional diversification and the diversification of each fund with portfolios greater than $100 million. Ontario accounted for 50%, while BC and AB accounted for 34% and 17%, respectively.

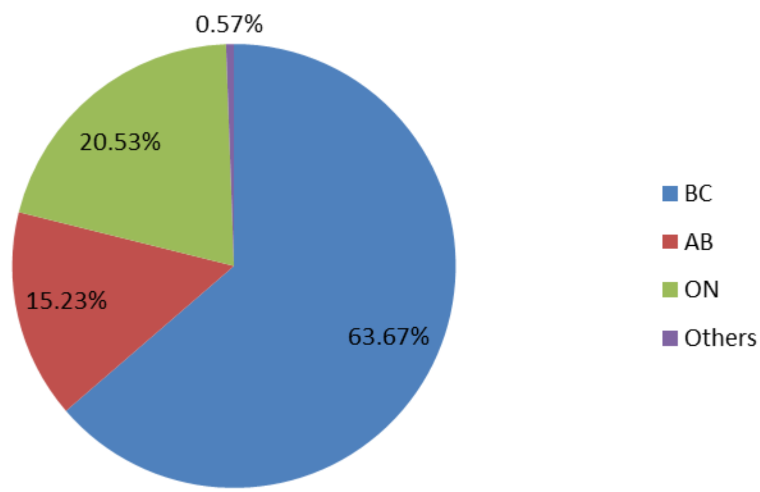
Geographical diversification of funds with a portfolio greater than $100M

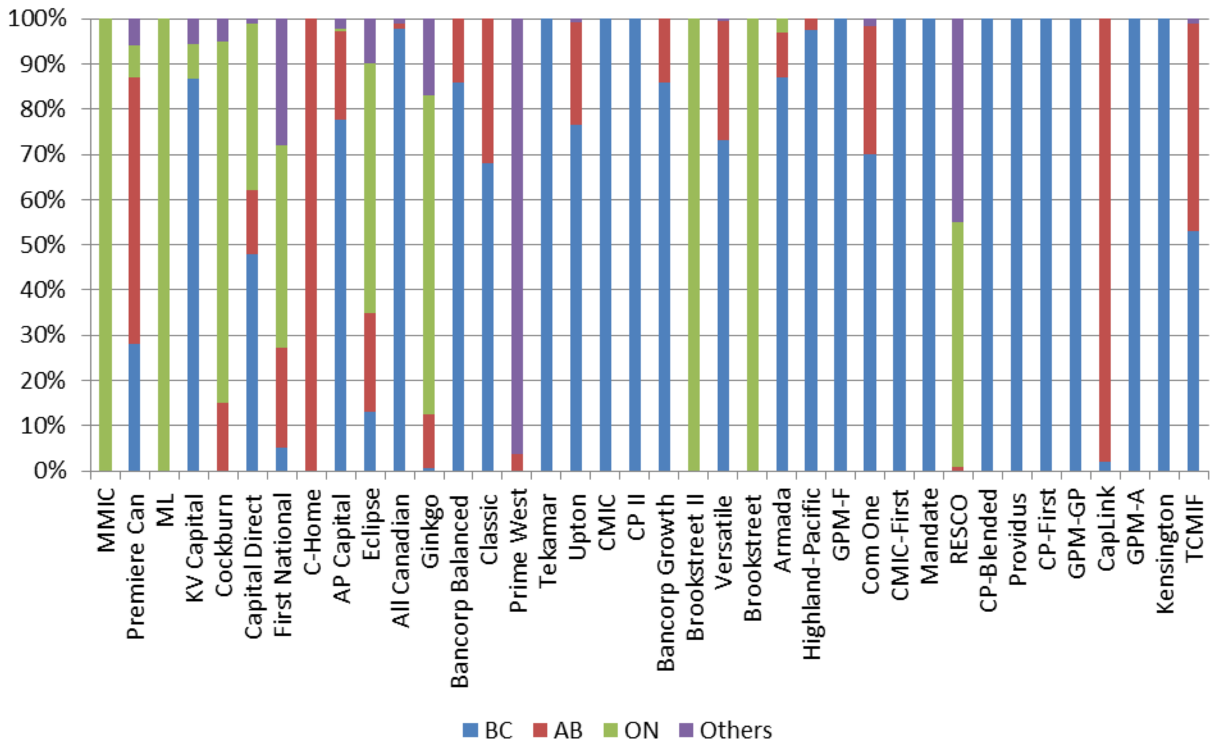




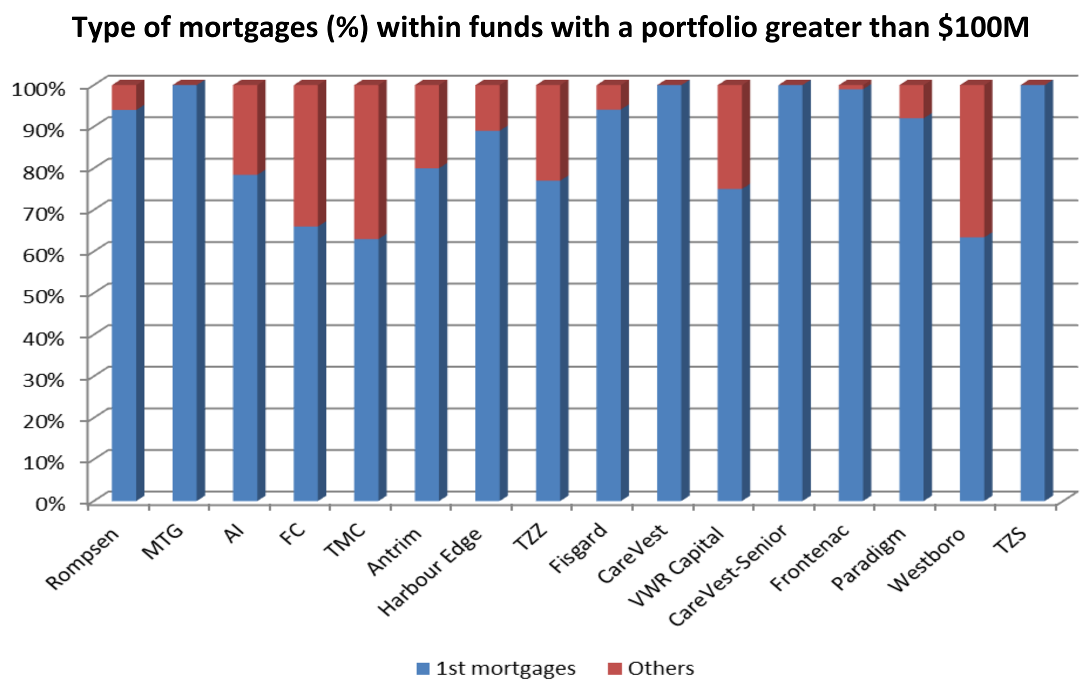
The following charts show the average regional diversification and the diversification of each fund with portfolios lesser than $100 million. In the case of smaller funds, BC dominates the mix with approximately 64% of the portfolio, with Ontario accounting for 21%. **As shown below, funds in this list tend to have lesser geographical diversification than the larger funds shown above.**

Geographical diversification of funds with a portfolio lesser than $100M

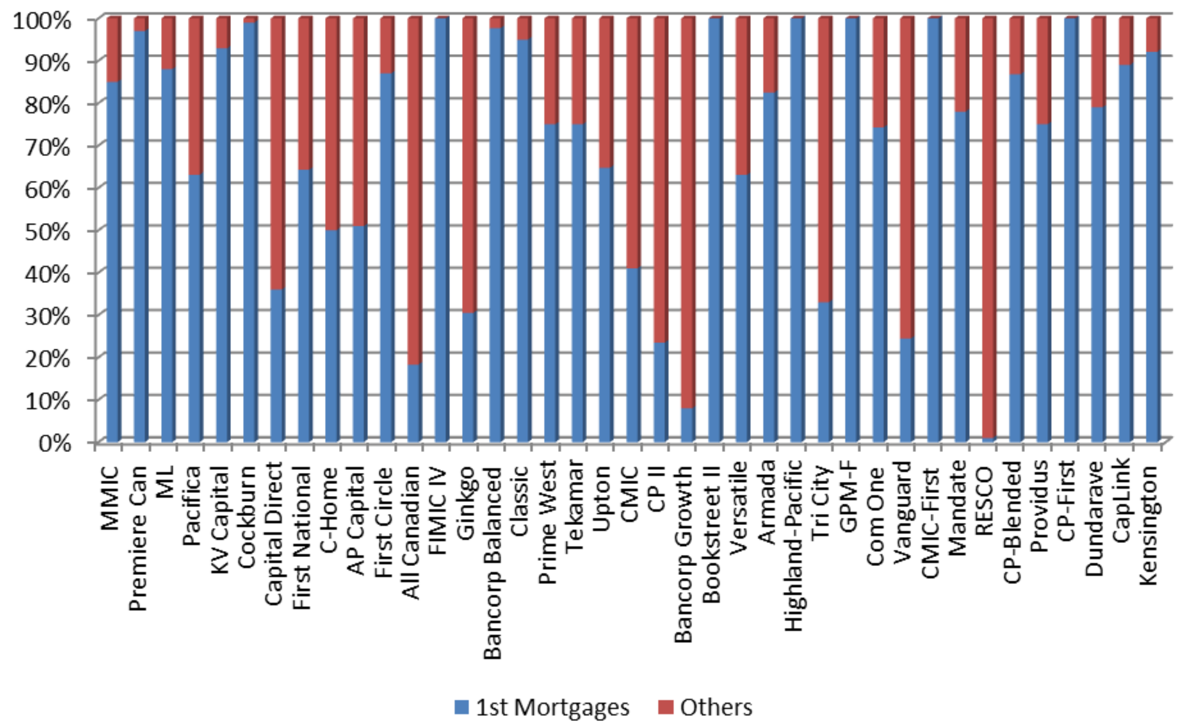




Mortgages by security: The breakdown of loans by position (security) is shown below. Most funds have a mix of primarily first with some second mortgages.



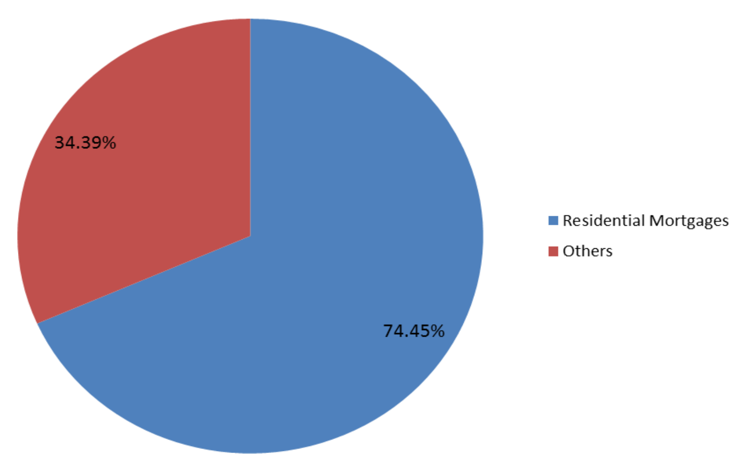
Type of mortgages (%) within funds with a portfolio lesser than $100M

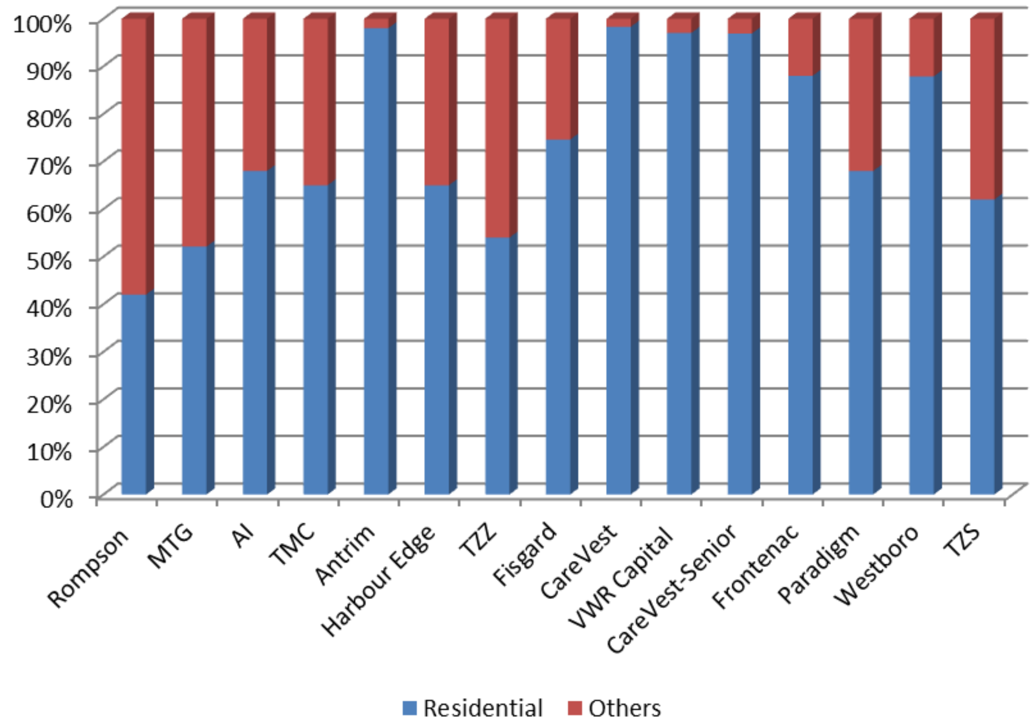


On an average, first mortgages accounted for 86% of the portfolio of the larger funds versus 70% of funds with a portfolio of less than $100 million.

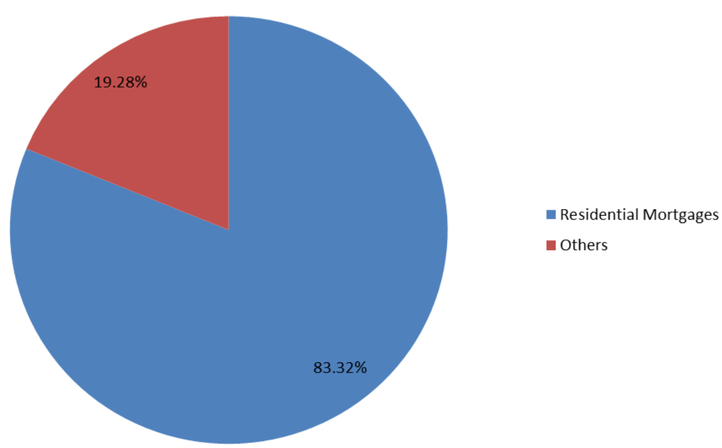
Real estate type: The portfolio breakdown by type of real estate loans are secured to is shown below. Residential real estate makes up the majority of most funds.

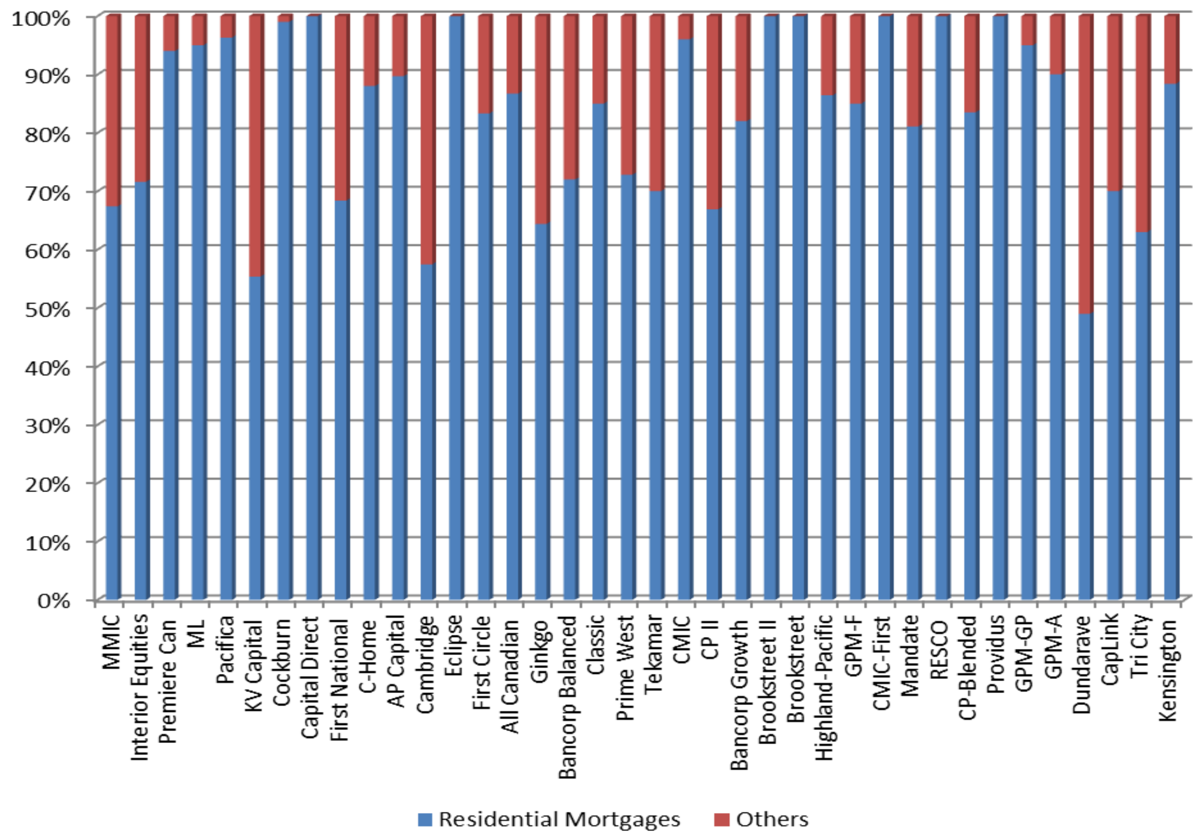
Diversity (%, residential) of funds with a portfolio greater than $100M



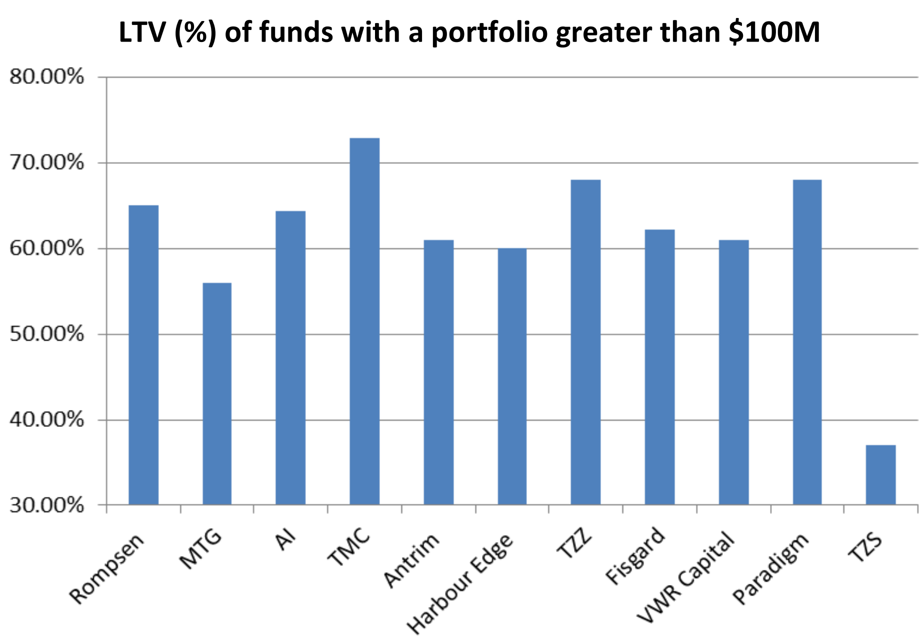


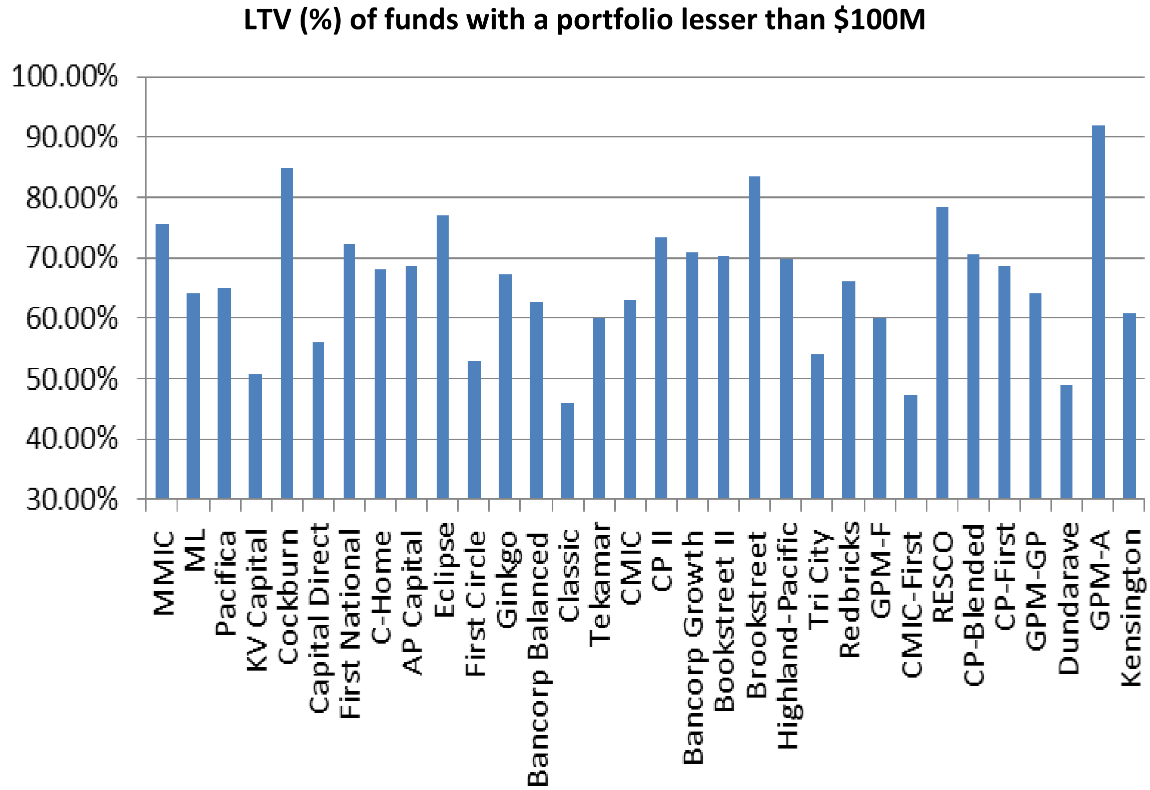
Diversity (%, residential) of funds with a portfolio lesser than $100M



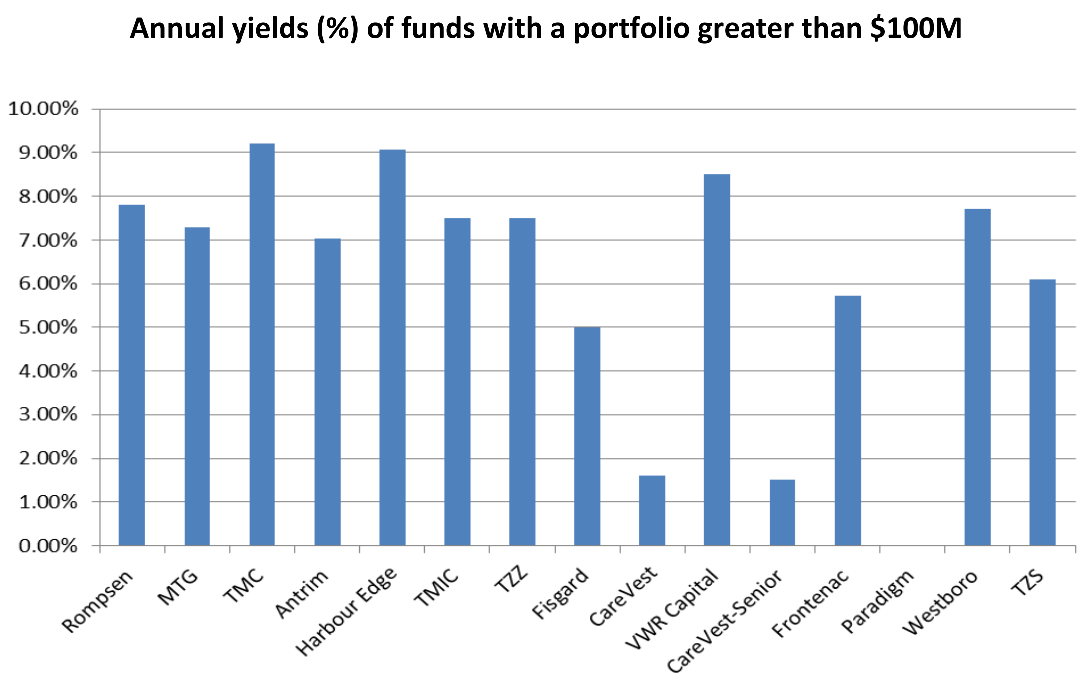


Loan to Value: The average LTV of loan portfolios are displayed below. The average LTV for funds with a portfolio greater than $100 million is 61.5% versus 66.3% for funds under $100 million.

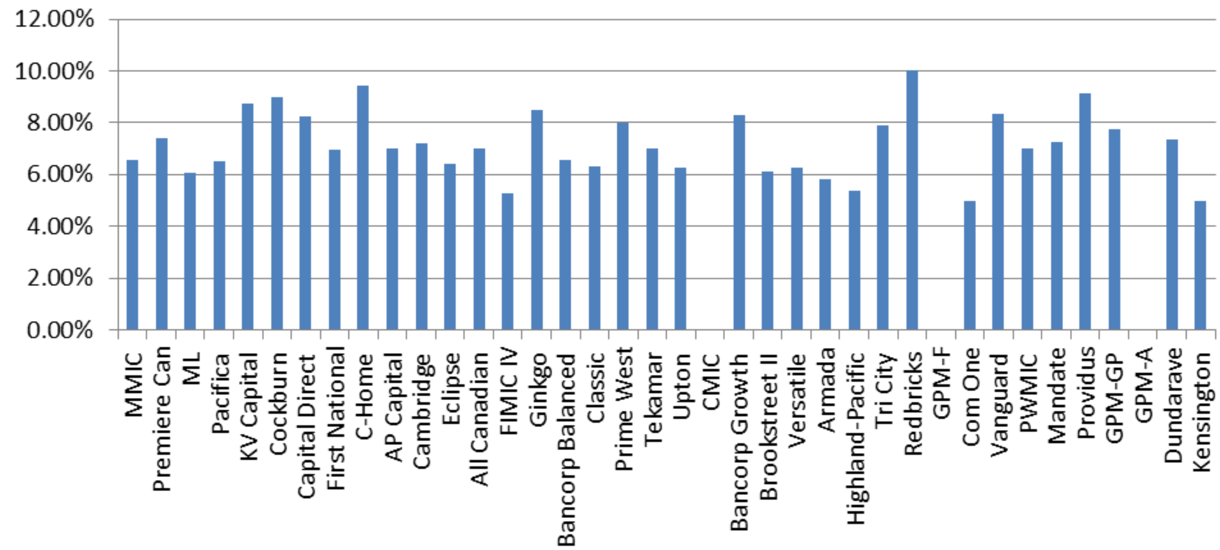




Annual yield: The most recent annual yields are shown in the charts below. Excluding the funds that distributed zero to minor returns, investors' yields ranged between 4.5% and 10% for both large and small funds.



Annual yields (%) of funds with a portfolio lesser than $100M



Sources of Capital / Funding: Public MICs are allowed to raise capital from all types of investors from any province. As for private MICs, in order to sell their shares to the public (other than friends, family and accredited investors), they have to be registered as an Exempt Market Dealer ("EMD") in most provinces except B.C. Private MICs are also allowed to sell their securities through third party EMDs. The sales commission charged by third party EMDs are high, and typically range between 5% - 10% of the total capital raised (typically charged upfront or paid through trailer fees). As MICs operate at narrow margins, most MICs tend not to use third party EMDs for distributing their securities due to the high sales commission. Therefore, most MICs outside BC raise most of their capital directly from friends, family and accredited investors. In BC, MICs raise capital from friends, family and accredited investors, and also from retail investors due to the exemption mentioned above.

At least 40% of the companies in our database also use bank lines of credit as a source of capital. Most MICs use leverage for short-term funding purposes. The average debt to capital of MICs using leverage was 19.7% (range: 4.4% to 46.28%). Public MICs tend to use higher debt and had a higher average debt to capital of 29.5%.

The average borrowing rate on bank lines of credit is prime + 1% p.a. Following are the two key financial covenants set by the banks on their lines of credit:

- Debt to asset ratio should not be higher than 50%; and

- Interest coverage should be higher than 3x

As banks regularly monitor the loan covenants, we believe they play a role in regulating the operations of the MICs they lend capital to.

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MIC Failures

Our research indicates that none of the larger MICs have been bankrupt or were wound up in the last ten years. However, we identified a few smaller MICs that either entered into financial problems (primarily due to non performing mortgages), declared bankruptcy, or wound up due to fraudulent activities by managers. The following table shows a list of few MICs that experienced problems recently.

Name	Comments
Trimor Mortgage Investment Corporation	Declared bankruptcy after experiencing financial difficulty as a result of non-performance of several mortgages and the decline in value of certain real estate properties / held $15.5 million in liabilities. The MIC was launched in 2005.
Infuse Capital Corp.	Managers were founded to have illegally traded and distributed securities totaling $2 million. The ASC also found that they made misrepresentations to investors. The company had raised a total of $8 million.
Magnum Mortgage	Launched in 2003, this fund experienced financial problems in 2012. The fund had raised $14.29 million, but its assets were only worth $9.03 million by 2012.
Crossroads - DMD MIC	The ASC issued cease trade order in September 2013 after determining that the offering memorandum dated May 30, 2013 were not compliant. In April 2015, the ASC revoked the cease trade order. This company had a mortgage portfolio of $58M as of September 2014.
Atlantic Tides Mortgage Investment Corp	Management and related entitties were engaged in illegal trading and distributions.
Prospera Mortgage Investment Corporation	From 2010 to 2012, PMIC raised over $2 million. Their OM was not compliant and the capital raised was taken out by management for personal use. investors' monies were not invested into mortgages granted as security for loans. Contrary to the disclosure in the PMIC offering memorandums, a substantial portion of
Wealth Building Mortgages Inc	Manager admitted to, among other things, breaching Ontario securities laws and acting contrary to the public interest by engaging in unregistered trading and illegal distributions.
Platinum Equities Inc.	PMIC II Investment Ltd. ,raised $7.2-million in 2005 but stopped making distributions in 2009.Investors had concerns that the fund was co-mingling funds between projects.
The Investment Exchange Mortgage Corporation / TIE Mortgage	$27-million fraud - In November 2012, the ASC issued a cease trade order against TIE Mortgage stating the company had failed to meet filing requirements under Alberta securities law. This fund made intercompany or shareholder loans, and no loans were made to third parties.

We believe one of the common reasons for failure among MICs is when they are structured to lend capital to related parties. Such a model creates bias and do not align management and investors' interest.

Key Findings:

- MICs lenders account for less than 1% of the overall mortgage lending market.
- Larger MICs tend to diversify their portfolios geographically, while smaller MICs tend to hold concentrated portfolios.
- Larger MICs tend to hold a higher percentage of first mortgages.
- The short duration of the loans allows lenders to adjust the lending rates, and regularly reassess the security of the collaterals.
- The high ratio of first mortgages, and the low LTV gives lenders enough protection in the event of a drastic decline in housing prices.

- The MIC industry has had extremely low default rates in the past. Larger MICs tend to assign loan loss provisions. As mentioned earlier, the average default rates were less than 1.0% p.a. in the past three years of the companies we surveyed.
- Larger MICs are adopting sound risk mitigation strategies.
- Larger MICs have independent boards.

Recommendations and Conclusions

Although MICS account for a small portion of the residential mortgage lending market, we believe the sector should be monitored to ensure that lenders do not shift from their current lending practices and move towards more aggressive (risky) portfolios. We have the following recommendations:

- make it mandatory for all MICs with portfolios over $10 million to have audited financial statements

- encourage companies to have an independent boards in place

Appendix

#	Name	Location of Headquarters	Inception Date	Size of mortgage portfolio (most recent	Diversity (%, residential)	Type of mortgages (% first)	Interest (lending) rate
1	Bancorp Balanced Mortgage Fundll Ltd.	Vancouver, BC	2009	$29.00	72%	98%	7.75%-12.00%
2	Bancorp Growth Mortgage Fundll Ltd.	Vancouver, BC	2009	$18.00	82%	8%	7.75%-13.00%
3	Fisgard Capital Corporation	Victoria, BC	1994	$207.00	74.60%	94.10%	6% - 12.4% (weighted interest rate: 0.87%)
4	Antrim Balanced Mortgage Fund	Langley, BC	2007	$238.00	98%	80.00%	5.95 -10.95
5	Great Pacific Mortgage - Accredit Mortgage Ltd.	Victoria, BC	1994	$67.66	Residential: 90% Commercial: 10%	Primarily 1st, some 2nd +	2010: 6- 16 %
6	Great Pacific Mortgage - First Accredit Mortgage Corp.		2001	$12.15	85%	100%	8% - 14%
7	Great Pacific Mortgage - GP MIC Fund Ltd.		2006	$1.19	95%	2nd & 3rd mortgages.	9.95% - 14%
8	Dundarave Mortgage Investment Corp. (Preferred "A")	North Vancouver, B.C.	2009		49%	79.00%	9% - 13%
9	Magenta Mortgage Investment Corporation (MMIC) - Class A shares	Ottawa, Ontario	1994	$94.50	2015 Q2: Residential: 67.4%, Construction: 8.5%, Seasonal: 1.0%. Lot/Land: 4.3%.	85%	6.7% - 15.2%
10	Magenta Mortgage II Investment Corporation (MMIC II)		2003	$64.00			
11	Magenta Mortgage III Investment Corporation (MMIC III)		2012	$40.00			
12	Terrapin Mortgage Investment Corp. (TMIC)	Vancouver, BC	1978	$218.00	residential and commercial	first and second mortgages	7%-15%
13	Capital West Mortgage Inc. - Pacifica Mortgage Investment Corporation	Vancouver, BC	1994	$62.80	96.32%	63.10%	6% - 13.99% (average - 7.25%)
14	Brookstreet MIC	Toronto, Ontario	2010	$17.50	100%	0%	5% - 13%
15	Bookstreet II MIC		2012	$18.00	100%	100%	6 - 9%
16	Westboro Mortgage Investment Corporation	Ottawa, Ontario	2005	$109.00	87.86%	63.40%	1st: 7.99% – 12.95% 2nd: 11.00% – 15.00%
17	Mandate National Mortgage Corp.	Vancouver, BC	1982	$6.40	81.10%	78%	9-14%
18	Frontenac Mortgage Investment Corporation	Sharbot Lake, Ontario	2005	$147.60	88%	99%	6.49% - 12.49%
19	Carevest Senior MICs	Calgery, Alberta	1994	$177.38	96.90%	100%	5-14%
20	CareVest MIC	Calgery, Alberta	1994	$182.88	98.30%	100%	5-14%
21	Harbour Edge Mortgage Investment Fund	Collingwood, Ontario	2005	$241.30	65%	89%	
22	Caplink - CapLink Mortgage Investment Corporation (CMIC)	Edmonton, Alberta	2005		Residential:70%, Commercial:30%	First: 89%, Second: 11%	6%-12%, average: 8.2%
23	Premiere Canadian Mortgage Corp.	Kelowna, BC	1996	$67.46	94%	97%	4.99% - 13%
24	Paradigm Mortgage Investment Corp.	Kelowna, BC	1994	$133.00	68%	92%	7% -13%
25	Tri City Mortgage Investment Fund	Vancouver, BC	2011	$14.22	63%	33%	10%
26	Capital Direct I Income Trust	Vancouver, BC	2006	$48.56	100%	36%	8.43%
27	Rompsen Mortgage Investment Fund	Toronto, Ontario	2006	$1,400.00	42%	94%	10 - 12%
28	AP Capital Mortgage Investment Corporation	Vancouver, B.C.	2008	$38.60	89.69%	50.97%	
29	All Canadian Investment Corporation	Vancouver/Salmon Arm, B.C.	1998	$37.20	86.70%	18.30%	
30	Cove Mortgage Ltd. - CMIC Mortgage Investment Corporation	North Vancouver, BC.	1999	$22.00	96%	41.00%	3% - 14.95%

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#	Name	Loan duration	Average Loan to Value (LTV)	Annual yields for investors in the past five years. (Please state yield for every year starting 2008)	Management fee
1	Bancorp Balanced Mortgage Fundll Ltd.	6 to 24 month	62.73%	2014: 6.55%, 2013: 6.41%, 2012: 6.43%	1.5% AUM
2	Bancorp Growth Mortgage Fundll Ltd.	6 to 24 month	70.77%	2014: 8.28%, 2013: 8.32%,2012: 8.41%	1.75% AUM
3	Fisgard Capital Corporation	13 months (average)	62.16%	2014: 5%, 2012: 5.003%, 2011: 5.203%, 2010: 5.212%, 2009: 6.000%, 2008: 9.262%	1.95% of AUM
4	Antrim Balanced Mortgage Fund	12 months	61.00%	2014: 7.04%, 2013: 6.6%, 2012: 6.6%	1.5% of AUM
5	Great Pacific Mortgage - Accredit Mortgage Ltd.	3-42 months	currently: 92% due to foreclosures	2012: 0%, 2011: 5.14%, 2010: 6.12%, 2009: 7.29%, 2008:11.67% (distributions of appx. 3.2% declared as ROC - return of capital)	2% of AUM
6	Great Pacific Mortgage - First Accredit Mortgage Corp.	3-12 months	60%	2014: 7.77%, 2013: 7.28%, 2012: 7.52%, 2011: 7.52%, 2010: 7.72%, 2009: 9.17%, 2008: 7.95%	2% of AUM
7	Great Pacific Mortgage - GP MIC Fund Ltd.	3-12 months	64%	2012: 0%, 2011: 8.20%, 2010: 9.44%, 2009: 10.92%, 2008: 13.79% (distributions of appx. 4.5% declared as ROC - return of capital)	2% of AUM
8	Dundarave Mortgage Investment Corp. (Preferred "A")	13 months	49.1% (as of 12/12/2013)	2012: 7.35%, 2011: 6.95, 2010: 8.19%, 2009: 8.69%	2% of invested funds (132077/5820000)
9	Magenta Mortgage Investment Corporation (MMIC) - Class A shares	6-12 months	75.70%	2015 Q2: 6.56%, 2014: 6.57%, 2013: 6.84%, 2012: 7.71%, 2011: 8.44%, 2010: 9.05%, 2009: 8.40%, 2008: 10.10%	
10	Magenta Mortgage II Investment Corporation (MMIC II)				
11	Magenta Mortgage III Investment Corporation (MMIC III)				
12	Terrapin Mortgage Investment Corp. (TMIC)	6-24 month terms		2015 Q2: 7.5%, 2014: 7.0%, 2013: 6.5%, 2012: 6.4%, 2011: 6.2%, 2010: 7.1%, 2009: 9.2%, 2008: 11.2%	10% of earning in excess of greater of 8% or the two-year GOCBenchmark Bond rate plus 4%
13	Capital West Mortgage Inc. - Pacifica Mortgage Investment Corporation		65%	2013: 6.53%, 2012: 6.39%, 2011: 7.29%, 2010: 8%, 2009: 9.02%, 2008: 10.7%	2% of AUM + 25% of all fee income (origination fee of 1-2%)
14	Brookstreet MIC	1 year	83.60%		up to 2.5%
15	Bookstreet II MIC	1 year	70.40%	2014: 6.1%, 2013: 6%, 2012: 6%	up to 2.5%
16	Westboro Mortgage Investment Corporation	12-24 months	65-75%	2014: 7,7%, 2013: 8%, 2012: 8.8%, 2011: 9.1%, 2010: 9.3%, 2009: 9.9%, 2008: 9.7%	2% of the AUM
17	Mandate National Mortgage Corp.		Max 75% (between 60%-100%)	2014 Q1: 7.24%, 2013: 6.91%, 2012: 7.05%, 2011: 5.71%, 2010: 6.95%, 2009: 8.91%, 2008: 10.24% ; since inception: 9.92%	2% of mortgages receivable and cash, at each fiscal year end of up to $25 million and 1.5% on the balance with respect to that fiscal year
18	Frontenac Mortgage Investment Corporation	Average 26 months	75%-80%	2015 Q1: 5.73%, 2014: 6.27%, 2013: 6.02%, 2012: 5.64%, 2011: 6.67%, 2010: 5.01%, 2009: 5.88%, 2008: 6.24%	1% of the fund's asset, portfolio management fee: 1.5%
19	Carevest Senior MICs	6-18 months	Max 75%	2015 Q2: 0.39%, 2014: 1.5%, 2013: 3.7% (calculated with steady NAV per Class A Share of $ 9.53)	1.35% per annum of AUM
20	CareVest MIC	6-18 months	Max 85%	2015 Q2: 0.7%, 2014: 1.6%, 2013: 3.9% (calculated with steady NAV per Class A Share of $ 9.31)	1.35% per annum of AUM
21	Harbour Edge Mortgage Investment Fund	Less than 24 Months	60%	2014: 9.07%, 2013: 9.32%, 2012: 9.8%, 2011: 9.95%, 2010: 10.08%, 2009: 10.11%, 2008: 10.05%, 2007: 10.12%	2% of the Net Assets
22	Caplink - CapLink Mortgage Investment Corporation (CMIC)	On average 12 Months	Policy: Max 75% (Residential and Commercial)	past three years: 5-6%	2% of Invested Capital + Line of Credit Drawn
23	Premiere Canadian Mortgage Corp.	1 - 3 years	urban: majority <= 50% , rural: majority <= 50%	2014: 7.4%, 2013: 7.6%, 2012: 8%, 2011: 8.3%, 2010: 9.5%, 2009: 9.7%, 2008: 11.5%	
24	Paradigm Mortgage Investment Corp.		68%	2014: 0%, 2013: 4.72%, 2012: 5.03%, 2011: 6.10%, 2010: 7.37%	
25	Tri City Mortgage Investment Fund	13 months	54%	2014 (9M): 7.88%, 2013: 7.89%, 2012: 8.18%	1.25% p.a. of the NAV
26	Capital Direct I Income Trust	6 - 24 months	56%	2014 (9M): 8.26%, 2013: 7.94%, 2012: 7.60%	2.0% of NAV
27	Rompsen Mortgage Investment Fund	12-18 months	65%	2014: 7.8% 2013: 7.4%, 2012: 7.7%, 2011: 8.2%, 2010: 8.7%, 2009: 8.7%, 2008: 9.9%	1% of AUM
28	AP Capital Mortgage Investment Corporation		68.50%	2015-Q1: 7%, 2014: 8.15%, 2013: 8.07%, 2012: 9.5%, 2011: 11.65%	
29	All Canadian Investment Corporation			2014: 7%, 2013: 6.5%, 2012: 6.25%, 2011: 8%, 2010: 8%, 2009: 8%, 2008: 8%	
30	Cove Mortgage Ltd. - CMIC Mortgage Investment Corporation	1 - 2 year terms, with renewal optional	62.99%	2014: 0%, 2013: 2.84%, 2012: 4.35%, 2011: 4.69%, 2010: 6%, 2009: 7.13%, 2008: 10.05%, 2007: 12.72%, 2006: 10.82% ;	up to 2% of the average mortgage portfolio

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#	Name	Location of Headquarters	Inception Date	Size of mortgage portfolio (most recent)	Diversity (%, residential)	Type of mortgages (% first)	Interest (lending) rate
31	Cove Mortgage Ltd. - CMIC First Mortgage Investment Corporation	North Vancouver, BC.	2009	$4.60	100%	100%	5.95% - 9.95%
32	Highland-Pacific Mortgage BC Mortgage Investment Corporation	West Vancouver, BC		$15.10	86.42%	100%	6% - 11%
33	Pioneer West Mortgage Investment Corporation (PWMIC)	North Vancouver, BC		$6.79	residential & commercial & industrial	1st & 2nd mortages	12 - 24 months
34	Cooper Pacific Mortgage Investment Corporation - Cooper Pacific II MIC	Victoria, BC.	2002	$20.00	66.90%	23.50%	8% - 16%
35	Cooper Pacific Mortgage Investment Corporation - Cooper Pacific Blended MIC	Victoria, BC.		$5.66	83.50%	86.80%	7.5 - 10%
36	Cooper Pacific Mortgage Investment Corporation - Cooper Pacific First MIC	Victoria, BC.	Mar-12	$1.32		100%	7.5 - 10%
37	First Island Secured Real Estate Investments - First Island Mortgage Investment Corporation Series IV Ltd.	Victoria, BC,	Apr-01	$35.69	2015 Q1: residential: 21 mortgages, commercial: 1 mortgages	100%	4.5% - 11.5%
38	Vanguard Mortgage Investment Corporation	Surrey, BC	Feb-11	$7.59		24.50%	11.10%
39	Crossroads-DMD Mortgage Investment Corporation	Calgary, Alberta	May-01	$58.00	primarily urban beased residential	2nd mortgages: 85% - 95%, other investments under the Tax Act for MIC's: up to 10%	short-term: 11% - 20% ; long-term: 2.1% - 16.5%
40	Caplink - Cedar II Mortgage Corporation (Cedar II)	Edmonton, Alberta			residential mortgages: > 50%	first and second mortgages	
41	KV Capital Incorporated	Edmonton, Alberta	2006 group / 2009 MIC	$60.70	55.38%	92.90%	10.29%
42	ROI Private Commercial Mortgage Investment Corporation	Toronto, Ontario	Jun-13	$0.30	residential/multi-residential: up to 100% (min.50% in cash/qualifying residential mortgages), office:	1st mortages: up to 100%; 2nd mortgages: up to 40%; loans secured by real property: up to	
43	RESCO Mortgage Investment Corporation	Markham, Ontario	2014	$6.00	100%	1%	12-14%
44	Prime West Mortgage Investment Corporation	Saskatoon, Saskatchewan	2005	$25.61	72.83%	75%	3.95% - 14% (average: 11.8%)
45	Airmor Investmet Services Ltd. - Interior Equities Corporation	Kelowna, BC	Dec-02	$81.33	residential: 71.6%, commercial: 28.4%		fixed rate for less than one year: 10.4%, fixed rate for between one and three years: 8.96%
46	Armada Mortgage Services - Armada Mortgage Corporation	Maple Ridge, BC	2005	$16.85		82.50%	4.5% - 11% (average: 8.04%)
47	Bayfield Mortgage Professionals Ltd. - Versatile Mortgage Corporation	Langley, BC	1996	$17.98	residential and a small number of other real estate loans	63.05%	
48	Bayfield Mortgage Professionals Ltd. - Upton Capital Corporation	Langley, BC	1990	$24.16	majority residential and minority commercial	64.72%	
49	Bayfield Mortgage Professionals Ltd. - Community One Mortgage Corporation	Langley, BC	1998	$11.53	majority residential and minority commercial	74.27%	
50	Can Terra Financial Inc. - Classic Mortgage Corporation	Kelowna, BC	2003	$27.43	85%	95%	5.5% - 12.95%
51	First Circle Financial Services Ltd. - First Circle Mortgage Investment Corporation	North Vancouver, BC	2005	$37.37	residential: 83.33%, commercial: 12.04%, land: 4.63%	1st mortgages: 87.03%, 2nd mortgages: 12.97%	prime + 2% - prime + 10.5%
52	Kensington Realfund Corp.	Qualicum Beach, BC	1997		88.40%	92.10%	
53	Cambridge Mortgage Investment Corporation	Vancouver, BC	2007	$38.36	not specified: 4.14%, apartment/condo: 12.51%, construction: 18.31%.		6.95% - 13.99%
54	Ginkgo Mortgage Investment Corporation	Toronto, Ontario		$30.46	64.40%	30.52%	average rate -2014: 12.90%, -2013: 13.09%
55	Metropointe Mortgage Investment Corporation	Surrey, BC		$1.99			
56	Providus Mortgage Investment Corporation	Vancouver, BC	2013	$4.70	100%	75%	11.98%
57	Morrison Laurier	Toronto, Ontario	2010	$64.00	95%	88%	8.5-12%
58	Sinclair-Cockburn Mortgage Investment Corporation	Richmond Hill, Ontario	2004	$56.30	99%	99%	12%
59	Calvert Home Mortgage Investment Corp	Calgary	1982	$40.00	88%	50%	8.5% to 15.5%
60	Atrium MIC	Toronto	2001	$437.00	68%	78.40%	8.78%

FRC Fundamental Research Corp.

#	Name	Loan duration	Average Loan to Value (LTV)	Annual yields for investors in the past five years. (Please state yield for every year starting 2008)	Management fee
31	Cove Mortgage Ltd. - CMIC First Mortgage Investment Corporation	1 - 2 year terms, with renewal optional	47.37%	2014: 3%; 2013: 3.06%; 2012: 4.35%, 2011: 4.91%, 2010: 6%, 2009 (7 months): 6.13%	up to 2% of the average mortgage portfolio
32	Highland-Pacific Mortgage BC Mortgage Investment Corporation	12 -36 months	residential: 71.25% / commercial: 60.5%	2013: 5.39%, 2012: 6.39%, 2011: 6.3%, 2010: 6.6%, 2009: 7.99%, 2008: 7.74%	
33	Pioneer West Mortgage Investment Corporation (PWMIC)			2014: 7%, 2013: 7%, 2012: 7%, 2011: 11.78%, 2010: 7%, 2009: 5.5%, 2008: 10%, 2007: 12.74%, 2006: 14.4%	
34	Cooper Pacific Mortgage Investment Corporation - Cooper Pacific II MIC	<6 - 18 months	1st mortgages: max. 75% (current: 73.06%), 2nd mortgages: max. 85%	from incorporation to Dec 2014: 8.11%	
35	Cooper Pacific Mortgage Investment Corporation - Cooper Pacific Blended MIC	<6 - 24 months	1st mortgages: 70.85%, 2nd: mortgages: 69.87%	from incorporation to Dec 2014: 6.34%	
36	Cooper Pacific Mortgage Investment Corporation - Cooper Pacific First MIC	<6 - 18 months	68.53%	from incorporation to Dec 2014: 5.97%	
37	First Island Secured Real Estate Investments - First Island Mortgage Investment Corporation Series IV Ltd.	12 - 24 months	max. 75% of the appraised value	2015 Q1 -Q3: 5.27%, 2014: 5.37%, 2013: 5.38%, 2012: 5.47%, 2011: 6%, 2010: 6.39%, 2009: 7.85%, 2008: 7.72% ; past 5 years: average annualized dividend rate 5.72%	administration fee: 3.75% p.a. paid monthly
38	Vanguard Mortgage Investment Corporation	6 - 24 months		2015 Q1: 8.34%, 2014: 9.12%, 2013: 8.53%, 2012: 7.93%	
39	Crossroads-DMD Mortgage Investment Corporation				
40	Caplink - Cedar II Mortgage Corporation (Cedar II)		max. 85%		
41	KV Capital Incorporated	3 months - 20 months	50.54%	2015 Q1: 8.73%, 2014: 8.88%, 2013: 8.91%, 2012: 8.88%, 2011: 9.25%, 2010: 9.86% ; since inception: 8.81%	
42	ROI Private Commercial Mortgage Investment Corporation		typically between 60-80%; capped at 85%		Class A Shares: 2.4%, Class F Shares: 1.4%. Common Shares: 0%
43	RESCO Mortgage Investment Corporation	1 - 2 years	78.45%		1.50% of AUM
44	Prime West Mortgage Investment Corporation	short, fixed term mortgages ranging up to 24 months	current: < 66%, max. 85%	2015 Q1+Q2: 2 % per quarter ; sicne 2006: 8% every year	
45	Airmor Investmet Services Ltd. - Interior Equities Corporation	loans: maturity date of up to three years			
46	Armada Mortgage Services - Armada Mortgage Corporation	12 - 36 months		2014: 5.82%, 2013: 4.05%, 2012: 6.01%, 2011: 6.2%, 2010: 6.39%, 2009: 7.08%, 2008: 8.07%	
47	Bayfield Mortgage Professionals Ltd. - Versatile Mortgage Corporation	13 - 36 months	max. 75%	2015: 6.26%, 2014: 5.6%, 2013: 6.5%, 2012: 7.14%, 2011: 6.41% ; since inception: 9.26%	
48	Bayfield Mortgage Professionals Ltd. - Upton Capital Corporation	max. 36 months, generally: 12 month term only	max. 75%	2014: 6.27%, 2013: 6.25%, 2012: 6.34%, 2011: 7.49%, 2010: 6.81% ; since inception: 9.47%	1.5% of AUM
49	Bayfield Mortgage Professionals Ltd. - Community One Mortgage Corporation		max. 75%	2014: 4.98%, 2013: 5.2%, 2012: 7.21%, 2011: 7.1%, 2010: 7.32% ; since inception: 7.1%	2% of AUM
50	Can Terra Financial Inc. - Classic Mortgage Corporation	8 - 24 months	46%	2014: 6.3%, 2013: 6.7% ; Jan 2004 - Dec 2014: 9.26%	
51	First Circle Financial Services Ltd. - First Circle Mortgage Investment Corporation	12 - 18 months	in total: 53% ; 1st mortgages; 57.69%, 2nd mortgages: 50.26%		
52	Kensington Realfund Corp.		60.66%	2012: 4.97%, 2011: 5.58%, 2010: 5.86%, 2009: 6.94%, 2008: 9.092% ; average net yield: 8.02%	
53	Cambridge Mortgage Investment Corporation	<1 - 1 year six mortgages: 1 - 2 years		2014: 7.18%, 2013: 7.41%, 2012: 8.41%, 2011: 8%, 2010: 8.18%	
54	Ginkgo Mortgage Investment Corporation		67.27%	Jan 2015: 8.50% (annualized); since inception: 9%	
55	Metropointe Mortgage Investment Corporation				
56	Providus Mortgage Investment Corporation	intermediate loans: 12 - 36 months (75-100% of the Company's loan portfolio) ;	< 70%	2014: 9.11%, 2013: 7.66%	
57	Morrison Laurier	18 - 24 Months	64%	6.05%, 6.91%, 8.25%	
58	Sinclair-Cockburn Mortgage Investment Corporation	1-3 yrs	85%	approx 9%	2.04% tied to AUM
59	Calvert Home Mortgage Investment Corp	6 months to 2 years	68.0%	2015: 9.42%, 2014: 6.49%, 2013: 6.24%	
60	Atrium MIC	12.6 months	64.3%	8.7% average of 2014 and 2015	0.85% of the face value of all mortgages

#	Name	Location of Headquarters	Inception Date	Size of mortgage portfolio (most recent)	Diversity (%, residential)	Type of mortgages (% first)	Interest (lending) rate
61	Firm Capital MIC	Toronto	1999	$394.00		66%	9.05%
62	Timbercreek MIC	Toronto	2008	$394.00	65%	63%	9.29%
63	Timbercreek Senior MIC	Toronto	2011	$466.00	46.40%	100%	6.46%
64	Trez Capital MIC	Vancouver	2012	$212.00	54%	77%	7.30%
65	Trez Capital Senior MIC	Vancouver	2012	$104.00	62%	100%	5.27%
66	Eclipse Residential MIC	Toronto	2013	$38.00	100%		9.80%
67	Tekamar Mortgage Fund	Salmon Arm B.C.	Jun-05	$25.00	70%	75%	7% - 11%
68	VWR Capital Corp.	111 20434 64 Avenue Langley BC	Jun-05	$180.00	97%	75%	6.95%-12.95%
69	Redbricks Mortgage Investment Corporation	Vancouver, BC	2008	$13.93	n/a	primarily for the acquisition of residential land development and develeonment of residential	15%
70	Crystal Enhanced Mortgage Fund	Burlington, ON	2007	$37.33	91.60%	1st mortgages: 56%, 2nd mortgages: 44%	10.06%
71	First Place Mortgage Investment Corporation	Calgary, AB	2007	$10.08		1st mortgages: 100%	4.84 - 13.01%
72	Secure Capital Mortgage Investment Corporation	Richmond Hill, Ontario	2007	$19.92	95.00%	1st mortgages: 11%, 2nd mortgages: 88%, 3rd mortgages: 1%	2014: 11.34%, 2013: 13.26%

#	Name	Loan duration	Average Loan to Value (LTV)	Annual yields for investors in the past five years. (Please state yield for every year starting 2008)	Management fee
61	Firm Capital MIC			9.0% average of 2015 and 2014	0.85% of the face value of all mortgages
62	Timbercreek MIC	1.2 years	72.8%	9.2% (2015)	1.2% of the gross assets
63	Timbercreek Senior MIC	1.2 years	56.0%	7.3% (2015)	0.85% of the gross asset
64	Trez Capital MIC		68.0%	7.5% (2015)	1.25% of the gross assets
65	Trez Capital Senior MIC		37.0%	6.1% (2015)	0.85% of the gross assets
66	Eclipse Residential MIC		77.0%	6.4% (2014)	1.75% of the NAV
67	Tekamar Mortgage Fund	1 year to 5 year	60.0%	7% all three	1.25%
68	VWR Capital Corp.	12 months	61.0%	2014: 8.50%, 2013: 8.74%, 2012: 8.53%	1.4% AUM
69	Redbricks Mortgage Investment Corporation	3 - 24 months	66.00%	2014: 10.01%, 2013: 11.80%, 2012: 12.40%, 2011: 12.67%, 2010: 10%	2 % p.a. of the aggregate total assets of the Company, payable as 1/12 on the last day of each month. Annual Incentive Fee: 25% of
70	Crystal Enhanced Mortgage Fund	< 1 - 2 years	64%	2015 Q2: 2.7%, 2014: 5.07%, 2013: 5.24%, 2012: 4.7%, 2011: 5.41%, 2010: 5.45% ; since inception: 6%	2.2% p.a. of the NAV
71	First Place Mortgage Investment Corporation		67%	2013: 5.5%, 2012: 3.5%	
72	Secure Capital Mortgage Investment Corporation		74.50%	2014: 8.3%, 2013: 8.3%, 2012: 8.3%, 2011: 8.3%, 2010: 8.3%, 2009: 8.3%, 2008: 9.8% ; since inception: 8.7%	

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