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Fundamental Research Corp.
Investment Analysis for Intelligent Investors

Tri City Group Monthly Income Mortgage Trust – First and Second Mortgages Primarily in BC and AB

Sector/Industry: Real Estate Mortgages **www.tricitymortgagefund.com**

Offering Summary	
Issuer	Tri City Group Monthly Income Mortgage Trust
Date of OM	15-Dec-14
Offering	Min of $1M / No Max
Securities Offered	Series A and Series P Trust Units
Unit Price	$1,000
Minimum Subscription	$10,000
Distributions	Series A - 8% p.a. (paid monthly) & share of profits paid at year end / Series P - 6% p.a. (preferred) & no share of profits
Management Fee	1.25% p.a. of AUM (paid monthly)
Redemption	Allowed; with a penalty of 6% in year 1, decreasing by 1% every year; no penalty after year 6
Auditor	Hay & Watson
Sales Commissions	6% of the gross proceeds + 1% p.a. trailer

FRC Rating	Series A	Series P
Expected Yield	7.5% - 8.5% p.a.	6% p.a.
Rating	3	3
Risk	3	2

*see back of report for rating definitions

Investment Highlights

- Tri City Group Monthly Income Mortgage Trust ("trust", "fund", "TCGMIMT") invests primarily in first and second mortgages secured by residential, commercial, and industrial properties in British Columbia (BC), and Alberta (AB).
- The trust's manager is Tri City Fund Management Ltd. ("manager). TCGMIMT is the manager's second fund. The first fund, formed in September 2011, had a mortgage portfolio of $14.22 million as of September 2014.
- Since inception in November 2010, the manager has originated approximately $60 million in mortgages, and is currently originating between $300k and $600k per month.
- The manager is owned by Vancouver based real estate veteran, Michael Goodman. Mr. Goodman himself has invested $3 million in the first fund, and has invested $1.05 million in the new fund.
- The trust is offering two types of units – Series A and Series P. Series A units are expected to offer investors a monthly distribution of 8% p.a., and a share of profits (explained in detail later in the report). Series P units offer a monthly preferred return, but no share of the profits. Distributions to Series P unit holders have higher priority than Series A unit holders.
- Management fee is 1.25% of the assets under management, paid annually. Management also receives a performance bonus.

Risks

- TCGMIMT is a new trust.
- Loans are short term and need to be sourced and replaced quickly.
- Timely deployment of capital is crucial.
- A drop in housing prices will result in higher LTVs, and higher default risk, as the value of collateral decreases.
- Unit holders' principal is not guaranteed. Unit holders are also not guaranteed minimum distributions.
- There are redemption fees for the first six years.
- Like most mortgage lending companies, loans are primarily interest only loans.
- The fund has the ability to use leverage, which would increase the exposure of the fund to negative events.
- The fund may invest in second and third mortgages which typically carry higher risk than first mortgages.

Overview

Tri City Group Monthly Income Mortgage Trust, formed in May 2014, and based out of Vancouver, BC, is an open-ended investment trust that invests in first, second, and third mortgages secured by residential, commercial, and industrial properties.

The manager of the trust is Tri City Fund Management Ltd. ("manager"), formed in November 2010. They formed their first fund, the Tri City Mortgage Investment Fund ("TCMIF"), in 2011. TCMIF commenced operations in September 2011, and as of September 30, 2014, had a mortgage portfolio of $14.22 million secured by properties in BC and AB. We had an overall rating of 3-, and a risk rating of 4, on TCMIF, as per a report dated July 19, 2013. TCMIF stopped accepting new investment capital in December 2014, as it reached its maximum offering.

Private lenders, such as the trust, generally have more flexibility in structuring mortgages to the borrower's needs, and therefore, typically charge higher rates of interest than traditional lenders. Target mortgages are short-term in nature (9 – 13 months) to borrowers that are unable to secure traditional sources of financing. The following are examples of typical borrowers:

- asset rich, but no steady income.
- self-employed entrepreneurs unable to show confirmed income
- non-residents or new immigrants with no credit history
- a person with significant equity in a property seeking additional capital to bring the property to rentable condition
- borrower needs quick cash while property is up for sale
- debt consolidation
- unconventional property types (such as land) that traditional lenders may not finance

According to management, the trust has raised $1.21 million to date, and intends to raise approximately $30 million in the next 12 months through the current offering memorandum.

Manager

Tri City Fund Management Ltd is owned by Michael Goodman, who is also an investor in the trust through Tri City Capital Corp ("TCCC"). Both entities are part of the Tri City Group, which was established in 1961. Michael Goodman is also the principal shareholder of the Tri City Group.

The Tri City Group is in the business of real estate development, mortgage lending, and property management services. According to management, the name "Tri City" came from their initial focus on three cities, namely Seattle, Vancouver, and Toronto. The group has since then expanded into Calgary, Edmonton, Squamish, Vernon, etc.

The Tri City Group currently has four divisions: Investments, Mortgage Lending & Broker Services, Land Development, and Property Management.

Since inception, the group has developed 17 commercial and multi-family buildings in Toronto, Seattle, Calgary, and Vancouver. They currently have three residential projects in BC and AB under development as listed below:

	Projects Under Development				
	Project Name	**Location**	**Brief Summary**	**Total Budget**	**Current Status of the Project**
1	Paradise Trails	Paradise Valley - 30 minutes south of Whistler	equestrian community	$10M	Re-zoned and completing the model for single family homes
2	Big Lake	77-acre raw land parcel located in northeast Edmonton	development potential for approximately 280 single-family and 150 multi-family homes	> $50M	Finalizing OCP (Official Community Plan)
3	Sierra Ridge Development Project	Gibbons, Alberta - 7 miles north of Edmonton	residential development	> $20M	Planning
	Recently Completed Projects				
	Project Name	**Location**	**Brief Summary**	**Appraised Value**	
1	The Breeze	Vernon, BC	67-home retirement community	$8.4M	Completed - sold out
	Projects Owned				
	Project Name	**Location**	**Brief Summary**	**Appraised Value**	
1	Riversbend Floating Home Village	Richmond, BC	19 berth marina for moorage and live-aboard for boats and float homes	$1.0M	
2	Dickinsfield Mall	Edmonton, AB	24 unit retail mall	$6.5M	
3	Calgary Strip Mall	Calgary, AB	7 unit, 3-level strip mall	$3.5M	

Source: Management

According to management, the recently completed project was a retirement community in Vernon, BC, which was sold for $8.4 million. As shown in the table above, the group currently owns three projects with a combined appraised value of approximately $11 million. **All of the information in the table above was provided by management. We were not provided with any supporting (verification) documents.**

The property management division currently manages two residential, and three commercial properties in BC and AB.

The group's management team is comprised of Michael Goodman (Chairman), Michael Birch (VP – Mortgage Broker Services), Omar Lalani (Head of Real Estate), Sandy Oh (Head of Mortgages), and Winston Wong (Senior Advisor).

Brief biographies of the senior management team, as provided by the trust, follow.

Michael Goodman is the Chairman of Tri City Capital Corp. ("TCCC") and principal owner of the Tri City Group of Companies, which includes Tri City Investments Ltd., Tri City Mortgage Broker Services Ltd. and Tri City Fund Management Ltd. The Tri City Group is a group of 30 real estate investment, financing and development companies some of which has existed for over 40 years. Mr. Goodman is a graduate of the University of British Columbia.

Michael Birch
Mr. Birch brings to Tri City, more than fifty years of experience in the banking and mortgage industry, and has transacted in excess of $1.5 billion worth of commercial and residential financings. Mr. Birch began his career in merchant banking in the 1965 in the U.K. where he was an Area Manager for General Guarantee Corp. (London). In 1975, Mr. Birch immigrated to Canada and has worked for both Bank of Montreal and G&F Financial, where he opened a new key brand and built its commercial and retail lending business during the early 1980's. In 1986, Mr. Birch co-founded both the Home Mortgage Group, a mortgage brokerage company that was a pioneer in private lending, as well the original Mortgage Brokers Association of British Columbia.

Omar Lalani, M.Eng has been working in the building and development industry since 2002, after he obtained his undergraduate engineering degree from McGill University. Following that, he worked as a draftsman and project manager for small to medium sized developers, having managed infill developments and historic building renovations in Brooklyn and Berkeley. He obtained his master of engineering degree from McMaster University in 2007. After graduate school, Mr. Lalani became the interim President of SpaceDox, a Seattle-based software company delivering online, real-time plan review systems for builders, architects and developers to communicate with city planners. Mr. Lalani has been with Tri City Group since 2011. He is currently the land development consultant for Paradise Trails, Sierra Ridge and Big Lake. He is most interested in the public and political consultation process and how various stakeholders can help move and shape a project before a shovel touches the ground.

Sandy Oh is the President of Tri City Fund Management Ltd. and manages all private lending and mortgage brokerage businesses. Mr. Oh oversees the credit underwriting on any new Mortgage applications, Unitholder relations for the Trust, as well as corporate finance and operational matters. Over the past year, Mr. Oh underwrote over $35 million in Mortgages. Prior to working in the private lending group, Mr. Oh headed Tri City's real estate division including management and development of Tri City's portfolio of assets in B.C. and Alberta. Previously, Mr. Oh was a Vice President for the Newgen Group, a real estate development and management consulting firm with over $300 million in projects and managed assets. Mr. Oh led the financing and management of the income properties portfolio between 2006 and 2010. Mr. Oh has a Master of Business Administration from the University of British Columbia, a Master of Arts from New York University and a Bachelor of Arts from the University of Toronto.

Winston Wong has been an adviser to the Tri City Group for over 10 years and a director of companies within the group since 2006. He has an extensive background in banking. After working in management for 20 years including serving as a Zone Controller with a role in managing 22 branches and 2,000 borrowing clients, in 1984 he was appointed the Marketing Manager of Standard Chartered Bank, Hong Kong in charge of business development through its 110 branches.

Manager's Past Performance

The manager's board of directors is comprised of Michael Goodman, Winston Wong, and Sandy Oh. We believe that the board of a company should include independent or unrelated directors who are free of any relationships or business that could materially interfere with the director's ability to act in the best interest of the company. **Although there is no independent director on the company's board, Michael Goodman invested $1.05 million in the fund through TCCC.** His investment will have a lower priority on the trust's assets than investors. TCCC has also invested $3 million in TCMIF. These investments, we believe, align investors and management's interests to a certain extent.

According to management, the manager has originated approximately $60 million in mortgages since inception, and is currently originating between $300k and $600k per month. The manager does not originate / manage loans for third-parties.

In the following section, we present a summary of the performance of the first fund, TCMIF. In addition to TCMIF and TCGMIMT, the manager also manages TCCC, which is a private mortgage fund formed in 2006 primarily to manage Michael Goodman's capital. We were not provided with TCCC's performance history. Management indicated to us that TCCC's portfolio size is currently approximately $14 million.

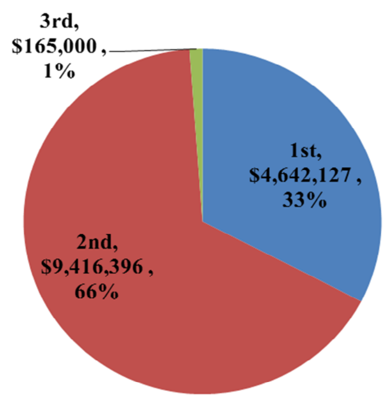
Since commencing operations in September 2011, TCMIF has funded approximately 120 loans. As of September 30, 2014, its portfolio held 47 mortgages for approximately $14.22 million. The following highlight a few of the key portfolio parameters:

- The interest rate on loans ranged between 7.5% and 14% p.a., with a weighted average rate of 10.31% p.a.

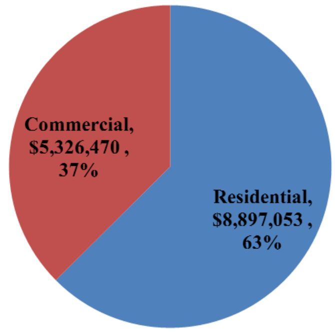
- Loan sizes ranged between $35k and $800k, with an average of $303k.

- The loan to value ("LTV") ranged between 9% and 76%, with a weighted average rate of 54%.

- First mortgages accounted for 33% of the portfolio. Second and third mortgages accounted for 66% and 1%, respectively.



- Residential mortgages accounted for 63% of the portfolio. Mortgage Investment Corporations ("MICs") are required to have at least 50% of portfolio invested in residential mortgages. The trust is not bound by such a requirement as it is not structured as a MIC (discussed later).



- As shown in the table below, 53% of the loans were secured by properties in BC. AB accounted for 46%. As of September 30, 2014, there was one mortgage secured by a property in Nova Scotia. Approximately 80% of the loans were secured by properties located in urban areas (**this is a key factor as properties in urban areas are more liquid and prices are likely to be less volatile).**

BC	$7,597,053	53%
AB	$6,554,470	46%
NS	$72,000	1%
Total	**$14,223,523**	**100%**

As with most mortgage lenders, at the end of maturity, management may renew a mortgage at their discretion. Management states that typically, 48% of the loans are renewed for at least one additional term.

The following table shows a summary of TCMIF's income statements since inception. The year-end statements were audited by Hay & Watson.

Income Statement	2011	2012	2013	2014 (9M)
Revenues				
Interest Income	$66,839	$996,951	$1,510,117	$1,481,711
	$66,839	**$996,951**	**$1,510,117**	**$1,481,711**
Expenses				
Administrative Support		$58,672	$94,500	$88,878
Consulting Fees	$73,430	$138,646	$132,423	$63,628
Insurance	$1,250	$2,716	$7,857	$6,134
Interest / Bank Charges	$887	$47,687	$41,664	$100,691
Marketing	$7,529	$48,532	$83,022	$8,321
Membership and Licenses	$2,516	$21,805	$5,484	$1,176
Office Expenses	$2,596	$9,566	$11,383	$12,203
Professional Expenses	$33,394	$56,421	$36,086	$39,505
Rent	$13,200	$29,792	$29,327	$62,092
Broker Fees			$11,105	$12,274
	$134,802	**$413,837**	**$452,851**	**$394,902**
Expenses Absorbed by the Manager	-$131,678			
Manager's Fee	$14,007	$108,455	$151,547	$131,367
Manager's Fee Waived	-$14,007	-$95,991	-$284	
Provisions for Expenses				$154,744
	$3,124	**$426,301**	**$604,114**	**$681,013**
Net Income	**$63,715**	**$570,650**	**$906,003**	**$800,698**

YE – December 31st

Revenues grew from $67k in 2011, to $1.48 million in the first nine months of 2014. Net income grew from $64k in 2011, to $0.80 million in the first nine months of 2014. As the trust was in start-up phase, the manager waived most of the general and administrative ("G&A") expenses in 2011, and management fees, in both 2011 and 2012.

The following table shows the line items in the income statement as a percentage of mortgage receivables.

% of Mortgage Receivable	2011	2012	2013	2014 (9M)*
Interest Income	2.65%	16.36%	12.45%	13.71%
Interest Income	**2.65%**	**16.36%**	**12.45%**	**13.71%**
Less:				
Management Fee	-0.56%	-1.12%	-1.04%	-1.22%
G&A Expenses	-5.31%	-3.79%	-2.82%	-2.72%
Interest	-0.04%	-0.49%	-0.29%	-0.93%
Net	**-3.25%**	**10.96%**	**8.31%**	**8.84%**
Investors' Returns (% of Invested Capital)	1.41%	8.18%	7.89%	7.88%
2-year GOC	1.34%	1.11%	1.30%	1.05%

Note that the above figures may be slightly different from the figures reported by TCMIF due to the difference in the method of calculation. We used the average of the opening balance, and year-end balance of the mortgages outstanding, and invested capital, to arrive at the above figures.

Interest income as a percentage of mortgage receivables was 8.84% p.a. in the first nine months of 2014. The dividend yield to investors (dividends as a percentage of invested capital) was 7.88% p.a. **We believe investors' yields since 2012, have been in line, or slightly lower than, comparable funds with a similar risk profile.**

TCMIF pays out an annual management performance bonus of 50% of any cash remaining after paying investors a 8% preferred return. TCMIF has yet to pay a performance bonus as the dividend yield has been below 8% since operations stabilized in 2013.

The trust has not yet allocated any provision for loan losses. Most MICs tend to allocate 0.25% to 0.50% of the mortgage outstanding at a particular time as a provision. According to management, since inception, the trust has had no loans in default. They indicated that although a few of their AB loans are late, none of them are in serious default. Management indicated to us that a loan loss provision will be made in the upcoming 2014 audited financial statements.

	2011	2012	2013	2014 (9M)
Distributions	$63,715	$570,650	$906,003	$800,698
Reinvested	$3,675	$228,716	$464,098	$533,652
Reinvested (as a % of Distributions)	6%	40%	51%	67%
Redemptions	$0	$89,284	$444,378	$1,703,115
Redemption (% of invested capital)	0%	2%	5%	16%

Source: FRC and Management

FRC Fundamental Research Corp.

Investors have reinvested about 52.5% of the annual distributions so far, which we believe is a good sign. Annual redemptions have ranged between 0% and 5% of invested capital until 2013. Redemption were very high in the first nine months of 2014 ($1.70 million). Management indicated to us that it was because a few short-term investors who were only looking to invest for 1-2 years made redemption requests in 2014.

The following table shows a summary of the TCMIF's balance sheet.

Balance Sheet	2011	2012	2013	Q3-2014
Assets				
Cash + Fees Held in Trust	$1,941,587	$98,433	$114,320	$161,701
Interest Receivable	$23,894	$177,306	$669,936	$675,004
Receivable from Manager	$97,302	$28,569		
Mortgage Invenstment	$2,522,500	$9,664,602	$14,589,915	$14,223,523
Prepaid Expenses		$7,188		
	$4,585,283	**$9,976,098**	**$15,374,171**	**$15,060,228**
		$7,142,102	$4,925,313	-$366,392
Liabilities				
Bank Indebtedness		$573,720	$1,466,255	$921,784
Distributions Payable	$63,715	$174,098	$262,268	$136,785
Payable to Manager			$422,376	$678,965
Accounts Payable		$14,073	$37,620	$169,686
Funds Held in Trust	$3,000	$25,264	$114,320	$36,479
Prepaid Mortgage Payments	$9,558			
	$76,273	$787,155	$2,302,839	$1,943,699
Equity (Settlor's Contribution)	$10	$10	$10	$10
Net Assets	**$4,509,000**	**$9,188,933**	**$13,071,322**	**$13,116,519**
Net Assets (Series A)	$1,615,000	$6,439,177	$10,530,997	$10,576,193
Series A Units	1,615	6,439	10,531	10,576
NAV (Series A)	$1,000	$1,000	$1,000	$1,000
Net Assets (Series B)	$2,894,000	$3,000,000	$3,000,000	$3,000,000
Series B Units	2,894	3,000	3,000	3,000
NAV (Series B)	$1,000	$1,000	$1,000	$1,000
Total NAV	$4,509,000	$9,439,177	$13,530,997	$13,576,193
Total Units	$4,509	$9,439	$13,531	$13,576
Debt as a % of Mortgage Outstanding	0%	6%	10%	6%
Interest Coverage Ratio	72.8	13.0	22.7	9.0

YE – December 31st

Total loans issued increased from $2.52 million at the end of 2011, to $14.22 million at the end of Q3-2014 (September 30, 2014). **The total equity investment was $13.58 million, of which, management invested $3 million, or 22%.**

Line of credit – MICs normally use debt to fund mortgage acquisitions to improve returns to equity investors. The trust has a **$3 million (prime + 1.5%) line of credit with HSBC**, of which, $0.92 million was withdrawn as of September 30, 2014.

Overall, we believe that TCMIF has a sound lending strategy and process in place. Although the fund is relatively new (3 – 4 years in business) in the space, annual distributions to investors have been in line with comparable funds managing portfolios with similar risk profile. Management's significant investment in the fund shows their strong conviction on the fund's prospects.

Lending Strategy

Management intends to build TCGMIMT's portfolio the same way as they built TCMIF's portfolio. **They intend both portfolios to have a similar risk-return profile.** The primary focus is on loans secured by existing residential, multi-family and commercial properties. Their secondary focus will be on development and construction projects. Management expects residential to account for 65% - 70% of the portfolio.

The following are the key types of loans:

- **Home acquisition and re-financing** to individuals
- **Acquisition financing** of income producing properties (residential or commercial).
- **Development loans** are provided to entities that are seeking additional capital to make property improvements with a goal to sell the property upon completion of the improvements.
- **Take-out financing** are typically offered to owners of revenue producing properties for repaying their other debt.
- **Mezzanine and subordinated debt financing** is provided to an owner of a completed, or substantially completed income producing property, as an interim financing until they are able to secure a favourable long-term mortgage.

The trust will retain any lending fees (typically 2%) paid by the borrower, but will have to pay brokerage fees to the manager or third-party brokers.

Tri City acquires its clients primarily through referrals from third-party brokers. Tri City also has four internal brokers who generate some deal flow to the trusts.

TCMIF's financial statements indicate that the trust was only holding a small amount of cash at the end of each year, indicating that management has been able to deploy almost all of the capital raised – a lack of deal flow would have resulted in the trust holding lot of cash on the balance sheet, which was not the case with TCMIF.

Management will look at all the contributing factors such as LTV, borrower credit history, amount borrowed, and the quality of the property, to determine an appropriate interest rate. Management will also look for a verifiable exit strategy to ensure that the loan can be repaid when due. As mentioned earlier, common exits are sale of property and refinancing.

Lending Guidelines

The key lending guidelines of the trust are listed below:

- All mortgages will be from parties who are arms' length.
- Management has set a maximum LTV of 75%. If the trust decides to invest in mortgages with a LTV higher than 75%, management will require additional security from the borrower in the form of personal guarantees or collateral on other properties.
- The loan term is likely to be 13 months or less. The short term of the loans allows the trust to re-price mortgages annually limiting interest rate risk.
- No more than 10% of the assets will be invested in any single loan once gross assets of the trust exceeds $15 million. The size of a single loan will not exceed $2.50 million. These conditions can change upon approval by 75% of the board of directors.
- Third party appraisal or property tax assessments will be used to determine the market value of properties.
- With regard to commercial loans, the trust will obtain additional security which may include an assignment of rents, insurance proceeds, purchase agreements (on residential development projects), a general security agreement, personal covenants, etc.
- The fund will not directly invest in real property, however, it may hold properties acquired as result of foreclosure.
- The trust will not make unsecured loans to, nor invest in securities issued by the manager or its affiliates.
- The trust may invest alongside TCMIF and other funds controlled or owned by Michael Goodman and third parties.
- The trust may purchase loans from existing portfolio of loans of the manager or its affiliates. In order to avoid conflict of interest, management indicates that only unrelated individuals on the board of directors will be involved in the decision making process of such loans.

Private Lending Market

The mortgage lending market is highly affected by changes in interest rates and home prices. The low interest rate environment has been attracting a lot of investors to higher yield opportunities such as MICs. **The structure of the trust's mortgages makes it so their income is minimally affected by home prices and interest rates in the short term**. As the term to maturity of the mortgages in the portfolio is likely to be less than 13 months, this enables them to re-price interest rates quickly. Also, a weighted average LTV of 54% for the manager's first fund (TCMIF) indicates that there would have to be a significant one year drop in property prices to cause LTVs to rise to levels where the underlying property is valued at less than the mortgage. However, long term real estate prices will have an impact on the deal flow due to the following:

- If prices decrease, there will be less activity, mainly because people hold off purchasing and selling, until the market stabilizes.

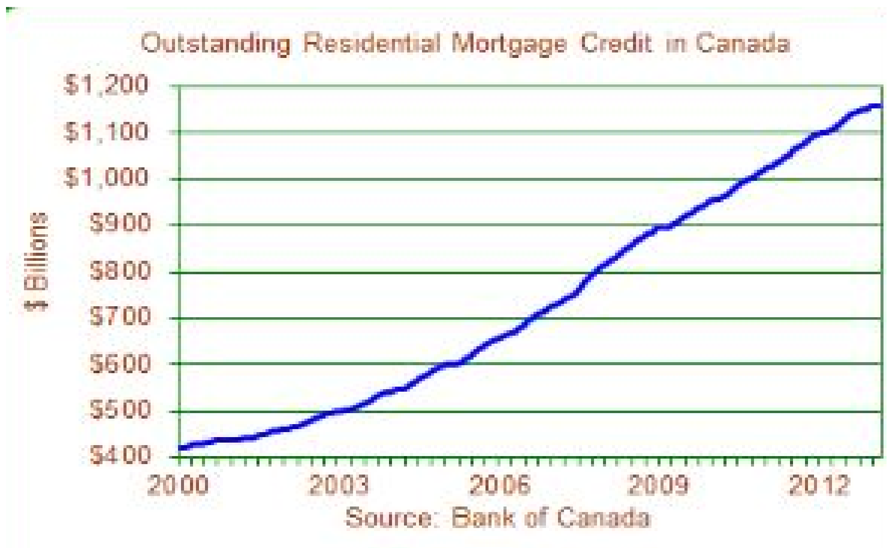
- Borrowers will have less collateral to borrow with.

A decrease in market activities will reduce mortgage volume, which will impact lenders' deal flow.

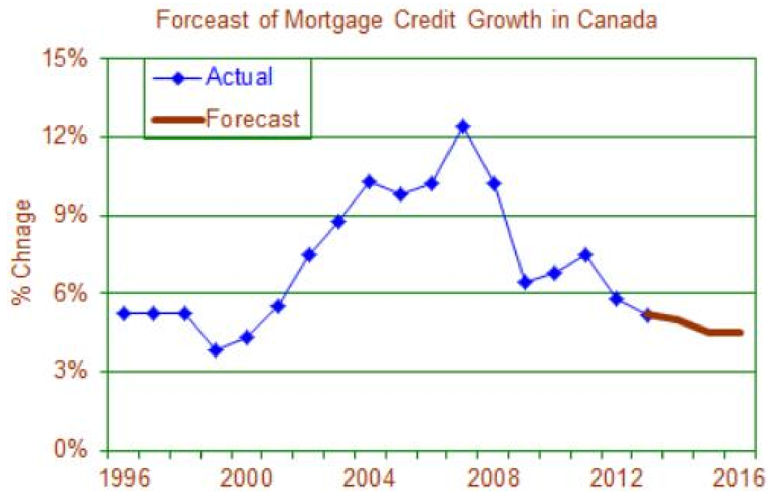
A November 2014 report published by the Canadian Association of Accredited Mortgage Professionals ("CAAMP") indicated that there are currently approximately 9.62 million homeowners in Canada, of whom, about 5.64 million have mortgages and may also have a home equity line of credit. Over 85% of homeowners have 25% or more equity in their homes. Approximately 11% of homeowners took equity out of their home (averaging $55k) in the past year, totaling $63 billion. The most common uses of the funds are 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*

The following chart shows the Canadian residential mortgage market size since 2000.

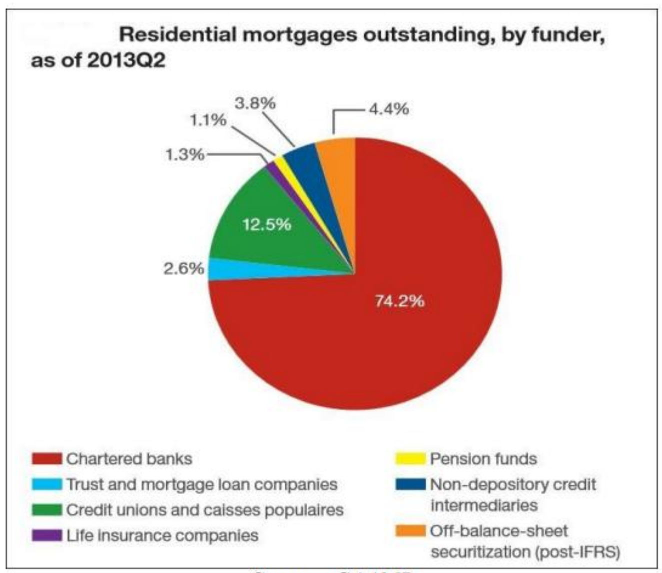


In their November 2014 report, CAAMP estimates that residential mortgage credit growth in Canada averaged 8.1% p.a. over the past decade. CAAMP estimates total outstanding residential mortgages have grown to $1.28 trillion by the end of 2014. **They expect the sector to grow by 4.7% in 2015, and by 4.5% in 2016, and reach $1.4 trillion by the end of 2016 (as shown in chart below).**



Source: CAAMP

The majority of the outstanding mortgages are through chartered banks, as shown in the chart below. Trust and mortgage loan companies accounted for just 2.6% of the total outstanding mortgages as of Q2-2013.



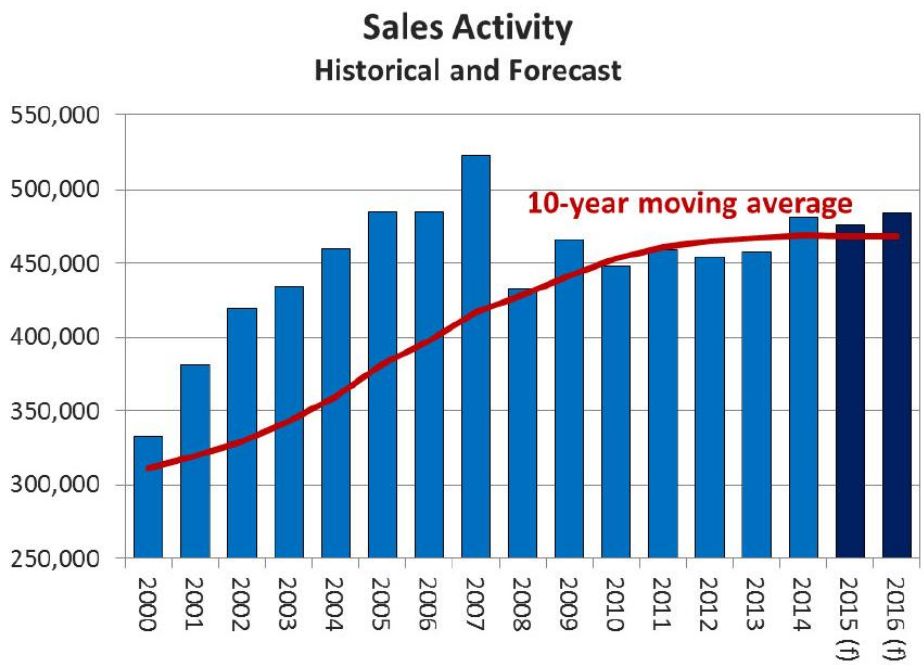
Source: CAAMP

In their November 2014 report, CAAMP indicated that of the current outstanding mortgages, 55% were obtained from a bank, 30% from a mortgage broker, 9% from a credit union, 3% from life insurance or trust companies, and 3% from other sources.

The slower mortgage growth of the past few years (as mentioned in the previous page) was because of the new regulations introduced by the government to tighten banks' lending policies, primarily the B20 (standard for banks) introduced in 2012. This has resulted in more business opportunities for private lenders.

Housing Market

The Canadian Real Estate Association ("CREA"), in their March 2015 report, predicts national home sales will reach 475,700 units in 2015, reflecting a 1.1% YOY decline, and slightly above the 10-year average (see chart below).



Source: CREA

According to the Calgary Real Estate Board, the number of houses sold in Calgary fell by 22% YOY in April 2015, compared to a drop of 38.9% in January, 34.2% in February, and 28.2% in March. The price of detached homes fell by 0.7% month over month, to $510,200 in April 2015. However, they are still up 1.9% YOY. The average price for all property types are also up by 1.85% YOY.

In Edmonton, in April 2015, total sales volume (all property types) was up by 12% month over month, but down 21% YOY. The average price (all property types) was up by 1.1% month over month, and 3.1% YOY.

WTI crude oil prices have moved up from below US$50 per barrel, to approximately US$60 per barrel in the past few months. We have a positive outlook on oil and expect to it range between US$60 per barrel and US$70 per barrel by the end of the year. We believe this gradual recovery in the oil price will stabilize home sales and prices in Alberta.

Despite the weak performance in AB, the weak C$ and low interest rates are expected to continue to drive the BC and Ontario markets. The following tables show CREA's sales and price forecasts for 2015 and 2016. BC is expected to experience a 3.4% YOY price increase, and 4.9% YOY growth in sales activity in 2015. ON is expected to experience a 2.5% YOY price increase, and 1.9% YOY growth in sales activity

CREA Residential Market Forecast:

Sales activity forecast	2014	2014 Annual percentage change	2015 Forecast	2015 Annual percentage change	2016 Forecast	2016 Annual percentage change
Canada	481,130	5.1	475,700	-1.1	483,700	1.7
British Columbia	84,049	15.2	88,200	4.9	89,000	0.9
Alberta	71,773	8.6	58,000	-19.2	61,800	6.6
Saskatchewan	13,863	2.4	12,220	-11.9	12,840	5.1
Manitoba	13,782	0.3	13,480	-2.2	13,460	-0.1
Ontario	205,972	3.7	209,900	1.9	211,300	0.7
Quebec	70,659	-0.8	72,400	2.5	73,350	1.3
New Brunswick	6,273	-0.1	6,430	2.5	6,540	1.7
Nova Scotia	8,821	-3.6	9,150	3.7	9,390	2.6
Prince Edward Island	1,380	-3.2	1,400	1.4	1,410	0.7
Newfoundland	4,100	-4.7	4,060	-1.0	4,090	0.7

Average price forecast	2013	2014 Annual percentage change	2015 Forecast	2015 Annual percentage change	2016 Forecast	2016 Annual percentage change
Canada	408,078	6.7	416,200	2.0	424,100	1.9
British Columbia	568,405	5.8	587,600	3.4	597,800	1.7
Alberta	400,590	5.2	387,600	-3.2	396,900	2.4
Saskatchewan	298,360	3.3	295,700	-0.9	298,600	1.0
Manitoba	266,329	2.1	269,100	1.0	274,500	2.0
Ontario	430,984	7.0	441,900	2.5	452,900	2.5
Quebec*	271,227	1.3	272,700	0.5	274,700	0.7
New Brunswick	161,803	-0.5	162,300	0.3	162,100	-0.1
Nova Scotia	215,279	-0.9	215,200	0.0	215,900	0.3
Prince Edward Island	163,911	5.0	161,800	-1.3	162,300	0.3
Newfoundland	283,671	0.2	282,600	-0.4	282,600	0.0

Source: CREA

Also, improving unemployment in the country is resulting in lowering arrears, as shown in the chart below.

Overall, we expect the Canadian housing market to be reasonably stable over the near-term based on the following key factors - low interest rate environment, expected growth in Gross Domestic Product ("GDP"), and continued growth in immigration.

Tri City management indicated to us that they are taking a very cautious approach to AB at the moment, and that their main focus will be on BC. They also expect to enter the ON market shortly.

Structure of the Offering

The fund is structured as an open-ended investment trust. The fund currently qualifies, and intends to remain qualified, as a registered investment, and eligible for deferred plans, such as RRSP, RRIF, RESP, DPSP, TFSA, etc. Its structure is very similar to a MIC. Both structures allow investors to invest in a pool of diversified mortgages and flow income from them. The major differences between the two structures are - a MIC is required to hold at least 50% of its holdings in residential mortgages and cash, whereas the trust structure does not have such a restriction and gives management more flexibility to deploy loans in either residential or commercial properties. Like MICs, the trust intends to distribute all of its net income to investors, so that the trust will not be subject to any income tax.

The trust is offering two types of units - Series A and Series P units.

Series A unitholders are entitled to a monthly distribution of 8% p.a. (base distribution) and a 70% share of net revenues, paid annually. Net revenues are defined as the amount remaining after paying out the preferred return of Series P unit holders (discussed below), and the base distribution of Series A unit holders.

The manager's performance fee, paid annually, is equal to 30% of net revenues.

Series P unitholders are entitled to receive a monthly preferred return, but have no share of net revenues**.** The preferred return will be initially set at 6% p.a. for the period from November 1, 2014 to December 31, 2016, and will automatically be reset on January 1st of subsequent years to the 2 year GOC bond rate + 4.8% p.a. The preferred return has priority over any other distributions.

TCMIF had only one class of units – Series A units. Series A offer a 8% p.a. preferred return to investors and a 50% share of the remaining profits. Therefore, investors share of the profits have increased from 50% to 70% in this offering's Series A units. However, in this offering, Series A unit holders are in a slightly higher risk position as Series P unit holders have first priority on the cash flows.

The following shows the priority of distributions:

a) first, to the Series P unitholders, any unpaid preferred return in prior periods;

b) second, to the Series P unitholders, 1/12 of the preferred return;

c) third, to the Series A unitholders, 1/12 of the base distribution;

d) fourth, to the Manager, the Performance Fee;

e) fifth, to the Series A Unitholders, the balance of net revenues.

According to the OM, the trust may issue an unlimited number of units, and create additional series of units, provided that the total number of units issued with a priority over Series A units may not exceed 60% of the total number of units outstanding.

Sales commissions: 6% of the invested capital upfront will be paid by the trust; the manager may pay an annual trailer fee of 1% p.a. TCMIF's fee was 5% upfront and a 0.5% p.a. trailer fee. As we believe upfront sales fees are higher than comparable MICs; the overall returns to investors may be slightly lower than MICs with a similar risk-return profile.

Use of debt: As per the OM, the trust may issue debentures/notes provided that such securities may not exceed 20% of the capital raised through the issuance of trust units. The OM also states that the trust will keep bank debt below 39% of the total capital raised through the issuance of trust units. Management intends to keep overall debt below 50% of the principal amount of its portfolio. This, we believe, is in line with comparable offerings.

Redemption: Series A Units, and Series P Units, are redeemable by the manager anytime. Investors are eligible for redemption at the end of every quarter. For Series A unit redemptions within the first year, the redemption price will be 94% of the book value, or a 6% discount. The discount reduces by 1% each year. Investors can redeem at 100% of the book value after the 6th year. The discounts apply to Series P units as well, but the price will be based on the subscription price instead of the book value. As Series P is tied to the subscription price, investors of such units are less susceptible to the risks associated with a major reduction in value of the portfolio compared to investors of Series A unit.

Management fee is 1.25% of the assets under management ("AUM") per year paid monthly. TCMIF's management fee is 1.25% of the net asset value ("NAV"), and is lower as the AUM is likely to be higher than the NAV due to the use of leverage.

Management's investment in the portfolio: TCCC, an entity controlled by Michael Goodman, transferred mortgages with a fair value of $650k, and $400k in cash for a total investment of $1.05 million in exchange for Series A units of the trust. A sales fee of 6.0% will be paid to the manager. The details of the mortgages are listed below:

Type of Mortgage (LTV)	Location of Property	Principal Amount Outstanding	Interest Rate	Maturity Date
First Mortgage (68%)	British Columbia	$650,000	8.5%	November 30, 2014(1)

(1) This Mortgage is being negotiated for renewal for a further 12-month period.

As per the OM, TCCC has agreed to maintain an investment of at least $1 million in units of the trust until the total net asset value of the portfolio exceeds $30 million. TCCC will have the last priority on the assets, and will only receive a return of its invested capital after all other unitholders have received a return of their invested capital.

Risk

Investors are exposed to the following risks:

- Loans are short term and need to be sourced and replaced quickly.
- Timely deployment of capital is crucial.
- A drop in housing prices will result in higher LTVs, and higher default risk as the value of collateral decreases.
- Unit holders' principal is not guaranteed. Unit holders are also not guaranteed minimum distributions.
- There are redemption fees for the first six years.
- Like most mortgage lending companies, loans are primarily interest only loans.
- The fund has the ability to use leverage, which would increase the exposure of the fund to negative events.
- TCGMIMT is a new trust.
- The fund may invest in second and third mortgages which typically carry higher risk than first mortgages.

Conclusion / Rating

In conclusion, we expect the net return on capital (after management fees, G&A expenses, and loan loss provision) over the next 12 – 24 months will be approximately 7.5% - 8.0% p.a. Therefore, the trust should not have any problem to make the 6% p.a. distributions to the Series P unitholders. As for Series A unitholders, although they have a lower priority, we believe their risk is mitigated by – a) the additional 2.0% - 3.0% p.a. they may be able to receive through base distribution and profit share, and b) the condition set in the OM which requires the total number of units issued with a priority over Series A units may not exceed 60% of the total number of units outstanding.

We assign an overall risk rating of 3 for both Series A and Series P units, with a risk rating of 2 for Series P, and 3 for Series A units.

FRC Rating	Series A	Series P
Expected Yield	7.5% - 8.5% p.a.	6% p.a.
Rating	3	3
Risk	3	2

Fundamental Research Corp. Rating Scale:

Rating – 1: Excellent Return to Risk Ratio
Rating – 2: Very Good Return to Risk Ratio
Rating – 3: Good Return to Risk Ratio
Rating – 4: Average Return to Risk Ratio
Rating – 5: Weak Return to Risk Ratio
Rating – 6: Very Weak Return to Risk Ratio
Rating – 7: Poor Return to Risk Ratio
A "+" indicates the rating is in the top third of the category, A "-" indicates the lower third and no "+" or "-" indicates the middle third of the category.

Fundamental Research Corp. Risk Rating Scale:
1 (Low Risk)
2 (Below Average Risk)
3 (Average Risk)
4 (Speculative)
5 (Highly Speculative)

FRC Distribution of Ratings			
Rating - 1	0%	Risk - 1	0%
Rating - 2	25%	Risk - 2	3%
Rating - 3	48%	Risk - 3	31%
Rating - 4	10%	Risk - 4	43%
Rating - 5	5%	Risk - 5	9%
Rating - 6	1%	Suspended	14%
Rating - 7	0%		
Suspended	11%		

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