TRUELINE CAPITAL

Investor Webinar

Trueline Capital
Q3 Investor Webinar
November 1st, 2018 at 10 am

Agenda

- Explanation of the Fund's third-quarter 8.0% return
- Update on the 4 events that affected the performance of the Fund
- A summary of the foreclosures and non-performing loans
- Update on the market and our new strategy to adapt and benefit
- Return expectations for the rest of 2018 and 2019
- Q & A for all Fund investors with the management team

Q3 2018 Returns

$3.6 MILLION IN NON-PERFORMING ASSETS

7.25% ANNUALIZED RETURN +
$22,500 MANAGEMENT FEES WAIVED

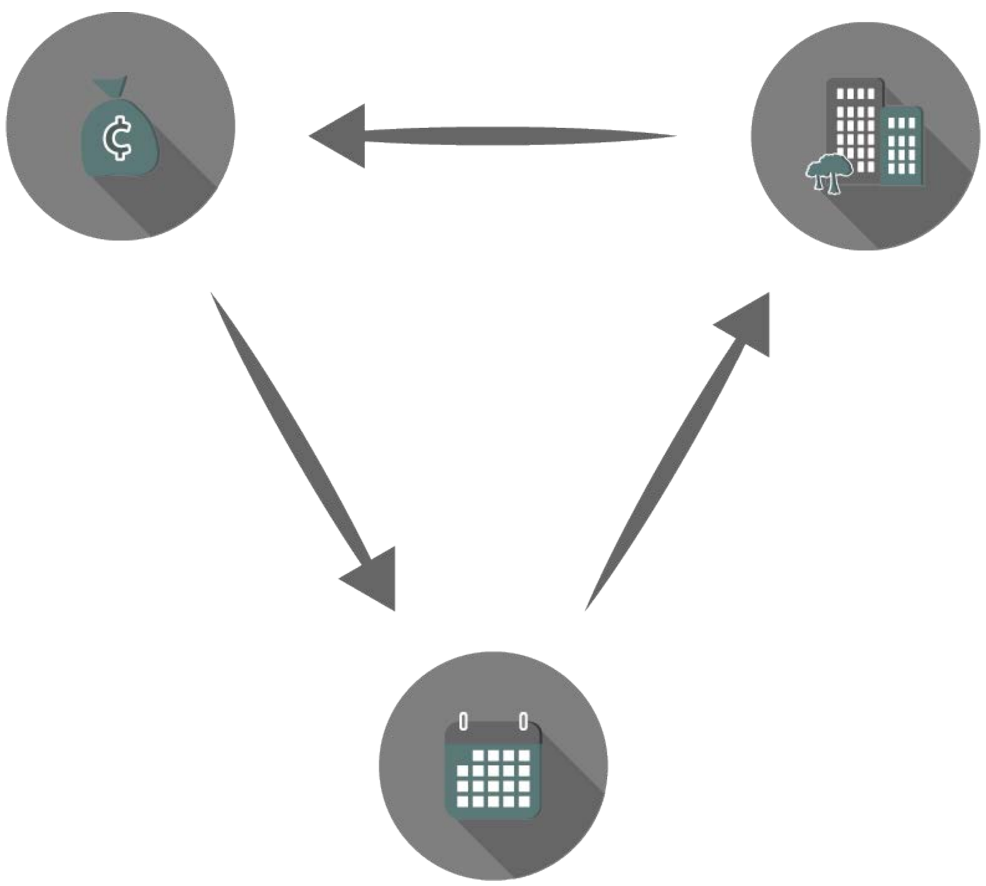
8% NET RETURN TO INVESTORS

10.4% ESTIMATED RETURN
Adjusting for the affect of the non-performing assets over the quarter

FOUNDED	CURRENT PORTFOLIO	TOTAL PROJECTS	TOTAL PROJECTS
2014	**$20 million**	**$45 million**	**110**

Did we expect these returns?

Our previously favorable outlook was based on the expectation of four events we expected during the 3rd quarter



COMPLETED FORECLOSURES

2 of the 5 foreclosures have been liquidated out of the fund. We expected 2 more to liquidate in Q3, due to a borrower bankruptcy they were delayed.

ORIGINATION VOLUME

The Fund experienced a lower origination volume in Q3 due to delays in the market around loan payoffs and borrowers slowing down on some new projects.

“SAM” loan payoffs

Four of the Fund’s loans carry “Shared Appreciation Mortgages” where the Fund benefits from a portion of profits. These projects were delayed in liquidating.

LUCA AVENUE LIQUIDATION

2 of the 6 units have sold. 1 is under contract. 3 are rented. We expected these to liquidate over the summer selling season.

Q4 Expectations

Negative and Positive Forces Acting Upon the Fund's Q4 Return

Tailwinds

MCMINNVILLE FORECLOSURE

One of our foreclosure assets is a 7-unit apartment building in McMinnville, OR. The property is under contract to liquidate on December 31st with a net benefit to the Fund.

S.A.M. PAYOFFS

Our 4 loans with Shared Appreciation Mortgages are expected to liquidate in Q4 2018 or Q1 2019.

ORIGINATION PIPELINE: $30.6 MM

Trueline Capital's origination pipeline for new loans is over $30 million.

Headwinds

LUCA AVENUE WRITE DOWN

This property was acquired in November 2017 via a Deed-in-Lieu-of-Foreclosure. Trueline Capital finished the construction and began selling the units over the summer.

The Manager expects the Fund to experience a write down of the 6-unit town-home development on Luca Avenue in Clackamas, Oregon.

LUCA AVENUE TOWNHOMES

This asset will be subject to impairment testing at year end and experience a write-down




	Status	Price
Unit 1	Sold	$425,000
Unit 2	Sold	$450,000
Unit 3	In Escrow	$450,000 | $2,650/mo*
Unit 4	Leased	$2,650/mo
Unit 5	Leased	$2,395/mo
Unit 6	Leased	$2,395/mo

* on 11/1/18, in escrow with a contingent offer at $450,000; a rental application has also been submitted to rent the unit at $2,650/mo

MARKET OBSERVATIONS

Capital Markets Inflows

Institutional investors are investing capital heavily in the residential construction space

Interest Rates

Increasing mortgage interest rates are putting upward pressure on buyers' monthly payments and straining affordability

Slowing Residential Sales

Inventories have ticked up, though are still very low by historical measures

EVOLVING BUSINESS STRATEGY

FOCUS ON LOAN ORIGINATION

We are focused on continuing to develop a strong pipeline of high-quality deals and borrowers for the Fund II portfolio.

CREDIT-ORIENTED UNDERWRITE

Traditionally, the Manager has relied on an asset and operator based underwrite, but due to the evolving nature of the markets we are adding in a credit underwriting criteria to further assess risk.

UTILIZE 3RD PARTY CAPITAL

A unique opportunity for the Fund to increasingly originate a new loan on its balance sheet and then a few weeks or days later sell the originated loan to one of our 3rd party capital partners. This generates 1% of the loan amount as an origination fee for using its capital to originate the loan, plus interest income for the holding period.

2019 INVESTMENT RETURNS: 8%-10%

Due to the inflows of capital to our markets, there is downward pressure on the rates the Fund can charge borrowers for loans, further the Manager is targeting higher quality borrowers to reduce risk of defaults in an uncertain market. Safer loans are likely to deliver lower yields.

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Investor Q & A