

*This short form base shelf prospectus has been filed under legislation in each of the provinces and territories in Canada, other than the province of Quebec, that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.*

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.*

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the President of the Fund at 1000 Yonge Street, Suite 500, Toronto, Ontario M4W 2K2, tel: 416-306-9967 and are also available electronically at [www.sedar.com](http://www.sedar.com).

## SHORT FORM BASE SHELF PROSPECTUS

New Issue

December 30, 2009



### Timbercreek Mortgage Investment Corporation

#### \$180,000,000 of Class A Shares

Timbercreek Mortgage Investment Corporation (the “Fund”) may from time to time offer and issue non-voting (except as described under “Shareholders Matters”), fully participating Class A shares (the “Class A Shares”) of the Fund in an aggregate offering amount of up to \$180,000,000 (the “Offering”) at any time during the 25-month period that this short form base shelf prospectus (the “Prospectus”), including any amendments hereto, remains valid. The other attributes of the Class A Shares offered are described under “Attributes of Securities”.

The specific terms of any offering of Class A Shares will be described in one or more shelf prospectus supplements (each a “Prospectus Supplement”), including the number of Class A Shares being offered, the offering price and any other specific terms.

All shelf information omitted from this Prospectus under applicable laws will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus. Each Prospectus Supplement will be incorporated by reference into this Prospectus for the purposes of securities legislation as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Class A Shares to which the Prospectus Supplement pertains.

The outstanding Class A Shares are listed and posted for trading on the Toronto Stock Exchange (the “TSX”) under the symbol “TMC-T”. On December 29, 2009, the last trading date before the date of this Prospectus, the closing price of the Class A Shares on the TSX was \$9.92.

**In this Prospectus, except where indicated, all dollar amounts or references to “\$” are to Canadian dollars.**

**It is important for a prospective investor in Class A Shares to consider the risk factors that may affect the Fund and the Class A Shares. See “Risk Factors” for a discussion of certain considerations relevant to an investment in the Class A Shares offered hereby.**

The Fund may sell the Class A Shares to or through underwriters or dealers purchasing as principals, or to one or more purchasers directly pursuant to applicable statutory exemptions, or through agents designated from time to time by the Fund. The Prospectus Supplement relating to a particular offering of the Class A Shares will identify each underwriter, dealer or agent engaged by the Fund in connection with that particular offering of and sale of the Class A Shares, and will set forth the terms of the offering of such Class A Shares, the method of distribution of such Class A Shares, including, to the extent applicable, the proceeds to the Fund, and any fees, discounts, commissions or any other compensation payable to underwriters, dealers or agents and any other material terms of the plan of distribution. In connection with any offering of the Class A Shares, the underwriters or dealers, as the case may be, may, if specified in the applicable Prospectus Supplement, over-allot or effect transactions intended to fix or stabilize the market price of the Class A Shares at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See “Plan of Distribution”.

The offering of the Class A Shares is subject to approval of certain legal matters on behalf of the Fund by McCarthy Tétrault LLP. **No underwriter or dealer in Canada or the United States has been involved in the preparation of this Prospectus or performed any review of the contents of this Prospectus.**

The Fund’s head office and principal place of business is located at 1000 Yonge Street, Suite 500, Toronto, Ontario, M4W 2K2.

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### **FINANCIAL INFORMATION AND ACCOUNTING PRINCIPLES**

The Fund prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles. The financial information of the Fund herein is presented in Canadian dollars. In this Prospectus, except where indicated, all dollar amounts are in Canadian dollars.

### **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents, filed with the securities commission or similar authority in each of the provinces and territories of Canada, other than Quebec, are specifically incorporated by reference into, and form an integral part of, this Prospectus:

- (a) the annual information form of the Fund dated September 14, 2009 (“AIF”);

- (b) the interim consolidated financial statements of the Fund for the six months ended June 30, 2009;
- (c) the management report of fund performance of the Fund as at June 30, 2009;
- (d) the audited consolidated financial statements of the Fund for the period from April 30, 2008 (date of incorporation) to December 31, 2008; and
- (e) the management report of fund performance of the Fund for the period from April 30, 2008 to December 31, 2008.

**All documents required to be or deemed to be incorporated by reference (other than any confidential material change reports) after the date of this Prospectus and prior to completion or withdrawal of this Offering, will be deemed to be incorporated by reference into this Prospectus as of the date of the Prospectus Supplement and only for the purposes of the distribution of the securities to which the Prospectus Supplement pertains. The documents incorporated by reference herein contain meaningful and material information relating to the Fund, and prospective investors should review all information contained in this Prospectus and the documents incorporated by reference before making an investment decision.**

**Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained in this Prospectus or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document or statement that it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.**

Upon a new annual information form and the related annual audited financial statements together with the auditors' report thereon and the management report of fund performance related thereto being filed by the Fund with, and where required, accepted by, the applicable securities regulatory authorities during the currency of this Prospectus, the previous annual information form, the previous annual audited financial statements and all interim financial statements, interim management report of fund performance and material change reports filed prior to the commencement of the Fund's financial year in which the new annual information form was filed, shall be superseded and no longer shall be deemed to be incorporated by reference in this Prospectus for the purpose of future offers and sales of Class A Shares hereunder. Upon interim financial statements and the accompanying management report of fund performance being filed by the Fund with the applicable securities regulatory authorities during the currency of this Prospectus, all interim consolidated financial statements and the accompanying management reports of fund performance filed prior to the date of the new interim consolidated financial statements shall be superseded and no longer shall be deemed to be incorporated into this Prospectus for the purpose of future offers and sales of the Class A Shares under this Prospectus.

A Prospectus Supplement containing the specific terms of an offering of the Class A Shares and other information in relation to that offering of Class A Shares will be delivered to purchasers of the Class A Shares together with this Prospectus and will be deemed to be incorporated by reference into this Prospectus as of the

date of such Prospectus Supplement solely for the purposes of the offering of the Class A Shares covered by that Prospectus Supplement.

Copies of documents incorporated herein by reference may be obtained upon request, without charge, from the President of the Fund at 1000 Yonge Street, Suite 500, Toronto, Ontario M4W 2K2, tel: 416-306-9967 and are also available electronically at [www.sedar.com](http://www.sedar.com).

### **ADDITIONAL INFORMATION**

The Fund is subject to the information requirements of applicable Canadian securities legislation, and in accordance therewith, the Fund files reports and other information with the securities regulatory authorities of certain of the provinces and territories of Canada.

Copies of reports, statements and other information that the Fund files with the Canadian provincial securities regulatory authorities are electronically available from the Canadian System for Electronic Document Analysis and Retrieval ([www.sedar.com](http://www.sedar.com)), which is commonly known by the acronym “SEDAR”.

### **ABOUT THIS PROSPECTUS**

In this prospectus, unless the context otherwise requires, the word “mortgage” means a mortgage loan. In the mortgage lending industry generally, the term “commercial mortgage” has a broad meaning and is used to refer to mortgage loans made in respect of all types of real property, including residential (including multi-residential), office, retail and industrial use property. In this Prospectus, the term “commercial property” means similar types of property unless the context otherwise requires. In this prospectus, the term “basis point” is used to mean 0.01%, being the term’s common meaning in the financial services industry and in the capital markets.

Capitalized terms used in this Prospectus have defined meanings. Please refer to “Glossary of Terms” at the end of this Prospectus for a list and the meaning of defined terms used herein.

### **FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “proposes”, “expects”, “estimates”, “intends”, “anticipates”, or “believes”, or variations (including negative and grammatical variations) of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Examples of such statements include, but are not limited to: the annual yield of the Fund that the Fund Manager is targeting, the nature of the Fund and its affairs following the completion of the Offering, the ability of the Fund to qualify as a “mortgage investment corporation” (a “MIC”) under the *Income Tax Act* (Canada), as amended (the “Tax Act”), and the strategic partners of the Fund going forward. Actual results, performance and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this prospectus. Such forward-looking statements are based on a number of factors and assumptions which may prove to be incorrect, including, but not limited to: the ability of the Fund to acquire and maintain a portfolio of Mortgage Assets capable of generating the necessary annual yield or returns to enable the Fund to achieve its investment objective, the ability of the Fund to establish and maintain relationships and agreements with key strategic partners, the qualification of the Fund as a MIC under the Tax Act, the maintenance of prevailing interest rates at favourable levels, the ability of borrowers to service their obligations under the Mortgage Assets of the Fund, the ability of the Fund Manager

and the Fund Advisor to effectively perform their obligations owed to the Fund, anticipated costs and expenses, competition, and changes in general economic conditions. While the Fund anticipates that subsequent events and developments may cause its performance to change, the Fund specifically disclaims any obligation to update these forward-looking statements, except as required by applicable law. These forward-looking statements should not be relied upon as representing the Fund's views as of any date subsequent to the date of this Prospectus. Although the Fund has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results, performance and future events could differ materially from those anticipated in such statements. Accordingly, investors should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Fund. Additional factors are noted under "Risk Factors" below.

## PROSPECTUS SUMMARY

*The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data contained elsewhere in this Prospectus. Capitalized terms used in this Prospectus have defined meanings. Please refer to “Glossary of Terms” at the end of this Prospectus for a list and the meaning of defined terms used herein.*

The Fund:	Timbercreek Mortgage Investment Corporation is incorporated under the laws of the Province of Ontario. See “The Fund”.
Offering:	The Offering consists of Class A Shares. <b>The Class A Shares are non-voting shares except as described under the “Shareholders Matters”.</b>
Maximum Issue:	\$180,000,000
Development of the Fund:	The Fund was launched in July 2008 to provide investors with an opportunity to invest indirectly, by holding Shares of the Fund, in Mortgage Assets selected and determined to be high quality by the Fund Manager and the Fund Advisor. The Fund is building on the experience of TMIF to offer investors an opportunity to benefit from its mortgage investment strategy. TMIF is a private investment trust that was established by the Fund Manager in March 2007 to implement and test an investment objective and investment strategies similar to those of the Fund on a smaller scale. Going forward, the Fund intends to grow its portfolio of Mortgage Assets (the “Portfolio”) by periodically raising capital through offerings of Shares and using the proceeds of such offerings to purchase additional Mortgage Assets. Subject to important limitations and, in certain cases, Shareholder approval, future offerings of Shares may be made for net proceeds to the Fund per Share that are less than NRV per Class A Share or NRV per Class B Share, as applicable. See “The Fund — Development of the Fund”.
Growth Strategy	The Fund Manager believes that the optimal size of the Fund is \$250,000,000. The larger size of the Portfolio is intended to provide the Fund with greater diversification of Mortgage Assets, added mortgage funding capacity and flexibility and create a larger market for the Class A Shares.
Competitive Advantages of the Fund:	<i>Strength of Management.</i> The Fund Manager’s business was built on the strength of its experience, relationships and reputation. The directors, officers and principals of the Fund Manager and the Fund Adviser have a depth of experience, established reputations and significant contacts in the commercial real estate and mortgage lending community, as well as in the capital markets and asset management sectors in Canada.

*Governance, Risk Management, and Conservative Selection Policy.* The Fund adheres to good governance standards with both a majority of independent directors on the Board of Directors and a Mortgage Advisory Committee with at least one independent member. The Fund also uses a well defined Asset Allocation Model to ensure that the Portfolio is well diversified by geography, economic sector, term, borrower and loan to value. The Fund is also focused on investing in Mortgage Assets that are secured by income-producing assets where interest on the loan can be serviced from cash flows generated by the underlying assets.

*Conservative Selection Policy.* The Fund is focused on investing in mortgages that are secured by income-producing assets. Therefore, if the borrowers are unable to refinance, the loans can be serviced from the cash flows generated by the underlying assets.

*Limited Leverage.* While the Fund may assume short-term debt from time to time to account for transaction timing, using leverage is not a material strategy the Fund employs to generate its investment returns. Since its inception, the Fund has not used leverage to enhance returns.

Investment Objective: The investment objective of the Fund is, with a primary focus on capital preservation, to acquire and maintain a diversified portfolio of Mortgage Assets that generates attractive, stable returns in order to permit the Fund to pay monthly distributions to its Shareholders.

Investment Strategies: The Fund plans to achieve its investment objective by investing in a diversified Portfolio consisting primarily of Conventional Mortgage loans that are directly secured by residential (including multi-residential), office, retail and industrial real property across Canada, primarily located in larger urban markets and their surrounding areas, which are typically more liquid and provide less volatile security for mortgage loans.

The Fund Manager believes that building new strategic relationships and building on existing strategic relationships with well-capitalized lending institutions that seek similar investment opportunities as the Fund allows the Fund to enhance returns and to better service the mortgage borrower market.

The Fund's focus on short-term mortgage loan investments, though principally designed to reduce risk in the Portfolio and increase liquidity of the investments, is also intended to enhance returns as mortgage loan placement fees will be passed through to the Fund by the Fund Manager as mortgage loans mature and new mortgage loans are placed.

The Fund utilizes an investment process that is characterized by a top-down approach to identifying attractive mortgage investment opportunities, beginning first with a macro-level economic analysis of various geographic markets and properties, and second with the identification of individual mortgage investment opportunities and the evaluation of their attributes. Each investment is subject to a detailed review process and requires unanimous MAC approval. Once funded, the Fund Manager regularly monitors the status of each loan and that of the borrower. The Fund Manager communicates regularly with borrowers to understand how their asset is performing and to discuss their repayment strategies. Developing a strong relationship with the borrower is critical to the success of the loan and to becoming a borrower of choice in the future.

See “Investment Objective, Strategies and Restrictions”.

- Fund Manager:** Timbercreek Asset Management Inc. acts as manager of the Fund. The Fund Manager is a corporation incorporated under the laws of the Province of Ontario in May 2004. The Fund Manager has a value oriented investment philosophy, and specializes in providing conservatively managed, risk averse private investment opportunities to institutions, trusts and endowment funds, discretionary investment advisors and qualified individuals. The Fund Manager currently manages approximately \$1 billion in assets through its five private and public funds invested both in direct real estate assets and in mortgage debt. The Fund Manager is registered with the Ontario Securities Commission (“OSC”) in the category of Exempt Market Dealer and Investment Fund Manager. See “Organization and Management Details of the Fund”.
- Fund Adviser:** The Fund Manager has on behalf of the Fund retained the services of Timbercreek Investment Management Inc. to act as the Portfolio Advisor of the Fund. The Fund Adviser is a corporation incorporated under the laws of the Province of Ontario. The Fund Adviser is an affiliate of the Fund Manager. The Fund Adviser is registered with the OSC in the category of portfolio manager and exempt market dealer. See “Organization and Management Details of the Fund”.
- Mortgage Advisory Committee:** The Mortgage Advisory Committee (the “MAC”) is a committee appointed by the Fund Adviser consisting of representatives from each of the Fund Manager and the Fund Adviser, as well as at least one independent member. The Fund Manager will identify and present mortgage investment opportunities to the MAC. The MAC will independently review these opportunities and make recommendations to the Fund.
- Distributions:** The registered holders of Shares are entitled to receive distributions as and when declared from time to time by the directors of the Fund, acting in their sole discretion, out of the assets of the Fund properly available for the payment of dividends. The Fund intends to make equal monthly cash distributions by way of dividend to holders of Shares of record on the last business day of each month. Declared distributions will be paid within 15 days following the end of each month.

The Fund Manager targets an aggregate annualized yield (net of all fees and expenses of the Fund) equal to the 2-Yr GOC Yield plus 550 basis points (the “Targeted Yield”).

Since the completion of the Fund’s initial public offering on July 7, 2008 to the date of this Prospectus, dividends paid by the Fund have exceeded the Targeted Yield.

From July 7, 2008, the date of the initial public offering to December 31, 2008, the Fund paid dividends of \$0.4425 per Class A Share. The average 2-Yr GOC Yield over that period was 2.3% which results in a Targeted Yield of 7.8%.

For the period of January 1, 2009 to November 30, 2009, the Fund paid dividends of \$0.76 per Class A Share and for the period from December 1, 2009 to December 31, 2009, the Fund declared a dividend of \$0.068 per Class A Share which will be paid on or around January 15, 2010. The average 2-Yr GOC Yield over the period from January 1, 2009 to December 31, 2009 is approximately 1.2% which results in a Targeted Yield of 6.7%.

The Fund Manager will use its best efforts to continue to achieve the Targeted Yield, however, no assurance is given that the Fund will achieve them. See “Risk Factors”.

Termination:

The Fund does not have a fixed termination date but may be terminated at any time with the approval of Shareholders of each class by an Extraordinary Resolution passed at a duly convened meeting of Shareholders called for the purpose of considering such Extraordinary Resolution. See “Shareholder Matters — Termination of the Fund”.

Redemptions:

*Monthly Redemptions.* A Class A Share may be surrendered for redemption on the last business day of any month, other than October (each a “Redemption Date”), by notice no later than 4:00 p.m. (Toronto time) on the 15<sup>th</sup> day of such month or the immediately preceding business day in the event that the 15<sup>th</sup> day is not a business day. Payment of the proceeds of redemption will be made on or before the last business day of the following month (the “Redemption Payment Date”). Shareholders whose Class A Shares are surrendered for redemption on a Redemption Date will be entitled to receive a redemption price per Class A Share equal to the lesser of: (i) 95% of the Trading Price of the Class A Shares; and (ii) the Market Price. Any declared and unpaid distributions payable on or before a Redemption Date in respect of Class A Shares tendered for redemption on such Redemption Date will also be paid on the Redemption Payment Date.

*Annual Redemptions.* Class A Shares may be redeemed on the last business day in October of each year (each, an “Annual Redemption Date”) at a redemption price per Class A Share equal to NAV per Class A Share. See “Calculation of Net Asset Value and Net Redemption Value”. Shares must be surrendered for annual redemption by no later than 4:00 p.m. (Toronto time) on October 1<sup>st</sup> of such year or the immediately preceding business day, in the event that October 1<sup>st</sup> is not a business day. Payment of the proceeds of annual redemptions will be made on or before the last business day of November. See “Description of Share Capital — Certain Provisions of the Shares — Redemption Privileges”.

*Limitations on Redemptions.* Monthly and Annual redemptions are subject to certain limitations. See “Description of Share Capital — Certain Provisions of the Shares — Redemption Privileges — Limitation and Suspension of Redemptions”.

**Leverage:** The Fund may from time to time enter into one or more credit facilities with financial institutions or other lenders. The aggregate amount of borrowing by the Fund may not exceed 25% of the net asset value of the Fund (“NAV”) at the time of borrowing. In the event that the total amount borrowed exceeds this 25% limit, the Fund Manager will reduce the indebtedness on an orderly basis within a period of 90 days so that the amount borrowed does not exceed such limit.

**Fees and Expenses:** For acting as manager of the Fund, the Fund Manager will receive from the Fund a management fee (the “Fund Manager Fee”) equal to 1.2% per annum of the gross assets of the Fund, calculated daily, aggregated and paid monthly in arrears, plus applicable taxes. The Fund Manager, and not the Fund, pays an investment advisory fee to the Fund Advisor.

In addition, in any calendar year where the Fund has net earnings available for distribution to Shareholders in excess of the Hurdle Rate (“Hurdle Rate” means the average 2-Yr GOC Yield for the 12-month period then ended plus 450 basis points), the Fund Manager will be entitled to receive from the Fund a performance fee equal to 20% of the net earnings available to distribute over the Hurdle Rate (the “Carried Interest”).

### **Risk Factors**

An investment in Class A Shares is subject to numerous risks, including: (a) no assurance is given that the investment objective of the Fund will be achieved or that the Fund will be able to make distribution payments at targeted levels or at all, (b) fluctuations in the value of real estate and the effect of general economic conditions thereon, (c) concentration of investments held in the Portfolio, (d) the subordinated nature of the Fund’s Mortgage Assets, (e) the absence of insurance or return guarantees on Mortgage Assets, (f) adverse general economic conditions, (g) the impact of competition, (h) sensitivity to interest rates, (i) fluctuations in NAV, NRV and distributions, (j) the availability of mortgage investment opportunities, (k) dilution of the interests and rights of Shareholders, (l) foreclosure and related costs, (m) the ability of the Fund to successfully manage its growth, (n) the nature of Class A Shares involves risks due to the nature of the Fund’s business, (o) the redemption of a significant number of Shares, (p) no guarantee of positive return on investment, (q) the trading premium or discount at which Class A Shares may trade relative to NAV or NRV, (r) maintenance of the Fund’s qualification as a MIC, (s) reliance of the Fund on the Fund Manager and the Fund Advisor, (t) the ability of the Fund to fund its investments in Mortgage Assets, (u) the use of debt financing and leverage, (v) Share class voting implications, (w) conflicts of interest, (x) restrictions on ownership of Shares which may result in repurchases of Shares, (y) adverse changes in legislation and (z) environmental matters that may affect properties securing Mortgage Assets may affect the Fund’s business and the value of the Shares. See “Risk Factors”.

## THE FUND

*Capitalized terms used in this prospectus have defined meanings. Please refer to “Glossary of Terms” at the end of this prospectus for a list and the meaning of defined terms used herein.*

### **Introduction**

The Fund is a company incorporated under the Business Corporations Act (Ontario). The head and registered office and mailing address of the Fund are located at 1000 Yonge Street, Suite 500, Toronto, Ontario M4W 2K2.

Timbercreek Asset Management Inc. is the Fund Manager of the Fund. The Fund Manager has a value oriented investment philosophy, and specializes in providing conservatively managed, risk adverse alternative asset class investment opportunities to institutions, trusts and endowment funds, discretionary investment advisors and qualified individuals. For ease of administration and compliance, the Fund Manager created a wholly-owned subsidiary, Timbercreek Investment Management Inc., to act as Fund Advisor of the Fund, and the Fund Manager has arranged for the Fund Advisor to be registered with the Ontario Securities Commission in the category of Portfolio Manager and has at the same time ceased to be so registered itself.

The Fund has not and will not invest in securitized pools of mortgage loans or in asset backed commercial paper (“ABCP”). For greater certainty, in light of the events surrounding the securitization market and the sub-prime mortgage segment in 2007 and 2008, the Fund Manager emphasizes, and the investment restrictions of the Fund provide, that the Fund will have no exposure to the securitization market and will not invest in securitized pools of mortgage loans, including securitized pools of sub-prime mortgage loans. In addition, the Fund does not intend to invest in individual sub-prime mortgage loans although its investment restrictions do not expressly preclude it from making any such investments. It is the Fund’s view that the term “sub-prime”, while not conclusively defined, typically refers to loans made to borrowers with bad or no credit history. The Fund’s primary security on any mortgage loan investment will be real property. The due diligence process the Fund Manager undertakes with respect to each investment will determine if the real property securing a mortgage loan is able to support the mortgage loan. As a result, the Fund believes it effectively cannot invest in sub-prime loans.

### **Development of the Fund**

In 2006, the Fund Manager identified an opportunity for investors to enjoy an attractive return on investment by offering short-term mortgages to an underserved sector of the Canadian mortgage market. The underlying thesis was that, due to insufficient competition among Canadian financial institutions and the small number of quality private lenders in the Canadian marketplace, there is an underserved and relatively inefficient market. Specifically, the Fund Manager saw a significant market opportunity for short-term, customized loans to experienced real estate investors, who often require faster execution, greater support (through larger loans), and more flexible terms.

The Fund Manager tested this concept by modeling the potential returns that could be achieved. This process demonstrated that an opportunity existed for value creation through the active management of a diversified portfolio of high-quality mortgage loan investments. Based on this conclusion, the Fund Manager established TMIF, an open-ended private investment trust, in March 2007, to test its investment thesis and diversification model. TMIF subsequently built a diversified portfolio of mortgage assets and established the necessary strategic partnerships to aid in its growth.

On the basis of this track record, the Fund Manager formed the Fund and completed its \$24.3 million initial public offering and the acquisition of a seed portfolio of approximately \$14 million in July 2008. Since the public offering, the Fund has reached several important milestones. Highlights include:

- December 2008 and February 2009: The Fund completed a public offering of Class A Shares and private placements of Class B Shares with aggregate gross proceeds of approximately \$15.4 million.
- Summer 2009: Expansion of Timbercreek debt team to include two additional analysts as well as Paul Jones as Director.
- November 2009: Completed a private placement of approximately \$2.4 million of Class B Shares.
- November 2009: Entered into definitive agreement to acquire 7 mortgages and related mortgage portfolio and cash assets from Canadian Residential Retirement Corporation (“CRRIC”) in exchange for Class A Shares. CRRIC is a private MIC focused on lending to owners and developers of senior housing and assisted living facilities in British Columbia. The CRRIC acquisition closed on December 18, 2009 and the Fund issued 1,614,556 Class A Shares as a result of this transaction.

The Fund has consistently achieved its investment objectives since its initial public offering. Performance highlights include:

- From July 2008 to November 2009, Class A Shares generated an average monthly annualized yield of 8.6% (based on a \$10 issue price).
- The Fund has not used leverage as a material component of its investment strategy to generate the yield.
- As of December 1, 2009, 93% of the Mortgage Assets in the Portfolio are secured by income-producing assets.

As at November 30, 2009, NAV of the Fund was \$53,837,503.

Portfolio Highlights include:

- Total mortgages outstanding 36
- Average size of Mortgage Assets: \$1,503,701
- Average loan-to-value of Mortgage Assets: 68%
- Diversification by Geography:
 

Ontario	39%
British Columbia	4%
Alberta	23%
Quebec	20%
Manitoba	5%
Saskatchewan	6%
Nova Scotia	3%

- Diversification by Type:

Multi-Residential	62%
Single Residential	2%
Other-Residential	6%
Retail	17%
Office	10%
Industrial	3%
Unimproved Land	0%

The Fund Manager believes that the contraction of the credit markets in Canada since 2008 both generally, and specifically in the shorter term transitional lending sector, has materially enhanced the investment opportunity surrounding Customized Mortgages targeted by the Fund.

### **Competitive Advantages of the Fund**

The Fund Manager believes that the experience and know-how of its team, as well as a robust investment structure, will allow the Fund to capitalize on the following competitive advantages to achieve its investment objectives.

#### ***Strength of Management***

The Fund Manager’s business was built on the strength of its experience, relationships and reputation. The directors, officers and principals of the Fund Manager and the Fund Advisor have significant experience, established reputations and extensive contacts in the commercial real estate and mortgage lending community, as well as in the capital markets and asset management sectors in Canada.

The directors, officers and principals of the Fund Manager have cumulative experience of approximately 65 years in real estate, asset management and investment management and extensive experience in originating, underwriting, and syndicating mortgage loans through working with mortgage brokers. The Fund Manager is active in the private real estate lending market across Canada and sources potential opportunities through a large network of mortgage brokers and repeat borrowers across the country, including some of Canada’s largest real estate operators.

The Fund Manager has built a full-service asset management platform that has the capacity to underwrite, finance, acquire and manage assets that fit the investment profile and mandate of its managed funds. As of December 30, 2009, the Fund Manager had approximately \$1 billion in assets through its 5 active funds focused on real estate.

#### ***Risk Management***

##### **Governance**

The Fund adheres to good corporate governance standards. The Fund’s Board of Directors includes a majority of independent members. The Fund also has an experienced Mortgage Advisory Committee, which approves all mortgage investments based on the guidelines dictated by the Asset Allocation Model and subject to the required confirmation of the IRC in circumstances where the investment presents a “conflict of interest matter”, as defined in NI 81-107.

##### **Portfolio Diversification**

The Fund uses a well-defined Asset Allocation Model that ensures the portfolio is well diversified by geography, economic sector, term, borrower and loan to value. The Asset Allocation Model of the Fund sets

specific thresholds that are regularly monitored and that must be complied with at the time of issuance of every mortgage loan investment commitment (subject to duly approved exceptions). See “Investment Objective, Strategies and Restrictions – Asset Allocation Model”.

The normal course of business for the Fund can involve situations where there are delays in repayment of principal or interest accruals for certain Mortgage Assets of the Fund. The Fund Advisor has instituted the Asset Allocation Model to seek to mitigate the magnitude that these delays in repayment or interest accruals will have on NAV or distributions.

#### Conservative Selection Policy

The Fund is focused on investing in mortgages that are secured by income-producing assets. Therefore if the borrowers are unable to refinance, the loans can be serviced from the cash-flows generated by the underlying assets.

#### ***Loan Duration***

While the Asset Allocation Model contemplates mortgages with a duration of up to 36 months, as at December 30, 2009 the Portfolio had an average duration to maturity of 18 months. In the opinion of the Fund Manager and the Fund Advisor, a shorter average duration provides the following benefits:

##### Liquidity

Shorter duration generally will provide greater liquidity to the Fund, and by extension, greater liquidity to holders of Class A Shares that wish to take advantage of the redemption feature of the Class A Shares.

##### Increased Fee Revenue for the Fund

Customized Mortgages typically include a fee payable by the borrower at the time the loan is advanced. The Fund Manager has created a structure for the Fund where 100% of the Lender Fee earned by the lender is included in the revenue of the Fund (the Fund understands that some of the other issuers in the lending industry pay such fees to their managers, instead of keeping them). Shorter duration mortgages therefore will generate increased fee revenue for the Fund than would longer duration mortgages, due to the increased frequency by which the Fund advances mortgage loans.

##### Increased Control for the Fund

A loan with a shorter duration provides the Fund with the ability to review the mortgage investment more frequently, creating the flexibility and opportunity for the Fund Manager to re-assess the security for the loan and determine if the loan should be extended or re-structured and whether the interest rate should be modified. Given the normal course of business that is undertaken with Customized Mortgages, it is beneficial to the Fund to have this increased control with a borrower in situations where the security may have changed significantly following the initial funding of the loan. Further, loans which are renewed generally involve a renewal fee payable to the Fund, thereby enhancing the revenue of the Fund.

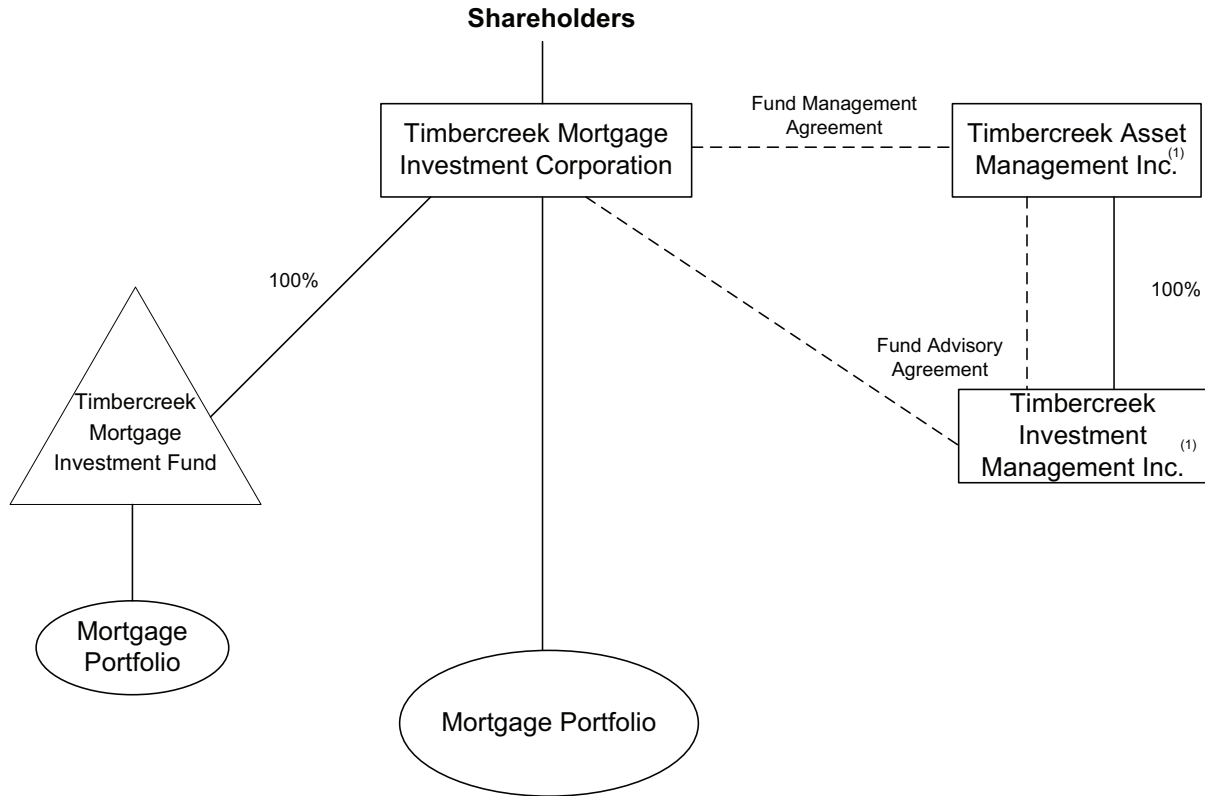
#### ***Limited Leverage***

While the Fund may assume short-term debt from time to time to account for transaction timing, using leverage is not a material strategy the Fund employs to generate its investment returns. Since its inception, the Fund has not used leverage to enhance returns.

## Investment Structure of the Fund

All Mortgage Assets are held directly or indirectly by the Fund. The Fund may in its sole discretion hold a portion of its Mortgage Assets indirectly through one or more wholly-owned subsidiaries, including corporations, partnerships, limited partnerships, trusts or other forms of legal entities.

The diagram below illustrates the principal elements of the structure of the Fund:



(1) Certain directors and/or officers of the Fund and the Fund Manager are shareholders of the Fund Manager. See “Organization and Management Details of the Fund”. As the Fund terminated the Mortgage Management Agreement with Timbercreek Mortgage Strategies Inc. on December 1, 2009, the Fund Manager has assumed the responsibilities of providing mortgage management services to the Fund.

## INVESTMENT OBJECTIVE, STRATEGIES AND RESTRICTIONS

### Investment Objective

The investment objective of the Fund is, with a primary focus on capital preservation, to acquire and maintain a diversified portfolio of Mortgage Assets that generates attractive, stable returns in order to permit the Fund to pay monthly distributions to its Shareholders.

The Fund Manager targets an aggregate annualized yield (net of all fees and expenses of the Fund) equal to the two-year Government of Canada bond yield (the “2-Yr GOC Yield”) plus 550 basis points. Since the completion of the Fund’s initial public offering on July 7, 2008 to the date of this Prospectus, the Fund has exceeded this targeted yield.

### Investment Strategies

The Fund seeks to achieve its investment objective by investing in a diversified Portfolio consisting primarily of Conventional Mortgage loans that are directly secured by residential (including multi-residential), office, retail and industrial property across Canada, primarily located in larger urban markets and their surrounding areas. These properties are typically more liquid and provide less volatile security for mortgage loans.

The Fund does not nor will the Fund invest in securitized pools of mortgage loans or in ABCP. For greater certainty, in light of the events surrounding the securitization market and the sub-prime mortgage segment in 2007 and 2008, the Fund Manager emphasizes, and the investment restrictions of the Fund provide, that the Fund will have no exposure to the securitization market and will not invest in securitized pools of mortgage loans, including securitized pools of sub-prime mortgage loans. In addition, the Fund does not intend to invest in individual sub-prime mortgage loans although its investment restrictions do not expressly preclude it from making any such investments. It is the Fund’s view that the term “sub-prime”, while not conclusively defined, typically refers to loans made to borrowers with bad or no credit history. The Fund’s primary security on any mortgage loan investment will be real property. The due diligence process the Fund Manager undertakes with respect to each investment will determine if the real property securing a loan is able to support the mortgage loan. As a result, the Fund believes it effectively cannot invest in sub-prime loans.

The Fund Manager believes that building strategic relationships with well-capitalized lending institutions that seek similar investment opportunities as the Fund allow the Fund to enhance returns and to better service the mortgage borrower market.

*Senior lender position.* Segregating or tranching a single mortgage into a senior ranking interest (“Senior Position”) and a subordinate ranking interest (“Subordinate Position”) (ie. participating in a loan with other lenders at different ranks) permits a mortgage investor to achieve a different yield profile depending on the relative rank. The Fund benefits from the Fund Manager’s existing strategic relationships with senior lenders interested in assuming Senior Position rankings on loans which are originated for the Fund Manager. This allows the Fund access to an increased number of funding opportunities, providing portfolio diversification and the opportunity to enhance Fund returns. The Fund Manager continues to seek to develop relationships with other senior lender institutions that the Fund Manager believes to be well-capitalized and that seek similar investment opportunities.

*Warehouse Arrangements.* Although there are currently no warehouse arrangements in place, the Fund Manager will continue to structure arrangements that would allow the Fund to temporarily fund mortgage loans recommended by the Mortgage Advisory Committee and approved by the Fund Advisor through a warehouse facility. If the Fund implements any warehouse facility, under such arrangement the Fund

typically would acquire warehoused loans at the next available opportunity from the warehouse facility using proceeds from securities offerings and other available cash. The Fund Manager believes that, should the Fund implement one or more warehouse facilities, this would be an effective strategy to manage cash flow for the Fund and better service the mortgage borrower market.

The Fund Manager believes that the investment strategies identified above provide the Fund with superior opportunities to:

- obtain favourable yields and maximize returns through efficient sourcing and management of mortgage loans secured by real property;
- take advantage of yield benefits which arise from the Fund's quick access to capital through efficient processing and management of opportunities;
- gain access to a continuous supply of mortgage investment opportunities; and
- mitigate risk in the investment selection process through the significant experience and comprehensive underwriting practices of the Fund Manager.

### **Growth Strategy**

The investment objective of the Fund is, with a primary focus on capital preservation, to acquire and maintain a diversified portfolio of Mortgage Assets that generates attractive, stable returns in order to permit the Fund to pay monthly distributions to its Shareholders. The Fund Manager seeks to achieve its investment objective by investing in a diversified Portfolio consisting primarily of Conventional Mortgage loans that are directly secured by residential (including multi-residential), office, retail and industrial property across Canada, primarily located in larger urban markets and their surrounding areas. These properties are typically more liquid and provide less volatile security for mortgage loans.

More specifically, the Fund has and intends to continue to grow its Portfolio through both:

- *New Issue Growth*: Pursuant to this shelf prospectus, the Fund will periodically raise capital through offerings of Shares and use the proceeds of such offerings to invest in Mortgage Assets ("New Issue Growth"); and
- *Strategic Growth*: The Fund Manager will also explore opportunities to acquire existing portfolios of Mortgage Assets in exchange for Shares of the Fund, or cash ("Strategic Growth").

As an example of a Strategic Growth, the Fund has acquired 7 mortgages and related assets (the "CRRIC Mortgage Portfolio") from CRRIC on December 18, 2009. The Fund purchased the CRRIC Mortgage Portfolio in exchange for an aggregate of 1,614,556 Class A Shares of the Fund. CRRIC is a private corporation that is focused on lending to owners and developers of retirement communities with net assets, prior to the completion of the transaction, of approximately \$17.6 million as at November 25, 2009 which includes a mortgage portfolio secured solely by residential retirement and long term care buildings and cash. The CRRIC Mortgage Portfolio was reviewed and unanimously recommended by the Mortgage Advisory Committee to the Fund Advisor. The acquisition of the CRRIC Mortgage Portfolio allows the Fund to grow the Portfolio by approximately \$16.1 million at a relatively lower transactional cost.

In the case of both New Issue Growth and Strategic Growth, Mortgage Assets are evaluated both on a stand-alone basis as well as in the context of the Aggregate Funded and Committed Assets to determine whether the investment meets the requirements of the Asset Allocation Model and the investment objectives of the Fund. See “Investment Objectives, Strategies and Restrictions – Investment Process”.

The Fund Manager believes the optimal size of the Fund to be approximately \$250 million in equity. The resulting Portfolio is intended to provide the Fund with greater diversification of Mortgage Assets and added mortgage funding capacity and flexibility. In the case of both New Issue Growth and Strategic Growth, increasing the size of the Portfolio will involve more Shares being issued and consequently a larger, and therefore, more liquid secondary market for the Shares.

Subject to important limitations and, in certain cases, Shareholder approval, future offerings of Shares may be made for net proceeds to the Fund per Share that are less than NRV per Class A Share or NRV per Class B Share, as applicable. See “Shareholder Matters — Matters Requiring Shareholder Approval”.

### **Targeted Investments**

The Fund focuses specifically on providing short-term customized mortgages (“Customized Mortgages”) to qualified real estate investors requiring funding during the transitional phase of the investment process. Real estate investors typically use short-term loans to bridge a period of one to three years where they require temporary capital for property repairs, redevelopment of a property, or for the purchase of another investment. These short-term loans are typically repaid with longer-term debt obtained from Canadian financial institutions once the applicable transitional period is over or the restructuring is complete.

This segment of the Canadian borrower market is typically underserved by Canadian financial institutions because they are un-willing to dedicate resources for these small, short-term Mortgage Assets and do not typically provide the customization required to meet the needs of these real estate investors (see “Investment Objectives, Strategies and Restrictions – Overview of the Canadian Mortgage Lending Industry”).

The Fund Manager has built a platform to directly serve this market with:

- capabilities to underwrite real estate investments
- expertise in structured financing
- a network of real estate investors that provide continuous deal flow to the Fund
- a network of Senior Position lenders seeking similar investment opportunities (see “Investment Objectives, Strategies and Restrictions – Investment Strategies”)
- systems and procedures to directly service mortgages placed by the Fund (see “Organization and Management Details of the Fund – Mortgage Servicing”)

With this strong platform and lending expertise, the Fund Manager is able to customize mortgages in terms of:

- *Timing*: mortgages can be issued in as little as two weeks to meet short deadlines for qualified real estate investments.
- *Terms*: while Canadian financial institutions typically only offer 5 – 10 year fixed mortgages, the Fund can provide short-term loans with early repayment options.

- *Payment:* mortgages structured by the Fund typically require interest-only payments while mortgages provided by Canadian financial institutions typically require a combination of interest and principal repayment.

The Customized Mortgages provided by the Fund can benefit the borrower by providing:

- the ability to execute quickly on real estate investment opportunities;
- loan terms in-line with the real estate investor investment model; and
- potentially lower monthly payments.

Borrowers are generally willing to pay higher interest rates for these Customized Mortgages.

A broad range of types of mortgage loans available to real estate purchasers and owners exists. At the highest level, mortgage loans can be classified into two categories: conventional mortgages and non-conventional mortgages. Conventional mortgages are mortgage loans for which the principal amount of the loan, at the time of commitment, together with all other equal and prior ranking mortgages does not exceed 75% of the value of the underlying real property securing the loan (“Conventional Mortgages”). Non-conventional mortgages are mortgage loans that do not satisfy such criteria (“Non-Conventional Mortgages”).

On another level, mortgage loans can be distinguished by their priority ranking with respect to repayment on a foreclosure. The holder of a first ranking mortgage (a senior mortgage) is repaid first, the holder of a second ranking mortgage (or, together with any lower ranking mortgage, a subordinate mortgage) is repaid second, and so on. Further, mortgages can also be distinguished by term requirements, type of asset secured and whether or not syndicated.

In order to achieve the Fund’s investment objective, the Fund Advisor will invest primarily in first and second charge Conventional Mortgages of the following types in compliance with the Fund’s Asset Allocation Model:

1. Mortgages Secured by Income Producing Assets

The Fund currently targets to have the majority of its mortgage loans secured by income producing assets, which are properties that generate monthly income from rentals. This income is used to service mortgage payments on debt secured by the properties.

2. Mortgages Secured by Non-Income Producing Assets

Mortgages secured by non-income producing assets are generally secured by land slated for development, or by a project undergoing construction. The success of such loans generally relies on a development or construction project moving forward. This, in turn, requires sales of the end product to be in place. Such sales can be heavily dependent on market conditions therefore exposing the mortgage lender to fluctuations in market conditions. Given the recent volatility in the marketplace for sales of real estate product, the Fund is currently limiting its exposure to mortgages secured by non-income producing assets.

## **Investment Process**

The Fund uses an investment process that is characterized by a top-down approach to identifying high-quality mortgage investments, beginning with a macro-level economic analysis of various geographic markets and properties, and followed by the identification of individual mortgage investment opportunities and the

evaluation of their attributes. In the Fund Manager’s opinion, high-quality mortgage investments are investments in mortgage loans where (a) the Fund has a clear exit strategy, (b) the mortgage is secured by real property that is reasonably liquid, and (c) the borrower has a reasonable amount of equity ahead of the loan with respect to the specific asset securing the loan.

Each mortgage loan is subject to a detailed review process and requires unanimous Mortgage Advisory Committee approval. Once funded, the Fund Manager will regularly monitor the status of each loan and that of the borrower. The Fund Manager communicates regularly with borrowers to understand how their asset is performing and to discuss their repayment strategies. Developing a strong relationship with the borrower is critical to the success of the loan and to the development of a good quality borrower.

Mortgage loan investments that are determined to be satisfactory by the Fund Manager upon completion of its due diligence and that meet the requirements of the Asset Allocation Model (on a stand-alone basis as well as in the context of the Aggregate Funded and Committed Assets (as defined below)), or are otherwise considered worthy of consideration due to their particularly attractive features, will be presented to the MAC together with a due diligence report. “Aggregate Funded and Committed Assets” means (a) all existing mortgage investments and interim investments comprising the Portfolio, plus; (b) all mortgage investments previously approved and mortgage investments committed by or on behalf of the Fund, including any mortgage investments held in or committed to be funded under any warehouse facility, plus; (c) in the context of a mortgage loan approval review, the proposed mortgage investment being considered for approval. The MAC will consider each investment opportunity presented to it by the Fund Manager on a stand-alone basis as well as in the context of the Aggregate Funded and Committed Assets to determine whether the investment meets the requirements of the Asset Allocation Model. Recommendations by the MAC to the Fund Manager will be based on the unanimous determination of the MAC with respect thereto.

Based on the advice of the MAC, the Fund Manager will consider each investment opportunity and make the investment decision on behalf of the Fund. In circumstances where a subject investment would constitute a “conflict of interest matter”, as defined in NI 81-107, the MAC will in turn make its recommendation to the IRC, which must make its own recommendation to the Fund Manager prior to the investment being made.

The Fund does not intend to purchase mortgage loans from non-arm’s length parties, but is not precluded from making any such purchases. In the event that the Fund does purchase mortgage loans from non-arm’s length lenders, the price that will be paid by the Fund for such mortgages will be equal to that principal amount which will produce a yield to the Fund equal to the interest rate at which the non-arm’s length lender is making commitments, at the time of acquisition by the Fund, to loan on the security of comparable mortgages.

Exceptions to the Asset Allocation Model are permitted provided that they are unanimously approved by the MAC. Where made, exceptions to the Asset Allocation Model are subject to certain time and amount limitations described below under “Investment Objective, Strategies and Restrictions — Asset Allocation Model”.

A typical transaction follows these six steps:

<b>STEP 1</b>	<b><i>Referral</i></b>	Deal flow sourced through: <ul style="list-style-type: none"> <li>- Extensive network of investment banking professionals across Canada</li> <li>- Repeat borrowers</li> <li>- Referrals</li> </ul>
<b>STEP 2</b>	<b><i>Analysis and Valuation</i></b>	<ul style="list-style-type: none"> <li>- Loan-to-value</li> <li>- Tenant quality</li> <li>- Local market</li> <li>- Vacancy rate</li> <li>- Cap rate</li> <li>- Sensitivity analysis</li> </ul>
<b>STEP 3</b>	<b><i>Site Visit</i></b>	<ul style="list-style-type: none"> <li>- Visit <i>every</i> site prior to loan approval</li> <li>- Assess traffic flow</li> <li>- Review building conditions</li> <li>- Interview manager and owner</li> </ul>
<b>STEP 4</b>	<b><i>Due Diligence</i></b>	<ul style="list-style-type: none"> <li>- Credit checks</li> <li>- Discounted cash flow analysis</li> <li>- Legal review</li> <li>- Environmental review</li> <li>- Independent appraisal reports</li> </ul>
<b>STEP 5</b>	<b><i>Mortgage Advisory Committee</i></b>	<ul style="list-style-type: none"> <li>- Must comply with Asset Allocation Model (subject to exceptions that are unanimously approved)</li> <li>- Location / region is stable / growing</li> <li>- Exit strategy is strong and clear</li> <li>- Must be unanimously approved</li> <li>- Deal term meets minimum yield requirements</li> </ul>
<b>STEP 6</b>	<b><i>On-Going Active Management</i></b>	<ul style="list-style-type: none"> <li>- Periodically visit sites</li> <li>- Closely monitor interest payments</li> <li>- Maintain regular communication with borrowers</li> </ul>

## Asset Allocation Model

The Fund Adviser uses an Asset Allocation Model in order to seek to manage the risk profile of the Portfolio. The Fund Adviser actively and regularly evaluates the Aggregate Funded and Committed Assets for compliance with the Asset Allocation Model.

This model dictates the allocation of the Portfolio based upon geographical, economic sector, term, borrower and loan-to-appraised value criteria. The Asset Allocation Model criteria include, without limitation, the following:

- (a) Not more than 10% of the Aggregate Funded and Committed Assets can be allocated to an investment in any one real property.
- (b) Not more than 20% of the Aggregate Funded and Committed Assets can be allocated to an investment with any one borrower;
- (c) Not more than 30% of the Aggregate Funded and Committed Assets can be allocated to investment in mortgages which are secured by non-income producing non-residential assets. “Non-income producing” assets are mortgage loans in respect of which the income servicing the mortgage is less than the monthly principal and interest payments, either at the time the loan is advanced or as projected based on leases in-place;
- (d) Not more that 40% of the Aggregate Funded and Committed Assets can be allocated to investment in B-Notes;
- (e) The average term to maturity on mortgage investments, excluding any B-Notes in the Portfolio, comprising the Aggregate Funded and Committed Assets shall not exceed 24 months. The target term to maturity on any one mortgage investment, other than B-Notes, shall be 18-36 months;
- (f) Not more than 60% of the Aggregate Funded and Committed Assets shall be secured by second mortgage positions;
- (g) Not more than the percentages set out below of the Aggregate Funded and Committed Assets can be invested in the corresponding regions:

Ontario	80%
Alberta	50%
British Columbia	50%
Quebec	35%
Atlantic Provinces	25%
Manitoba and Saskatchewan	25%
Yukon, Northwest Territories and Nunavut	10%

- (h) Not more than the percentages set out below of the Aggregate Funded and Committed Assets can be invested in mortgages secured by the product type set out below:

Residential and Multi-Residential Buildings	80%
Retail Buildings	50%
Industrial Buildings	50%
Office Buildings	50%
Self-Storage Buildings	20%
Hotels	20%
Unimproved Land	25%
Other	10%

- (i) On the date of funding, the maximum loan-to-value ratio of any one mortgage loan comprising the Aggregate Funded and Committed Assets shall not exceed 85%.
- (j) The total value of the liabilities associated with the Aggregate Funded and Committed Assets will not exceed 85% of the total market value of the Aggregate Funded and Committed Assets.

Exceptions to the Asset Allocation Model may be made by the Fund Advisor only with the unanimous approval of the MAC, provided that (i) each individual exception, excluding the effect of any subsequent exceptions, must be remedied within 120 days from the date of funding of the subject mortgage; and (ii) in the aggregate at any given time, permitted exceptions to the Asset Allocation Model shall not represent more than 15% of the NAV of the Fund. There are various circumstances where exceptions to the Asset Allocation Model may be required. For example, if a default occurs where the Fund owns a second mortgage loan or a loan which represents a Subordinate Position in a syndicated loan, and the Fund needs to enforce its security to preserve the investment, the Fund may require approval to borrow capital to repay the first mortgage loan or Senior Position lender in a syndicated loan to most effectively and efficiently enforce its security.

Unless expressly approved by the IRC, Fund assets will not be invested in (i) loans made against the security of property owned or against which the senior mortgage interest is held by any affiliate of the Fund, the Fund Manager, or the Fund Advisor, or (ii) any other non arms-length loans.

### **Overview of the Canadian Mortgage Lending Industry**

The investment real estate market in Canada is comprised of residential (including multi-residential), office, retail and industrial real property, as well as unimproved land. Real estate investors are typically either large institutional investors, such as pension funds and public companies, or smaller entrepreneurial investors, such as privately managed funds and individuals. Most investors in the Canadian real estate industry require some form of mortgage financing to acquire and/or develop real estate.

The mortgage lending industry in Canada had seen steady growth between 2006 and 2009, with average value of Canadian commercial mortgage debt held by Canadian institutions estimated to have increased from \$65 billion in 2006 to over \$80 billion in 2009.

Credit availability decreased globally in the second half of 2008, and early 2009 as a result of the melt-down in global financial markets. However, in the Fund Manager's opinion, the global financial turmoil has improved the investment thesis surrounding investing in Customized Mortgages in Canada as the amount of available capital from foreign lenders and the securitization markets has been substantially reduced.

The Fund Manager believes that the mortgage market in Canada is, and will continue to be, an opportune place for mortgage lending for two principal reasons:

1. The value of investment real estate in Canada should continue to exhibit limited volatility, which helps create a stable environment and reliable security for mortgage lending opportunities. The following factors support this belief:
  - Canada remains among the most politically and economically stable countries in the world, and has experienced considerable less volatility than most other G10 nations, which has led to the continued interest in real estate investment from both domestic and foreign investors.
  - The supply of new commercial real estate through development has been limited in Canada for approximately the past 10 years, which has resulted in a strong market that has not been oversupplied with investment real estate.
2. There continues to be an abundance of high quality mortgage investment opportunities available, and there continues to be a large void in the mortgage market, due to the following:
  - The contraction of capital available from Canadian financial institutions has reduced their participation in the mortgage market, leaving them with a reduced amount of capital to lend, and hence permitting them to only invest in loans which are extremely low risk.
  - The disappearance of the Canadian commercial mortgage-backed securities market, which accounted for approximately 17% of the total mortgage debt in Canada as of June 2009, has contributed to the reduction of available capital, thereby reducing competition among lenders.
  - Non-institutional lending groups have reduced the amount of capital available due to (a) their focus on managing their current portfolio of non-income producing loans and (b) the resulting reduction of their ability to raise new investment capital.

The segment of the mortgage market where borrowers have been particularly underserved consists of real estate investors requiring funding during the transitional phase of the investment process. Real estate investors typically use interim funding to purchase assets and reposition them, to add value to a property prior to qualifying for long-term financing, to bridge equity recapture while awaiting the expiration of low ratio financing, or to fund the cost of redevelopment, leasing, and new construction.

Canadian financial institutions do not service this market due to: (i) the term of loans being too short in nature to dedicate the resources required to originate such loans; (ii) the mortgages being too small relative to the financial institutions' mortgage book to dedicate the resources required to place the loan; and (iii) the mortgages being secured by assets undergoing redevelopment, repositioning, construction, or some form of transition.

With a limited supply of financing available to borrowers, in part due to the reasons stated above, borrowers are often willing to pay higher interest rates of approximately 800 to 900 basis points over the corresponding Government of Canada bonds for these short-term mortgages.

Once the transitional phase of the underlying property is complete, these real estate investors usually refinance the properties with longer-term, lower interest financing through large Canadian financial institutions. The changes in the mortgage market during 2009 provided the Fund Manager with access to an increased number of potential transactions and enabled it to obtain higher returns with reduced risk, which benefited the Shareholders.

## **Leverage**

The Fund does not currently contemplate the use of leverage as a material component of its investment strategy. However, the Fund is authorized to borrow to maintain liquidity, for general working capital purposes, and to bridge timing differences resulting from loan maturities and new loan origination. In connection with any credit facility, the Fund may grant security over any individual asset or over any pool of assets. The aggregate amount of borrowing by the Fund may not exceed 25% of NAV at the time of borrowing. In the event that the total amount borrowed exceeds the 25% limit, the Fund Manager will reduce the indebtedness on an orderly basis with a period of 90 days so that the amount borrowed does not exceed such limit. Although the Fund intends to respect the preceding borrowing guidelines, there may arise circumstances where, for sound business reasons, the total amount borrowed by the Fund at any time will exceed 25% of the value of its total assets, including for a period of more than 90 days. The leverage of the Fund must also comply with the requirements in the Tax Act for qualifying as a MIC. See the requirements listed under “Income Tax Considerations – Mortgage Investment Corporation” in the AIF.

## **FEES AND EXPENSES**

### **Management Fees and Operating Expenses**

For acting as manager of the Fund, the Fund Manager receives from the Fund a management fee (the “Fund Manager Fee”) equal to 1.2% per annum of the gross assets of the Fund, calculated daily, aggregated and paid monthly in arrears, plus applicable taxes. The Fund Manager, and not the Fund, pays an investment advisory fee to the Fund Advisor.

As the Fund terminated its mortgage management agreement with Timbercreek Mortgage Strategies Inc. (the “Mortgage Management Agreement”) on December 1, 2009, in order to streamline the structure and responsibilities of the various advisors and manager to the Fund, the Fund Manager has assumed the responsibilities of providing mortgage management services to the Fund. Therefore, in addition, in any calendar year where the Fund has net earnings available for distribution to Shareholders in excess of the Hurdle Rate (“Hurdle Rate” means the average 2-Yr GOC Yield for the 12-month period then ended plus 450 basis points), the Fund Manager will be entitled to receive from the Fund a performance fee equal to 20% of the net earnings available to distribute over the Hurdle Rate (the “Carried Interest”). In determining the Carried Interest, on a monthly basis the Fund Manager will calculate the earnings available to distribute in that month that are required to achieve the Hurdle Rate, based on the outstanding Share capital of the Fund, net of issue costs, calculated daily. An amount equal to 20% of any net earnings available to distribute in excess of the Hurdle Rate in that month will be deducted from the Fund’s monthly distribution and retained by the Fund. The Fund Manager will calculate the final Carried Interest performance fee in respect of a completed calendar year based on the audited financial statements for that year. The Carried Interest performance fee in respect of a calendar year will be payable to the Fund Manager within 15 days of the issuance of the Fund’s audited financial statements for that year.

In the event of a redemption of Shares by the Fund, any dividends declared by the Fund during the calendar year in which the redemptions have taken place will be annualized and evaluated with respect to the Hurdle Rate. Fees payable to the Fund Manager shall be, in any calendar year where the Fund has net earnings available for distribution to Shareholders in excess of the Hurdle Rate, 20% of such excess. This is the same

as the compensation that was paid under the Mortgage Management Agreement for the mortgage management services.

The Fund will pay for all expenses it incurs in connection with its operation and management. In addition to the fees and expenses referenced elsewhere in this Prospectus, it is expected that these expenses will include, without limitation: (a) financial reporting costs, and mailing and printing expenses for periodic reports to securityholders and other securityholder communications including marketing and advertising expenses; (b) any taxes payable by the Fund; (c) fees payable to its transfer agent and its custodian(s); (d) costs and fees payable to any agent, legal counsel, investment counsel, investment advisor, actuary, valuator, technical consultant, accountant or auditor or other third party service provider; (e) ongoing regulatory filing fees, licence fees and other fees (including in respect of the Fund, stock exchange fees and listing fees); (f) any expenses incurred in connection with any legal proceedings in which the Fund Manager or the Fund Advisor participates on behalf of the Fund or any other acts of the Fund Manager or any other agent of the Fund in connection with the maintenance or protection of the property of the Fund, including without limitation costs associated with the enforcement of mortgage loans; (g) any fees payable to, and expenses incurred by, independent directors and the IRC; (h) any additional fees payable to the Fund Manager for performance of extraordinary services on behalf of the Fund; (i) consulting fees including website maintenance costs and expenses associated with the preparation of tax filings; and (j) other administrative expenses of the Fund (including the calculation of NAV). The aggregate annual amount of the general operating and administrative fees and expenses for the period from April 30, 2008 to December 31, 2008 were \$148,004 (with a NAV of the Fund of \$50,842,845 as of December 31, 2008) and \$172,306 (with a NAV of the Fund of \$51,358,127 as of June 30, 2009) for the six-month period ended June 30, 2009. The Fund will also be responsible for all taxes, commissions, brokerage commissions and other costs of securities transactions, debt service and costs relating to any credit facilities and any extraordinary expenses which it may incur or which may be incurred on its behalf from time to time, as applicable.

For greater certainty, the expenses of each of the Fund Manager and the Fund Advisor will be satisfied by the Fund Manager from the Fund Manager Fee.

Certain other fees associated with mortgage loans are generally paid by the borrowers thereunder. For instance, (i) the mortgage broker through which the Fund invests its assets in mortgage loans is compensated for its services by brokerage fees paid by the mortgage loan borrower, and (ii) the Servicing Agents are compensated for their services out of amounts paid by the mortgage loan borrowers in connection with the loans in which the Fund invests. Moreover, the costs of initially establishing a mortgage loan (e.g., legal expenses, administrative fees, etc.) are generally paid by the mortgage loan borrower.

### **Sales Commission and Trailer Fees**

The Fund will pay to each registered dealer readily identifiable on the records maintained by or on behalf of the Fund a servicing fee (the “Trailer Fee”) equal to 0.75% annually of the NRV per Class A Share for each Class A Share held by clients of the registered dealer (calculated and paid at the end of each calendar quarter), plus applicable taxes. This Trailer Fee is reflected in the calculation of the NRV for Class A Shares. See “Calculation of Net Asset Value and Net Redemption Value”.

At the discretion of the independent (within the meaning of applicable securities laws) directors of the Fund, the amount of the Trailer Fee may, at any time after June 30, 2009, be reduced to a minimum of 0.50% annually of the NRV per Class A Share.

## **RISK FACTORS**

There are certain risks inherent in an investment in the Class A Shares of the Fund, including the following factors, which investors should carefully consider before investing. Some of the following factors are interrelated and, consequently, investors should treat such risk factors as a whole. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Prospectus. These risks and uncertainties are not the only ones that could affect the Fund and additional risks and uncertainties not currently known to the Fund or the Fund Manager, or that they currently deem immaterial, may also impair the returns, NAV, financial condition and results of operations of the Fund. If any such risks actually occur, the returns, NAV, financial condition and results of operations of the Fund could be materially adversely affected and each of the financial performance of the Fund and the ability of the Fund to make cash distributions or satisfy requests for redemptions of Shares could be materially adversely affected.

### **No Assurance of Achieving Investment Objectives or Paying Distributions**

There is no assurance that the Fund will be able to achieve its investment objectives or be able to pay distributions at targeted levels. The funds available for distribution to Shareholders will vary according to, among other things, the interest and principal payments received in respect of the mortgage loans comprising the Portfolio and the market value of the securities comprising the Portfolio. There is no assurance that the Portfolio will earn any return.

The Fund's distributions are based upon the Fund Manager's ability to source investment opportunities that fit within the Asset Allocation Model, and that are approved by the Mortgage Advisory Committee. Should the Fund be unable invest its assets, and subsequently generate interest income, it may not be able to achieve its targeted level of distributions.

The Fund Manager, on behalf of the Fund, may periodically re-evaluate the Fund's targeted level of distributions.

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment and who can withstand the effect of distributions not being paid in any period or at all.

### **Changes in Land Values**

The Fund's investments in mortgage loans are secured by real estate, the value of which can fluctuate. The value of real estate is affected by general economic conditions, local real estate markets, the attractiveness of the property to tenants where applicable, competition from other available properties, fluctuations in occupancy rates, operating expenses and other factors. The value of income-producing real property may also depend on the credit worthiness and financial stability of the borrowers and/or the tenants. It is very likely that adverse changes in market conditions will decrease the value of the secured property and reduce the cash flow from the property, thereby impacting on the ability of the borrower to service the debt and/or repay the loan based on the property income.

Given the uncertainty in the current economic environment, there is a heightened risk of a substantial decline in the value of real property. A substantial decline in value of real property provided as security for a mortgage may cause the value of the property to be less than the outstanding principal amount of the mortgage loan(s), held by the Fund, and where applicable, amounts owed to other creditors with prior ranking security. Foreclosure by the Fund, or any creditor holding security in priority to the Fund, on any such mortgage loan(s) would not provide the Fund, or the other secured creditors, with proceeds sufficient to satisfy the outstanding principal amount of the mortgage loan(s).

While independent appraisals are generally required before the Fund may make any mortgage investments (except in certain rare circumstances where a mortgage loan may be advanced before an appraisal has been received), the appraised values provided therein, even where reported on an “as is” basis, are not necessarily reflective of the market value of the underlying real property at the time when the Fund seeks to enforce its security on such property. The market value of real property may fluctuate substantially within a short period at times of economic instability and turmoil. In addition, the appraised values reported in independent appraisals may be subject to certain conditions, including the completion or rehabilitation of leasehold improvements on the real property providing security for the loan. There can be no assurance that these conditions will be satisfied and if, and to the extent they are not satisfied, the appraised value may not be achieved. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the real property at the time the conditions are satisfied.

### **Concentration and Composition of the Portfolio**

The Portfolio is exclusively invested in mortgage loans. Given the concentration of the Fund’s exposure to the mortgage lending sector, the Fund is more susceptible to adverse economic or regulatory occurrences affecting that sector than an investment fund that is not concentrated in a single sector. Investments in mortgages are relatively illiquid. Such illiquidity will tend to limit the Fund’s ability to vary its Portfolio promptly in response to changing economic or investment conditions.

The Asset Allocation Model, investment objective and investment restrictions of the Fund permit the assets of the Fund to be invest in a broad spectrum of Mortgage Assets. In addition, exceptions may be made to the Asset Allocation Model provided they are unanimously approved by the MAC. Therefore, the composition of the Portfolio may vary widely from time to time, subject to the investment objective and investment restrictions of the Fund. The Portfolio is invested and may from time to time be concentrated by geography, type of property, or other factors resulting in the Portfolio being less diversified than at other times. As a result, the returns of the Portfolio may change as its composition changes.

### **Subordinated Loans and Mortgages**

Some of the investments in which the Fund invests may be considered to be riskier than senior debt financing because the Fund will not have a first-ranking charge on the underlying property. When a charge on property is in a position other than first-ranking, it is possible for the holder of a senior-ranking charge on the property, if the borrower is in default under the terms of its obligations to such holder, to take a number of actions against the borrower and ultimately against the property to realize on the security given for the loan. Such actions may include a foreclosure action, the exercising of a giving-in-payment clause or an action forcing the property to be sold. A foreclosure action or the exercise of a giving-in-payment clause may have the ultimate effect of depriving any person having other than a first-ranking charge on the property of the security of the property. If an action is taken to sell the property and sufficient proceeds are not realized from such sale to pay off creditors who have prior charges on the property, the holder of a subsequent charge may lose its investment or part thereof to the extent of such deficiency unless the holder can otherwise recover such deficiency from other property owned by the debtor.

### **No Guarantees or Insurance**

There can be no assurance that mortgage loans of the Fund will result in a guaranteed rate of return to Shareholders or that losses will not be suffered on one or more loans. Moreover, at any point in time, the interest rates being charged for mortgages are reflective of the general level of interest rates and, as interest rates fluctuate, it is expected that the aggregate yield on mortgage investments will also change.

A mortgage borrower's obligations to the Fund or any other person are not guaranteed by the Government of Canada, the government of any province or any agency thereof nor are they insured under the National Housing Act (Canada). In the event that additional security is given by the borrower or a third party or that a private guarantor guarantees the mortgage borrower's obligations, there is no assurance that such additional security or guarantee will be sufficient to make the Fund whole if and when resort is to be had thereto.

### **General Economic Conditions**

General adverse economic conditions globally, including the possibility of a recession in Canada and a worldwide economic slowdown, recent disruptions to the credit and financial markets in Canada and worldwide and local economic turmoil in areas where the borrowers of the mortgage loans are located may adversely affect the value of real estate on which the mortgage loans are secured and the ability of the borrowers to repay the mortgage loans and thereby negatively impact on the Fund's business and the value of the Shares.

### **Competition**

The performance of the Fund depends, in large part, on the Fund Manager's ability to invest in or acquire mortgage loans at favourable yields. While the Fund Manager does not anticipate significant competition in the areas in which it proposes to invest, it competes with individuals, corporations and institutions for investment opportunities in the financing of real property. Certain of these competitors may have greater resources than the Fund and may therefore operate with greater flexibility. As a result, the Fund Manager may not be able to acquire sufficient mortgage loans at favourable yields or at all.

### **Sensitivity to Interest Rates**

It is anticipated that the market price for the Shares and the value of the Portfolio at any given time may be affected by the level of interest rates prevailing at such time. The Fund's income will consist primarily of interest payments on the Mortgage Assets comprising the Portfolio. If there is a decline in interest rates (as measured by the indices upon which the interest rates of the Fund's Mortgage Assets are based), the Fund may find it difficult to purchase additional Mortgage Assets bearing rates sufficient to achieve the targeted payment of dividends on the Shares. Given the current turmoil in the Canadian credit market, there may be substantial fluctuation in the market price for debt. There can be no assurance that an interest rate environment in which there is a significant decline in interest rates would not adversely affect the Fund's ability to maintain distributions on the Shares at a consistent level.

Due to the term of the Mortgage Assets comprising the Portfolio and the inability to accurately predict the extent to which the Fund's Mortgage Assets may be prepaid, it is possible that the Fund may not be able to sufficiently reduce interest rate risk associated with the replacement of such Mortgage Assets through new investments in Mortgage Assets.

### **Fluctuations in NAV, NRV and Distributions**

The NAV and NRV applicable to Shares and the funds available for distributions will vary according to, among other things, the value of the Portfolio and the interest earned thereon. Fluctuations in the market value of the Portfolio securities may occur for a number of reasons beyond the control of the Fund Manager or the Fund.

In addition, new standards prescribed by Canadian GAAP apply to investment funds which, among other changes, may require investment funds to use valuation standards that differ from the current customary industry practice. On September 8, 2008 an amendment to National Instrument 81-106 – Investment Fund

Continuous Disclosure came into effect which requires investment funds to calculate NAV for purposes other than financial statement reporting using “fair value” of an investment fund’s assets and liabilities. As a result of this amendment, NAV set out in financial statements calculated in accordance with Canadian GAAP could differ significantly from NAV used for other purposes calculated using “fair value” pursuant to National Instrument 81-106.

The Fund depends on revenue generated from the Portfolio. There can be no assurance regarding the amount of revenue that will be generated by the Mortgage Assets comprising the Portfolio. The amount of distributions will depend upon numerous factors, including the ability of borrowers to make applicable payments under Mortgage Assets, interest rates, unexpected costs, and other factors which may not now be known by or which may be beyond the control of the Fund or the Fund Manager. If the directors of the Fund, on the advice of the Fund Manager, determine that it would be in the best interests of the Fund, they may reduce or suspend for any period or altogether cease indefinitely the distributions to be made to the Shareholders.

Distributions made to holders of Shares may exceed actual cash available to the Fund from time to time because of items such as debt payment obligations, fluctuations in Portfolio returns and redemptions of Shares, if any. This excess cash required to fund distributions will be funded from an operating credit facility, to the extent that one is available.

### **Availability of Investments**

Because the Fund relies on the Fund Manager to source Mortgage Assets it invests in, the Fund is exposed to adverse developments in the business and affairs of the Fund Manager, to its management and financial strength and to its ability to operate its businesses profitably. The ability of the Fund to make investments in accordance with its investment objective and investment strategies depends upon the availability of suitable investments and the amount of funds available to make such investments. Additionally, the Fund may occasionally hold excess funds to be invested in additional Mortgage Assets, which may negatively impact returns.

There can be no assurance that the yields on the mortgages comprising the Portfolio will be representative of yields that can be obtained on future investments in Mortgage Assets made by the Fund.

### **Dilution**

The Fund is authorized to issue an unlimited number of Class A Shares and an unlimited number of Class B Shares. The board of directors of the Fund has the discretion to issue additional Class A Shares and Class B Shares from time to time. The Fund may issue Class A Shares and Class B Shares at a discount to the NAV or NRV applicable to such Shares, provided that (i) without the prior approval of the Shareholders, Shares may be issued at net proceeds per Share that may not be less than 97.5% of (a) in the case of an offering of Class A Shares, NRV per Class A Share less the amount of any adjustment made to account for the amortization of the costs of establishing the Fund, or (b) in the case of an offering of Class B Shares, NRV per Class B Share less the amount of any adjustment made to account for the amortization of the costs of establishing and structuring the Fund, and (ii) with the prior approval of the Shareholders, Shares may be issued at any price per Share so approved, including net proceeds per Share that are less than the applicable 97.5% amount calculated as described above. The issuance of any additional Shares may, and the issuance of Shares at a price or for net proceeds per Share that are less than the applicable NAV per Share will, have a dilutive effect on the purchasers of Class A Shares under the Offering and on the Shareholders of the Fund at the time of issuance of any such additional Shares.

## **Foreclosure and Related Costs**

One or more borrowers could fail to make payments according to the terms of their loan and the Fund could therefore be forced to exercise its rights as mortgagee. The recovery of a portion of the Fund's assets may not be possible for an extended period of time during this process and there are circumstances where there may be complications in the enforcement of the Fund's rights as mortgagee. Legal fees and expenses and other costs incurred by the Fund in enforcing its rights as mortgagee against a defaulting borrower are borne by the Fund. Although these fees, costs and expenses are usually recoverable from the borrower directly or through the sale of the mortgaged property by power of sale or otherwise, there is no assurance that they will actually be recovered.

Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made through the period of ownership of real property regardless of whether the property is producing income or whether mortgage payments are being made. The Fund may therefore be required to incur such expenditures to protect its investment, even if the borrower is not honouring its contractual obligations.

## **Ability to Manage Growth**

The Fund intends to grow its Mortgage Assets and the Portfolio. In order to effectively deploy its capital and monitor its loans and investments in the future, the Fund will need to retain additional personnel and may be required to augment, improve or replace existing systems and controls, each of which can divert the attention of management from their other responsibilities and present numerous challenges. As a result, there can be no assurance that the Fund will be able to effectively manage its growth and, if it is unable to do so, the Fund's Mortgage Assets, the Portfolio and the price and NAV of the Shares may be materially adversely affected.

## **Nature of Class A Shares and Risk of Investment**

Investment in the Class A Shares involves certain risks due to the nature of the Fund's business. There is no guarantee that an investment in Class A Shares of the Fund will earn any positive return in the short or long term and investors must be able to bear the risk of a complete loss of their investment and have no need for immediate liquidity in their investment.

## **Significant Redemptions of Shares**

Shares are redeemable (i) annually at the NRV for the subject Shares and (ii) monthly as described under "Calculation of Net Asset Value and Net Redemption Value – Calculation of Net Redemption Value – Redemption Privileges - Monthly Redemptions". The purpose of the annual redemption right is to prevent the Class A Shares from trading at a substantial discount to the NRV per Class A Share and to provide holders of Shares with the right to realize their investment once per year without any trading discount to the NRV per Class A Share. While the redemption right provides holders of Shares with the option of annual liquidity at NRV, there can be no assurance that it will reduce trading discounts. If a significant number of Class A Shares is redeemed, the trading liquidity of the Class A Shares could be significantly reduced. In addition, if a significant number of Shares are redeemed, (i) the Fund may be required to sell Portfolio assets in order to satisfy redemption payment obligations and may not be able to complete such Portfolio asset sales on favourable terms or at all, (ii) in circumstances where the NRV per Share is greater than the NAV applicable to such Shares, this will result in dilution to remaining Shareholders of the Fund due to the formula for the annual redemption of Shares being based upon NRV; and (iii) the expenses of the Fund would be spread among fewer Shares resulting in a higher management expense ratio per Share. If, as a result of significant redemptions, the Fund Manager determines that it is in the best interests of Shareholders to terminate the Fund, the Fund Manager could seek to terminate the Fund.

## **Trading Price of Class A Shares**

The Class A Shares may trade in the market at a premium or discount to the NAV per Class A Share or to the NAV applicable to such Shares and there can be no assurance that the Class A Shares will trade at a price equal to the NAV or NAV applicable to such Shares. This risk is separate and distinct from the risk that the NAV or NAV applicable to Class A Shares may decrease.

In recognition of the possibility that the Class A Shares may trade at a discount, the terms and conditions attaching to the Class A Shares have been designed to attempt to reduce or eliminate a market value discount from the NAV per Class A Share or to the NAV applicable to such Shares. The Fund believes that optional purchases of Shares by the Fund, as described under “Attributes of Securities — Purchase for Cancellation”, and annual redemptions described under “Attributes of Securities — Description of the Class A Shares and Class B Shares — Redemption Privileges — Annual Redemptions” are attributes that may help to reduce or eliminate a market value discount from the NAV per Class A Share or to the NAV applicable to such Shares. There can be no assurance that such measures will result in the Class A Shares trading at a price which is equal to the NAV per Class A Share or to the NAV applicable to such Shares. The Fund anticipates that the market price of the Class A Shares will in any event vary from the NAV per Class A Share and the NAV applicable to such Shares. The market price of the Class A Shares will be determined by, among other things, the relative demand for and supply of Class A Shares in the market, the Fund’s investment performance, the Class A Shares’ yield and investor perception of the Fund’s overall attractiveness as an investment as compared with other investment alternatives.

## **Qualification as a MIC**

Although the Fund intends to qualify at all times as a MIC, no assurance can be provided in this regard. If for any reason the Fund does not maintain its qualification as a MIC under the Tax Act, dividends paid by the Fund on the Class A Shares will cease to be deductible by the Fund in computing its income and will no longer be deemed by the rules in the Tax Act that apply to MICs to have been received by Shareholders as bond interest or a capital gain, as the case may be. In consequence, the rules in the Tax Act regarding the taxation of public corporations and their shareholders should apply, with the result that the combined corporate and shareholder tax may be significantly greater. In addition, unless the Class A Shares are listed on a designated stock exchange, the Class A Shares may not constitute qualified investments for an RRSP, DPSP, RRIF, RDSP and RESP.

## **Reliance on the Fund Manager and the Fund Advisor**

Pursuant to the Fund Management Agreement and the Fund Advisory Agreement, the Fund Manager and the Fund Advisor will advise the Fund in a manner consistent with the investment objective, the Asset Allocation Model and the investment restrictions of the Fund. Although the employees of each of the Fund Manager and the Fund Advisor who will be primarily responsible for the performance of the respective obligations of each such entity owed to the Fund have extensive experience, there is no certainty that such individuals will continue to be employees of the Fund Manager or the Fund Advisor in the future. There is no assurance that the Fund Manager and/or the Fund Advisor will continue to provide services to the Fund.

In addition, there is no certainty that the persons who are currently officers and directors of the Fund Manager and Fund Advisor will continue to act in such capacity. Shareholders will be required to rely on the good faith, expertise and judgment of the individuals comprising the management of the Fund Manager and Fund Advisor from time to time. Shareholders do not have the right to direct or influence in any manner the business or affairs of the Fund Manager or the Fund Advisor.

### **The Fund may be Unable to Fund Investments**

The Fund may commit to making future mortgage investments in anticipation of repayment of principal outstanding under existing mortgage investments. In the event that such repayments of principal are not made, the Fund may be unable to advance some or all of the funds required to be advanced pursuant to the terms of its commitments and may be required to obtain interim financing and to fund such commitments or face liability in connection with its failure to make such advances.

### **Borrowing and Leverage**

The Fund has the power to borrow funds using its Mortgage Assets as security in order to maximize the amount of capital deployed. Subject to the restrictions listed under “Income Tax Considerations – Mortgage Investment Corporation” in the AIF, there is no restriction on the amount of funds which the Fund may borrow from time to time. In the event that the Fund could not meet the obligations of such loans pertaining to the payment of interest or the repayment of principal, the Fund could incur substantial costs in order to protect the investments of the Fund while managing the repayment of such a loan facility and/or the Fund could lose some or all of its assets as a result of lenders exercising their rights of foreclosure and sale.

The interest expense and banking fees incurred in respect of any credit facilities of the Fund may exceed the incremental capital gains/losses and income generated by the incremental investments in Mortgage Assets made with the proceeds of leverage. Accordingly, any event which adversely affects the value of Mortgage Assets would be magnified to the extent that leverage is employed to purchase such Mortgage Assets. In addition, the Fund may not be able to renew any credit facility on acceptable terms or at all. There can be no assurance that the borrowing strategy employed by the Fund will enhance returns.

### **Share Class Risk**

Certain matters require the approval of holders of Class A Shares and Class B Shares voting together. To the extent Class B Shares are issued, the voting rights of Class A Shares on these matters (and vice versa) will be diluted.

### **Conflicts of Interest**

The Fund Manager and Fund Advisor, their respective officers, directors, employees, or shareholders and their respective affiliates and associates are not limited or affected in their ability to carry on other business ventures for their own account, or for the account of others, and may be engaged in the development of, investment in, or management of businesses that may compete with the business of the Fund. The Fund has not entered into any non-competition agreements with any of the Fund Manager or Fund Advisor or their respective directors, officers or employees. Similarly, neither the Fund Manager nor the Fund Advisor has any non-competition agreements with its respective directors, officers and employees. Accordingly, any one or more of the Fund Manager or Fund Advisor and their respective directors, officers and employees may compete with or otherwise have a conflict of interest in carrying out its obligations to the Fund.

For example, the Fund Manager and Fund Advisor may each manage or advise with respect to accounts or funds (including separate accounts and other funds and pooled investment vehicles) that have investment objectives similar to those of the Fund and may engage in transactions in the same types of securities and instruments as the Fund. Such transactions will, except as discussed below, be executed independently of transactions of the Fund and thus at prices or rates that may be more or less favourable than those obtained by the Fund.

The Fund relies upon the Fund Manager and the Fund Advisor to manage the business of the Fund and to provide managerial skill. The directors and officers of the Fund Manager, and the Fund Advisor may have a conflict of interest in allocating their time between the respective businesses and interests of the Fund Manager, Fund Advisor and the Fund, and other businesses or projects in which they may become involved.

The directors and officers of the Fund Manager and the Fund Advisor have agreed to devote as much time to the Fund as is required for the effective management of the Fund. There can be no assurance that this agreement will be effective or that the Fund would be able to successfully enforce it. The Fund Manager and the Fund Advisor and their affiliates, their respective directors and officers may, at any time, engage in promoting or managing other entities and their investments.

### **Restrictions on Ownership and Repurchase of Shares**

No Shareholder of the Fund is permitted, together with Related Persons, at any time to hold more than 25% of any class of the issued Shares of the Fund. The terms and conditions of the Shares provide that the portion of Shares held by a Shareholder, together with Related Persons, that exceeds 24.9% of the issued Shares of any class of Shares will be repurchased by the Fund on the same terms as an annual redemption completed on the applicable date. Such repurchases of Shares could be significant and could engender similar risks to those that arise in the context of significant redemptions of Shares. See “Risk Factors — Significant Redemptions of Shares”.

### **Change in Legislation**

There can be no assurance that certain laws applicable to the Fund, including Canadian federal and provincial tax laws, tax proposals, other governmental policies or regulations and governmental, administrative or judicial interpretation thereof, will not change in a manner that will adversely affect the fund or fundamentally alter the tax consequences to Shareholders acquiring, holding or disposing of Class A Shares.

### **Environmental Matters**

The Fund may in the future take possession, through enforcement proceedings, of properties that secured defaulted mortgage loans to recover its investment in such mortgage loans. Prior to taking possession of properties which secure a mortgage investment, the Fund Manager, will assess the potential environmental liability associated with such investment and determine whether it is significant, having regard to the value of the property. If the Fund Manager subsequently determines to take possession of the property, the Fund could be subject to environmental liabilities in connection with such real property, which could exceed the value of the property. As part of the due diligence performed in respect of the Fund’s proposed mortgage investments, the Fund Manager may obtain a Phase I Environmental Audit on the underlying real property provided as security for a mortgage, when it has determined that a Phase I Environmental Audit is appropriate. However, there can be no assurance that any such Phase I Environmental Audit will reveal any or all existing or potential environmental liabilities necessary to effectively insulate the Fund from potential liability for a materially adverse environmental condition at any mortgaged property. If hazardous substances are discovered on a property of which the Fund has taken possession, the Fund may be required to remove such substances and clean up the property. The Fund may also be liable to tenants and other users of neighbouring properties and may find it difficult or not possible to resell the property prior to or following such clean-up.

## **DISTRIBUTION POLICY**

The registered holders of Shares are entitled to receive distributions as and when declared from time to time by the directors of the Fund, acting in their sole discretion, out of the assets of the Fund properly available for the payment of dividends. The Fund intends to make equal monthly cash distributions by way of dividend to holders of Shares of record on the last business day of each month. Declared distributions will be paid within 15 days following the end of each month.

The Fund Manager targets an aggregate annualized yield (net of all fees and expenses of the Fund) equal to the 2-Yr GOC Yield plus 550 basis points (the “Targeted Yield”).

Since the completion of the Fund’s initial public offering on July 7, 2008 to the date of this Prospectus, dividends paid by the Fund have exceeded the Targeted Yield.

From July 7, 2008, the date of the initial public offering, to December 31, 2008, the Fund paid dividends of \$0.4425 per Class A Share. The average 2-Yr GOC Yield over that period was 2.3% which results in a Targeted Yield of 7.8%.

For the period of January 2009 to November 30, 2009, the Fund paid dividends of \$0.76 per Class A Share and for the period from December 1, 2009 to December 31, 2009, the Fund declared a dividend of \$0.068 per Class A Share which will be paid on or about January 15, 2010. Such dividends equate to an annual yield of 8.28% based on the issue price of \$10 per Class A Share, net of all fees and expenses. The average 2-Yr GOC Yield over that period is approximately 1.2% which results in a Targeted Yield of 6.7%.

The Fund Manager will use its best efforts to continue to achieve the Targeted Yield, however, no assurance is given that the Fund will achieve the Targeted Yield. See “Risk Factors”.

## ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND

### Directors and Management

The following table sets forth the name, municipality of residence, position as it relates to the Fund, and principal occupation of each of the directors, management and principals of the Fund, the Fund Manager and the Fund Advisor. For the purposes of this prospectus, a person is considered a “principal” if (i) he or she beneficially owns more than 20% of the voting securities of an entity, and (ii) is not otherwise accounted for as a director or officer of such entity or, in the case of the Fund, as a Principal Shareholder (as defined herein).

<u>Name and Municipality of Principal Residence</u>	<u>Position with Subject Entity</u>	<u>Principal Occupation</u>
<b><i>Fund</i></b>		
Zelick L. Altman <sup>(2)</sup> <i>Thornhill, Ontario</i>	Director	Managing Director, LaSalle Investment Management Canada
Edward W. Boomer <sup>(1)(2)</sup> <i>Toronto, Ontario</i>	Director	Managing Director, Kimco Canada
Craig A. Geier <sup>(1)(2)</sup>	Director	Vice President – Corporate Development, Energold Drilling Corp.
W. Glenn Shyba <sup>(1)(2)</sup> <i>Toronto, Ontario</i>	Director	Executive Vice President and Chief Operating Officer, Osmington Inc.
R. Blair Tamblyn <i>Toronto, Ontario</i>	Director, Chief Executive Officer and Corporate Secretary	President and Chief Executive Officer, Fund Manager
Ugo Bizzarri <i>Toronto, Ontario</i>	Chief Financial Officer	Chief Financial Officer and Executive Vice President - Acquisitions, Fund Manager
Andrew Jones	Vice President	Chief Credit Officer, Fund Manager
David Melo	Vice President	Vice President – Finance, Fund Manager
<b><i>Fund Manager</i></b>		
Ugo Bizzarri <i>Toronto, Ontario</i>	Director and Chief Financial Officer, Executive Vice President – Acquisitions and Portfolio Manager/Investment Counsel	Chief Financial Officer and Executive Vice President - Acquisitions, Fund Manager
R. Blair Tamblyn <i>Toronto, Ontario</i>	Director (Chairman), President and Chief Executive Officer	President and Chief Executive Officer, Fund Manager
Andrew Jones <i>Toronto, Ontario</i>	Chief Credit Officer, Fund Manager	Chief Credit Officer, Fund Manager
David Melo <i>Toronto, Ontario</i>	Vice President – Finance, Fund Manager	Vice President – Finance, Fund Manager

<b>Name and Municipality of Principal Residence</b>	<b>Position with Subject Entity</b>	<b>Principal Occupation</b>
Carrie Morris <i>Oakville, Ontario</i>	Director and Vice President – Investor Relations & Corporate Governance	Vice President – Investor Relations & Corporate Governance, Fund Manager
Paul Jones <i>Toronto, Ontario</i>	Director – Debt Group	Director – Debt Department, Fund Manager
Tye Bousada <i>King City, Ontario</i>	Principal	Chief Executive Officer, EdgePoint Capital
<b>Fund Adviser</b>		
Ugo Bizzarri <i>Toronto, Ontario</i>	Director and Chief Financial Officer, and Portfolio Manager Member of the MAC	Chief Financial Officer and Portfolio Manager, Fund Advisor
R. Blair Tamblyn <i>Toronto, Ontario</i>	Director (Chairman), President and Chief Executive Officer	President and Chief Executive Officer, Fund Advisor
Carrie Morris <i>Oakville, Ontario</i>	Director, Corporate Secretary	Vice President – Investor Relations & Corporate Governance, Fund Manager
Chris Humeniuk <i>Toronto, Ontario</i>	Member of the MAC	Managing Partner, Canadian Mortgage Strategies & Investments
Andrew Jones <i>Toronto, Ontario</i>	Member of the MAC	Chief Credit Officer, Fund Manager
Pamela Spackman <i>Toronto, Ontario</i>	Member of the MAC	Consultant

- (1) Member of the Audit Committee of the board of directors of the Fund.  
(2) Member of the IRC.

As of December 30, 2009, the Principal Shareholders, who are also directors and/or officers of the Fund, the Fund Manager and/or the Fund Advisor, collectively own 100% of the Voting Shares of the Fund and 48.96% of the outstanding common shares of the Fund Manager. Of these individuals, only Messrs. Bizzarri and Tamblyn own directly or indirectly more than 10% of the outstanding common shares of the Fund Manager, each holding an 18.9% ownership interest. See also “Organization and Management Details of the Fund – Conflicts of Interest”.

### **Biographies**

The following are biographies of the directors, officers and principals of the Fund, the Fund Manager and the Fund Advisor:

*Zelick L. Altman* – Zelick Altman is, since 2000, a Managing Director of Canadian Operations for LaSalle Investment Management Inc. (“LaSalle”) and President of the LaSalle Canadian Income & Growth Funds. Mr. Altman has over 25 years of real estate experience in institutional, public and private sectors of the industry. Prior to joining LaSalle, Mr. Altman served for a brief period in 2000 as a Mortgage Broker at Canada ICI Commercial Mortgages Inc. and as Senior Vice President with Dundee Realty Corp. (1997 to

2000). Mr. Altman also held the position of Senior Vice President at Canadian Real Estate Investment Trust (1996-1997) and Vice President of Counsel Property Corporation (1984-1988). From 1988 to 1992 Mr. Altman owned and operated Accura Properties Inc. Mr. Altman is a graduate of the Faculty of Applied Sciences at the University of Toronto and is registered as a Professional Engineer.

*Edward W. Boomer* – Edward Boomer is the Managing Director, Canadian Operations, for Kimco Realty Corporation (“Kimco”) and is responsible for all aspects of Kimco’s operations in Canada. Kimco, which is a self-administered real estate investment trust, believes that its portfolio of neighbourhood and community shopping centres is the largest held by any publicly-traded real estate investment trust. Mr. Boomer has over eighteen years of real estate experience. Prior to joining Kimco, Mr. Boomer was the Vice-President & Territory Risk Manager with GE Real Estate. Mr. Boomer holds a Bachelor of Arts degree from York University’s Glendon College (Economics), a law degree from Queen’s University and is a member of the Law Society of Upper Canada.

*Craig A. Geier* – Craig Geier is Vice President, Corporate Development of Energold Drilling Corp. From 2007 – 2009, Mr. Geier held the position of Chief Financial Officer of Sulliden Exploration Inc. (TSX:SUE) (“Sulliden”). Mr. Geier also sits as Chairman of the Board of Microbonds Inc and as a Board Member of DDC International Inc. Prior to joining Sulliden, Mr. Geier was Chief Executive Officer of Microbonds Inc. and remains a principal investor. From 2000 – 2001, Mr Geier was founder and Chief Executive Officer of Sports Media Systems Inc. and in 1999 Mr, Geier held the position of Executive Vice President, Trust Development with Residential Equities REIT. Mr. Geier holds a Honours of Business Administration degree from the University of Western Ontario.

*W. Glenn Shyba* – Glenn Shyba is Executive Vice President and Chief Operating Officer of Osmington Inc. (“Osmington”). Osmington is a privately held owner and developer of commercial real estate, with a national presence. Mr. Shyba has held the same position with Osmington since its inception in 1995, where he has corporate responsibility for acquisitions and dispositions, finance and treasury, and the firm’s development initiatives. From 1988 to 1995, Mr. Shyba worked with Bramalea Inc., most recently as Vice President Development and Construction, Canadian Commercial Properties. Mr. Shyba holds a Bachelor of Commerce degree from the University of British Columbia.

*R. Blair Tamblyn* – Blair Tamblyn is Chief Executive Officer, Corporate Secretary and a Director of the Fund. He is a Director and the President / Chief Executive Officer of the Fund Manager and the Chairman, President and Chief Executive Officer of the Fund Advisor. Mr. Tamblyn has over 14 years’ of experience working with the public and private capital markets and has led the origination, structuring, capitalization and execution of five distinct Timbercreek funds that currently manage approximately C\$1billion in assets. He has held his current office with the Fund Manager since its formation in 2004. Prior thereto, Mr. Tamblyn served as Chief Executive Officer and President of Timbercreek Investments Inc. (“TII”) from its incorporation in 1999. Prior to founding Timbercreek in 1999, Mr. Tamblyn worked at Connor, Clark & Company. Mr. Tamblyn is a graduate of the Bachelor of Arts program of the University of Western Ontario, has completed Level 1 of the Chartered Financial Analyst program and is a graduate of the Rotman School of Business Director Education Program.

*Ugo Bizzarri* – Ugo Bizzarri is Chief Financial Officer of the Fund and Director and Chief Financial Officer of the Fund Manager. Mr. Bizzarri is also Chief Financial Officer and Portfolio Manager of the Fund Advisor. Mr. Bizzarri has held his current office with the Fund Manager since its inception in 2004. Prior thereto, Mr. Bizzarri, served as Chief Financial Officer and Vice President of TII from its incorporation in 1999. Mr. Bizzarri is also a member of the MAC and a trustee of Timbercreek REIT. Prior to founding TII in 1999, Mr. Bizzarri held the position of Assistant Portfolio Manager and, subsequently, Portfolio Manager at Ontario Teachers’ Pension Plan Board (“OTPPB”) where he played a leadership role in the strategic planning, corporate transactions/restructuring and property acquisitions for the Real Estate Group of OTPPB (1994-

2000). Mr. Bizzarri is a graduate of the Richard Ivey School of Business and is a Chartered Financial Analyst.

*Andrew Jones* – Andrew Jones is Vice President of the Fund and Chief Credit Officer of the Fund Manager. In 2002, Mr. Jones co-founded Canadian Mortgage Strategies & Investments (“CMSI”), a commercial mortgage brokerage firm with offices in Toronto, Montreal, Edmonton and Vancouver. Prior to founding CMSI, Mr. Jones served as Vice President, Canada ICI Commercial Mortgages Inc. (1999-2002) and also held the positions of Vice-President, Finance at Residential Equities REIT (1998-1999) and Vice-President Finance at Dundee Realty Corporation (1998-1999). Mr. Jones is also a Trustee of Timbercreek REIT and a Member of the MAC. Mr. Jones is a graduate of the University of British Columbia and has worked in the commercial real estate and mortgage business for over 15 years.

*Paul Jones* – Paul Jones is Director, Debt Department of the Fund Manager. Mr. Jones’ responsibilities include overseeing the asset management and loan servicing functions of the Fund Manager. Prior to joining the Fund Manager in 2009, Mr. Jones worked for Fortress Investment Group’s Special Opportunities Fund where he was responsible for sourcing, structuring and underwriting opportunistic debt and equity real estate investments across Canada. From 2002 to 2007 Mr. Jones worked with General Electric Capital’s Real Estate Group (“GE”) where he served in both the Risk and Loan Origination areas as an Underwriter, Associate Director and Director for GE’s structured finance and commercial mortgage backed securities (“CMBS”) lending programs. From 2000 to 2002 Mr. Jones worked as an analyst at Column financial, Credit Suisse First Boston’s CMBS lending division.

*David Melo* – David Melo is Vice President of the Fund and Vice President, Finance of the Fund Manager. Mr. Melo’s responsibilities include overseeing financial and taxation reporting and assisting with structuring new funds for the Fund Manager. Mr. Melo also assists the real estate acquisition team with closing acquisitions and dispositions of real estate properties. Prior to joining the Fund Manager in the capacity described above in 2004, Mr. Melo was formerly an Audit Manager at KPMG LLP in the Financial Institutions and Real Estate Audit Practice. During his time at the firm, he had the opportunity to audit private and public real estate companies and was involved in due diligence assignments with respect to client acquisitions and dispositions. Mr. Melo holds a Bachelor of Commerce, Honours from McMaster University and holds the Chartered Accountant designation.

*Carrie Morris* – Carrie Morris is Vice President, Investor Relations & Corporate Governance of the Fund Manager as well as a Director and Corporate Secretary of the Fund Advisor. Her primary responsibilities include coordinating all capital markets activities including investor communications, trade settlements, marketing, and new fund offerings. Ms. Morris is also responsible for corporate secretariat functions, corporate governance and for ensuring compliance with securities regulatory requirements. Prior to joining the Fund Manager in her present capacity in 2005, Ms. Morris was the Marketing Manager with Shoppers Drug Mart Corporation, a licensor of full-service retail drug stores across Canada. Ms. Morris holds a Masters of Business Administration from McMaster University.

*Chris Humeniuk* – Chris Humeniuk is a member of the MAC. In 2002, Mr. Humeniuk co-founded CMSI along with Andrew Jones and has held the position of Managing Director from inception through to the present. Prior to co-founding CMSI, Mr. Humeniuk served as a mortgage broker at Canada ICI Commercial Mortgages (1999–2002), at ICI Mortgage Services Limited (1997-1999), and at Dominion Mortgage Corporation (1995-1996). Mr. Humeniuk was also employed as an account manager by Forsgate, a private real estate lending and development company (1990-1995). Overall, Mr. Humeniuk has over 15 years of real estate and mortgage experience. Mr. Humeniuk is a graduate of the University of Western Ontario (Degree in Economics).

*Pamela Spackman* – Pamela Spackman has been active in the commercial real estate finance sector since 1986. Most recently she was appointed to the board of directors for Gazit America Inc. ( as Chair of Corporate Governance Committee and a member of the Audit Committee), a publicly traded company on the TSX focused on investment in entrepreneurial real estate opportunities. Ms. Spackman is a member of the MAC. From 2000 – 2008, Ms. Spackman was President & Chief Executive Officer of Column Canada Financial Corp. (“Column Canada”), a wholly owned subsidiary and the Canadian lending arm of Credit Suisse Group (“Credit Suisse”) (2000 - 2008) and Director at Credit Suisse. As Chief Executive Officer of Column Canada, Ms. Spackman directed the origination, structuring and securitization of commercial mortgage loans for Credit Suisse commercial mortgage-backed securities program. Prior to working with Credit Suisse, Ms. Spackman was Vice President, Mortgage Investments directly responsible for the creation and management of the commercial mortgage-lending program for British Columbia Investment Management Corporation (bcIMC).

*Tye Bousada* – Tye Bousada is a founding partner and principal of the Fund Manager. Mr. Bousada is also founder, Chief Executive Officer, and President of EdgePoint Capital. Prior to founding EdgePoint Capital, Mr. Bousada held the position of Vice-President, Investments at Aim Trimark Investments Inc. (“Trimark”), where he was the Portfolio Manager of the Trimark Fund. Prior to joining Trimark in 1999, Mr. Bousada was a portfolio manager with OTPPB. He joined OTPPB in 1997 and became one of the youngest portfolio managers in the history of the fund in 1998. While at OTPPB, he co-managed two large-cap funds. Mr. Bousada is a graduate of the Richard Ivey School of Business and is a Chartered Financial Analyst.

## **Directors of the Fund**

The articles of incorporation of the Fund provide that the Fund will have a minimum of three and maximum of seven directors. The Fund currently has five directors, four of whom are independent (within the meaning of applicable securities laws). The directors of the Fund have a broad background of investment and real estate experience. See “Organization and Management Details of the Fund — Directors and Management”.

## **Board Committees of the Fund**

### *Independent Review Committee*

An Independent Review Committee (the “IRC”) has been established for the Fund, in accordance with National Instrument 81-107 Independent Review Committee for Investment Funds (“NI 81-107”). The IRC is composed of four members, namely Zelik L. Altman, Edward W. Boomer, Craig Geier and W. Glenn Shyba, each is independent of the Fund Manager its respective affiliates within the meaning of NI 81-107. See “Organization and Management Details of the Fund — Directors and Management” for a description of the principal occupation of the current members of the IRC.

The IRC has adopted a written charter that includes its mandate, responsibilities and functions, and the policies and procedures it follows when performing its functions.

In accordance with NI 81-107, the mandate of the IRC is to consider and provide recommendations to the Fund Manager on conflict of interest matters, as contemplated by NI 81-107. The Fund Manager is required under NI 81-107 to identify conflict of interest matters inherent in its management of the Fund, and request input from the IRC on how it manages those conflict of interest matters, as well as on its written policies and procedures outlining its management of those conflict of interest matters.

The Fund Manager must refer its proposed course of action in respect of any such conflict of interest matters to the IRC for its review. Certain matters require the IRC’s prior approval, but in most cases the IRC will provide a recommendation to the Fund Manager as to whether or not, in the opinion of the IRC, the Fund

Manager's proposed action provides a fair and reasonable result for the Fund. For recurring conflict of interest matters, the IRC can provide the Fund Manager with standing instructions.

The members of the IRC will be indemnified by the Fund Manager and the Fund, as permitted by NI 81-107. The IRC members are not responsible for the investments made by the Fund, or for the performance of the Fund. The members of the IRC may serve in a similar capacity in respect of other investment funds managed by the Fund Manager or others.

Members of the IRC will receive compensation as directors of the Fund (initially, \$10,000 per annum per director), but will not receive additional compensation as members of the IRC other than reimbursement for out-of-pocket expenses for attending meetings of the IRC. In addition, the Fund is responsible for all fees and expenses of setting up and running the IRC. The estimated regular fees and expenses of the IRC have been included in the Fund's estimated annual operating expenses. In future years the IRC members will set their own compensation in accordance with NI 81-107. The IRC has the authority, pursuant to NI 81-107, to retain independent counsel or other advisors at the expense of the Fund if the members deem it necessary to do so.

The IRC update at least annually to the Shareholders of the Fund on its activities, as required by NI 81-107. The reports of the IRC is available free of charge from the Fund Manager on request by contacting the Fund Manager at its office and will be posted on the Fund Manager's website at [www.timbercreekfunds.com](http://www.timbercreekfunds.com). The reports of the IRC are available on or about March 31.

#### *Audit Committee*

The board of directors of the Fund has an audit committee comprised of three directors, each of whom are independent (within the meaning of applicable securities laws). The audit committee assists the directors of the Fund in fulfilling their responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures of the Fund and the quality and integrity of financial statements of the Fund. In addition, the audit committee is responsible for directing the auditors' examination of specific areas and for the selection of potential independent auditors to be appointed by the Fund Manager.

#### **Fund Manager**

The Fund Manager, Timbercreek Asset Management Inc., was incorporated under the laws of Ontario on May 31, 2004. The head office, registered office and principal business address of the Fund Manager is located at 1000 Yonge Street, Suite 500, Toronto, Ontario M4W 2K2. The Fund Manager is principally owned by BattleStone Capital Corporation, which in turn is principally owned by R. Blair Tamblyn, Ugo Bizzarri and Tye Bousada.

The Fund Manager specializes in providing conservatively managed, low-risk investments to institutions, trusts and endowment funds, discretionary investment advisors and qualified individuals. The Fund Manager currently manages approximately \$1 billion in assets through its five private and public funds invested both in direct real estate assets and in mortgage debt. The Fund Manager is registered with the OSC in the category of exempt market dealer and investment fund manager.

With the belief that attractive investment returns are achieved by being an active manager, the Fund Manager has spent the past 10 years building a full-service asset management platform, including property management and debt management to optimize the value it provides to investors. The Fund Manager is the only multi-residential investment manager in Canada that can offer an integrated management platform of this nature. The principals of the Fund Manager have deep experience, established reputations and extensive contacts in the commercial real estate and mortgage lending community, as well as in the capital markets and asset management sectors in Canada.

Over the past 5 years, the Fund Manager's assets under management have grown 590% from approximately \$170 million in 2005 to approximately \$1 billion in December 2009.

### ***Duties and Services Provided by the Fund Manager and Details of the Fund Management Agreement***

Pursuant to the terms of a fund management agreement dated June 25, 2008 between the Fund and the Fund Manager and amended and restated on December 1, 2009 (the "Fund Management Agreement"), the Fund Manager has been appointed as the sole and exclusive manager of the affairs of the Fund. In such capacity, the Fund Manager is responsible for the day-to-day activities of the Fund and, as applicable, any subsidiary entity of the Fund from time to time.

The fund management services to be provided by the Fund Manager under the terms of the Fund Management Agreement include, without limitation: (i) appointing one or more duly registered investment advisors to manage the investments of the Fund, (ii) appointing one or more duly authorized investment advisors to seek out and evaluate investment opportunities for the Fund, (iii) appointing, supervising and removing service providers for the Fund as the Fund Manager sees fit, (iv) attending meetings of the board of directors of the Fund, (v) carrying out all capital markets responsibilities, such as securities offerings, (vi) preparing or causing to be prepared the requisite continuous disclosure documents of the Fund, (vii) maintaining proper books, accounts and records of the Fund and its Portfolio, (viii) providing employees having the requisite experience and skill to perform the obligations of the Fund Manager under the Fund Management Agreement, (ix) doing all such other acts or things and entering into agreements or documents on behalf of the Fund to seek to achieve the investment objective of the Fund, and (x) monitor regularly on an ongoing basis the Fund's compliance with the requirements under the Tax Act to qualify as a MIC thereunder.

The mortgage management services to be provided by the Fund Manager under the terms of the Fund Management Agreement include, without limitation: (i) to present to the Fund Manager (indirectly through the MAC) all investment opportunities originated by the Fund Manager that meet the investment objective of the Fund, including all necessary information; (ii) to supervise the day-to-day affairs in connection with the Mortgage Assets on behalf of the Fund; (iii) to provide assistance to the Fund with respect to the ongoing evaluation and, as required, adjustment of the Asset Allocation Model; (iv) as required to perform its obligations, engage the services of third parties registered under the *Mortgage Brokers' Act* (Ontario) or other applicable legislation; (v) to maintain proper books, accounts and records concerning the Mortgage Assets, (vi) to provide employees having the requisite, experience and skill to perform the obligations of the Fund Manager under the Fund Management Agreement; and (vii) all such other services or acts as may be reasonably necessary or ancillary to the performance of the Fund Manager's obligations under the Fund Management Agreement.

In carrying out its obligations under the Fund Management Agreement, the Fund Manager will be required to exercise its powers and discharge its duties diligently, honestly and in good faith and in the best interests of the Fund, including without limitation exercising the standard of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances.

The Fund Manager will continue as manager until the termination of the Fund unless (i) the Fund Manager resigns by written notice to the Fund, (ii) the Fund Manager is removed by written notice given by the Fund following the occurrence of certain specified events of default (as described below), or (iii) the Fund Manager is removed by written notice given by the Fund following an Extraordinary Resolution of the Shareholders directing the Fund to remove the Fund Manager as manager of the Fund. The following comprise an event of default under the Fund Management Agreement: (i) the bankruptcy or insolvency of the Fund Manager, or if the Fund Manager either voluntarily or under an order of a court of competent jurisdiction makes a general assignment for the benefit of its creditors or otherwise acknowledges its insolvency; (ii) the Fund Manager's wilful misconduct, bad faith, negligence or breach of its standard of care owed under the Fund Management

Agreement, which in the case of negligence which is capable of being cured, is not cured within 30 days following written notice to the Fund Manager from the Fund specifying in reasonable detail the nature of such negligence; or (iii) the Fund Manager no longer holds the licenses, registrations or other authorizations necessary to carry out its obligations hereunder and is unable to obtain them within a reasonable period after their loss. There is no termination of the Fund Manager for breach of its obligations under the Fund Management Agreement unless such breach constitutes a breach of the standard of care owed by the Fund Manager.

The Fund Management Agreement contains indemnification provisions whereby the Fund indemnifies the Fund Manager against any loss, expense, damage or injury suffered in the scope of its authority under the agreement, provided the same does not result from wilful misconduct, bad faith, negligence or breach of its standard of care owed under the agreement. In addition, under the Fund Management Agreement, the Fund Manager indemnifies the Fund against any loss, expense, damage or injury suffered as a result of the Fund Manager's wilful misconduct, bad faith, negligence or breach of its standard of care owed under the agreement.

For its services, the Fund Manager will be paid the Fund Management Fee described under "Fees and Expenses — Management Fees and Operating Expenses". Pursuant to the terms of the Fund Management Agreement, the Fund Manager will bear all costs and expenses incurred by the Fund Manager and the Fund Advisor in connection with all salaries, employee expenses, office rent and equipment, and other expenses customarily considered to be overhead expenses.

### **Fund Advisor**

The Fund Manager has arranged for its wholly-owned subsidiary Timbercreek Investment Management Inc. to act as the portfolio advisor of the Fund pursuant to a fund advisory agreement (the "Fund Advisory Agreement") dated October 3, 2008. The Fund Advisor is a corporation incorporated under the laws of the Province of Ontario on June 16, 2008 and its senior management is comprised of directors and officers that are also directors and/or officers of the Fund Manager. The Fund Advisor is registered with the OSC in the category of Portfolio Manager and Exempt Market Dealer. See "Organization and Management Details of the Fund". The head and registered office and principal business address of the Fund Advisor is located at 1000 Yonge Street, Suite 500, Toronto, Ontario M4W 2K2.

### **Mortgage Advisory Committee**

The Mortgage Advisory Committee, or the MAC, is an advisory committee appointed by the Fund Advisor consisting of representatives from each of the Fund Advisor and the Fund Manager, as well as at least one independent (within the meaning of applicable securities laws) member. The members of the MAC are Ugo Bizzarri, Chris Humeniuk, Andrew Jones and Pamela Spackman. The Fund Manager will identify and present mortgage investment opportunities to the MAC. The MAC will then assess each opportunity on a stand-alone basis, as well as in the context of the Aggregate Funded and Committed Assets, to determine whether a proposed Mortgage Asset meets the requirements of the Asset Allocation Model and constitutes a desirable investment opportunity for the Fund. Following its assessment of and determination with respect to an investment opportunity, the MAC will provide its recommendation to the Fund Advisor, which is responsible for the final investment decision. All decisions and determinations made by the MAC with respect to investments of the Fund must be unanimous. See "Investment Objective, Strategies and Restrictions — Investment Process".

## **Mortgage Servicing**

The Fund Manager will actively oversee the servicing of all mortgages in the Portfolio in order to monitor the status of all loans and react quickly to any potential issues that may arise. The Fund Manager will provide day-to-day administration of individual mortgages in the Portfolio either directly or in instances where the Fund is a participant in a syndicated mortgage, other direct participants in the investment may act as the mortgage servicing agents (“Servicing Agents”). The Fund Manager will ensure that the Servicing Agents appointed to administer the servicing of an individual mortgage is licensed in accordance with the requirements of the Mortgage Brokers Act (Ontario) or other applicable legislation.

The day-to-day administration of individual mortgages includes, among others things, responsibilities such as the collection of monthly payments, management of property tax and other escrow accounts, regular remittance to the Fund of interest (and other income) collected, monitoring the status of loans, and regular reporting to the MAC, as required by the applicable servicing agreement.

## **Conflicts of Interest**

The Fund Manager and Fund Advisor and their respective affiliates are engaged in a wide range of investment management, investment advisory and other business activities. The services provided by the Fund Manager under the Fund Management Agreement and the Fund Advisor under the Fund Advisory Agreement will not be exclusive and nothing in those agreements will prevent the Fund Manager and Fund Advisor or any of their affiliates from establishing or providing similar services to other investment funds and other persons (whether or not their investment objectives, strategies and policies are similar to those of the Fund) or from engaging in other or competing activities. The investment decisions of the Fund Advisor and Fund Manager for the Fund will be made independently of those made for other persons and independently of its own investments. On occasion, however, the Fund Advisor or Fund Manager may decide on the same investment for the Fund and for one or more of its other clients. If the Fund and one or more of the other clients of the Fund Advisor or Fund Manager or their affiliates are engaged in the purchase or sale of the same investment, the transactions will be effected on an equitable basis.

When the Fund Manager presents an investment opportunity to the MAC, the Fund Manager will provide details of any interest, direct or indirect, or proposed interest that the Fund Manager or any of its affiliates or, to the best of its knowledge, the Fund Advisor or Fund Manager or any of its affiliates has in such investment.

As a result of the relationships between the Fund, the Fund Manager and Fund Advisor and certain of their respective directors and officers, there are potential conflicts of interest that could arise in connection with the Fund Manager or the Fund Advisor acting in those capacities. The securities laws of the Province of Ontario require securities dealers and advisors, when they trade in or advise with respect to their own securities or securities of certain other issuers (including mortgages) to which they, or certain other parties related to them, are related or connected, to do so only in accordance with particular disclosure and other rules. These rules require dealers and advisors, prior to trading with or advising their customers or clients, to inform them of the relevant relationships and connections with the issuer of the securities.

Where any one of the Fund Manager and Fund Advisor or their respective affiliates perceives, in the course of its business, that there may exist a conflict of interest matter (within the meaning of NI 81-107), the matter will be referred by the Fund Manager to the IRC.

The IRC will consider all matters referred to it and provide its recommendation or confirmation, as applicable, to the Fund Manager as soon as practicable. See “Organization and Management Details of the Fund — Board Committees of the Fund — Independent Review Committee”.

## **Directors and Officers of the Fund Manager and the Fund Advisor**

Under applicable Canadian securities legislation, the directors and officers of the Fund Manager and Fund Advisor that are not designated as directors or officers of the Fund in this prospectus may be considered to be insiders of the Fund for the purposes of applicable Canadian securities legislation. Accordingly, such individuals will be required to comply with the disclosure and other requirements of applicable Canadian securities legislation imposed on insiders of a reporting issuer. These requirements include, but are not limited to, the requirement to file insider reports regarding any purchase, sale or other acquisition or disposition of securities of the Fund. The Fund has filed an undertaking with the applicable Canadian securities regulatory authorities in this regard and will annually certify that it has complied with this undertaking and file the certificate on SEDAR concurrently with the filing of its annual financial statements.

## **CALCULATION OF NET ASSET VALUE AND NET REDEMPTION VALUE**

### **Calculation of Net Asset Value**

The net asset value of the Fund (“NAV”) will be calculated by the Fund Manager at the close of business on the 15<sup>th</sup> day of each calendar month (or the next business day if the 15<sup>th</sup> is not a business day) and on the last business day of each calendar month (the last business day of each calendar month being a “Valuation Date”), or on such other dates as may be required by applicable laws. The most recently calculated NAV will be available to the public upon request and will be posted at [www.timbercreekfunds.com](http://www.timbercreekfunds.com) for this purpose. The NAV of the Fund is the value of the consolidated assets of the Fund less (1) the consolidated liabilities of the Fund (including any accrual of performance fee) and (2) the stated capital of the Voting Shares of the Fund (\$100).

### **Valuation Policies and Procedures**

In calculating the NAV:

- (a) the value of any cash, receivables and prepaid expenses, will be carried at face value unless the Fund Manager, or its delegate, deems otherwise;
- (b) mortgage loans will be stated at fair value. Interest income is recorded on the accrual basis provided that the mortgage loan is not impaired. An impaired mortgage loan is any loan, where, in the Fund Manager’s opinion, there has been a deterioration of credit quality to the extent that the Fund no longer has reasonable assurance as to the timely collection of the full amount of principal and interest. As the mortgage loans comprising the Portfolio do not trade in actively quoted markets, the Fund Manager will estimate fair value based upon: market interest rates, credit spreads for similar loans, and the specific creditworthiness and status of an existing borrower. The Fund Manager will consider, but not be limited in considering, the following as part of the creditworthiness and status of a borrower: payment history, value of underlying property securing the loan or mortgage, overall economic conditions, status of construction or property development (if applicable) and other conditions specific to the underlying property or building;
- (c) the value of short-term investments (treasury bills, money market instruments, or similar) will be the cost of such instrument plus accrued interest up to and including the Valuation Date; and
- (d) the value of any other property will be the value determined by the Fund Manager, or its delegate, which most accurately reflects its fair value.

If an investment cannot be valued under the above guidelines, or if the Fund Manager determines that the above guidelines are at anytime inappropriate under the circumstances, then notwithstanding such guidelines, the Fund Manager will make such valuation as it considers fair and reasonable and, if there is an appropriate industry practice, in a manner consistent with such industry practice for valuing such investment.

The directors of the Fund, together with the Fund Manager, will review and, if required from time to time, consider the appropriateness of the valuation guidelines adopted by the Fund. As such, at the discretion of the directors of the Fund, the valuation guidelines may be modified, acting reasonably, in good faith and in the best interests of the Shareholders. Any material such modification of the valuation guidelines will be disclosed by press release or other timely disclosure document issued by the Fund.

### **Calculation of Net Redemption Value**

The net redemption value of the Fund (“NRV”) will be equal to the sum of the NRV for each class of Shares (for each class, a “Class Net Redemption Value”), and will be calculated by the Fund Manager. The Class Net Redemption Value for each class of Shares of the Fund will be calculated by allocating NAV and specific Share class expenses of the Fund to the Class A Shares and Class B Shares, respectively. Specifically, the Class Net Redemption Value is calculated as follows:

- (a) The Class Net Redemption Value last calculated for that class of Shares (except for the first calculation, in respect of which this value will be NAV applicable to that class of Shares); plus
- (b) The increase in assets attributable to that class of Shares as a result of the issuance of additional Shares of that class since the last calculation; minus
- (c) The decrease in the assets attributable to that class of Shares as a result of the redemption or exchange of Shares out of that class since the last calculation; plus or minus
- (d) The Proportionate Share (as defined below) of the Net Change in Fund Assets (as defined below) attributable to that class of Shares since the last calculation; plus or minus
- (e) Any Share Class Expenses (as defined below) attributable to that class since the last calculation; plus
- (f) The costs associated with the establishment, structuring and periodic offering of securities of the Fund attributable to that class of Shares, amortized monthly over a period of five years. These expenses (which include Share issue but not selling expenses) will be included in the calculation of Class Net Redemption Value until the Fund reaches total assets sufficient to achieve its long term investment strategies, currently contemplated to be total assets of \$250 million.

The “Net Change in Fund Assets” is all mortgage interest, Lender Fees plus other income accrued by the Fund as of that Valuation Date less the Shared Expenses (as defined below) of the Fund to be accrued by the Fund as of that Valuation Date.

The “Proportionate Share” of the Net Change in Fund Assets is the amount calculated by multiplying that amount by a fraction, the numerator of which is the Class Net Redemption Value on the immediately preceding Valuation Date and the denominator of which is the NRV on the immediately preceding Valuation Date.

“Share Class Expenses” are the expenses of the Fund allocable to a specific class of Shares. Specifically, for Class A Shares, these Share Class Expenses include the Trailer Fee paid to registered dealers (see “Fees and Expenses — Sales Commissions and Trailer Fees”).

“Shared Expenses” are expenses of the Fund which are not Share Class Expenses, including but not limited to audit, taxation, legal, transfer agent, director, IRC and other costs associated with operating the Fund.

Generally, NRV for a class of Shares is equivalent to NAV for such class of Shares, adjusted for the costs associated with the establishment, structuring and periodic offering of securities of the Fund attributable to that class of Shares, amortized monthly over a period of five years. These expenses (which include Share issue but not selling expenses) will be included in the calculation of Class Net Redemption Value until the Fund reaches total assets sufficient to achieve its long term investment strategies, currently contemplated to be total assets of \$250 million.

For additional details concerning the redemption of Shares, see “Attributes of Securities – Description of the Class A Shares and Class B Shares – Redemption Privileges” and “Risk Factors – Significant Redemptions of Shares”.

### ***Net Redemption Value per Class A Share and Net Redemption Value per Class B Share***

The net redemption value per Class A Share (the “NRV per Class A Share”) will be the quotient obtained by dividing the Class Net Redemption Value of the Class A Shares by the total number of Class A Shares (immediately before any Share redemptions and subscriptions) at the close of business on the relevant Valuation Date. The net redemption value per Class B Share (the “NRV per Class B Share”) will be the quotient obtained by dividing the Class Net Redemption Value of the Class B Shares by the total number of Class B Shares (immediately before any Share redemptions and subscriptions) at the close of business on the relevant Valuation Date.

NRV per Class A Share and NRV per Class B Share will be calculated by the Fund Manager at the close of business on the 15th day of each calendar month (or the next business day if the 15th is not a business day) and on each Valuation Date. The most recently calculated NRV per Class A Share and NRV per Class B Share will be available to the public upon request and will be posted at [www.timbercreekfunds.com](http://www.timbercreekfunds.com), together with an explanation of the meaning of NRV and its relation to NAV.

## **ATTRIBUTES OF SECURITIES**

The Fund is authorized to issue an unlimited number of Class A Shares, Class B Shares and voting shares (the “Voting Shares”), a summary of the terms and conditions of which is set forth below. As of December 30, 2009, there are issued and outstanding 100 Voting Shares, 5,533,616 Class A Shares and 1,820,239 Class B Shares.

The Voting Shares have nominal value and are owned by Ugo Bizzarri, Andrew Jones, David Melo, Carrie Morris and R. Blair Tamblin (collectively, the “Principal Shareholders”), as to 20% each. Accordingly, the Principal Shareholders, as holder of all of the issued and outstanding Voting Shares, will have the power to vote on all matters to be considered by the holders of Voting Shares. See “Principal Shareholders”.

### **Voting Shares**

The holders of Voting Shares are not entitled to receive dividends. The holders of the Voting Shares will be entitled to one vote per share. The Voting Shares are redeemable and retractable at a price of \$1.00 per share. The Voting Shares rank subsequent to both the Class A Shares and the Class B Shares with respect to distributions on the dissolution, liquidation or winding-up of the Fund.

## **Description of the Class A Shares and Class B Shares**

### ***General Rights and Privileges***

The Class A Shares and Class B Shares are entitled to receive dividends as and when declared by the board of directors of the Fund. The holders of Class A Shares and the holders of Class B Shares are not entitled to vote at meetings of the Shareholders of the Fund, other than as required by law or as set forth under “Shareholder Matters — Matters Requiring Shareholder Approval”.

The Class A Shares and Class B Shares rank equally with each other and in priority to the Voting Shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation or winding up of the Fund. Upon the dissolution, liquidation or winding up of the Fund, after satisfaction of all liabilities of the Fund (or the establishment of reserves or other provision therefor) holders of Class A Shares will be entitled to receive their *pro rata* portion of the NAV attributable to the Class A Shares and the holders of Class B Shares will be entitled to receive their *pro rata* portion of the NAV attributable to the Class B Shares. See “Calculation of Net Asset Value and Net Redemption Value”.

### ***Redemption Privileges***

#### *Monthly Redemptions*

Subject to the restrictions set forth under “Attributes of Securities — Description of the Class A Shares and Class B Shares — Redemption Privileges — Limitation and Suspension of Redemptions” below, a Class A Share may be surrendered for redemption to the Fund’s registrar and transfer agent on the last business day of any month, other than October, (the “Redemption Date”) by no later than 4:00 p.m. (Toronto time) on the 15th day of such month or the immediately preceding business day in the event that the 15th day is not a business day. Payment of the proceeds of redemption will be made on or before the last business day of the following month (the “Redemption Payment Date”). Shareholders whose Class A Shares are surrendered for redemption will be entitled to receive a redemption price per Class A Share (the “Class A Monthly Redemption Price”) equal to the lesser of: (i) 95% of the Trading Price (as defined below) of the Class A Shares; and (ii) the Market Price (as defined below). Any declared and unpaid distributions payable on or before a Redemption Date in respect of Class A Shares tendered for redemption on such Redemption Date will also be paid on the Redemption Payment Date. For these purposes, “Trading Price” means the weighted average trading price on the TSX or such other stock exchange on which the Class A Shares may be listed (the “Exchange”) for the ten trading days immediately preceding the relevant Redemption Date; and “Market Price” means the closing price of the Class A Shares on the Exchange on the Redemption Date or, if there was no trade during the relevant period preceding a monthly Redemption Date, the average of the last bid and the last asking prices of the Class A Shares on the Exchange for each day during the relevant period.

The Class B Shares are redeemable monthly on the same terms as the Class A Shares, provided that the redemption price per Class B Share will be equal to the lesser of: (i) 95% of the Trading Price of the Class A Shares multiplied by the Class B Exchange Ratio; and (ii) the Market Price multiplied by the Class B Exchange Ratio.

#### *Annual Redemptions*

Subject to the restrictions set forth under “Attributes of Securities — Description of the Class A Shares and Class B Shares — Redemption Privileges — Limitation and Suspension of Redemptions” below, Class A Shares may be redeemed on the last business day in October of each year (each, an “Annual Redemption Date”) at a redemption price per Class A Share equal to NRV per Class A Share. Class B Shares may be redeemed on an Annual Redemption Date at a redemption price per Class B Share equal to NRV per Class B

Share. See “Calculation of Net Asset Value and Net Redemption Value”. Class A Shares must be surrendered for annual redemption to the Fund’s registrar and transfer agent by no later than 4:00 p.m. (Toronto time) on October 1st of such year or the immediately preceding business day, in the event that October 1st is not a business day. Payment of the proceeds of redemption will be made on or before the last business day of the month following the redemption date.

#### *Exercise of Redemption Privileges*

The redemption right must be exercised by causing written notice to be given within the notice periods prescribed herein and in the manner described under “Attributes of Securities — Book-Entry Only System”. Such exercise will be irrevocable upon the delivery of notice to CDS through a CDS Participant.

#### *Limitation and Suspension of Redemptions*

The Fund shall not accept for redemption in the same calendar month, other than in respect of annual redemptions, Shares representing more than 5% of the average number of number of Shares outstanding for the 90-day period immediately preceding the applicable Redemption Date. The Fund shall not accept for redemption in the same calendar year Shares representing more than 15% of the average number of Shares outstanding for the 180-day period immediately preceding the Annual Redemption Date. In the event that the number of Shares tendered for redemption in respect of a Redemption Date or Annual Redemption Date, as applicable, exceeds the limits set forth above, the Fund shall redeem such Shares tendered for redemption on a *pro rata* basis.

Notwithstanding the foregoing limitations on redemption, the directors of the Fund may, in their sole discretion, waive the limitation in respect of all Class A Shares and Class B Shares tendered in respect of any one or more Redemption Dates or Annual Redemption Dates, as applicable. In the event that the applicable 90-day period preceding a Redemption Date or 180-day period preceding an Annual Redemption Date includes any number of days preceding the Transfer Date, the number of Class A Shares and Class B Shares considered to be outstanding on each such day for purposes of determining the applicable redemption limitation shall be deemed to have been that number of Class A Shares and Class B Shares outstanding immediately following the Transfer Date.

If the redemption by the Fund of all Shares surrendered for redemption in any period would be contrary to applicable law, the Fund will redeem only the maximum number of Shares (rounded to the next lower multiple of 1,000 Shares) which it is then permitted to redeem selected on a *pro rata* basis from each holder of Shares surrendered for redemption according to the number of Shares surrendered for redemption by each such holder.

In addition, for any period not exceeding 120 days during which the Fund Manager determines that conditions exist which render impractical the sale of Mortgage Assets comprising the Portfolio or which impair the ability of the Fund Manager to determine the value of the assets of the Fund or the Portfolio, the Fund may suspend redemptions of Shares. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All holders of Shares making such requests shall be advised by the Fund Manager of the suspension and that the redemption will be effected at a price determined on the first Redemption Date or Annual Redemption Date, as applicable, following the termination of the suspension. All such holders of Shares shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with the rules and regulations promulgated by any governmental body having jurisdiction over the Fund, any declaration of suspension made by the Fund Manager shall be conclusive.

### ***Exchange Feature for the Class B Shares***

Holders of Class B Shares may exchange all or any portion of such shares for Class A Shares (the “Exchange Feature”) on the last business day of each month (the “Monthly Exchange Date”), provided that the Exchange Feature may not be exercised (i) to exchange less than 2,500 Class B Shares in a single exchange transaction unless a holder of Class B Shares tenders for exchange all Class B Shares beneficially owned by such holder, or (ii) before the date that is four months plus one day after the Transfer Date.

### ***Determination of Exchange Ratio***

The ratio (the “Class B Exchange Ratio”) upon which Class B Shares will be exchanged into Class A Shares upon exercise of the Exchange Feature will be determined by dividing the NRV per Class B Share on the applicable Monthly Exchange Date by the NRV per Class A Share on such date. Holders of Class B Shares who deposit such securities pursuant to the Exchange Feature will continue to be holders of record up to but not including the Monthly Exchange Date and will be entitled to receive distributions in respect of such securities up to that date. The number of Class A Shares issuable pursuant to the Exchange Feature will be rounded down to the nearest whole number of Class A Shares. No fractional Class A Shares will be issued pursuant to the Exchange Feature, nor will any cash consideration be paid in lieu thereof.

Following an exercise of the Exchange Feature, the NRV associated with the Class B Shares so exchanged will be deducted from the NRV for Class B Shares and will be added to the NRV for Class A Shares.

### ***No Listing for Class B Shares***

The Fund has not made, and does not intend to make, any application to list the Class B Shares on any stock exchange. Accordingly, there will be no market through which the Class B Shares may be sold.

### **Restrictions on Ownership**

No Shareholder of the Fund is permitted, together with Related Persons, at any time to hold more than 25% of any class of the issued shares of the Fund.

In the event that (i) the exercise by any Shareholder of a monthly or annual redemption right associated with Class A Shares or Class B Shares, or (ii) the exercise by any holder of the Exchange Feature associated with Class B Shares, or (iii) as determined by the board of directors of the Fund in its sole discretion, any other transaction affecting the Shares (each a “Triggering Transaction”), if completed, would cause any Shareholder(s) (each an “Automatic Repurchase Shareholder”), together with Related Persons, to hold more than 25% of any class of the issued Shares of the Fund, that portion of the Shares held by each Automatic Repurchase Shareholder which constitutes in excess of 24.9% of the issued shares of any class of Shares (the “Repurchased Shares”) will, simultaneously with the completion of a Triggering Transaction, automatically be repurchased and cancelled by the Fund (an “Automatic Repurchase”) without any further action by the Fund or the Automatic Repurchase Shareholder. The purchase price for any Repurchased Shares will be equal to the applicable NRV per Share on the date of the Triggering Transaction. The proceeds of any Automatic Repurchase will be remitted to each applicable Automatic Repurchase Shareholder in accordance with the customary practice of the Fund in connection with annual redemptions, *mutatis mutandis*.

### **Purchase for Cancellation**

Subject to applicable law, the Fund may at any time or times purchase Shares for cancellation at a price per Share not exceeding the applicable NRV per Share of such Share on the business day immediately prior to such purchase.

## **Amendments**

Amendments to the terms of the Class A Shares, Class B Shares or Voting Shares must be approved by the applicable Shareholders of the Fund in accordance with applicable laws and as set forth under “Shareholder Matters — Matters Requiring Shareholder Approval”.

## **Book-Entry Only System**

Registration of interests in and transfers of the Class A Shares will be made solely through the book-entry only system maintained by CDS. On the closing of the Offering, the Fund will deliver to CDS a global certificate evidencing the number of Class A Shares subscribed for under the Offering. Class A Shares must be purchased, transferred and surrendered for redemption through a CDS Participant. All rights of an owner of Class A Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by CDS. Upon the acquisition of Class A Shares, the owner will receive only the customary confirmation. References in this Prospectus to a Shareholder means, unless the context otherwise requires, the owner of the beneficial interest in Shares.

The ability of an owner of Class A Shares to pledge such Shares or otherwise take action with respect to such owner’s interest in such Shares (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

An owner of Class A Shares who desires to exercise redemption privileges must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto) on behalf of the owner a written notice of the owner’s intention to redeem such Class A Shares, no later than 4:00 p.m. (Toronto time) on the relevant notice date. Accordingly, an owner who desires to redeem Class A Shares should ensure that the CDS Participant is provided with a redemption notice sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS by the required time. The form of redemption notice will be available from a CDS Participant. Any expense associated with the preparation and delivery of redemption notices will be for the account of the owner of Class A Shares exercising the redemption privilege.

By causing a Participant to deliver to CDS a redemption notice, an owner shall be deemed to have irrevocably surrendered his or her Class A Shares for redemption and appointed such CDS Participant to act as exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any redemption notice which CDS determined to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the redemption privilege to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with the owner’s instructions will not give rise to any obligations or liability on the part of the Fund, the Fund Manager or the Fund Advisor to the CDS Participant or to the owner.

**The Fund has the option to terminate registration for any one or more of the Class A Shares through the book-entry only system in which case certificates for such securities in fully registered form would be issued to beneficial owners of such shares or to their nominees.**

## SHAREHOLDER MATTERS

### Meetings of Shareholders

Except as required by law or set out below, Shareholders will not be entitled to receive notice of, to attend or to vote at any meeting of Shareholders of the Fund.

### Matters Requiring Shareholder Approval

Unless otherwise required by law, the following, among other acts, require the approval of holders of Class A Shares and holders of Class B Shares at a meeting called and held for such purpose. Each Class A Share and each Class B Share will have one vote at such a meeting. Items (a) through (d) require approval by resolution passed by at least 66  $\frac{2}{3}$ % of the votes cast by holders of Shares voting thereon (an “Extraordinary Resolution”) voting as a single class. Items (e) and (f) require approval by Extraordinary Resolution of the holders of each class of Shares required to vote on the matter. Items (g) and (h) require approval by resolution passed by at least a simple majority of votes cast by each class of Shareholders (an “Ordinary Resolution”), unless a greater majority is required by law. Item (i) will require approval by Ordinary Resolution of the Shareholders voting as a single class.

- (a) A change to the fundamental investment objective or investment restrictions of the Fund, unless such changes are necessary to maintain the Fund’s status as a MIC or otherwise to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (b) Except as described herein, a change in the Fund Manager, other than (a) a change resulting in an affiliate of the Fund Manager assuming such position or (b) a termination of the Fund Management Agreement in accordance with its terms;
- (c) Any increase in the basis of calculating management and performance fees paid to the Fund Manager;
- (d) The sale of all or substantially all of the assets of the Fund other than in the ordinary course of its activities and other than in connection with the termination of the Fund;
- (e) Any amendment, modification or variation in the provisions or rights attaching to the Class A Shares, Class B Shares or Voting Shares;
- (f) Any termination of the Fund;
- (g) A reorganization with, or transfer of assets to, another entity, if
  - (i) the Fund ceases to continue after the reorganization or transfer of assets; and
  - (ii) the transaction results in Shareholders becoming securityholders in the other entity;
- (h) A reorganization with, or acquisition of assets of, another entity, if
  - (i) the Fund continues after the reorganization or acquisition of assets; and
  - (ii) the transaction results in the securityholders of the other entity holding a majority of the outstanding securities of the Fund; or

- (i) Any offering of Class A Shares or Class B Shares at a price per Share the net proceeds of which is less than 97.5% of
    - (i) in the case of an offering of Class A Shares, NRV per Class A Share less the amount of any adjustment made to account for the amortization of the costs associated with the establishment, structuring and periodic offering of securities of the Fund; or
    - (ii) in the case of an offering of Class B Shares, NRV per Class B Share less the amount of any adjustment made to account for the amortization of the costs associated with the establishment, structuring and periodic offering of securities of the Fund,
- as the case may be, as at the date prior to the date of pricing of such offering.

In addition, any change to any of the foregoing matters requiring Shareholder approval shall require the same approval required to approve such matter.

At a meeting of Shareholders of the Fund, a quorum will constitute 10% of the outstanding Shares (or in respect of a class vote, 10% of the outstanding Shares of that class), represented in person or by proxy at a meeting. If no quorum is present at such meeting within 30 minutes of the time called for such meeting, if called on the requisition of a Shareholder the meeting will be terminated and otherwise will be adjourned to be held on the day that is 14 days after the so adjourned meeting, at the same time and place; provided that if such day is not a business day, the meeting shall be held on the next business day. At the adjourned meeting the Shareholders then present in person or represented by proxy will form the necessary quorum.

#### **Termination of the Fund**

The Fund does not have a fixed termination date but may be terminated at any time with the approval of Shareholders of each class by an Extraordinary Resolution passed at a duly convened meeting of Shareholders called for the purpose of considering such Extraordinary Resolution. Upon termination of the Fund, the net assets of the Fund will be distributed to the Shareholders. Prior to the date fixed for the termination of the Fund (the "Fund End Date"), the Fund Manager will, to the extent practicable, convert the assets of the Fund to cash. The Fund Manager may, in its discretion and upon not less than 30 days prior written notice to Shareholders by press release, extend the Fund End Date by a maximum of 180 days if the Fund Manager would be unable to convert all the Fund's assets to cash and the Fund Manager determines that it would be in the best interests of the Shareholders to do so. The Fund will be dissolved following the distribution of its net assets to the Shareholders.

## TRADING PRICES AND VOLUMES

The Class A Shares are traded on the TSX under the symbol “TMC-T”. The following table sets out the market closing price ranges in Canadian dollars per Class A Share and aggregate trading volumes on a monthly basis as reported by the TSX for the previous 12 months.

<b>2009</b>	<b>High</b>	<b>Low</b>	<b>Volume</b>
December 2008	\$ 9.85	\$ 9.00	4,780
January 2009	\$ 9.50	\$ 8.00	8,928
February 2009	\$ 9.75	\$ 8.50	21,580
March 2009	\$10.00	\$ 9.00	18,032
April 2009	\$10.00	\$ 9.00	11,560
May 2009	\$10.00	\$ 8.40	45,515
June 2009	\$10.00	\$ 9.50	37,794
July 2009	\$10.00	\$ 9.70	25,985
August 2009	\$11.00	\$ 9.90	25,940
September 2009	\$10.50	\$10.00	52,053
October 2009	\$10.10	\$ 9.75	25,400
November 2009	\$10.59	\$ 9.80	33,803
December 2009 (to Dec. 29, 2009)	\$11.00	\$9.05	43,064

On December 29, 2009, the closing price was \$9.92 per Class A Share on the TSX.

## CAPITALIZATION

Other than the issuance of 247,002 Class B Shares pursuant to a private placement on November 13, 2009 and the issuance of 1,614,556 Class A Shares pursuant to the CRRIC Transaction on December 18, 2009, there has been no material change in the share and loan capital of the Fund, on a consolidated basis, since June 30, 2009.

## PRIOR SALES

On February 2, 2009 the Fund issued 120,000 Class B Shares at a price of \$10 per share for gross proceeds of \$1.2 million. On November 13, 2009, the Fund issued 247,002 Class B Shares at a price of \$10 per share for gross proceeds of \$2.4 million. On December 18, 2009, the Fund issued 1,614,556 Class A Shares at a price of \$10 per share pursuant to the CRRIC Transaction.

## PLAN OF DISTRIBUTION

The Fund may sell the Class A Shares: (i) through underwriters or dealers, (ii) directly to one or more purchasers pursuant to applicable statutory exemptions, or (iii) through agents in Canada and elsewhere where permitted by law, in any case, for cash or other consideration. The Class A Shares may be sold at fixed prices or non-fixed prices, such as prices determined by reference to the prevailing price of the Class A Shares in a specified market, at market prices prevailing at the time of sale or at prices to be negotiated with purchasers, which prices may vary between purchasers and during the period of distribution of the Class A Shares. The Prospectus Supplement for any of the Class A Shares being offered thereby will set forth the terms of the offering of such Class A Shares, including the minimum and maximum size of the offering, if applicable, name or names of underwriters, dealers or agents, any underwriting discounts, fees, commissions or other items constituting compensation, any public offering price and any discounts concessions allowed or re-allowed or paid to dealers or agents. Only underwriters, dealers or agents so named in the relevant

Prospectus Supplement are deemed to be underwriters, dealers or agents in connection with the Class A Shares offered thereby.

If underwriters are used in the sale, the Class A Shares will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The obligations of the underwriters to purchase such Class A Shares will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all the Class A Shares offered by the Prospectus Supplement if any of such Class A Shares are purchased. Any public offering price and any discounts or concessions allowed or re-allowed or paid to dealers may be changed from time to time.

Any agent involved in the offering and sale of the Class A Shares in respect of which this Prospectus is delivered will be named, and any commissions payable by the Fund to such agent will be set forth, in the Prospectus Supplement. Unless otherwise indicated in the Prospectus Supplement, any agent would be acting on a best efforts basis for the period of its appointment.

In connection with any offering of the Class A Shares, the underwriters, dealers or agents, as the case may be, may over-allot or effect transactions intended to fix or stabilize the market price of the Class A Shares at a level above that which might otherwise prevail in the open market. An over-allotment or the right to increase the size of the offering involves sales in excess of the offering size, which creates a short position. Stabilizing transactions involve bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. These transactions may cause the price of the Class A Shares sold in an offering to be higher than they would otherwise be. The size of any over-allotment or any right to increase the size of the offering is not known at this time but will, as applicable, be set forth in the applicable Prospectus Supplement for an Offering of Class A Shares. Such transactions, if commenced, may be discontinued any time.

The Class A Shares may also be sold directly by the Fund at such prices and upon such terms as are agreed to by the Fund and the purchaser or through agents designated by the Fund from time to time.

Underwriters, dealers and agents who participate in the distribution of the Class A Shares may be entitled under agreements to be entered into with the Fund to indemnification by the Fund against certain liabilities, including liabilities under securities legislation, or to contribution with respect to payments which such underwriters, dealers or agents may be required to make in respect thereof.

This Prospectus qualifies the distribution of the Class A Shares. Each Prospectus Supplement will specify whether an application has been made to a securities exchange to list the Class A Shares offered hereby.

## **USE OF PROCEEDS**

### **Principal Purposes**

The Class A Shares will be issued from time to time at the discretion of the Fund. The net proceeds derived from the issue of the Class A Shares under any Prospectus Supplement will be the aggregate offering amount thereof less any commission and other issuance costs paid in connection therewith. The net proceeds cannot be estimated as the amount thereof will depend on the number and price of the Class A Shares issued under any Prospectus Supplement. Unless otherwise specified in the applicable Prospectus Supplement, the Fund will use substantially all of the net proceeds of such Offering to fund mortgage loans made by the Fund from time to time in a manner consistent with the investment objective and investment strategies of the Fund, with the balance of the net proceeds being used by the Fund for general working capital expenditures.

## **PRINCIPAL SHAREHOLDERS**

Each of Ugo Bizzarri, Andrew Jones, David Melo, Carrie Morris and R. Blair Tamblyn owns beneficially and of record 20% of the issued and outstanding Voting Shares of the Fund.

All of the Voting Shares of the Fund are held in escrow with a trust company, as escrow agent (the “Voting Share Escrow Agent”), pursuant to an agreement (the “Voting Share Escrow Agreement”) dated July 7, 2008 among the holders thereof and the Voting Share Escrow Agent. Under the Voting Share Escrow Agreement, none of the Voting Shares of the Fund may be disposed of or dealt with in any manner until all the Shares have been redeemed, without the express consent, order or direction in writing of the OSC except that the Voting Shares may be pledged to a Canadian chartered bank as collateral to secure a bona fide debt to such bank.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

The Fund Manager and the Fund Advisor will receive the fees described under “Fees and Expenses” for their respective services to the Fund and will be reimbursed by the Fund or the Fund Manager, as the case may be, for certain expenses incurred in connection with the operation and administration of the Fund and may invest in mortgage loans in respect of property that the Fund Manager, the Fund Advisor or any affiliate of any of them (collectively, “Timbercreek Affiliates”) has an interest in. A Timbercreek Affiliate may earn fees from providing investment advisory services to funds invested in such properties. See “Fees and Expenses” and “Risk Factors — Conflicts of Interest”. Moreover, the Fund’s activities may from time to time be restricted due to regulatory restrictions applicable to Timbercreek Affiliates, and/or their internal policies designed to comply with such restrictions. As a result, there may be periods, for example, during which the Fund Manager, the Fund Advisor or the Fund may be restricted from engaging in certain transactions.

## **LEGAL MATTERS**

Certain legal matters in connection with the Class A Shares offered by this Prospectus will be passed upon by McCarthy Tétrault LLP and, in respect of tax matters, Thorsteinssons LLP on behalf of the Fund. As of the date hereof, the partners and associates of McCarthy Tétrault LLP and Thorsteinssons LLP, as a group, each beneficially own less than 1% of the outstanding securities of the Fund and its affiliates and associates.

## **PROMOTER**

The Fund Manager has taken the initiative in organizing the Fund and, accordingly, may be considered to be a “promoter” of the Fund within the meaning of the securities legislation of certain provinces and territories of Canada. See “Organization and Management Details of the Fund”. The Fund Manager is owned as to 48.9% by certain of the Principal Shareholders, who collectively own 100% of the Voting Shares of the Fund. The Fund Manager will receive fees from the Fund and may be entitled to reimbursement of expenses incurred in relation to the Fund as described under “Fees and Expenses”.

## **AUDITORS**

The auditors of the Fund are KPMG LLP. The auditors of the Fund have confirmed that they are independent of the Fund within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. The address of KPMG LLP is Bay Adelaide Centre, 333 Bay Street, Suite 4600, Toronto, Ontario M5H 2S5.

The auditors of the Fund for the period from April 30, 2008 to December 31, 2008 were PricewaterhouseCoopers LLP. PricewaterhouseCoopers LLP confirmed that they were independent of the

Fund within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

### **CUSTODIAN**

Computershare Trust Fund of Canada is the custodian (the “Custodian”) of the Fund’s assets pursuant to a custodian agreement between the Fund and the Custodian. The Custodian is, among other things, in the business of providing professional custodial services. The head office of the Custodian is located in Toronto, Ontario. The Custodian may employ sub-custodians as considered appropriate in the circumstances.

### **TRANSFER AGENT AND REGISTRAR**

CIBC Mellon Trust Fund has been appointed the registrar and transfer agent for the Class A Shares and the Class B Shares at its principal office located in Toronto, Ontario.

### **EXEMPTIONS AND APPROVALS**

The Fund has received from the securities regulatory authorities of each of the provinces and territories in Canada, other than Québec, an order permitting the Fund to calculate NAV twice per month, in the manner described under “Calculation of Net Asset Value”.

### **PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces and territories of Canada provides a purchaser with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of these rights or consult with a legal advisor.

## GLOSSARY OF TERMS

The following is a glossary of terms used in this prospectus.

“**2-Yr GOC Yield**” has the meaning set forth under “Investment Objective, Strategies and Restrictions — Investment Objective”.

“**ABCP**” means asset backed commercial paper.

“**Aggregate Funded and Committed Assets**” has the meaning set forth under “Investment Objective, Strategies and Restrictions — Investment Process”.

“**AIF**” means the Annual Information Form of the Fund dated September 14, 2009.

“**Annual Redemption Date**” has the meaning set forth under “Attributes of Securities — Description of the Class A Shares and Class B Shares — Redemption Privileges”.

“**Asset Allocation Model**” or “**AAM**” means, collectively, the set of investment guidelines governing the allocation of investments in which the Fund assets are placed, as summarized under “Investment Objectives, Strategies and Restrictions — Asset Allocation Model”.

“**Automatic Repurchase**” has the meaning set forth under “Attributes of Securities — Restrictions on Ownership”.

“**Automatic Repurchase Shareholder**” has the meaning set forth under “Attributes of Securities — Restrictions on Ownership”.

“**B-Note**” means a Subordinate Position in an individual mortgage loan the Senior Position of which has been securitized. For greater certainty, a B-Note is a subordinated interest in a first mortgage that is secured directly against the underlying asset and is not a securitized or derivative product.

“**Canadian GAAP**” means Canadian generally accepted accounting principles.

“**Carried Interest**” has the meaning set forth under “Fees and Expenses — Management Fees and Operating Expenses”.

“**CDS**” means CDS Clearing and Depository Services Inc.

“**CDS Participant**” means a person registered as a participant with CDS.

“**Class A Monthly Redemption Price**” has the meaning set forth under “Attributes of Securities — Description of the Class A Shares and Class B Shares — Redemption Privileges”.

“**Class A Shares**” has the meaning set forth on the face page of this prospectus and “**Class A Share**” means one Class A Share.

“**Class B Exchange Ratio**” has the meaning set forth under “Attributes of Securities — Description of the Class A Shares and Class B Shares — Exchange Feature for the Class B Shares — Determination of Exchange Ratio”.

“**Class B Share**” means one Class B share of the Fund.

“**Class Net Redemption Value**” has the meaning set forth under “Calculation of Net Asset Value and Net Redemption Value — Calculation of Net Redemption Value”.

“**CMSI**” means Canadian Mortgage Strategies & Investments.

“**Conventional Mortgage**” has the meaning set forth under “Investment Objective, Strategies and Restrictions — Targeted Investments”.

“**CRRIC**” means Canadian Residential Retirement Investment Corporation.

“**CRRIC Transaction**” means the purchase of certain mortgages by the Fund from CRRIC on December 18, 2009 pursuant to the agreement made between the Fund and CRRIC as of November 25, 2009.

“**Customized Mortgages**” has the meaning set forth under “Investment Objective, Strategies and Restrictions – Targeted Investments”.

“**DPSPs**” means deferred profit sharing plans as defined in the Tax Act.

“**Exchange**” has the meaning set forth under “Attributes of Securities — Description of the Class A Shares and Class B Shares — Redemption Privileges — Monthly Redemptions”.

“**Exchange Feature**” has the meaning set forth under “Attributes of Securities — Description of the Class A Shares and Class B Shares — Exchange Feature for the Class B Shares”.

“**Extraordinary Resolution**” has the meaning set forth under “Shareholder Matters — Matters Requiring Shareholder Approval”.

“**Fund**” means Timbercreek Mortgage Investment Corporation.

“**Fund Advisor**” means Timbercreek Investment Management Inc.

“**Fund Advisory Agreement**” has the meaning set forth under “Organization and Management Details of the Fund – Fund Advisor”.

“**Fund End Date**” has the meaning set forth under “Shareholder Matters — Termination of the Fund”.

“**Fund Management Agreement**” has the meaning set forth under “Organization and Management Details of the Fund — Fund Manager — Duties and Services Provided by the Fund Manager and Details of the Fund Management Agreement”.

“**Fund Manager Fee**” has the meaning set forth under “Fees and Expenses — Management Fees and Operating Expenses”.

“**Fund Manager**” means Timbercreek Asset Management Inc.

“**Hurdle Rate**” has the meaning set forth under “Fees and Expenses — Management Fees and Operating Expenses”.

“**IRC**” means Independent Review Committee.

“**Lender Fees**” means the mortgage origination and placement fees generated in connection with mortgage loans funded by the Fund.

“**MAC**” means the Mortgage Advisory Committee appointed by the Fund Advisor.

“**Market Price**” has the meaning set forth under “Attributes of Securities — Description of the Class A Shares and Class B Shares — Redemption Privileges — Monthly Redemptions”.

“**MIC**” means a “mortgage investment corporation” as defined under the Tax Act.

“**Monthly Exchange Date**” has the meaning set forth under “Attributes of Securities — Description of the Class A Shares and Class B Shares — Exchange Feature for the Class B Shares”.

“**Mortgage Assets**” means mortgage loan investments.

“**NAV**” means the net asset value of the Fund.

“**Net Change in Fund Assets**” has the meaning set forth under “Calculation of Net Asset Value and Net Redemption Value — Calculation of Net Redemption Value”.

“**NI 81-107**” means National Instrument 81-107 Independent Review Committee for Investment Funds.

“**Non-Conventional Mortgage**” has the meaning set forth under “Investment Objective, Strategies and Restrictions — Targeted Investments”.

“**NRV**” has the meaning set forth under “Calculation of Net Asset Value and Net Redemption Value — Calculation of Net Redemption Value”.

“**NRV per Class A Share**” has the meaning set forth under “Calculation of Net Asset Value and Net Redemption Value — Calculation of Net Redemption Value — Net Redemption Value per Class A Share and Net Redemption Value per Class B Share”.

“**NRV per Class B Share**” has the meaning set forth under “Calculation of Net Asset Value and Net Redemption Value — Calculation of Net Redemption Value — Net Redemption Value per Class A Share and Net Redemption Value per Class B Share”.

“**NRV per Share**” refers to NRV per Class A Share or NRV per Class B Share, as applicable.

“**Offering**” means the offering of Class A Shares qualified by this prospectus.

“**Ordinary Resolution**” has the meaning set forth under “Shareholder Matters — Matters Requiring Shareholder Approval”.

“**OTPPB**” means Ontario Teachers’ Pension Plan Board.

“**Portfolio**” means the portfolio of Mortgage Assets funded directly and indirectly (through TMIF) by the Fund from time to time.

“**Principal Shareholders**” has the meaning set forth under “Attributes of Securities”.

“**Proportionate Share**” has the meaning set forth under “Calculation of Net Asset Value and Net Redemption Value — Calculation of Net Redemption Value”.

“**RDSPs**” means registered disability savings plans as defined in the Tax Act.

“**RESPs**” means registered education savings plans.

“**Redemption Date**” has the meaning set forth under “Attributes of Securities — Description of the Class A Shares and Class B Shares — Redemption Privileges”.

“**Redemption Payment Date**” has the meaning set forth under “Attributes of Securities — Description of the Class A Shares and Class B Shares — Redemption Privileges”.

“**Related Persons**” include a corporation and the person or persons that control the corporation, a parent corporation and its subsidiary corporation(s) and corporations that are part of the same corporate group, and an individual and that individual’s spouse, common-law partner or child under 18 years of age.

“**Repurchased Shares**” has the meaning set forth under “Attributes of Securities — Restrictions on Ownership”.

“**RRIFs**” means registered retirement income fund as defined in the Tax Act.

“**RRSPs**” means registered retirement savings plans as defined in the Tax Act.

“**Senior Position**” has the meaning set forth under “Investment Objective, Strategies and Restrictions — Investment Strategies”.

“**Servicing Agents**” has the meaning set forth under “Organization and Management Details of the Fund — Mortgage Servicing”.

“**Share Class Expenses**” has the meaning set forth under “Calculation of Net Asset Value and Net Redemption Value — Calculation of Net Redemption Value”.

“**Shared Expenses**” has the meaning set forth under “Calculation of Net Asset Value and Net Redemption Value — Calculation of Net Redemption Value”.

“**Shareholders**” means, collectively, the holders of Class A Shares and the holders of Class B Shares.

“**Shares**” means, collectively, the Class A Shares and the Class B Shares.

“**Subordinate Position**” has the meaning set forth under “Investment Objective Strategies, and Restrictions — Investment Strategies”.

“**Tax Act**” means the *Income Tax Act* (Canada), as amended.

“**TII**” means Timbercreek Investments Inc.

“**Timbercreek Affiliate**” has the meaning set forth under “Interest of Management and Others in Material Transactions”.

“**Timbercreek REIT**” means Timbercreek Real Estate Investment Trust.

“**TMIF**” means Timbercreek Mortgage Investment Fund.

“**Trading Price**” has the meaning set forth under “Attributes of Securities — Description of the Class A Shares and Class B Shares — Redemption Privileges — Monthly Redemptions”.

“**Trailer Fee**” has the meaning set forth under “Fees and Expenses — Sales Commission and Trailer Fees”.

“**Transfer Date**” means July 7, 2008.

“**Triggering Transaction**” has the meaning set forth under “Attributes of Securities — Restrictions on Ownership”.

“**TSX**” means the Toronto Stock Exchange.

“**Valuation Date**” has the meaning set forth under “Calculation of Net Asset Value and Net Redemption Value — Calculation of Net Asset Value”.

“**Voting Share Escrow Agent**” has the meaning set forth under “Principal Shareholders”.

“**Voting Share Escrow Agreement**” has the meaning set forth under “Principal Shareholders”.

“**Voting Shares**” has the meaning set forth under “Attributes of Securities”.

## AUDITORS' CONSENT

We have read the short form base shelf prospectus of Timbercreek Mortgage Investment Corporation (the "Fund") dated December 30, 2009 relating to the issue and sale of up to \$180,000,000 of Class A Shares of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned base shelf prospectus of our report to the Shareholders of the Fund on the following financial statements of the Fund:

- Consolidated statement of net assets as at December 31, 2008;
- Consolidated statement of investment portfolio as at December 31, 2008; and
- Consolidated statements of operations, changes in net assets and cash flows for the period from April 30, 2008 (date of incorporation) to December 31, 2008.

Our report is dated February 23, 2009.

*"PricewaterhouseCoopers LLP"*

Chartered Accountants, Licensed Public Accountants  
Toronto, Canada  
December 30, 2009

**CERTIFICATE OF TIMBERCREEK MORTGAGE INVESTMENT CORPORATION**

Dated: December 30, 2009

This short form prospectus, together with the documents incorporated in this prospectus by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada, other than the Province of Quebec.

By: (Signed) *R. Blair Tamblyn*  
Chief Executive Officer

By: (Signed) *Ugo Bizzarri*  
Chief Financial Officer

On behalf of the Directors

By: (Signed) *Edward W. Boomer*  
Director

By: (Signed) *Zelick L. Altman*  
Director

**CERTIFICATE OF  
TIMBERCREEK ASSET MANAGEMENT INC.**

(as manager and promoter of Timbercreek Mortgage Investment Fund)

Dated: December 30, 2009

This short form prospectus, together with the documents incorporated in this prospectus by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada, other than the Province of Quebec.

By: (Signed) *R. Blair Tamblyn*  
Chief Executive Officer

By: (Signed) *Ugo Bizzarri*  
Chief Financial Officer

On behalf of the Directors

By: (Signed) *R. Blair Tamblyn*  
Director

By: (Signed) *Ugo Bizzarri*  
Director

By: (Signed) *Carrie Morris*  
Director





