

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus supplement (the "Prospectus Supplement"), together with the accompanying short form base shelf prospectus dated December 30, 2009 to which it relates, as amended or supplemented (the "Prospectus"), and each document incorporated by reference into this Prospectus Supplement and in the 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. The securities offered hereby have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), and, subject to certain exceptions, may not be offered or sold within the United States or to U.S. persons.

Information has been incorporated by reference into this Prospectus Supplement and into the 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 Telephone: 416-306-9967 and are also available electronically at www.sedar.com.

**PROSPECTUS SUPPLEMENT
TO THE SHORT FORM BASE SHELF PROSPECTUS DATED DECEMBER 30, 2009**

New Issue

February 1, 2010



Timbercreek Mortgage Investment Corporation

\$25,000,000

2,500,000 Class A Shares

Price: \$10.00 per Class A Share

Timbercreek Mortgage Investment Corporation (the "Fund") is hereby qualifying the distribution (the "Offering") of up to 2,500,000 non-voting (except as described in the Prospectus under "Shareholder Matters"), fully participating Class A shares (the "Class A Shares") of the Fund at a price of \$10.00 per Class A Share (the "Offering Price") pursuant to an agency agreement dated February 1, 2010 (the "Agency Agreement") between the Fund Raymond James Ltd., BMO Nesbitt Burns Inc., Macquarie Capital Markets Canada Ltd., Scotia Capital Inc., TD Securities Inc., Canaccord Financial Ltd., HSBC Securities (Canada) Inc., Burgeonvest Bick Securities Limited and M Partners Inc. (the "Agents"). The other attributes of the Class A Shares offered under this Prospectus Supplement are described in the accompanying Prospectus under "Attributes of Securities". The Offering Price was determined by negotiation between the Fund and the Agents.

The outstanding Class A Shares are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the symbol "TMC-T". The closing price of the Class A Shares on the TSX on January 29, 2010 was \$9.96 per Class A Share. The TSX has conditionally approved the listing of the Class A Shares offered under this Prospectus Supplement on the TSX. Listing is subject to the Fund fulfilling all of the requirements of the TSX on or before April 26, 2010.

	Price to the Public⁽¹⁾	Agents' Fees⁽²⁾	Net Proceeds to the Fund⁽³⁾
Per Class A Share.....	\$10.00	\$0.55	\$9.45
Maximum Offering ⁽⁴⁾	\$25,000,000	\$1,375,000	\$23,625,000

Notes:

⁽¹⁾ The price of the Class A Shares has been determined by negotiation between the Fund and the Agents. The Offering has a minimum subscription of \$2,500.

- (2) An amount equal to 5.5% of the gross proceeds of the Offering (including any exercise of the Over-Allotment Option (as defined below)) is payable to the Agents upon the closing of the Offering or the Over-Allotment Option (as applicable).
- (3) Before deducting expenses of the Offering (excluding the Agents' fees) estimated to be \$250,000, which, together with the Agents' fees, will be paid by the Fund. The Fund is responsible for the expenses of the Offering up to a maximum of \$500,000. The Fund Manager will be responsible for any amount over such maximum.
- (4) The Fund has granted the Agents an over-allotment option, exercisable for a period of 30 days from the closing of the Offering, to purchase additional Class A Shares representing 15% of the number of Class A Shares sold under the Offering, on the same terms as set out above solely to cover over-allotments, if any, and for market stabilization purposes (the "Over-Allotment Option"). If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Agents' Fees" and "Net Proceeds to the Fund" will be \$28,750,000, \$1,581,250 and \$27,168,750, assuming completion of the maximum Offering. This Prospectus Supplement qualifies the distribution of the Over-Allotment Option and the distribution of the Class A Shares issuable upon exercise of the Over-Allotment Option. A purchaser who acquires Class A Shares forming part of the Agents' over-allocation position acquires those securities under this Prospectus Supplement, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

<u>Agents' Position</u>	<u>Maximum number of Class A Shares</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	375,000	30 days from the closing of the Offering	\$10.00

A return on your investment in the Fund is not comparable to the return on an investment in a fixed-income security. The recovery of your initial investment is at risk, and the anticipated return on your investment is based on many performance assumptions. Although the Fund intends to make distributions on its Class A Shares, these distributions may be reduced, suspended or not made at all. The actual amount of distributions paid will depend on numerous factors, including without limitation, risks related to the Fund's ability to acquire and maintain a portfolio of mortgage assets that generates the returns targeted by the Fund manager and borrower defaults. In addition, the market value of the Class A Shares may decline if the Fund is unable to meet distribution payment expectations in the future, and that decline may be significant. See "Risk Factors".

The Agents offer the Class A Shares on a commercially reasonable efforts basis, subject to prior sale, if, as and when issued, sold and delivered by the Fund in accordance with the conditions contained in the Agency Agreement described under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Fund by McCarthy Tétrault LLP and Thorsteinssons LLP and on behalf of the Agents by Fasken Martineau DuMoulin LLP. In connection with this Offering and in accordance with and subject to applicable laws, the Agents are permitted to engage in transactions that stabilize or maintain the market price of the Class A Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See "Plan of Distribution".

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Book-entry only certificates representing the Class A Shares will be issued in registered form to CDS Clearing and Depository Services Inc. ("CDS") or its nominee and will be deposited with CDS on the date of the closing of the Offering, which is expected to occur on or about February 24, 2010, or such later date as the Fund and the Agents may agree, but in any event not later than March 31, 2010. A purchaser of Class A Shares will receive only a customer confirmation from a registered dealer that is a participant in CDS (a "CDS Participant") and from or through which the Class A Shares are purchased. See "Plan of Distribution".

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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IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS

This document is in two parts. The first part is this Prospectus Supplement, which describes the specific terms of the Offering and also adds to and updates information contained in the accompanying Prospectus and the documents incorporated by reference therein. The second part, the accompanying Prospectus, gives more general information.

Only the information contained or incorporated by reference into this Prospectus Supplement and the accompanying Prospectus should be relied upon. The Fund has not authorized any other person to provide different information. If anyone provides different or inconsistent information, it should not be relied upon. The Class A Shares may not be offered or sold in any jurisdiction where the offer or sale is not permitted. Unless otherwise indicated, the statistical, operating and financial information contained in this Prospectus Supplement is presented as of the date of this Prospectus Supplement. The information appearing in this Prospectus Supplement, the Prospectus and the documents incorporated by reference herein or in the Prospectus is accurate only as of their respective dates regardless of the date of

delivery of this Prospectus Supplement and the accompanying Prospectus. The Fund's affairs, financial condition, results of operations and prospects may have changed since those dates.

FINANCIAL INFORMATION AND ACCOUNTING PRINCIPLES

Unless otherwise indicated, financial information in this Prospectus Supplement has been prepared in accordance with Canadian generally accepted accounting principles.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus Supplement is deemed, as of the date hereof, to be incorporated by reference into the accompanying Prospectus only for the purposes of the offering of Class A Shares offered hereby. Other documents are also incorporated or deemed to be incorporated by reference into the accompanying Prospectus, and reference should be made to the accompanying Prospectus for full details.

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

- (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), including documents of the type set forth above, and all prospectus supplements related to the Offering disclosing additional or updated information filed by the Fund pursuant to the requirements of applicable securities legislation in Canada after the date of this Prospectus Supplement and prior to completion or withdrawal of this Offering, will be deemed to be incorporated by reference into this Prospectus Supplement and the accompanying Prospectus. The documents incorporated by reference herein and in the accompanying Prospectus contain meaningful and material information relating to the Fund, and prospective investors should review all information contained in this Prospectus Supplement, the Prospectus and the documents incorporated by reference before making an investment decision.

Any statement contained in the Prospectus, this Prospectus Supplement or in a document incorporated or deemed to be incorporated by reference in the Prospectus for the purposes of the Offering shall be deemed to be modified or superseded for the purposes of the Prospectus and this Prospectus Supplement, to the extent that a statement contained herein or in any subsequently filed document that also is or is deemed to be incorporated by reference herein or in the Prospectus 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 the Prospectus or this Prospectus Supplement.

Upon a new annual information form being filed by the Fund with, and where required, accepted by, the applicable securities regulatory authorities during the currency of this Prospectus Supplement, the previous annual information form 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 Supplement for the purpose of offers and sales of Class A Shares hereunder. Upon new 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 Supplement, 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 audited financial statements were filed, shall be superseded and no longer shall be deemed to be incorporated by reference in this Prospectus Supplement for the purpose of 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 Supplement, 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 Supplement for the purpose of offers and sales of the Class A Shares under this 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, Telephone: 416-306-9967.

ELIGIBILITY FOR INVESTMENT

In the opinion of Thorsteinssons LLP, tax counsel to the Fund and Fasken Martineau DuMoulin LLP, counsel to the Agents, if issued on the date hereof, the Class A Shares would be qualified investments under the Tax Act for a trust governed by a RRSP, a RRIF, a DPSP, a RDSP, a TFSA or a RESP (collectively, "Plans") provided that either: (i) the Class A Shares are listed on a designated stock exchange for the purposes of the Tax Act (which includes the TSX), or (ii) the Fund qualifies as a MIC throughout a taxation year and further provided that at any time in the relevant calendar year, the Fund does not hold any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer, or a subscriber under the Plan, or of any other person who does not deal at arm's length with that person.

Notwithstanding that the Class A Shares may be qualified investments for a trust governed by a TFSA, the holder of a TFSA that holds Class A Shares will be subject to a penalty tax if such Class A Shares are a "prohibited investment" for that TFSA. The Class A Shares will generally be a "prohibited investment" if the holder of a TFSA does not deal at arm's length with the Fund for purposes of the Tax Act or the holder of the TFSA has a "significant interest" (within the meaning of the Tax Act) in the Fund or a corporation, partnership or trust with which the Fund does not deal at arm's length for purposes of the Tax Act.

ABOUT THIS PROSPECTUS SUPPLEMENT

Unless otherwise indicated or the context otherwise requires, the disclosure contained in this Prospectus Supplement assumes that the Over-Allotment Option is not exercised.

In this Prospectus Supplement, 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 Supplement, the term "commercial property" means similar types of property unless the context otherwise requires. In this Prospectus Supplement, 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.

Unless otherwise defined in this Prospectus Supplement, capitalized terms used in this Prospectus Supplement have the meanings assigned to such terms in the “Glossary of Terms” commencing at page 59 of the accompanying Prospectus.

In this Prospectus Supplement, reference to “\$” are to Canadian dollars.

FORWARD-LOOKING STATEMENTS

This Prospectus Supplement 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 MIC under 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 Supplement. 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 and to effectively manage the Mortgage Assets in circumstances where an issue has arisen with respect to repayment of a mortgage loan or the borrower, 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 Supplement. 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”.

BUSINESS OF THE FUND

The Fund, incorporated under the laws of the Province of Ontario, was launched in July 2008 to provide investors 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. Pursuant to the Prospectus, the Fund intends to grow its portfolio of Mortgage Assets (the “Portfolio”) by from time to time filing additional supplements to the Prospectus in order to raise additional capital for the purpose of investing in additional Mortgage Assets. The Fund Manager believes that the optimal size of the Portfolio is approximately \$250,000,000, based upon market fundamentals such as aggregate size of the customized lending market, its targeted average loan size and its analysis of expected competition. This optimal Portfolio size is intended to provide the Fund with greater diversification of Mortgage Assets, added mortgage loan funding capacity and flexibility and to create a larger market for the Class A Shares while still allowing the Fund Manager to effectively manage the diversified portfolio of mortgage loans.

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 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 real property across Canada, primarily located in larger urban markets and their surrounding areas, which are typically more liquid and provide more predictable security for mortgage loans. The Fund primarily is focused on investing in mortgages that are secured by income-producing assets where interest on the loan can be serviced from cash flows generated by the underlying assets.

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 31, 2009, the Fund Manager had approximately \$1 billion in assets under management through its five private and public funds invested directly in real estate assets (primarily multi-residential) (the “Timbercreek Real Estate Funds”) and in mortgage debt.

The Timbercreek Real Estate Funds currently own over 8,500 units across 8 Canadian cities that are exclusively managed by the Fund Manager and its five regional offices. In many cases, the Fund is able to leverage the local market knowledge of the Fund Manager’s existing real estate platform in order to better analyze a mortgage investment opportunity.

The Fund has entered into a loan (the “Loan”) with a lender which permits the Fund to borrow up to \$4,000,000 at an annual interest rate of 9.0% and which matures on November 30, 2010. The Loan assists the Fund in managing the timing differences between funding new mortgage loans and the repayment of existing mortgage loans. The Fund has granted a general security interest in favour of the lender under the Loan over the assets of the Fund. As at the date of this Prospectus Supplement, the Fund has borrowed \$ 2,000,000 under the Loan.

Further details regarding the business and development of the Fund can be found in the accompanying Prospectus.

CURRENT MARKET CONDITIONS

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.

Based on publicly available data, 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. Prior to the commencement of the global financial market crisis in 2008, the commercial mortgage backed securities (“CMBS”) market was a key source of commercial real estate term loans accounting for over 25% of new commercial real estate debt in Canada in 2006. The Canadian market, however, has not seen a successful CMBS issuance since 2007 which has resulted in a substantial reduction in credit available in Canada. Further, for 2010 and 2011, the maturing balance of CMBS loans is just over \$1 billion per year rising to \$1.6 billion in 2012 and peaking at \$2.4 billion in 2016. In the absence of a revived CMBS market, there will be a need to fill this funding gap. The reduction in debt available in Canada provides the Fund Manager with access to an increased number of potential mortgage lending transactions and has enabled it to obtain higher returns with reduced risk.

TARGETED INVESTMENTS

The Fund focuses 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.

THE PORTFOLIO

As of January 18, 2010, the Fund had 47 Mortgage Assets outstanding with an average size of approximately \$1.5 million with an average loan-to-appraised value of 69% (based on appraisals performed by an arm’s length, third party at the time of funding the mortgage loans. The value of land may change from the date of appraisal (see “Risk Factors – Changes in Land Values”). The following table illustrates, as of January 18, 2010, the number, value and percentage of mortgage loans comprising the Portfolio by property type relative to the allocation targeted by the Fund Advisor (“Target Allocation”) and the maximum allocation levels specified in the Fund’s Asset Allocation Model (“AAM Allocation”):

Property Type	Portfolio Mortgages (#)	Value ⁽¹⁾ (\$)	%	Target Allocation	AAM Allocation
Residential and multi-residential	34	48,117,895	66.71	50%	Less than 80%
<i>Multi family</i>	18	27,729,808	38.44	–	–
<i>Retirement</i>	13	15,947,150	22.11	–	–
<i>Other</i>	2	2,870,937	3.98	–	–
<i>Single family</i>	1	1,570,000	2.18	–	–
Retail	5	8,647,931	11.99	15%	Less than 50%
Office	5	5,505,000	7.63	15%	Less than 50%
Unimproved land	1	183,678	0.25	5%	Less than 25%
Industrial	2	1,500,000	2.08	10%	Less than 50%
Self-storage, hotels and other	0	0	0	5%	Less than 20%
Cash	–	8,182,714	11.34	–	–
Total:	47	72,137,218	100%	100%	

⁽¹⁾ The value is equal to the market value on all such mortgage investments plus cash and cash equivalents.

The following table illustrates, as of January 18, 2010, the number, value and percentage of the mortgage loans comprising the Portfolio by geographic location relative to the Target Allocation and the AAM Allocation:

Geographic Location of Property	Portfolio Mortgages (#)	Value ⁽¹⁾ (\$)	%	Target Allocation	AAM Allocation
Ontario	11	18,835,365	26.11	60%	Less than 80%

Geographic Location of Property	Portfolio Mortgages (#)	Value⁽¹⁾ (\$)	%	Target Allocation	AAM Allocation
Alberta	9	12,185,140	16.89	10%	Less than 50%
Quebec	10	10,841,137	15.03	15%	Less than 35%
British Columbia	10	14,783,408	20.49	10%	Less than 50%
Other provinces and territories	7	7,309,454	10.13	5%	Less than 25%
Cash	–	8,182,714	11.34	–	–
Total:	47	72,137,218	100%	100%	

⁽¹⁾ The value is equal to the market value on all such mortgage investments plus cash and cash equivalents.

The following table illustrates, as of January 18, 2010, the number, outstanding principal amount and percentage of mortgage loans comprising the Portfolio categorized by loan-to-appraised value:

Loan-to-Appraised Value⁽¹⁾	Portfolio Mortgages (#)	Portfolio Outstanding Principal⁽²⁾ (\$)	%
Less than 56%	6	5,850,249	9.15
56% - 60.99%	5	8,264,977	12.92
61% - 65.99%	6	7,607,506	11.90
66% - 70.99%	9	12,343,134	19.30
71% - 75.99%	9	18,104,250	28.31
75% - 80.99%	8	9,123,137	14.27
81% - 85.99%	4	2,661,250	4.16
Total:	47	63,954,504	100.00

⁽¹⁾ Based on an appraisal performed by an arm's length, third party at the time of funding each mortgage loan. The value of land may change from the date of appraisal. See "Risk Factors – Changes in Land Values".

⁽²⁾ The outstanding principal is equal to the market value on all such mortgage investments.

The following table illustrates, as of January 18, 2010, the number, outstanding principal amount and percentage of mortgage loans comprising the Portfolio categorized by contractual interest rate:

Interest Rate (excluding fees earned by the Fund)	Portfolio Mortgages (#)	Portfolio Outstanding Principal⁽¹⁾ (\$)	%
Less than or equal to 10%	6	5,955,000	9.31
10% - 10.49%	1	547,931	0.86
10.50% - 10.99%	3	9,553,012	14.94
11% - 11.49%	12	13,715,937	21.45
11.50% - 11.99%	11	10,986,556	17.18
12% - 12.49%	6	8,890,293	13.90
12.50% - 12.99%	1	3,396,457	5.31
13% - 13.49%	2	3,620,500	5.66
13.50% - 13.99%	1	250,000	0.39

Interest Rate (excluding fees earned by the Fund)	Portfolio Mortgages (#)	Portfolio Outstanding Principal⁽¹⁾ \$	%
Greater than or equal to 14%	4	7,038,817	11.01
Total:	47	63,954,504	100.00

⁽¹⁾ The outstanding principal is equal to the market value on all such mortgage investments.

The following table illustrates, as of January 18, 2010, the number and outstanding principal of mortgage loans comprising the Portfolio categorized by year of maturity:

Year of Maturity	Portfolio Mortgages (#)	Portfolio Outstanding Principal⁽¹⁾ \$
2010	30	35,833,353
2011	5	10,126,817
2012	12	17,994,334
Total:	47	63,954,504

⁽¹⁾ The outstanding principal is equal to the market value on all such mortgage investments.

The following table illustrates, as of January 18, 2010, the number and outstanding principal of mortgage loans comprising the Portfolio categorized by average duration:

Average duration of mortgages	Portfolio Mortgages (#)	Portfolio Outstanding Principal⁽¹⁾ \$
0 – 6 months	6	5,759,189
7 – 12 months	9	10,355,459
13 – 18 months	7	11,016,457
19 – 24 months	6	7,073,914
25 – 30 months	4	9,919,334
31 – 36 months	14	19,038,333
36 months +	1	791,817
Total:	47	63,954,504

⁽¹⁾ The outstanding principal is equal to the market value on all such mortgage investments.

Since January 18, 2010, two mortgage loans in the aggregate principal amount of \$5.2 million were repaid by the respective borrowers to the Fund.

The Portfolio consists of a diversified pool of mortgages, or interests therein, meeting the criteria established in the Asset Allocation Model. The mortgage loans comprising the Portfolio include the following attributes:

- (i) Interest only loans with a typical duration of 12 - 36 months;
- (ii) First mortgage positions and syndicated first mortgage positions where the Senior Position is held by a strategic partner;

- (iii) Mortgages invested primarily in large urban markets across Canada, providing geographic diversification of the Portfolio;
- (iv) Mortgages secured by the properties to which they relate and typically include corporate and/or personal guarantees of the borrowers; and
- (v) All loans are uninsured Conventional Mortgage loans.

As of the date hereof, the Fund Manager believes that the Portfolio is well diversified. The following table provides a selection of mortgages included in the Portfolio that are expected to be representative of mortgage loan investments that the Mortgage Manager intends to make after the closing of the Offering.

Deal Name	Prov.	Loan Value	Loan To Value⁽¹⁾	Term (months)	Effective Interest Rate	Position	Allocation Product Type
Multifamily Portfolio	ON/NS	\$2,000,000	80.3%	25	9.50%	First	Multi-Residential
Granville	BC	\$1,750,000	67.5%	25	11.00%	Second	Retail
Du Fort	QC	\$1,000,000	74.4%	13	12.00%	Second	Multi-Residential
The Pacifica	BC	\$4,622,000	57%	12	14.00%	Second	Multi-Residential (Retirement)
Reneaude-Lapointe	QC	\$3,200,000	68%	36	10.90%	First	Retail

⁽¹⁾ Based on an appraisal performed by an arm's length, third party at the time of funding each mortgage loan. The value of land may change from the date of appraisal. See "Risk Factors – Changes in Land Values".

As part of the Fund's investment process, the Fund Manager regularly extends to potential borrowers commitment letters to fund new mortgage loans ("Committed Mortgages"). There can be no assurance that Committed Mortgages will become funded mortgage loans of the Fund until funds are advanced to the borrower. As of January 18, 2010, there were 2 Committed Mortgages representing \$5,945,000 in principal amount.

The following is a summary of the Committed Mortgages:

Deal Name	Prov.	Loan Value	Loan To Value⁽¹⁾	Term (months)	Effective Interest Rate	Position	Allocation Product Type
Whitgift Gardens	BC	\$5,500,000	70%	25	11.00%	Second	Multi-Residential
Minaki #2	ON	\$445,000	58%	8	7.00%	First	Residential

⁽¹⁾ Based on an appraisal performed by an arm's length, third party at the time of funding each mortgage loan. The value of land may change from the date of appraisal. See "Risk Factors – Changes in Land Values".

All of the Committed Mortgages have been approved by the MAC and the Fund Advisor.

The Fund is currently targeting investments in Mortgage Assets ranging on average in principal amount of \$3 million to \$6 million per mortgage investment. Despite more permissive restrictions contained in the Asset Allocation Model, the Fund intends that approximately 75% of the Mortgage Assets in the Portfolio will be Conventional Mortgages.

Given the relatively shorter-term, transitional nature of the Customized Mortgages comprising the Portfolio, the Fund Manager actively manages the Portfolio in order to seek to ensure that the Fund is repaid the interest and principal of each mortgage loan during the term of the mortgage and at maturity.

From time to time issues arise with respect to the payment of interest and/or principal of certain mortgage loans included in the Portfolio and, in these circumstances, the Fund Manager uses its best judgment in developing a customized strategy regarding the manner in which to resolve or otherwise deal with those issues. Possible solutions to certain issues may include extending or renewing mortgage loans, accruing interest on the mortgage loans during the final phase of construction of a project, and/or exercising mortgage enforcement remedies for repayment of the mortgage loan.

The Fund Manager generally will extend or renew the term of a mortgage loan or accrue interest thereon when the Fund Manager believes that the risk to the Fund of not being repaid the full principal and interest owing on the mortgage loan is low, including in circumstances where the borrower is current in making payments on the mortgage loan, the value of the security underlying the mortgage loan is high relative to the outstanding principal amount thereof, and/or the project is nearing completion and, if applicable, contracts are in place with purchasers of a substantial portion of the project assets. However, in these circumstances, there is still a possibility that the Fund will need to pursue mortgage enforcement remedies to recover the principal and interest owing on such mortgage loan (see “Risk Factors – Risks Related to Mortgage Defaults”).

The Fund Manager generally will resort to exercising its mortgage enforcement remedies only in circumstances where it believes that it needs to do so in order to mitigate the risk to the Fund of not being paid the principal and interest owing on a mortgage loan. Currently, 2 mortgages representing approximately 3.6% of the principal amount of assets in the Portfolio (representing an aggregate principal amount of approximately \$2,600,000) are subject to mortgage enforcement remedies undertaken by the Fund as a result of various defaults by the respective borrowers and the Fund is in the process of realizing on the security (namely, the underlying property) for each such mortgage loan. The Fund Manager expects to fully recover the principal amounts and accrued interest to date on such mortgage loans, although there is no assurance that it will be able to do so (see “Risk Factors - Risk Factors –Risks Related to Mortgage Defaults”).

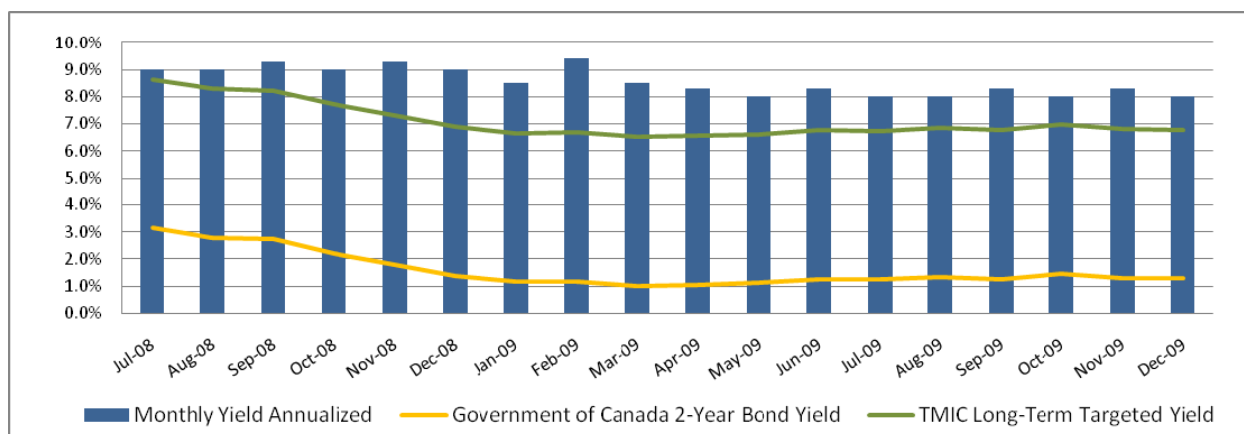
In addition, one mortgage loan in the principal amount of approximately \$3,400,000 or representing approximately 4.7% of the principal amount of the assets in the Portfolio is currently the subject of litigation (see “Legal Proceedings” and “Risk Factors – Litigation Risks”).

The Fund and the Fund Manager have established a reserve that is held back from distributions the Fund makes in order to mitigate the risk of reduced cash flow in the circumstances described above. This reserve is evaluated on a quarterly basis, and is deducted prior to the board of directors of the Fund approving targeted distributions on a quarterly basis.

FUND PERFORMANCE

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. This is achieved by acquiring and maintaining a geographically diversified portfolio of commercial mortgages that are backed by income-producing assets.

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 inception, the Fund has exceeded this targeted yield. The following graph illustrates, on a monthly basis, the annualized yield of the Fund relative to the Fund’s targeted yield and the 2-Yr GOC Yield since inception of the Fund until December 31, 2009:



Since the inception in March 2007 of Timbercreek Mortgage Investment Fund (“TMIF”), the predecessor fund and now wholly-owned by the Fund, to January 18, 2010, TMIF and the Fund have collectively completed 64 mortgage transactions for a total value of approximately \$86.1 million. Over the same time period, TMIF and the Fund have also received \$22.2 million in repayments of capital. During the six-month period ended June 30, 2009, the Fund advanced eight new mortgage investments totaling \$13,062,145 and received repayment on three mortgage investments totaling \$4,547,117.

CAPITALIZATION

The share and loan capitalization of the Fund as at June 30, 2009 and at such date as adjusted to give effect to any material changes thereto and to the issue and sale of the Class A Shares issuable in relation to the Offering is set forth in the table below.

<u>Share Capital</u>	<u>Authorized</u>	<u>Outstanding as at June 30, 2009</u>	<u>Outstanding as at January 29, 2009 after giving effect to the maximum Offering⁽¹⁾</u>
			(unaudited)
Class A Shares	Unlimited	\$38,666,660 (3,889,562 shares)	\$80,093,433 (8,033,616 shares)
Class B Shares	Unlimited	\$16,138,133 (1,622,279 shares)	\$20,120,029 (2,020,239 shares)
Voting Shares	Unlimited	\$100 (100 shares)	\$100 (100 shares)
Issue Costs		(\$2,805,548)	(\$5,301,334)
Total Capitalization		\$51,999,345	\$94,912,228

⁽¹⁾ Includes private placements of an aggregate of 447,002 Class B Shares and an issuance of 1,614,556 Class A Shares subsequent to June 30, 2009. See “Prior Sales” for details.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement dated as of February 1, 2010 between Raymond James Ltd., BMO Nesbitt Burns Inc., Macquarie Capital Markets Canada Ltd., Scotia Capital Inc., TD Securities Inc., Canaccord Financial Ltd.,

HSBC Securities (Canada) Inc., Burgeonvest Bick Securities Limited and M Partners Inc., as Agents, the Fund and the Fund Manager, the Agents have agreed to offer the Class A Shares, as agents of the Fund, on a commercially reasonable efforts basis, if, as and when issued by the Fund. The Offering is expected to close on February 24, 2010 or such other date agreed to by the Fund and the Agents, but in any event no later than March 31, 2010. Assuming completion of the Offering, the Agents will receive a fee equal to \$0.55 (representing 5.5% of the Offering Price per Class A Share) for each Class A Share sold, payable by the Fund and will be reimbursed for out-of-pocket expenses incurred by them. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their commercially reasonable efforts to sell the Class A Shares offered hereby, the Agents will not be obligated to purchase Class A Shares which are not sold. The Offering Price for the Class A Shares is fixed at \$10.00 and, together with the aggregate number of Class A Shares offered under the Offering, was determined by negotiation between the Fund and the Agents.

The Fund has granted the Agents an over-allotment option, exercisable for a period of 30 days from the closing of the Offering, to purchase additional Class A Shares representing 15% of the number of Class A Shares sold under the Offering, on the same terms as set out above solely to cover over-allotments, if any, and for market stabilization purposes (the "Over-Allotment Option"). This Prospectus Supplement qualifies the distribution of the Over-Allotment Option and the Class A Shares issuable on the exercise thereof. The Agents may exercise the Over-Allotment Option, in whole or in part, at any time on or before the close of business on the 30th day following the closing of the Offering. To the extent that the Over-Allotment Option is exercised, the additional Class A Shares issued, as applicable, will be offered at \$10.00 per share and the Agents will be entitled to a fee of \$0.55 (representing 5.5% of the Offering Price per Class A Share) per Class A Share sold.

Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. If the closing of the Offering does not occur for any reason, subscription proceeds received from prospective purchasers will be returned to such purchasers promptly without interest or deduction. Subscriptions for Class A Shares will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice.

The TSX has conditionally approved the listing of the Class A Shares offered pursuant to this Prospectus on the TSX. Listing is subject to the Fund fulfilling all of the requirements of the TSX on or before April 26, 2010.

Pursuant to policy statements of certain securities regulatory authorities, the Agents may not, throughout the period of distribution, bid for or purchase Class A Shares. The foregoing restriction is subject to certain exceptions, on the conditions that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Class A Shares. Such exceptions include a bid or purchase permitted under applicable bylaws and rules of the relevant self-regulatory authorities relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with this Offering, the Agents may over-allot or effect transactions in connection with their over-allotment position. Such transactions, if commenced, may be discontinued at any time.

The Class A Shares have not been or will not be registered under the U.S. Securities Act or the securities laws of any state in the United States and, subject to certain exemptions, may not be offered or sold or otherwise transferred or disposed of in the United States.

FEES AND EXPENSES

Offering Fees and Expenses

The expenses of the Offering, estimated to be \$250,000 (including the costs of printing and preparing this Prospectus Supplement, legal expenses, marketing expenses, certain expenses incurred by the Agents and certain other

expenses incurred in connection with the Offering, but excluding Agents' fees), will, together with the Agents' fees in respect of the Offering, be paid from the gross proceeds of the Offering.

The Fund is responsible for the expenses of the Offering up to a maximum of \$500,000. The Fund Manager will be responsible for any amount of expenses over such maximum.

Other Fees

For information on the management fees and operating expenses of the Fund and the sales commission and trailer fees payable to registered dealers, see "Fees and Expenses" in the accompanying Prospectus.

USE OF PROCEEDS

The net proceeds of the Offering, assuming completion of the maximum Offering, are expected to be as follows:

	<u>Maximum Offering</u>
Gross proceeds to the Fund	\$25,000,000
Agents' fees	\$1,375,000
Estimated Expenses of the Offering ⁽¹⁾	<u>\$250,000</u>
Net proceeds to the Fund	\$23,375,000

⁽¹⁾ The Fund is responsible for the expenses of the Offering up to a maximum of \$500,000. The Fund Manager will be responsible for any amount over such maximum.

This is a blind pool Offering. The Fund expects to use (in the sole discretion of the Fund) substantially all of the net proceeds of the Offering (including any net proceeds from the exercise of the Over-Allotment Option) to fund mortgage loans invested in from time to time in a manner consistent with the investment objective and investment strategies of the Fund and the balance for general working capital expenditures of the Fund, however the specific mortgages in which the Fund will invest have not yet been determined. See the accompanying Prospectus for information about the Fund's investment objectives and investment strategies and "Portfolio" for information regarding the nature of the mortgage loans comprising the Fund's current Portfolio. The Fund Manager expects that the net proceeds of the Offering will be fully expended for the acquisition of additional mortgage loan investments and for general corporate and working capital purposes of the Fund within 60 days of the closing of the Offering.

INCOME TAX CONSIDERATIONS

In the opinion of Thorsteinssons LLP, tax counsel to the Fund, the following is a general summary, as of the date hereof, of the principal Canadian federal income tax consequences to investors who hold and dispose of Class A Shares acquired under the Offering. This summary is based on the current provisions of the Tax Act, the regulations to the Income Tax Act (the "Regulations"), all specific amendments to the Tax Act and the Regulations publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof (the "Proposals"), the facts contained in this Prospectus, a certificate of an officer of the Fund as to certain factual matters, and counsel's understanding of the current published administrative and assessing practices and policies of the Canada Revenue Agency (the "CRA") that have been made publicly available prior to the date hereof. No assurance can be made that the Proposals will be enacted in the form proposed or at all.

This summary only applies to an investor who, for the purposes of the Tax Act, is a resident of Canada, will hold the Class A Shares as capital property and deals at arm's length and is not affiliated with the Fund. The Class A Shares will generally be considered to constitute capital property to an investor unless the investor either holds such securities in the course of carrying on a business of trading or dealing in securities or has acquired such securities in a

transaction or transactions considered to be an adventure or concern in the nature of trade, and this summary is based on the assumption that neither of these circumstances apply. Certain investors who are resident in Canada and whose Class A Shares do not otherwise qualify as capital property may in certain circumstances make an irrevocable election to have their Class A Shares and every other “Canadian security” (as defined in the Tax Act) owned by such investor deemed to be capital property.

This summary is based upon the further assumption that the Fund qualifies as a MIC at all relevant times. The Fund has advised counsel that it intends to meet all of the requirements under the Tax Act to qualify as a MIC throughout its current taxation year and for all of its future taxation years. Counsel express no opinion as to the status of the Fund as a MIC. If the Fund were to cease to qualify as a MIC at any time, the income tax considerations would be materially different from those described below.

This summary does not apply to an investor (i) that is a “specified financial institution” or a “financial institution” both as defined in the Tax Act; (ii) an interest in which constitutes a “tax shelter investment” within the meaning of the Tax Act; or (iii) to whom the “functional currency” reporting rules in section 261 of the Tax Act apply.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Class A Shares. It is not intended to constitute tax advice to any prospective investor or to be a substitute for careful individual tax planning, particularly since certain of the income tax consequences will not be the same for all investors. This summary does not address provincial or foreign income tax considerations and, except as otherwise noted, does not take into account or anticipate any changes in law whether by way of legislative, governmental or judicial action or any changes in the administrative practices of the CRA. Investors are urged to consult their own income tax advisers with respect to their particular circumstances.

Status of the Fund

1. Classification under Tax Act

As noted above, this summary assumes that the Fund is a MIC. A MIC is deemed to be a public corporation under the Tax Act. However, the Tax Act effectively treats a corporation that qualifies as a MIC as a flowthrough entity so that a shareholder of a MIC is put in a similar position from an income tax perspective as if the investments made by the MIC had been made directly by the shareholder.

2. MIC Requirements

The following requirements must have been met throughout a taxation year in order for the Fund to qualify as a MIC for that taxation year:

1. *Canadian Corporation.* The Fund must have been a Canadian corporation for the purposes of the Tax Act, which generally means a corporation incorporated and resident in Canada;
2. *Undertaking.* The Fund’s only undertaking was the investing of funds of the corporation. The Fund cannot have managed or developed any real property;
3. *Prohibited Foreign Investment.* None of the property of the Fund consisted of debts owing to the Fund secured by real property situated outside Canada, debts owing to the Fund by non-resident persons unless such debts were secured on real property situated in Canada, shares of the capital stock of corporations not resident in Canada, or real property situated outside of Canada or any leasehold interest in such property;
4. *Shareholder Requirements.* The Fund had at least 20 shareholders (in its first taxation year the Fund must have at least 20 shareholders on the last day of that year). In addition, no shareholder (together with Related Persons, see below) of the Fund at any time in the year owned, directly or indirectly,

more than 25% of the issued shares of any class of the Fund. Special rules apply for the purposes of counting shareholders that are registered pension plans or deferred profit sharing plans;

5. *Preferred Shareholders.* Holders of preferred shares (if any) of the Fund had the right, after payment to them of their preferred dividends and payment of dividends in a like amount per share to the holders of the Shares, to participate pari passu (equally) with the holders of the Shares in any further payment of dividends;
6. *50% Asset Test.* The cost amount for tax purposes to the Fund of its property in the form of or as a combination of money, debts secured on certain specified residential properties, and funds on deposit with a Canada Deposit Insurance Fund or Régie de l'assurance-dépôts du Québec-insured institution or credit union (such debts and deposits referred to as "Required Property") constituted at least 50% of the cost amount to the Fund of all of its property;
7. *25% Asset Test.* The cost amount for tax purposes to the Fund of its property in the form of interests in real property (including leaseholds but excepting real property acquired by foreclosure after default by the mortgagor) did not exceed 25% of the cost amount to the Fund of all of its property; and
8. *Debt to Equity Ratio.* Where at any time in the year the cost amount to the Fund of its money and Required Property represented less than two-thirds of the aggregate cost amount to the Fund of all of its property, the Fund's liabilities may not exceed 75% of its assets (at cost amount). Where, however, throughout the year the cost amount to the Fund of its money and Required Property represented two-thirds or more of the aggregate cost amount to the Fund of all of its property, the Fund's liabilities may not exceed 83.33% of its assets (at cost amount).

With respect to the requirement noted above that no shareholder (together with Related Persons) may own more than 25% of the shares of any class of the Fund, for these purposes "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. The rules in the Tax Act defining "related persons" are complex and holders should consult with their own tax advisors in this regard.

For the purposes of the 50% asset test noted above, the requirement is that the Fund's investments must comprise the specified minimum amount of debts that are secured by mortgages, hypothecs or in any other manner, on "houses" or on property included within a "housing project", as those terms are defined in the National Housing Act (Canada). Generally, a "house" includes all or part of a building or moveable structure that is intended for human habitation containing not more than two family housing units, and "housing project" includes all or part of a building or movable structure intended for human habitation, any property intended to be converted or developed to provide housing accommodation, or property associated with housing accommodation such as parking, public and recreational facilities.

3. Eligibility for Investment

If issued on the date hereof, the Class A Shares would be qualified investments under the Tax Act for a trust governed by a RRSP, a RRIF, a DPSP, a RDSP, a TFSA and a RESP, provided that either: (i) the Fund qualifies as a MIC throughout a taxation year and further provided that at any time in the relevant calendar year, the Fund does not hold any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer, or a subscriber under the Plan, or of any other person who does not deal at arm's length with that person; or (ii) the Class A Shares are listed on a designated stock exchange for the purposes of the Tax Act (which includes the TSX).

Notwithstanding that the Class A Shares may be qualified investments for a trust governed by a TFSA, the holder of a TFSA that holds Class A Shares will be subject to a penalty tax on the Class A Shares if such Class A Shares are a "prohibited investment" for that TFSA. The Class A Shares will generally be a "prohibited investment" if the holder of a TFSA does not deal at arm's length with the Fund for purposes of the Tax Act or the holder of the TFSA has

a “significant interest” (within the meaning of the Tax Act) in the Fund or a corporation, partnership or trust with which the Fund does not deal at arm’s length for purposes of the Tax Act.

Taxation of the Fund

As a public corporation, the Fund is subject to tax at the full general corporate income tax rates on its taxable income. However, as long as the Fund is a MIC, special rules in the Tax Act apply to the Fund which generally enable it to deduct in computing its income for a taxation year the amount of its income for that taxation year that is distributed to its shareholders. Specifically, the Fund will be entitled to deduct, in computing its income for a taxation year, the total of:

- A) all taxable dividends, other than capital gains dividends, paid by the Fund to its shareholders during the year (to the extent not deductible in computing the Fund’s income for the previous year) or within 90 days after the end of the year; and
- B) one-half of all capital gains dividends paid by the Fund to its shareholders during the period commencing 91 days after the commencement of the year and ending 90 days after the end of the year.

The Fund must elect to have a dividend qualify as a capital gains dividend. The Fund may elect that dividends paid during a 12-month period commencing 91 days after the commencement of a taxation year and ending 90 days after the end of the year be capital gains dividends to the extent of the Fund’s capital gains for the year less any applicable capital losses. The election must be made in respect of the full amount of a dividend and can only be made if the Fund qualifies as a MIC throughout the taxation year. The payment of capital gains dividends will allow the Fund to flow capital gains it realizes through to its shareholders.

The Fund has advised counsel that the Fund intends to make distributions to the extent necessary to reduce its taxable income each year to nil so that it has no tax payable under Part I of the Tax Act and to elect to have dividends be capital gains dividends to the maximum extent allowable.

Taxation of Shareholders

Holders of Class A Shares may receive distributions from the Fund in respect of their Class A Shares. As described in more detail below, distributions may be in the form of ordinary dividends or capital gains dividends. Holders of Class A Shares may also realize a capital gain (or loss) upon a disposition of their Class A Shares.

Taxation of Distributions

The Fund may pay a capital gains dividend on Class A Shares. The receipt by a shareholder of such a capital gains dividend (whether paid in cash or reinvested in Class A Shares) will be treated as a capital gain of the shareholder from a disposition in the year of capital property for the year in which the dividend is received. See below under the subheading “Disposition of Class A Shares” for a description of the tax treatment of capital gains.

The Fund may also pay ordinary dividends (i.e., dividends other than capital gains dividends) on the Class A Shares. Ordinary dividends received by a shareholder on Class A Shares (whether paid in cash or reinvested in Class A Shares) will be deemed by the Tax Act to have been received by the shareholder as interest payable on a bond issued by the Fund. Shareholders will therefore be required to include in their income as interest all amounts received as, or on account of, any ordinary dividends. The provisions of the Tax Act providing for interest accrual, the gross-up and dividend tax credit in respect of taxable dividends received by individuals from taxable Canadian corporations, and for the deduction generally available to corporations for inter-corporate dividends received, will not apply in respect of ordinary dividends. Similarly, the provisions of Part IV of the Tax Act will not be applicable to the receipt of ordinary dividends by a corporate shareholder.

The reinvestment of an ordinary dividend or a capital gains dividend in additional Class A Shares will have the same consequence for determining the adjusted cost base of a shareholder’s Class A Shares as any other purchase of Class A

Shares. In particular, if a dividend is paid in Class A Shares, or paid in cash and reinvested in Class A Shares, the adjusted cost base of such Class A Shares acquired by a shareholder will be equal to the amount of the dividend, or the amount of cash so reinvested, as the case may be.

Where a shareholder is a Canadian-controlled private corporation (as defined in the Tax Act), capital gains dividends and ordinary dividends received on the Class A Shares will be subject to an additional tax of 6 $\frac{2}{3}$ %, which is refundable when the shareholder pays taxable dividends (at a rate of \$1.00 per every \$3.00 of taxable dividends paid).

Disposition of Class A Shares

A sale or other disposition of Class A Shares by a shareholder (other than to the Fund), including deemed dispositions such as those arising upon death or emigration, will give rise to a capital gain (or loss) to the extent that the proceeds of disposition of the Class A Shares exceed (or are exceeded by) the shareholder's adjusted cost base of the Class A Shares disposed of and any reasonable disposition costs.

In general, one-half of capital gains ("taxable capital gains") realized in the year by a shareholder on the disposition of Class A Shares will be included in the shareholder's income for the year, and one-half of capital losses ("allowable capital losses") realized in the year on the disposition of Class A Shares will be deducted from the shareholder's taxable capital gains, if any, realized in such year. Allowable capital losses that are not deductible by a shareholder in the year may generally be carried back three years or forward indefinitely and deducted against taxable capital gains realized in such years, subject to the detailed rules in the Tax Act.

Shareholders realizing net capital gains on the disposition of Class A Shares or receiving capital gain dividends on Class A Shares may be subject to an alternative minimum tax under the Tax Act.

Where a shareholder is a Canadian-controlled private corporation, any capital gain from the disposition of a Class A Share will be subject to an additional tax of 6 $\frac{2}{3}$ %, which will be refunded when the shareholder pays taxable dividends (at a rate of \$1.00 per every \$3.00 of taxable dividends paid).

On a redemption or acquisition of Class A Shares by the Fund, the shareholder will be deemed to have received, and the Fund will be deemed to have paid, a dividend in an amount equal to the amount by which the redemption price exceeds the paid-up capital of the Class A Shares. This deemed dividend will be treated in the same manner as other dividends received by the shareholder from the Fund, and will depend on whether the Fund elects that the entire dividend be a capital gains dividend. The balance of the redemption price will constitute the proceeds of disposition of the Class A Shares for purposes of the capital gains rules.

Taxation of Registered Plans

Dividends received by a Plan on Class A Shares while the Class A Shares are a qualified investment for such a Plan will be exempt from income tax in the Plan, as will capital gains realized by the Plan on the disposition of such shares. Withdrawals from Plans, other than a TFSA, are generally subject to tax under the Tax Act.

Additional tax considerations apply where Class A Shares are contributed to a Plan after being acquired. Tax advice should be obtained.

Tax Implications of the Fund's Distribution Policy

The NAV of a Class A Share may be attributable in part to income and capital gains that have been earned by the Fund, but which have not yet been realized and/or paid out as a dividend. If a shareholder invests in Class A Shares before a dividend is declared, the shareholder will be taxable on the full amount of any such dividend that is received by the shareholder. If the Fund adopts a distribution policy of paying equal monthly distributions to Shareholders of record on the last business day of each month, an investor who acquires a Class A Share late in the month but prior to the dividend will pay tax on the entire dividend, which will generally reflect the income and/or capital gains earned by the Fund throughout the month up to the time of payment, though the shareholder will have only just acquired Class A Shares.

RISK FACTORS

An investment in the Class A Shares is subject to a number of risks. In addition to the other information contained or incorporated by reference in this Prospectus Supplement and the accompanying Prospectus, prospective purchasers of the Class A Shares should carefully consider the risk factors as set forth below.

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 or incorporated by reference in this Prospectus Supplement or the accompanying 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 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.

Risks Related to Mortgage Defaults

As part of the Fund Manager’s active management of the Portfolio, among other strategies, the Fund Manager may deem it appropriate to extend or renew the term of a mortgage loan past its maturity, or to accrue the interest on a mortgage loan. The Fund Manager generally will do so if it believes that there is a very low risk to the Fund of not being repaid the full principal and interest owing on the mortgage loan. These strategies may be used in circumstances where the borrower is current in making payments on the mortgage loan and where the value of the security underlying the mortgage loan is high relative to the outstanding principal amount thereof. For example, when a construction project is nearing completion and if contracts are in place with purchasers for substantial portion of the project assets, the Fund Manager may chose to accrue interest on the loan until completion, or to extend the term of the loan until completion.

When a mortgage loan is extended past its maturity, the loan can either be held over on a month to month basis, or renewed for an additional term at the time of its maturity. Notwithstanding any such extension or renewal, if the borrower subsequently defaults under any terms of the loan, the Fund Manager has the ability to exercise its mortgage enforcement remedies in respect of the extended or renewed mortgage loan. As noted in the above paragraph, the Fund also may from time to time determine it appropriate to accrue interest on a mortgage loan, such as near the anticipated completion of a development project where contracts of purchase and sale for a substantial portion of the project assets have been entered into. In these circumstances, the Fund does not receive cash flows from the mortgage during the period of interest accrual and, notwithstanding the existence of contracts of purchase and sale, the possibility exists that the purchasers may not complete the sales, which could result in the Fund having to enforce on its security to recover its investment. Accordingly, the Fund is subject to the risk that the principal and/or accrued interest of such mortgage loan may not be repaid in a timely manner, which could impact the cash flows of the Fund during the period in which it is exercising such remedies. Further, in the event that the valuation of the asset has fluctuated substantially due to market conditions, there is a risk that the Fund may not recover all or substantially all of the principal and interest owed to the Fund in respect of such mortgage loans.

Currently, certain mortgage loans in the Portfolio, as referenced under “The Portfolio”, are subject to mortgage enforcement remedies that are being undertaken by the Fund as a result of various defaults thereunder by the respective borrowers. Exercising mortgage enforcement remedies is a process that requires a significant amount of time to complete, which could adversely impact the cash flows of the Fund during the period of enforcement. In addition, as a result of potential declines in real estate values, in particular given the current economic environment, there is no assurance that the Fund will be able to recover all or substantially all of the outstanding principal and interest owed to the Fund in respect of such mortgages by exercising its mortgage enforcement remedies. Should the Fund be unable to recover all or substantially all of the principal and interest owed to the Fund in respect of such mortgage loans, and if the interest reserve established by the Fund and the Fund Manager is not sufficient to offset the unrecoverable amount, the NAV of the Fund would be reduced, and the returns, financial condition and results of operations of the Fund could be adversely impacted. There are additional risks associated with the Fund exercising its mortgage enforcement remedies (see “Risk Factors – Foreclosure and Related Costs”).

Foreclosure and Related Costs

One or more borrowers could fail to make payments according to the terms of their loan, 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 usually recoverable from the borrower

directly or through the sale of the mortgaged property by power of sale or otherwise, although there is no assurance that they will actually be recovered. In the event that these expenses are not recoverable they will be borne by the Fund.

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.

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 invested 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.

Litigation Risks

The Fund may from time to time become involved in legal proceedings in the course of its business. The Fund is currently involved in litigation relating to the Summit Loan as described under "Legal Proceedings". Due to the inherent uncertainty of the litigation process, the Fund may be unable to enforce its rights in respect of the Summit Loan and may not be able to recover all or substantially all of the principal and interest in respect of such mortgage loan. In addition, the costs of litigation and settlement can be substantial and there is no assurance that such costs will be recovered in whole. During litigation, the Fund is not receiving payments of interest on a mortgage loan that is the subject of litigation, thereby impacting cash flows. The unfavourable resolution of any legal proceedings, including proceedings in respect of the Summit Loan, could have an adverse effect on the Fund and its financial position and results of operations that could be material.

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 recent 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 state of the Canadian credit market, there may be substantial fluctuations 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, 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. An amendment to National Instrument 81-106 – Investment Fund Continuous Disclosure 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, 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.

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” in the accompanying Prospectus. 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 NRV 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 NRV applicable to such Shares. This risk is separate and distinct from the risk that the NAV or NRV 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 NRV 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” in the accompanying Prospectus are attributes that may help to reduce or eliminate a market value discount from the NRV 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 NRV 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 NRV 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, TFSA 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 – Status of the Fund – MIC Requirements”, 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.

LEGAL PROCEEDINGS

In June 2008, the Fund funded a loan against the security of a blanket mortgage charge against three projects: a rental townhouse complex in Kitchener, Ontario (the “Kitchener Project”), a rental apartment project in Cambridge, Ontario, and a luxury residence in Toronto, Ontario (the “Summit Loan”). Personal guarantees for the mortgage loan were also provided by the beneficial owners of the properties (the “Guarantors”).

In April 2009, the Kitchener Project became subject to a receivership. Upon the Fund Manager seeking to enforce its mortgage security against the Kitchener Project, it became evident that the law firm which had represented the Fund (the “Law Firm”) in connection with the Summit Loan had not properly registered the Fund’s mortgage security on the Kitchener Project. As a result of this error, the Fund Manager was unable to enforce on its security over the assets of the Kitchener Project.

The Fund Manager, on behalf of the Fund, has since commenced certain litigation proceedings in order to have the security registered correctly on the Kitchener Project. The Fund has also commenced litigation against the borrowers and Guarantors, and is attempting to realize on the two additional projects pledged as security for the Summit Loan. In addition, the Law Firm has been put on notice of an action against the Law Firm.

On January 25, 2010, the Fund obtained judgment against the borrowers and Guarantors. This judgment gives the Fund the right to possess and sell the pledged assets as well as other assets belonging to the Guarantors, which the Fund is actively pursuing. The Fund Manager believes that the Fund will recover materially all of its principal, accrued interest, and costs through enforcing on one or more of the assets included in the blanket charge or the personal guarantees of the Guarantors, and through proceedings against the Law Firm and its insurer.

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 per Class A Share and aggregate trading volumes on a monthly basis as reported by the TSX for the previous 12 months.

	<u>High</u>	<u>Low</u>	<u>Volume</u>
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	\$11.00	\$9.05	46,064
January 2010 (to January 28, 2010)	\$10.04	\$9.50	50,000

On January 29, 2010, the closing price was \$9.96 per Class A Share on the TSX.

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 \$2.47 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. On January 15, 2010, the Fund issued 200,000 Class B Shares at a price of \$10 per share for gross proceeds of \$2.0 million.

EXPERTS

Certain legal matters in connection with this Offering will be passed upon by McCarthy Tétrault LLP and, in respect of tax matters, Thorsteinssons LLP on behalf of the Fund, and by Fasken Martineau DuMoulin LLP on behalf of the Agents. As of the date hereof, the partners and associates of McCarthy Tétrault LLP, Thorsteinssons LLP and Fasken Martineau DuMoulin 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” in the accompanying Prospectus. 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” in the accompanying Prospectus.

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 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 had 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 Company is the registrar and transfer agent for the Class A Shares and the Class B Shares at its principal office located in Toronto, Ontario.

PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces and territories of Canada provides purchasers 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 supplement 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, revisions of the price or damages if the prospectus supplement and any amendment contains a misrepresentation or is not delivered to the

purchaser, provided that the remedies for rescission, revisions of the price 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.

AUDITOR'S CONSENT

We have read the prospectus supplement of Timbercreek Mortgage Investment Corporation (the Fund) dated February 1, 2010 to the short form base shelf prospectus dated December 30, 2009 relating to the issue and sale of a maximum of 2,500,000 Class A Shares of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with an offering document.

We consent to the incorporation by reference in the above-mentioned prospectus supplement 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.

(signed) PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants

Toronto, Canada
February 1, 2010

CERTIFICATE OF THE FUND

Dated: February 1, 2010

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

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

By: (Signed) Ugo Bizzarri
Chief Financial Officer

On behalf of the Directors

By: (Signed) Glenn Shyba
Director

By: (Signed) Zelick Altman
Director

CERTIFICATE OF THE AGENTS

Dated: February 1, 2010

To the best of our knowledge, information and belief, the short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the securities legislation of each of the provinces and territories of Canada, other than the Province of Québec.

RAYMOND JAMES LTD.

By: (Signed) John D. Bartkiw

BMO NESBITT BURNS INC.

MACQUARIE CAPITAL
MARKETS CANADA LTD.

SCOTIA CAPITAL INC.

TD SECURITIES INC.

By: (Signed) Robin G. Tessier

By: (Signed) Noreen Flaherty

By: (Signed) Stephen Sender

By: (Signed) Andrew Phillips

CANACCORD FINANCIAL LTD.

HSBC SECURITIES (CANADA) INC.

By: (Signed) Justin Bosa

By: (Signed) Brent Larkan

BURGEONVEST BICK
SECURITIES LIMITED

M PARTNERS INC.

By: (Signed) Mario Frankovich

By: (Signed) Steven Isenberg