



Annual Information Form dated
February 26, 2010

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Certain statements included in this annual information form may constitute forward looking statements, including, but not limited to, those identified by the expressions “believe”, “plan”, “intend” and similar expressions to the extent they relate to the Fund, the Fund Manager or the Fund Advisor (as defined herein). Such forward looking statements are not historical facts but reflect the Fund’s, the Fund Manager’s or the Fund Advisor’s current expectations regarding future results or events. Such forward looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. The reader is cautioned to consider these and other factors carefully when making decisions with respect to the Fund and not place undue reliance on forward looking statements. Except as may be required by applicable law, the Fund does not undertake any obligation to update publicly or to revise any such forward looking statements, whether as a result of new information, future events or otherwise.

All information presented in this Annual Information Form, unless otherwise indicated, was prepared as of December 31, 2008.

1.0 Name, Formation and History of Timbercreek Mortgage Investment Corporation

Timbercreek Mortgage Investment Corporation (the “Fund”) is a company incorporated under the laws of the Province of Ontario on April 30, 2008. The head and registered office and mailing address of the Fund are located at 25 Price Street, Toronto, Ontario M4W 1Z1. On July 4, 2008, the articles of the Fund were amended before the closing of the initial public offering of the Fund to reflect the intended share structure of the Fund as described in the initial public offering prospectus of the Fund dated June 25, 2008. The amendments made to the articles of the Fund on July 4, 2008 provided for (i) the creation of the Class A Shares and Class B Shares (collectively, the “Shares”), (ii) the creation of new rights and restrictions attached to the Voting Shares to subordinate the Voting Shares to the Class A Shares and Class B Shares in respect of a return of capital upon distribution of assets on liquidation, dissolution or winding up, (iii) the creation of rights and restrictions attached to the Class A Shares and Class B Shares (including approval rights in respect to certain matters), and (iv) the creation of restrictions on the business that the Fund may carry on. The Fund further amended its articles on July 7, 2008, which amendments confirmed most of the amendments made on July 4, 2008 and, among other things, (i) required that any investment objective and investment restriction of the Fund be contained in the articles of the Fund and not in the by-laws of the Fund, (ii) added additional matters requiring shareholder approval, and (iii) clarified the voting rights of the Class A and Class B shareholders in respect of matters requiring shareholder approval.

The Fund is managed by Timbercreek Asset Management Inc. (the “Fund Manager”). The Fund Manager has a value oriented investment philosophy, and specializes in providing conservatively managed, risk adverse alternative asset class investment opportunities to institutions, trusts and endowment funds, discretionary investment advisors and qualified individuals. From the period of July 7, 2008 to October 3, 2008, the Fund Manager’s responsibilities included acting as portfolio advisory for the Fund. For ease of administration and compliance, the Fund Manager created a wholly-owned subsidiary, Timbercreek Investment Management Inc., to act as portfolio advisor of the Fund (the “Fund Advisor”) beginning October 3, 2008, and the Fund Manager has arranged for the Fund Advisor to be registered with the Ontario Securities Commission in the category of Investment Counsel/ Portfolio Manager and has at the same time ceased to be so registered itself.

In 2006, the Fund Manager identified an opportunity for investors to enjoy an attractive return on investment by offering short-term mortgages to an underserved sector of the Canadian mortgage market (the “Concept”). The underlying thesis for the Concept is that, due to insufficient competition among Canadian financial institutions and the small number of quality private lenders in the Canadian marketplace, there exists an underserved market of well capitalized, experienced borrowers. The Fund Manager established Timbercreek Mortgage Investment Fund (“TMIF”), an open-ended private investment trust, in March 2007, to introduce the Concept, test its marketability and build a platform to foster future growth. In early 2008, the Fund Manager determined that a robust investment platform was in place and, therefore, the Fund was established for the purpose of bringing the Concept to the public by capitalizing on the platform of TMIF.

On July 7, 2008, the Fund completed its initial public offering (the “IPO”) issuing 2,433,186 subscription receipts (the “Subscription Receipts” or “Subscription Receipt”) at \$10.00 per Subscription Receipt for gross proceeds of \$24,331,860. At the same time, the Fund acquired all of the outstanding shares of TMIF (the “TMIF Shares”) and the mortgages investments held by TMIF (the “TMIF Portfolio”) for an aggregate consideration of 1,509,279 Class B Shares of the Fund at an issue price of \$10.00 per Class B Share for a total consideration of \$15,008,141 (the “Transfer Date”). Upon the acquisition of the TMIF Shares and the TMIF Portfolio, each Subscription Receipt was exchanged for one Class A Share of the Fund.

Subsequent offerings of securities conducted by the Fund since the IPO include:

Date of Issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
December 1, 2008	Class B Shares	423,000	\$10.00	\$4,230,000

Date of Issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
December 16, 2008	Class A Shares	1,003,480	\$10.00	\$10,034,800
February 2, 2009	Class B Shares	120,000	\$10.00	\$1,200,000
November 13, 2009	Class B Shares	247,002	\$10.00	\$2,470,020

[NTD: Genevieve, do I need to include the \$2 million raised in Feb/10 given that this is supposed to be as at 12/31/09]

Proceeds from these financing activities were used to fund mortgage loans invested in from time to time and for general corporate purposes of the Fund.

2.0 Investment Restrictions

Unlike mutual funds, the Fund, as a non-redeemable investment fund, is not subject to or managed in accordance with the investment restrictions and practices prescribed by securities legislation for mutual funds, including National Instrument 81-102 of the Canadian Securities Administrators (“NI 81-102”).

The Fund differs from a publicly-offered mutual fund in a number of important respects. Those differences include:

- a. the Fund is not subject to the prescribed investment restrictions of NI 81-102 and accordingly is permitted to borrow funds;
- b. the Class A Shares are listed on a recognized stock exchange as opposed to most mutual fund securities which are not listed; and
- c. the Class A Shares are redeemable monthly at a redemption price based upon the prevailing trading price of the Class A Shares and annually at a price calculated with reference to the net redemption value of the Fund (determined as described under “Calculation of Net Asset Value – Calculation of Net Redemption Value”), as opposed to most mutual funds which are redeemable daily at net asset value.

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

The Fund Manager has initiated and the Fund Advisor has adopted an Asset Allocation Model in order to seek to manage the risk profile of the Portfolio. Accordingly, the Fund Advisor will actively and regularly evaluate the Portfolio for compliance with the Asset Allocation Model. The Asset Allocation Model, as summarized below, dictates the allocation of the Aggregate Funded and Committed Assets based upon geographical, economic sector, term, borrower and loan-to-appraised value criteria.

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

Exceptions to the Asset Allocation Model may be made by the Fund Advisor only with the unanimous approval of the MAC, provided that (i) each individual exception, excluding the effect of any subsequent exceptions, must be remedied within 120 days from the date of funding of the subject mortgage; and (ii) in the aggregate at any given

time, permitted exceptions to the Asset Allocation Model shall not represent more than 15% of the NAV of the Fund. There are various circumstances where exceptions to the Asset Allocation Model may be required. For example, if a default occurs where the Fund owns a second mortgage loan or a loan which represents a Subordinate Position in a syndicated loan, and the Fund needs to enforce its security to preserve the investment, the Fund may require approval to borrow capital to repay the first mortgage loan or Senior Position lender in a syndicated loan to most effectively and efficiently enforce its security.

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

As a general rule, the assets of the Fund will be invested in accordance with its investment objective and the Asset Allocation Model, subject to exceptions to the Asset Allocation Model that may be from time to time approved pursuant to the approval process described above. However, the Fund is subject to certain investment restrictions that, among other things, limit the investments that may be made by the Fund. The following investment restrictions may not be changed without the approval of the Class A Shares and the holders of Class B Shares (collectively “Shareholders”) by Extraordinary Resolution (see “Shareholder Matters — Matters Requiring Shareholder Approval”):

1. The Fund will not make any investment or conduct any activity that would result in the Fund failing to qualify as a mortgage investment corporation (“MIC”) under the *Income Tax Act* (Canada), as amended (the “Tax Act”). See Income Tax Considerations – Mortgage Investment Corporation;
2. The Fund will not invest in ABCP or in securitized pools of mortgage loans, including securitized pools of sub-prime mortgage loans;
3. The Fund will not invest in securities other than first and subordinate mortgages secured by real property and, on a temporary basis only, interim investments consisting of cash and cash equivalents (as defined in NI 81-102), Government of Canada treasury bills and Government of Canada bonds with a term to maturity of 3 years or less (“Authorized Investments”). For greater certainty the Fund shall not be precluded from owning securities of its subsidiaries or affiliates;
4. The Fund will not guarantee securities or obligations of any person or company;
5. The Fund will not engage in securities lending; and
6. The Fund will not engage in derivative transactions for any purpose.

Class A Shares and Class B Shares are qualified investments as of the date hereof for trusts governed by registered savings plans, registered retirement income funds, deferred profit sharing plans or registered educated savings plans (the “Plans”), provided that either the Fund qualifies as a MIC throughout the applicable taxation year and does not hold any indebtedness of a person who is an annuitant, a beneficiary, an employer, or a subscriber under such Plan, or of any other person who does not deal at arm’s length with that person, or the Class A Shares or Class B Shares are listed on a designated stock exchange, which includes the Toronto Stock Exchange (the “TSX”) upon which the Class A Shares are currently listed.

The Fund has not deviated since the IPO from the rules under the Tax Act that apply to the status of the Class A Shares and Class B Shares as qualified investments under the Tax Act for the Plans.

3.0 Description of Securities Offered by the Fund

Material Attributes of Securities

The Fund is authorized to issue an unlimited number of Class A Shares, Class B Shares and voting shares (the “Voting Shares”). The Class A Shares and Class B Shares rank equally with each other and in priority to the Voting Shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation or winding up of the Fund. The outstanding Class A Shares are listed and posted for trading on the Toronto Stock Exchange (the “TSX”) under the symbol “TMC”.

The Voting Shares have nominal value and are owned by Ugo Bizzarri, Andrew Jones, David Melo, Carrie Morris and R. Blair Tamblyn (collectively, the “Principal Shareholders”), as to 20% each. Accordingly, the Principal

Shareholders, as holder of all of the issued and outstanding Voting Shares, will have the power to vote on all matters to be considered by the holders of Voting Shares. The holders of Voting Shares are not entitled to receive dividends. The holders of the Voting Shares will be entitled to one vote per share. The Voting Shares are redeemable and retractable at a price of \$1.00 per share.

General Rights and Privileges

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

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

Exchange Feature for the Class B Shares

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

Determination of Exchange Ratio

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

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

No Listing for Class B Shares

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

Restrictions on Ownership

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

In the event that (i) the exercise by any Shareholder of a monthly or annual redemption right associated with Class A Shares or Class B Shares, or (ii) the exercise by any holder of the Exchange Feature associated with Class B Shares, or (iii) as determined by the board of directors of the Fund in its sole discretion, any other transaction affecting the Shares (each a “Triggering Transaction”), if completed, would cause any Shareholder(s) (each an “Automatic Repurchase Shareholder”), together with Related Persons, to hold more than 25% of any class of the issued Shares of the Fund, that portion of the Shares held by each Automatic Repurchase Shareholder which constitutes in excess of 24.9% of the issued shares of any class of Shares (the “Repurchased Shares”) will, simultaneously with the

completion of a Triggering Transaction, automatically be repurchased and cancelled by the Fund (an “Automatic Repurchase”) without any further action by the Fund or the Automatic Repurchase Shareholder. The purchase price for any Repurchased Shares will be equal to the applicable NRV per Share on the date of the Triggering Transaction. The proceeds of any Automatic Repurchase will be remitted to each applicable Automatic Repurchase Shareholder in accordance with the customary practice of the Fund in connection with annual redemptions, *mutatis mutandis*.

Purchase for Cancellation

Subject to applicable law, the Fund may at any time or times purchase Class A Shares and Class B Shares (collectively the “Shares”) for cancellation at a price per Share not exceeding the applicable NRV per Share of such Share on the business day immediately prior to such purchase.

Amendments

Amendments to the terms of the Class A Shares, Class B Shares or Voting Shares must be approved by the applicable shareholders of the Fund in accordance with applicable laws and as set forth under “Description of Securities Offered by the Fund - Rights of Securities Holders to Approve”.

Book-Entry Only System

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

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

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

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

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

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

Rights of Securities Holders to Approve

Meetings of Shareholders

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

Matters Requiring Shareholder Approval

Unless otherwise required by law, the following acts require the approval of holders of Shareholders at a meeting called and held for such purpose. Each Class A Share and each Class B Share will have one vote at such a meeting. Items (i) through (v) require approval by resolution passed by at least 66 2/3% of the votes cast by holders of the Class A Shares and Class B Shares voting thereon (an “Extraordinary Resolution”) voting as a single class. Items (vi) and (vii) require approval by Extraordinary Resolution of the Shareholders required to vote on the matter. Items (viii) and (ix) require approval by resolution passed by at least a simple majority of votes cast by each class of the Shareholders (an “Ordinary Resolution”), unless a greater majority is required by law. Item (x) will require approval by Ordinary Resolution of the Shareholders voting as a single class.

- (i) A change to the fundamental investment objective or investment restrictions of the Fund, unless such changes are necessary to maintain the Fund’s status as a MIC or otherwise to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (ii) Except as described herein, a change in the Fund Manager, other than (a) a change resulting in an affiliate of the Fund Manager assuming such position or (b) a termination of the Fund Management Agreement in accordance with its terms;
- (iii) Any increase in the basis of calculating management and performance fees paid to the Fund Manager;
- (iv) The sale of all or substantially all of the assets of the Fund other than in the ordinary course of its activities and other than in connection with the termination of the Fund;
- (v) Any amendment, modification or variation in the provisions or rights attaching to the Class A Shares, Class B Shares or Voting Shares;
- (vi) Any termination of the Fund;
- (vii) A reorganization with, or transfer of assets to, another entity, if
 - a. the Fund ceases to continue after the reorganization or transfer of assets; and
 - b. the transaction results in Shareholders becoming securityholders in the other entity;
- (viii) A reorganization with, or acquisition of assets of, another entity, if
 - a. the Fund continues after the reorganization or acquisition of assets; and
 - b. the transaction results in the securityholders of the other entity holding a majority of the outstanding securities of the Fund; or
- (ix) Any offering of Class A Shares or Class B Shares at a price per Share the net proceeds of which is less than 97.5% of
 - 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 associated with the establishment, structuring and periodic offering of securities of 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 associated with the establishment, structuring and periodic offering of securities of the Fund,as the case may be, as at the date prior to the date of pricing of such offering.

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

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

4.0 Valuation of Portfolio Securities

In calculating the NAV:

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

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

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

5.0 Calculation of Net Asset Value

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

Calculation of Net Redemption Value

The net redemption value of the Fund ("NRV") is equal to the sum of the NRV for each class of Shares (for each class, a "Class Net Redemption Value"), and is calculated by the Fund Manager. The Class Net Redemption Value for each class of Shares of the Fund is calculated by allocating NAV and specific Share class expenses of the Fund

to the Class A Shares and Class B Shares, respectively. Specifically, the Class Net Redemption Value is calculated as follows:

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

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

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

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

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

Generally, NRV for a class of Shares is equivalent to NAV for such class of Shares, adjusted for the costs associated with the establishment, structuring and periodic offering of securities of the Fund attributable to that class of Shares, amortized monthly over a period of five years. These expenses (which include Share issue but not selling expenses) will be included in the calculation of Class Net Redemption Value until the Fund reaches total assets sufficient to achieve its long term investment strategies, currently contemplated to be total assets of \$200 million.

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

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

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

6.0 Purchases for Cancellation

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

7.0 Redemption of Securities

Monthly Redemptions

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

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

Annual Redemptions

Subject to the restrictions set forth under “Redemption of Securities — Limitation and Suspension of Redemptions” below, Class A Shares may be redeemed on the last business day in October of each year (each, an “Annual Redemption Date”) at a redemption price per Class A Share equal to NRV per Class A Share. Class B Shares may be redeemed on an Annual Redemption Date at a redemption price per Class B Share equal to NRV per Class B Share. See “Calculation of Net Asset Value and Net Redemption Value”. Class A Shares must be surrendered for annual redemption to the Fund’s registrar and transfer agent by no later than 4:00 p.m. (Toronto time) on October 1st of such year or the immediately preceding business day, in the event that October 1st is not a business day. Payment of the proceeds of redemption will be made on or before the last business day of the month following the redemption date.

Exercise of Redemption Privileges

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

Limitation and Suspension of Redemptions

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

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

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

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

Exchange Feature for the Class B Shares

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

Determination of Exchange Ratio

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

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

8.0 Responsibility of Operations

Directors and Management

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

**Name and Municipality of
Principal Residence**

Position with Subject Entity

Principal Occupation

Fund

Zelick L. Altman ⁽¹⁾ <i>Thornhill, Ontario</i>	Director ⁽³⁾	Managing Director, LaSalle Investment Management Canada
Edward W. Boomer ⁽¹⁾⁽²⁾ <i>Toronto, Ontario</i>	Director ⁽³⁾	Managing Director, Kimco Canada
Craig A. Geier ⁽²⁾ <i>Toronto, Ontario</i>	Director ⁽³⁾	Vice President – Corporate Development, Energold Drilling Corp.
W. Glenn Shyba ⁽¹⁾⁽²⁾ <i>Toronto, Ontario</i>	Director ⁽³⁾	Executive Vice President and Chief Operating Officer, Osmington Inc.
R. Blair Tambllyn <i>Toronto, Ontario</i>	Director, Chief Executive Officer and Corporate Secretary	President and Chief Executive Officer, Fund Manager
Ugo Bizzarri <i>Toronto, Ontario</i>	Chief Financial Officer	Chief Financial Officer, Fund Manager and Portfolio Manager/Investment Counsel, Fund Advisor

Fund Manager

Ugo Bizzarri <i>Toronto, Ontario</i>	Director and Chief Financial Officer, Executive Vice President – Acquisitions	Chief Financial Officer, Fund Manager and Portfolio Manager/Investment Counsel, Fund Advisor
R. Blair Tambllyn <i>Toronto, Ontario</i>	Director (Chairman), President and Chief Executive Officer	President and Chief Executive Officer, Fund Manager
Andrew Jones <i>Toronto, Ontario</i>	Chief Credit Officer	Chief Credit Officer, Fund Manager and Managing Director, Fund Manager
David Melo <i>Toronto, Ontario</i>	Vice President – Finance	Vice President – Finance
Carrie Morris <i>Oakville, Ontario</i>	Director and Vice-President –/ Investor Relations & Corporate Governance	Vice President – Investor Relations & Corporate Governance, Fund Manager
Paul Jones <i>Toronto, Ontario</i>	Director – Debt Investments/Financing	Director – Debt Investments/Financing
Tye Bousada <i>King City, Ontario</i>	Principal	Chief Executive Officer, EdgePoint Capital

Fund Advisor

Ugo Bizzarri <i>Toronto, Ontario</i>	Director and Chief Financial Officer, and Portfolio Manager/Investment Counsel Member of the MAC, the advisory committee appointed by the Fund Advisor	Chief Financial Officer, Fund Manager and Portfolio Manager/Investment Counsel, Fund Advisor
R. Blair Tambllyn <i>Toronto, Ontario</i>	Director (Chairman), President and Chief Executive Officer	President and Chief Executive Officer, Fund Manager

**Name and Municipality of
Principal Residence**

Position with Subject Entity

Principal Occupation

Carrie Morris
Oakville, Ontario

Director

Vice-President – Investor Relations &
Corporate Governance

Pamela Spackman
Toronto, Ontario

Member of the MAC, the advisory
committee appointed by the Fund
Advisor

Consultant

-
- (1) Member of the IRC.
 - (2) Member of the Audit Committee of the board of directors of the Fund.
 - (3) Each of the Directors of the Fund has been a Director since the inception of the Fund, except for Craig Geier, who was appointed as a Director of the Fund on August 20, 2008. Each Director's term of office expires at the next annual meeting of shareholders of the Fund at which Directors are elected.

Biographies

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

Zelick L. Altman – Zelick Altman is a Managing Director of Canadian Operations for LaSalle Investment Management Inc. (“LaSalle”) and President of the LaSalle Canadian Income & Growth Funds. Mr. Altman has over 25 years of real estate experience in institutional, public and private sectors of the industry. Prior to joining LaSalle, Mr. Altman served for a brief period in 2000 as a Mortgage Broker at Canada ICI Commercial Mortgages Inc. and as Senior Vice President with Dundee Realty Corp. (1997 to 2000). Mr. Altman also held the position of Senior Vice President at Canadian Real Estate Investment Trust (1996-1997) and Vice President of Counsel Property Corporation (1984-1988). From 1988 to 1992 Mr. Altman owned and operated Accura Properties Inc. Mr. Altman is a graduate of the Faculty of Applied Sciences at the University of Toronto and is registered as a Professional Engineer.

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

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

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

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

Ugo Bizzarri – Ugo Bizzarri is Chief Financial Officer of the Fund and Director and Chief Financial Officer of the Fund Manager. Mr. Bizzarri is also Chief Financial Officer and Portfolio Manager of the Fund Advisor. Mr. Bizzarri has held his current office with the Fund Manager since its inception in 2004. Prior thereto, Mr. Bizzarri, served as Chief Financial Officer and Vice President of TII from its incorporation in 1999. Mr. Bizzarri is also a member of the MAC and a trustee of Timbercreek REIT. Prior to founding TII in 1999, Mr. Bizzarri held the position of Assistant Portfolio Manager and, subsequently, Portfolio Manager at Ontario Teachers’ Pension Plan Board (“OTPPB”) where he played a leadership role in the strategic planning, corporate transactions/restructuring and property acquisitions for the Real Estate Group of OTPPB (1994-2000). Mr. Bizzarri is a graduate of the Richard Ivey School of Business and is a Chartered Financial Analyst.

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

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

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

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

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

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

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

Fund Manager

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

The Fund Manager has a value oriented investment philosophy, and specializes in providing conservatively managed, risk adverse alternative asset class investment opportunities to institutions, trusts and endowment funds, discretionary investment advisors and qualified individuals.

The Fund Manager believes that successful investing in the alternative asset class over the long term is about identifying to buy assets in inefficient markets. These inefficiencies can be a result of sub-optimal structuring, sub-optimal capitalization, or a misunderstood, fragmented or out-of-favour asset class.

In the Fund Manager's opinion, the Fund has been structured on the principles of simplicity, transparency, and strong, independent governance.

Long term views, focus on process, research and analysis and an active management style sum up the investment philosophy of the Fund Manager. The first Timbercreek fund, TII, was formed by certain directors and officers of the Fund Manager in May 1999 to acquire multi-family residential real estate properties in Canada. In 2007, the management function of TII was externalized and outsourced to the Fund Manager. Since the inception of TII, the directors and officers of TII, who have since become the directors and officers of the Fund Manager, have been focused on identifying investment opportunities that meet the strict acquisition criteria established in each of the fund mandates. As of December 31st, 2008, the Fund Manager had over \$750 million in assets under management.

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

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

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

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

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

The Fund Manager will continue as manager until the termination of the Fund unless (i) the Fund Manager resigns by written notice to the Fund, (ii) the Fund Manager is removed by written notice given by the Fund following the occurrence of certain specified events of default (as described below), or (iii) the Fund Manager is removed by written notice given by the Fund following an Extraordinary Resolution of the Shareholders directing the Fund to remove the Fund Manager as manager of the Fund. The following comprise an event of default under the Fund Management Agreement: (i) the bankruptcy or insolvency of the Fund Manager, or if the Fund Manager either voluntarily or under an order of a court of competent jurisdiction makes a general assignment for the benefit of its creditors or otherwise acknowledges its insolvency; (ii) the Fund Manager's wilful misconduct, bad faith, negligence or breach of its standard of care owed under the Fund Management Agreement, which in the case of negligence which is capable of being cured, is not cured within 30 days following written notice to the Fund Manager from the Fund specifying in reasonable detail the nature of such negligence; or (iii) the Fund Manager no longer holds the licenses, registrations or other authorizations necessary to carry out its obligations hereunder and is unable to obtain them within a reasonable period after their loss. There is no termination of the Fund Manager for breach of its obligations under the Fund Management Agreement unless such breach constitutes a breach of the standard of care owed by the Fund Manager.

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

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

Fund Advisor

The Fund Manager has arranged for its wholly-owned subsidiary Timbercreek Investment Management Inc. to act as the portfolio advisor of the Fund. The Fund Advisor is a corporation incorporated under the laws of the Province of Ontario on June 16, 2008 and its senior management is comprised of directors and officers that are also directors and/or officers of the Fund Manager. See "Responsibility of Operations – Directors and Management". The head and registered office and principal business address of the Fund Advisor is located at 25 Price Street, Toronto, Ontario M4W 1Z1.

Role of the Fund Advisor and Details of the Fund Advisory Agreement

The Fund, the Fund Manager and the Fund Advisor entered into a fund investment advisory agreement (the "Fund Advisory Agreement") dated October 3, 2008. The Fund Advisory Agreement provides for the appointment of the Fund Advisor to provide such investment advisory and ancillary services to the Fund as the Fund Manager may direct from time to time including without limitation the following services: (i) to furnish a continuous investment program for the Fund; (ii) to invest, reinvest and manage the investments of the Fund in accordance with the Fund's investment guidelines; (iii) to sell by private contract or at public auction and exchange, convey, transfer, or otherwise dispose of any property or securities held in the Fund; (iv) to borrow cash and/or securities for and on behalf of the Fund and on the security of the Fund's assets; (v) to select the market, dealer or broker and negotiate, where applicable, commissions or service charges in connection with portfolio transactions; (vi) to execute all such documents (including all new account, margin and other agreements with brokers) and perform any and all other acts as may be in its judgment necessary or appropriate to the proper advantageous management of the investments of the Fund and, except as otherwise contemplated hereby, without obtaining prior approval or direction from the

Fund Manager or the Fund or any of their respective authorized agents; (vii) to exercise all rights, powers, options, privileges, and other powers incidental to ownership of the securities in the Fund as may be exercised by any person owning such property or securities in their own right provided that timely notice has been given to the Fund Advisor by the custodian, prime broker or any sub-custodian of the Fund's assets; (viii) to maintain proper books, accounts and records of the Fund's portfolio; (ix) to provide employees having the requisite experience and skill to perform the obligations of the Fund Advisor under this Agreement; (x) to provide that the Fund Manager has properly provided or has caused to be provided to the Fund Advisor the proxy materials and unless otherwise notified by the Fund Manager, and further provided that timely notice has been given to the Fund Advisor by the custodian, prime broker or any sub-custodian of the Fund's assets, determine whether and in what manner to vote, and execute or cause to be executed proxies respecting the voting of, securities held by the Fund at all meetings of holders of such securities; (xi) to review and, if deemed appropriate, approve the purchase or repurchase of loans and the investment of the Fund's assets in such loans, all in accordance with the Fund's investment guidelines and, subject to permitted exceptions as provided for therein, the Asset Allocation Model; (xii) to actively and regularly evaluate the Fund's investments for compliance with the Asset Allocation Model; (xiii) to monitor the performance of the investments of the Fund and report on such investments to the Fund Manager as and when reasonably required by the Fund Manager; (xiv) to report to the Fund Manager from time to time in respect of the investment and divestment activities of the Fund; (xv) to be responsible for all expenses incurred in connection with its duties under the Fund Advisory Agreement other than reasonable and documented out-of-pocket expenses pre-approved in writing and those expenses to be borne by the Fund; (xvi) to not invest Fund assets in (a) loans made against the security of property owned or against which the senior mortgage interest is held by any affiliate of the Fund, the Fund Manager or the Fund Advisor, or (b) any other non arms-length loans, in either case unless expressly approved by the Fund's IRC; and (xvii) to monitor regularly on an ongoing basis the Fund's compliance with the requirements under the Tax Act to qualify as a MIC thereunder.

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

Either party to the Fund Advisory Agreement may terminate the agreement upon written notice to the other. In addition, the Fund may terminate the Fund Advisory Agreement upon delivering a written notice to the Fund Advisor upon the occurrence of the following events of default: (i) the bankruptcy or insolvency of the Fund Advisor, or if the Fund Advisor either voluntarily or under an order of a court of competent jurisdiction makes a general assignment for the benefit of its creditors or otherwise acknowledges its insolvency; (ii) the Fund Advisor's wilful misconduct, bad faith, negligence or breach of its standard of care owed under the Fund Advisory Agreement, which in the case of negligence which is capable of being cured, is not cured within 30 days following written notice to the Fund Advisor from the Fund specifying in reasonable detail the nature of such negligence; or (iii) the Fund Advisor no longer holds the licenses, registrations or other authorizations necessary to carry out its obligations under the Fund Advisory Agreement and is unable to obtain them within a reasonable period after their loss.

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

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

Committees of the Advisor – Mortgage Advisory Committee

The Mortgage Advisory Committee, or the MAC, is an advisory committee appointed by the Fund Advisor consisting of representatives from each of the Fund Advisor and the Fund Manager, as well as at least one

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

Directors of the Fund

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

Mortgage Servicing

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

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

Brokerage Arrangements

Neither the Fund nor any of its affiliates are licensed as mortgage brokers under the *Mortgage Brokerage Act* (Ontario). The Fund has no contract or arrangement with any investment dealer or broker regarding portfolio securities transactions. The Fund’s brokerage business is not allocated according to any specific formula, method or criteria nor is it based upon the provision of investment-making services or sales of securities of the Fund.

The Fund Manager will carry out any regulated activities through duly licensed third parties in accordance with applicable legislation and will perform such activities directly upon becoming licensed under the *Mortgage Brokers Act* (Ontario).

Custodian

The Fund has appointed Computershare Trust Company of Canada as custodian (the “Custodian”) of the Fund’s assets pursuant to a custodian agreement between the Fund and the Custodian (the Custodian Agreement”). 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.

Auditors

PriceWaterhouseCoopers LLP was the auditor of the Fund as of the December 31, 2008 year end. The shareholders have appointed KPMG LLP as auditor of the Fund for the period commencing January 1, 2009.

Both the former and successor 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 Commerce Court West, Suite 3300, Toronto, Ontario M5L 1B2.

Transfer Agent and Registrar

Pursuant to a transfer agency and registrar agreement between the Fund and CIBC Mellon Trust Company, CIBC Mellon Trust Company has been appointed the registrar and transfer agent for the Class A Shares and the Class B Shares at its principal office located in Toronto, Ontario

9.0 Conflicts of Interest

As of August 31, 2009, the Principal Shareholders, who are also directors and/or officers of the Fund, the Fund Manager and/or the Fund Manager, collectively own 100% of the Voting Shares of the Fund and 48.96% of the outstanding common shares of the Fund Manager. Of these individuals, only Messrs. Bizzarri and Tamblyn own directly or indirectly more than 10% of the outstanding common shares of the Fund Manager, each holding an 18.9% ownership interest.

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

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

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

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

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

Principal Holders of Securities

As of August 31, 2009, Newport Investment Counsel Inc. (“Newport”) holds an 8.9% equity interest in the Fund Manager. In addition, as of August 31, 2009 accounts and funds managed Newport own an aggregate of approximately 22.3% of the outstanding Class A Shares and approximately 22.2% of the outstanding Class B Shares.

As of August 31, 2009, the Voting Shares are owned by Ugo Bizzarri, Andrew Jones, David Melo, Carrie Morris and R. Blair Tamblyn who are also directors and/or officers of the Fund and/or the Fund Manager (collectively, the

“Principal Shareholders”), as to 20% each. The Principal Shareholders also collectively own 48.96% of the outstanding common shares of the Fund Manager. Of these individuals, only Messrs. Bizzarri and Tamblyn own directly or indirectly more than 10% of the outstanding common shares of the Fund Manager, each holding an 18.9% ownership interest.

As at December 31, 2009, to the knowledge of the Fund, the Fund Manager and the Fund Advisor, the members of the IRC do not beneficially own, directly or indirectly, in aggregate, 10% ownership in any Fund, the Fund Manager, the Fund Advisor or in any person or company that provides services to the Fund or the Fund Manager.

Affiliated Entities

The Fund Advisor is a wholly owned subsidiary of the Fund Manager. The Fund Manager, and not the Fund, pays an investment advisory fee to the Fund Advisor for advisory services provide by the Fund Advisor to the Fund.



10.0 Fund Governance

Board of Directors (the “Board”)

The Board establishes the overall policies for the Fund, monitors and evaluates the Fund’s strategic direction, and retains plenary power for those functions not specifically delegated by it to its committees, to the Fund Manager, or to the Fund Advisor. Accordingly, in addition to the duties of directors of a Canada Business Corporations Act, the mandate of the Board is to supervise the management of the business and affairs of the Fund with a view to the best interests of the Fund and its shareholders generally. Management’s role is to conduct the day to day operations in a way that will meet this objective. The Fund Manager manages the Fund as described in “Responsibility of Operations – Fund Manager - Duties and Services Provided by the Fund Manager and Details of the Fund Management Agreement”. The Fund Advisor is responsible for investment activities of the Fund as described in “Responsibility of Operations – Fund Advisor - Role of the Fund Advisor and Details of the Fund Advisory Agreement”.

The Board has established an audit committee to ensure that the interests of all of the Fund’s shareholders, particularly the minority and non-voting shareholders, are protected. Four of the five directors of the Board, namely, Zelick L. Altman, Edward W. Boomer, Craig A. Geier, and W. Glenn Shyba, are independent (within the meaning of applicable securities laws). The Board has appointed Messrs. Geier (chairman), Boomer, and Shyba to the Audit Committee.

The audit committee assists the directors of the Fund in fulfilling their responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures of the Fund and the quality and integrity of financial statements of the Fund. In addition, the audit committee is responsible for directing the auditors’ examination of specific areas and for the selection of potential independent auditors to be appointed by the Fund Manager.

Independent Review Committee

NI 81-107 requires all investment funds that are reporting issuers, such as the Fund, to establish an independent review committee. The IRC is required to be comprised of a minimum of three members, each of whom must be independent of the Manager and the Fund. The current members of the IRC are Zelick L. Altman, Edward W. Boomer, W. Craig A. Geier, and W. Glenn Shyba. See “Responsibility of Operations—Directors and Management” for a description of the principal occupation of the current members of the IRC.

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

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

The Fund Manager must refer its proposed course of action in respect of any such conflict of interest matters to the IRC for its review. Certain matters require the IRC’s prior approval, but in most cases the IRC will provide a recommendation to the Fund Manager as to whether or not, in the opinion of the IRC, the Fund Manager’s proposed action provides a fair and reasonable result for the Fund. For recurring conflict of interest matters, the IRC can provide the Fund Manager with standing instructions.

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

Members of the IRC will receive compensation as directors of the Fund (\$20,000 per annum per director for 2010), but will not receive additional compensation as members of the IRC other than reimbursement for out-of-pocket expenses for attending meetings of the IRC. In addition, the Fund will be responsible for all fees and expenses of setting up and running the IRC. The estimated regular fees and expenses of the IRC have been included in the Fund’s estimated annual operating expenses. In future years the IRC members will set their own compensation in accordance with NI 81-107. The IRC has the authority, pursuant to NI 81-107, to retain independent counsel or other advisors at the expense of the Fund if the members deem it necessary to do so.

The IRC will report at least annually to the Shareholders of the Fund on its activities, as required by NI 81-107. The reports of the IRC will be available free of charge from the Fund Manager on request by contacting the Fund Manager at its office and will be posted on the Fund Manager’s website at www.timbercreekfunds.com or delivered, at no charge, upon request to the Director – Investor Relations & Corporate Governance of the Fund Manager at 25 Price Street, Toronto, Ontario M4W 1Z1. The report of the IRC will be available on or about March 31 in each year commencing in 2009.

The Fund acquired all of the TMIF Shares at the time of its IPO. The Fund is the sole securityholder of TMIF and exercises its voting rights in respect of the TMIF Shares as recommended by management of TMIF.

11.0 Fees and Expenses

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

As the Fund terminated its mortgage management agreement with Timbercreek Mortgage Strategies Inc. (the “Mortgage Management Agreement”) on December 1, 2009, in order to streamline the structure and responsibilities of the various advisors and manager to the Fund, the Fund Manager has assumed the responsibilities of providing mortgage management services to the Fund. Therefore, in addition, in any calendar year where the Fund has net earnings available for distribution to Shareholders in excess of the Hurdle Rate (“Hurdle Rate” means the average 2-Yr GOC Yield for the 12-month period then ended plus 450 basis points), the Fund Manager will be entitled to receive from the Fund a performance fee equal to 20% of the net earnings available to distribute over the Hurdle Rate (the “Carried Interest”). In determining the Carried Interest, on a monthly basis the Fund Manager will

calculate the earnings available to distribute in that month that are required to achieve the Hurdle Rate, based on the outstanding Share capital of the Fund, net of issue costs, calculated daily. An amount equal to 20% of any net earnings available to distribute in excess of the Hurdle Rate in that month will be deducted from the Fund's monthly distribution and retained by the Fund. The Fund Manager will calculate the final Carried Interest performance fee in respect of a completed calendar year based on the audited financial statements for that year. The Carried Interest performance fee in respect of a calendar year will be payable to the Fund Manager within 15 days of the issuance of the Fund's audited financial statements for that year.

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

Operating Expenses

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

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

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

Sales Commission and Trailer Fees

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

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

There are no similar fees applicable to Class B Shares.

12.0 Income Tax Considerations

Mortgage Investment Corporation (“MIC”)

The Fund intends to qualify as a MIC throughout its current taxation year and for all of its future taxation years. A MIC is generally able to operate 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. The two-tiered taxation normally applicable to shareholders of a corporation in respect of dividends paid from that corporation’s profits is generally avoided with shareholdings in a MIC.

The Tax Act imposes certain requirements in order for a corporation to qualify as a MIC in a taxation year. These requirements generally will be satisfied by the Fund if, throughout the taxation year: the Fund was a Canadian corporation for the purposes of the Tax Act; the Fund engaged in the business of investing its funds and did not manage or develop real property; none of the Fund’s property consisted of specified types of foreign property; the Fund had at all times at least 20 shareholders; no shareholder (together with Related Persons, see below) held directly or indirectly more than 25% of any class of the issued shares of the Fund; at least 50% of the cost amount to the Fund of its property consisted of certain residential mortgages, deposits and money; not more than 25% of the cost amount to the Fund of its property was attributable to real property or leasehold interests therein; and the Fund’s ratio of liabilities to the Fund’s cost amount of its property did not exceed certain limits, being 3:1 where the cost amount to the Fund of certain residential mortgages, deposits and money of the Fund was less than two-thirds of the cost amount to the Fund of all of its property, and 5:1 otherwise.

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.

Taxation of the Fund

The Fund is a public corporation for tax purposes and as such is subject to tax at the full corporate rate on its taxable income. However, as long as the Fund is a MIC, generally the Fund is able to deduct in computing its income for a taxation year the amount of its income for that year that is distributed to its shareholders. The Fund is entitled to deduct in computing its income for a taxation year: (i) all taxable dividends, other than capital gains dividends, paid by the Fund to its shareholders during the year or within 90 days after the end of the year; and (ii) 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 the full amount of a dividend qualify as a capital gains dividend. The payment of capital gains dividends will allow the Fund to flow capital gains it realizes through to its shareholders.

The Fund intends to pay dividends 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. Any dividends deemed to be paid by the Fund on the redemption of Class A Shares will be deductible and will qualify for treatment as capital gains dividends on the same basis as other dividends.

Taxation of Shareholders

Capital gains dividends on the Class A Shares will be treated as a capital gain of the shareholder from a disposition of capital property. Ordinary dividends (i.e., dividends other than capital gains dividends) paid by the Fund on the Class A Shares, whether received in cash or reinvested in additional shares, will be included in the shareholder’s income as bond interest. The reinvestment of a 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. A sale or other disposition of Class A Shares by a shareholder who holds Class A Shares as capital property 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. One-half of capital gains (“taxable capital gains”) realized in the year by a shareholder on the disposition of Class A Shares generally 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 generally may be deducted from the shareholder’s taxable capital gains realized in such year.

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 proceeds of disposition of the Class A Shares for purposes of the capital gains rules.

13.0 Remuneration of Directors and Officers

Officers of the Fund are also officers of the Fund Manager and are compensated by the Fund Manager not the Fund. Directors of the Fund receive compensation from the Fund which will be \$20,000 per annum starting in 2010 initially \$10,000 per annum. Members of the IRC receive compensation as directors of the Fund (\$20,000 per annum per director for 2010), but do not receive additional compensation as members of the IRC other than reimbursement for out-of-pocket expenses for attending meetings of the IRC.

14.0 Material Contracts

Contracts material to investors in the Class A Shares that have been or that will have been entered into by the Fund as of the date hereof are:

- (i) Articles of the Fund described under “Name, Formation and history of Timbercreek Mortgage Investment Corporation”;
- (ii) the Fund Management Agreement described under “Responsibility of Operations — Fund Manager — Role of the Fund Manager and Details of the Fund Management Agreement”;
- (iii) the Fund Advisory Agreement described under “Responsibility of Operations – Fund Advisor - Role of the Fund Advisor and Details of the Fund Advisory Agreement”;
- (v) the custodian agreement referred to under “Responsibility of Operations — Custodian”.

Copies of the foregoing agreements may be inspected during business hours at the principal office of the Fund and also filed on SEDAR at www.sedar.com.

15.0 Legal and Administrative 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.

Exemptions and Approvals

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

16.0 Risk Factors

There are certain risks inherent in an investment in the Class A and Class B Shares of the Fund, including the following factors, which investors should carefully consider before investing. Some of the following factors are interrelated and, consequently, investors should treat such risk factors as a whole. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this annual information form. 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 the Fund Advisor, or that they currently deem immaterial, may also impair the returns, NAV, financial condition and results of operations of the Fund. If any such risks actually occur, the returns, NAV, financial condition and results of operations of the Fund could be materially adversely affected and each of the financial performance of the Fund and the ability of the Fund to make cash distributions or satisfy requests for redemptions of Shares could be materially adversely affected.

No Assurance of Achieving Investment Objectives or Paying Distributions

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

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

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

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

Changes in Land Values

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

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

While independent appraisals are generally required before the Fund may make any mortgage investments (except in certain rare circumstances where a mortgage loan may be advanced before an appraisal has been received), the appraised values provided therein, even where reported on an "as is" basis, are not necessarily reflective of the market value of the underlying real property at the time when the Fund seeks to enforce its security on such property. The market value of real property may fluctuate substantially within a short period at times of economic instability and turmoil. In addition, the appraised values reported in independent appraisals may be subject to

certain conditions, including the completion or rehabilitation of leasehold improvements on the real property providing security for the loan. There can be no assurance that these conditions will be satisfied and if and to the extent they are not satisfied, the appraised value may not be achieved. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the real property at the time the conditions are satisfied.

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

Subordinated Loans and Mortgages

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

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.

TIMBERCREEK MORTGAGE INVESTMENT CORPORATION

Additional information about the Fund is available in the Fund's management report of fund performance and financial statements.

You can get a copy of these documents at no cost by calling toll free 1-866-898-8868 x 250, or from your dealer or by email at inquiries@timbercreekfunds.com.

These documents and other information about the Fund, such as information circulars and material contracts, are also available on the internet at www.sedar.com.

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