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## PROSPECTUS

New Issue

November 27, 2008



## Timbercreek Mortgage Investment Corporation

**Minimum Offering: \$5,000,000 (500,000 Class A Shares) (the "Minimum Offering")**  
**Maximum Offering: \$25,000,000 (2,500,000 Class A Shares) (the "Maximum Offering")**

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**Price: \$10.00 per Class A Share**

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This prospectus qualifies the distribution (the "Offering") of a minimum of 500,000 Class A shares ("Class A Shares") and a maximum of 2,500,000 Class A Shares of Timbercreek Mortgage Investment Corporation (the "Fund"). The Fund is a non-redeemable investment fund within the meaning of National Instrument 81-106 *Investment Fund Continuous Disclosure*. The Class A Shares are non-voting (except as described under "Shareholder Matters") and the other attributes of the Class A Shares offered are described under "Attributes of Securities". The Fund, which is a company incorporated under the laws of the Province of Ontario and which is managed by Timbercreek Asset Management Inc. (the "Fund Manager"), provides investors with an opportunity to receive attractive yields by investing indirectly, through holding shares of the Fund, in mortgage loan investments ("Mortgage Assets") selected and determined to be high quality by the Fund Manager and Timbercreek Investment Management Inc. (the "Fund Advisor").

The outstanding Class A Shares are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the symbol "TMC". The closing price of the Class A Shares on the TSX on November 26, 2008 was \$9.80 per Class A Share. The TSX has conditionally approved the listing of the Class A Shares offered under this Prospectus on the TSX. Listing is subject to the Fund fulfilling all of the requirements of the TSX on or before February 11, 2009.

The Fund Manager believes there is a compelling opportunity for the Fund to invest in a diversified pool of mortgage loans with attractive yields that are directly secured by residential (including multi-residential), office, retail and industrial real property across Canada. The Fund Manager believes that this opportunity exists because most Canadian financial institutions choose to focus on larger principal value, longer term mortgage lending opportunities. As a result of this and other factors, the Fund Manager considers the sector of the Canadian mortgage lending market that provides smaller principal value, shorter term loans to be fragmented and to under-service borrower demand for such loans.

The investment objective of the Fund is, with a primary focus on capital preservation, to acquire and maintain a diversified portfolio of Mortgage Assets that generates attractive, stable returns in order to permit the Fund to pay monthly distributions to its shareholders. See "Investment Objective, Strategies and Restrictions". The head and registered office and mailing address of the Fund are located at 25 Price Street, Toronto, Ontario M4W 1Z1.

For the 6-month period ending June 30, 2009, the Fund Manager is targeting an annualized yield of approximately 8.5 – 9.0%, net of all fees and expenses of the Fund and based on the issue price of \$10.00 per Class A Share. For the period from July 7, 2008 to October 31, 2008, the Fund declared dividends to Class A shareholders of \$0.29 per Class A Share, which on an annualized basis represents a yield of 9.1% on an issue price of \$10.00 per Class A Share. In the long-term, the Fund Manager is targeting an aggregate annual yield (net of all fees and expenses of the Fund) equal to the then current yield to maturity on the two-year Government of Canada bond yield (the “2-Yr GOC Yield”) plus 550 basis points. For the period of January 1, 2008 to September 30, 2008, the average 2-Yr GOC yield was 2.95%.

The Fund Manager is an asset management company that employs a conservative and risk-adverse approach to real estate based investments. As manager of the Fund, the Fund Manager intends, together with the advice of Timbercreek Investment Management Inc., as portfolio advisor to the Fund (the “Fund Advisor”), and the mortgage origination and placement expertise of Timbercreek Mortgage Strategies Inc., as mortgage manager (the “Mortgage Manager”), to identify mortgage loan investments where market inefficiencies provide opportunities to create value through active management. See “Organization and Management Details of the Fund”.

	Price to the Public <sup>(1)</sup>	Agents’ Fee <sup>(2)</sup>	Net Proceeds to the Fund <sup>(3)</sup>
Per Class A Share	\$10.00	\$0.525	\$9.475
Minimum Offering <sup>(4)</sup>	\$5,000,000	\$262,500	\$4,737,500
Maximum Offering <sup>(4)</sup>	\$25,000,000	\$1,312,500	\$23,687,500

- (1) The price of the Class A Shares has been determined by negotiation between the Fund and the Agents (as defined below). The Offering has a minimum subscription of \$2,500.
- (2) An amount equal to 5.25% of the gross proceeds of the Offering (including any exercise of the Over-Allotment Option (as defined below)) is payable to the Agents upon the closing of the Offering or the Over-Allotment Option (as applicable).
- (3) Before deducting expenses of the Offering estimated to be \$350,000, which, together with the Agents’ fee, will be paid by the Fund. The Fund is responsible for the expenses of the Offering up to a maximum of the lesser of \$500,000 and 3.0% of the gross proceeds of the Offering. The Fund Manager will be responsible for any amount over such maximum.
- (4) The Fund has granted the Agents an over-allotment option, exercisable for a period of 30 days from the closing of the Offering, to purchase additional Class A Shares representing 15% of the number of Class A Shares sold under the Offering, on the same terms as set out above solely to cover over-allotments, if any, and for market stabilization purposes (the “Over-Allotment Option”). If the Over-Allotment Option is exercised in full, the total “Price to the Public”, “Agents’ Fee” and “Net Proceeds to the Fund” will be \$5,750,000, \$301,875 and \$5,448,125, or \$28,750,000, \$1,509,375 and \$27,240,625, assuming completion of the Minimum Offering and Maximum Offering, respectively. This prospectus qualifies the distribution of the Over-Allotment Option and the distribution of the Class A Shares issuable upon exercise of the Over-Allotment Option. A purchaser who acquires Class A Shares forming part of the Agents’ over-allocation position acquires those securities under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See “Plan of Distribution”.

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

Manulife Securities Incorporated, Raymond James Ltd., BMO Nesbitt Burns Inc., Dundee Securities Corporation, HSBC Securities (Canada) Inc., Newport Securities L.P., Burgeonvest Securities Limited and M Partners Inc. (collectively, the “Agents”) conditionally offer the Class A Shares, subject to prior sale, if, as and when issued, sold and delivered by the Fund in accordance with the conditions contained in an agency agreement (the “Agency Agreement”) referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the Fund by McCarthy Tétrault LLP and Thorsteinssons LLP and on behalf of the Agents by Fasken Martineau DuMoulin LLP. In connection with this Offering and in accordance with and subject to applicable laws, the Agents

are permitted to engage in transactions that stabilize or maintain the market price of the Class A Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See “Plan of Distribution”.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Should the Minimum Offering not be attained by December 31, 2008, the subscriptions received by the Agents will be returned to the subscribers, without any interest or deduction. Book-entry only certificates representing the Class A Shares will be issued in registered form to CDS Clearing and Depository Services Inc. (“CDS”) or its nominee and will be deposited with CDS on the date of the closing of the Offering, which is expected to occur on or about December 16, 2008, or such later date as the Fund and the Agents may agree, but in any event not later than December 31, 2008. A purchaser of Class A Shares will receive only a customer confirmation from a registered dealer that is a CDS Participant (as defined under “Glossary of Terms”) and from or through which the Class A Shares are purchased. See “Plan of Distribution”.

**An affiliate of Newport Securities L.P. holds an 8.9% equity interest in the Fund Manager. In addition, as of November 27, 2008 accounts and funds managed by affiliates of Newport Securities L.P. own an aggregate of approximately 12% of the outstanding Class A Shares and approximately 52% of the outstanding Class B Shares and may purchase additional Class A Shares under the Offering. Accordingly, the Fund is considered to be a “connected issuer” and “related issuer” of Newport Securities L.P. under applicable securities laws for purposes of the Offering. Newport Securities L.P. will receive no benefit in connection with this Offering other than receiving from the Fund a portion of the Agents’ fee and a portion of the Trailer Fee (as defined under “Glossary”). See “Plan of Distribution”.**

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## ABOUT THIS PROSPECTUS

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

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

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

In this prospectus, references to “\$” are to Canadian dollars.

## FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “proposes”, “expects”, “estimates”, “intends”, “anticipates” or “believes”, or variations (including negative and grammatical variations) of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Fund’s actual results, performance or developments to be materially different from any future results, performance or developments expressed or implied by the forward-looking statements. Examples of such statements include, but are not limited to: the annual yield of the Fund that the Fund Manager is targeting, the nature of the Fund and its affairs following the completion of the Offering, the ability of the Fund to qualify as a “mortgage investment corporation” (a “MIC”) under the *Income Tax Act* (Canada), as amended (the “Tax Act”), and the strategic partners of the Fund going forward. Actual results, performance and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this prospectus. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: the completion of the Offering, the ability of the Fund to acquire and maintain a portfolio of Mortgage Assets capable of generating the necessary annual yield or returns to enable the Fund to achieve its investment objective, the ability of the Fund to establish and maintain relationships and agreements with key strategic partners, the qualification of the Fund as a MIC under the Tax Act, the maintenance of prevailing interest rates at favourable levels, the ability of borrowers to service their obligations under the Mortgage Assets of the Fund, the ability of the Fund Manager, the Fund Advisor and the Mortgage Manager to effectively perform their obligations owed to the Fund, anticipated costs and expenses, competition, and changes in general economic and political conditions. While the Fund anticipates that subsequent events and developments may cause its views to change, the Fund specifically disclaims any obligation to update these forward-looking statements, except as required by applicable law. These forward-looking statements should not be relied upon as representing the Fund’s views as of any date subsequent to the date of this prospectus. Although the Fund has attempted to identify important factors that could cause actual results, performance or developments to differ materially from those described in forward-looking statements, there may be other factors that cause results, performance or developments not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results, performance or developments could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Fund. Additional factors are noted under “Risk Factors” below.

## PROSPECTUS SUMMARY

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

- The Fund: Timbercreek Mortgage Investment Corporation is a company incorporated under the laws of the Province of Ontario. See “The Fund”.
- Offering: The Offering consists of Class A Shares of the Fund. See “Plan of Distribution”. **The Class A Shares are non-voting shares except as described under “Shareholder Matters”.**
- Maximum Issue: \$25,000,000 (2,500,000 Class A Shares)
- Minimum Issue: \$5,000,000 (500,000 Class A Shares)
- Price: \$10.00 per Class A Shares
- Minimum Purchase: \$2,500 (250 Class A Shares)
- Use of Proceeds: The net proceeds of the Offering to the Fund will be as follows:

	<b>Minimum Offering</b>	<b>Maximum</b>
<b>Offering</b>		
Gross proceeds to the Fund	\$5,000,000	\$25,000,000
Agents’ fees	\$262,500	\$1,312,500
Estimated Expenses of the Offering <sup>(1)</sup>	<u>\$150,000</u>	<u>\$350,000</u>
Net proceeds to the Fund	\$4,587,500	\$23,337,500

<sup>(1)</sup> The Fund is responsible for the expenses of the Offering up to a maximum of the lesser of \$500,000 and 3.0% of the gross proceeds of the Offering. The Fund Manager will be responsible for any amount over such maximum.

This is a “blind pool” Offering. Although the net proceeds of the Offering are expected to be used (in the sole discretion of the Fund) to fund Available Mortgages and/or other mortgage loans invested in from time to time and for general corporate purposes of the Fund, the specific mortgages in which the Fund will invest have not yet been determined. However, the Fund is subject to certain investment restrictions that, among other things, limit the investments that may be made by the Fund. 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 under “Investment Objectives, Strategies and Restrictions – Asset Allocation Model”. While held by the Fund pending use for any of the foregoing purposes, the Fund will invest the balance of the net proceeds of the Offering in Authorized Investments. See “Use of Proceeds”.

### Agents

- Agents: Manulife Securities Incorporated, Raymond James Ltd., BMO Nesbitt Burns Inc., Dundee Securities Corporation, HSBC Securities (Canada) Inc., Newport Securities L.P., Burgeonvest Securities Limited and M Partners Inc. (collectively, the “Agents”) will act as agents for the Offering.

Agent's Fee: As agents with respect to the Offering, the Agents will earn a fee equal to 5.25% of the gross proceeds of the Offering (including any gross proceeds from the exercise of the Over-Allotment Option) which is payable to the Agents upon the closing of the Offering or Over-Allotment Option (as applicable).

Over-Allotment Option: The Fund has granted the Agents the Over-Allotment Option, exercisable for a period of 30 days from the closing of the Offering, to purchase additional Class A Shares representing 15% of the number of Class A Shares sold under the Offering, on the same terms as set out above solely to cover over-allotments, if any, and for market stabilization purposes.

Agent's Position	Maximum Size or Number of Securities Available	Exercise Period/Acquisition Date	Exercise Price or Average Acquisition Price
Over-Allotment Option <sup>(1)</sup>	Up to 15% of the number of Class A Shares sold under the Offering	30 days from closing of the Offering	\$10 per Class A Share
Total Securities Under Option Issuable to Agents	Up to 15% of the number of Class A Shares sold under the Offering	30 days from closing of the Offering	\$10 per Class A Share

<sup>(1)</sup> This prospectus qualifies the distribution of the Over-Allotment Option and the issuance of the Class A Shares issuable upon the exercise of the Over-Allotment Option. See "Plan of Distribution".

### The Fund

Development and Rationale of the Fund: The Fund was launched in July 2008 to provide investors an opportunity to invest indirectly, by holding shares of the Fund, in Mortgage Assets selected and determined to be high quality by the Fund Manager and the Fund Advisor. The Fund is building on the experience of TMIF to offer investors an opportunity to benefit from its mortgage investment strategy. TMIF is a private investment trust that was established by the Fund Manager in March 2007 to implement and test an investment objective and investment strategies similar to those of the Fund on a smaller scale. The Fund is the sole unitholder of TMIF. Going forward, the Fund intends to grow its portfolio of Mortgage Assets (the "Portfolio") by periodically raising capital through offerings of Shares and using the proceeds of such offerings to purchase additional Mortgage Assets. Subject to important limitations and, in certain cases, Shareholder approval, future offerings of Shares may be made for net proceeds to the Fund per Share that are less than NRV per Class A Share or NRV per Class B Share, as applicable. See "The Fund — Development and Rationale of the Fund".

Competitive Advantages of the Fund: *Experienced, reputable management.* The directors, officers and principals of the Fund Manager, Fund Advisor and Mortgage Manager have a depth of experience, an established reputation and a developed network of long-term relationships in the commercial real estate and mortgage lending community, and in the capital markets and asset management sectors in Canada.

*Structured to enhance returns and investor confidence.* The structure of the Fund is designed to enhance returns through: (i) alignment of the interests of the Mortgage Manager with those of the holders of Class A Shares and Class B shares of the Fund via, first, the obligation of the Mortgage Manager to make available to the Fund for investment each mortgage originated by the Mortgage Manager that meets the investment objective of the Fund and, second, the performance fee based compensation of the Mortgage Manager, (ii) alignment of the interests of the Fund Manager, strategic partners and service providers with those of the Shareholders via simple fee arrangements, (iii) a robust, tested asset allocation model, which creates diversification in the Portfolio, (iv) the generation of complementary sources of revenue, and

(v) strong governance practices.

*Strategic partnerships.* The Fund Manager has established key financing relationships with strategic partners that are intended to allow the Fund to enhance returns, reduce costs and to better service the mortgage borrower market.

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

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

In order to enhance returns, the Fund seeks to leverage the strategic relationships established by the Fund Manager with strategic financing partners. Moreover, the Fund's focus on short-term mortgage loan investments, though principally designed to reduce risk in the Portfolio and increase liquidity of the investments, is also expected to enhance returns as mortgage loan placement fees will be flowed through to the Fund by the Mortgage Manager as mortgage loans mature and new mortgage loans are placed.

The Fund utilizes an investment process that is characterized by a top-down approach to identifying attractive mortgage investment opportunities, beginning first with a macro-level economic analysis of various geographic markets and properties, and second with the identification of individual mortgage investment opportunities and the evaluation of their attributes. Once a mortgage investment opportunity is determined by the Mortgage Manager to be satisfactory based on an initial review, the Mortgage Manager is required to perform comprehensive due diligence of the underlying assets. This top-down approach to loan selection is expected to yield mortgage investments that are determined to be high quality by the Fund Manager and the Fund Advisor. See "Investment Objective, Strategies and Restrictions".

Investment Philosophy: The Fund Manager believes that successful investing in the alternative asset class, over the long term, is about identifying and buying assets in inefficient markets. These inefficiencies can be the 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. The primary methods that the Fund uses to focus on capital preservation are (i) to abstain from using leverage as an investment tool, (ii) to adhere to the Asset Allocation Model (subject to certain duly approved exceptions) in order to ensure that the Portfolio of loans is diversified geographically and by type of real estate used as security, and (iii) to invest exclusively in loans directly secured by real estate assets that the Mortgage Manager has completed in-depth due diligence on.

Long term views, focus on process, research and analysis and an active management style sum up the investment philosophy of the Fund Manager.

See "Investment Objective, Strategies and Restrictions".

## **Organization and Management of the Fund**

- Fund Manager:** Timbercreek Asset Management Inc. acts as manager of the Fund. The Fund Manager is a corporation incorporated under the laws of the Province of Ontario in May 2004. The Fund Manager has a value oriented investment philosophy, and specializes in providing conservatively managed, risk adverse private investment opportunities to institutions, trusts and endowment funds, discretionary investment advisors and qualified individuals.
- The address of the Fund Manager is 25 Price Street, Toronto, Ontario M4W 1Z1. See “Organization and Management Details of the Fund”.
- 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 to provide investment advice to the Fund regarding the Portfolio. The Fund Advisor is a corporation incorporated under the laws of the Province of Ontario on June 16, 2008. See “Organization and Management Details of the Fund”.
- Mortgage Manager:** The Fund Manager has established and, on behalf of the Fund, retained the services of Timbercreek Mortgage Strategies Inc. to provide directly or indirectly through licensed service providers, as applicable, mortgage management and day-to-day mortgage administration services, including the sourcing, structuring and management of secured mortgage investments on behalf of the Fund. The directors, officers and principals of the Mortgage Manager, a majority of whom are also directors, officers and/or principals of the Fund Manager, have significant experience originating, underwriting, structuring and syndicating mortgage loans as well as an established network of real estate investors. The Mortgage Manager is a corporation incorporated under the laws of the Province of Ontario on January 16, 2007. See “Organization and Management Details of the Fund”.
- Mortgage Advisory Committee:** The Mortgage Advisory Committee (the “MAC”) is an advisory committee appointed by the Fund Advisor consisting of representatives from each of the Fund Advisor, the Fund Manager and the Mortgage Manager, as well as at least one independent member. The Mortgage Manager identifies and presents mortgage investment opportunities to the MAC. The MAC independently reviews these opportunities and makes recommendations to the Fund Advisor. Recommendations are required to be unanimously approved by the MAC.
- Custodian:** The Custodian of the Fund is Computershare Trust Company of Canada located in Toronto, Ontario.
- Registrar and Transfer Agent:** The Registrar and Transfer Agent of the Fund is CIBC Mellon Trust Company at its principal office in Toronto, Ontario.
- Distributions:** Registered Shareholders are entitled to receive distributions as and when declared from time to time by the directors of the Fund, acting in their sole discretion, out of the assets of the Fund properly available for the payment of dividends. The Fund intends to make equal monthly cash distributions by way of dividend to Shareholders of record on the last business day of each month, except for a month when additional shares are issued, the Fund, if deemed appropriate, may fix the record date to be the day before such issuance in order to avoid dilution to existing Shareholders. Accordingly, it is expected that purchasers of Class A Shares pursuant to the Offering will first participate in any dividends declared on the Class A Shares having a record date in January 2009. Declared distributions will be paid within 15 days following the end of the month in which they are declared.

For the 6-month period ending June 30, 2009, the Fund Manager is targeting an annualized yield of approximately 8.5 – 9.0%, net of all fees and expenses of the Fund and based on the issue price of \$10.00 per Class A Share. For the period from July 7, 2008 to October 31, 2008, the Fund declared dividends to Class A shareholders of \$0.29 per Class A Share, which on an annualized basis represents a yield of 9.1% on an issue price of \$10.00 per Class A Share. In the long-term, the Fund Manager is targeting an aggregate annual yield (net of all fees and expenses of the Fund) equal to the then current yield to maturity on the 2-Yr GOC Yield plus 550 basis points. For the period of January 1, 2008 to September 30, 2008, the average 2-Yr GOC yield was 2.95%.

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

**Redemptions:** *Monthly Redemptions.* A Class A Share may be surrendered for redemption on the last business day of any month, other than October (each a “Redemption Date”), by 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 on a Redemption Date will be entitled to receive a redemption price per Class A Share equal to the lesser of: (i) 95% of the Trading Price of the Class A Shares; and (ii) the Market Price. Any declared and unpaid distributions payable on or before a Redemption Date in respect of Class A Shares tendered for redemption on such Redemption Date will also be paid on the Redemption Payment Date.

*Annual Redemptions.* Class A Shares may be redeemed on the last business day in October of each year (each, an “Annual Redemption Date”) at a redemption price per Class A Share equal to NAV per Class A Share. See “Calculation of Net Asset Value and Net Redemption Value”. Shares must be surrendered for annual redemption by no later than 4:00 p.m. (Toronto time) on October 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 annual redemptions will be made on or before the last business day of November. See “Attributes of Securities — Description of the Class A Shares and Class B Shares — Redemption Privileges”.

*Limitations on Redemptions.* Monthly and Annual redemptions are subject to certain limitations. See “Attributes of Securities — Description of the Class A Shares and Class B Shares — Redemption Privileges — Limitation and Suspension of Redemptions”.

**Leverage:** The Fund is authorized to borrow to maintain liquidity, for general working capital purposes, and to bridge timing differences resulting from loan maturities and new loan origination. In connection with any credit facility, the Fund may grant security over any individual asset or over any pool of assets. The aggregate amount of borrowing by the Fund may not exceed 25% of the net asset value of the Fund (“NAV”) at the time of borrowing. In the event that the total amount borrowed exceeds this 25% limit, the Fund Manager will reduce the indebtedness on an orderly basis within a period of 90 days so that the amount borrowed does not exceed such limit. The Fund does not currently contemplate the use of leverage as a material component of its investment strategy and does not currently have a credit facility in place.

## **Summary of Income Tax Considerations**

### **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) 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.

### **Deferred Income Plans**

Class A Shares are qualified investments for trusts governed by RRSPs, DPSPs, RRIFs, RDSPs, and RESPs, provided that either the Fund qualifies as a MIC and does not hold any indebtedness of a person who is an annuitant, a beneficiary, an employer, or a subscriber under such plan or fund, or of any other person who does not deal at arm's length with that person, or the Class A Shares are listed on a designated stock exchange, which includes the TSX.

### **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.

See "Income Tax Considerations".

### **Risk Factors**

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

## Summary of Fees and Expenses

The following table contains a summary of the fees and expenses payable by the Fund. The fees and expenses payable by the Fund will reduce the value of your investment in the Fund. For further particulars, see “Fees and Expenses”.

<u>Type of Fee</u>	<u>Amount and Description</u>
Fees Payable to the Agents:	\$0.525 per Class A Share.
Expenses of Issue:	The expenses of the Offering, estimated to be \$350,000, will, together with the Agents’ fees in respect of the Offering, be paid from the gross proceeds of the Offering. However, the Fund is responsible for the expenses of the Offering up to a maximum of the lesser of \$500,000 and 3.0% of the gross proceeds of the Offering. The Fund Manager will be responsible for any amount over such maximum.
Management Fees:	<p>For acting as manager of the Fund and providing the service of portfolio advisor of the Fund through its wholly-owned subsidiary, the Fund Manager will receive from the Fund a management 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.</p> <p>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 Mortgage 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”). The Carried Interest performance fee in respect of a calendar year will be payable to the Mortgage Manager annually, within 15 days of the issuance of the Fund’s annual audited financial statements for the subject year. See “Fees and Expenses — Management Fees and Operating Expenses”.</p>
Operating Expenses of the Fund:	The Fund will pay for all expenses it incurs in connection with its operation and management. 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. The aggregate annual amount of the general operating and administrative fees and expenses are estimated to be \$270,000 per annum (assuming a NAV of the Fund of approximately \$60 to \$70 million). See “Fees and Expenses — Management Fees and Operating Expenses”.
Trailer Fee:	The Fund will pay to each registered dealer readily identifiable on the records maintained by or on behalf of the Fund a servicing 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. At the discretion of the independent directors of the Fund, the amount of the foregoing servicing 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. The Trailer Fees in relation to the Class A Shares sold pursuant to this Offering will begin

accruing in January 2009.

Management Expense Ratio:

The management expense ratio of the Fund, for the period from July 7, 2008, the date the Fund was launched, to August 31, 2008, on an annualized basis, is 2.33%. See “Management Expense Ratio”.

## THE FUND

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

### Introduction

The Fund is a company incorporated under the *Business Corporations Act* (Ontario). The head and registered office and mailing address of the Fund are located at 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, (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.

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

In addition, the Fund Manager has established and, on behalf of the Fund, retained the services of the Mortgage Manager to provide directly or indirectly through licensed service providers, as applicable, mortgage management and day-to-day mortgage administration services, including the sourcing, structuring and management of mortgage investments on behalf of the Fund. The directors, officers and principals of the Mortgage Manager, a majority of whom are also directors, officers and principals of the Fund Manager, have significant experience in originating, underwriting, structuring and syndicating mortgage loans as well as an established network of real estate investors. See “Organization and Management Details of the Fund”.

### Status of the Fund

The Fund is a non-redeemable investment fund. For greater certainty, the Fund is not considered to be a mutual fund under applicable Canadian securities legislation. Consequently, the Fund is not subject to certain policies and regulations that apply to publicly offered mutual funds, notably National Instrument 81-101—Mutual Fund Prospectus Disclosure and National Instrument 81-102 — Mutual Funds 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 and Net Redemption Value”), as opposed to most mutual funds which are redeemable daily at net asset value.

## **Development and Rationale of the Fund**

In 2006, the Fund Manager identified an opportunity for investors to enjoy an attractive return on investment by offering short-term mortgages to an underserved sector of the Canadian mortgage market (the “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 developed the Concept by modeling the potential returns that could be achieved. Assumptions underlying the model included: (i) the estimated deal flow available through the directors, officers and principals of the Fund Manager and the Mortgage Manager; (ii) the average market interest rates for targeted borrowers; and (iii) the estimated costs associated with placing, funding and managing the mortgages. In the view of the Fund Manager, the modeling of the Concept demonstrated that an opportunity existed for value creation through the active management of a diversified portfolio of mortgage loan investments determined to be of high quality by the Fund Manager.

The Fund Manager established TMIF, an open-ended private investment trust, in March 2007, to seek to achieve the following objectives: (i) introduce the Concept to, and test its marketability in, the capital markets and build a platform to foster future growth; (ii) provide investors with stable, predictable distributions derived from mortgage loan investments, with a targeted aggregate yield equal to 550 basis points above the then current two-year Government of Canada bond yield (the “2-Yr GOC Yield”) through efficient and effective sourcing and management of mortgage loans secured by real property; (iii) establish and test elements of the Concept such as adequacy of deal flow and feasibility of maintaining a mortgage loan investment portfolio that would meet the desired asset mix; and (iv) establish relationships with strategic partners to provide enhanced mortgage placement and funding capacity as well as structuring flexibility (see “Strategic Partners”).

Consistent with the Fund Manager’s objectives, TMIF:

- built a diversified portfolio of Mortgage Assets that complied with TMIF’s asset allocation model (which is substantially similar to the Asset Allocation Model of the Fund);
- instituted warehouse facilities representing \$24 million with strategic partners to enhance capacity to place, fund and structure mortgage investment opportunities (see “Strategic Partners — Warehousing Arrangements”); and
- formed a strategic partnership with an established financial institution that regularly funds the Senior Position in loans that are syndicated by the Mortgage Manager (see “Strategic Partners — Senior Position Lenders”).

Accordingly, the Fund Manager believed 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 existing platform of TMIF.

The Fund Manager, together with the Fund Advisor and Mortgage Manager, review and consider the assumptions underlying the Concept on an ongoing and regular basis (usually no less than once per quarter). The assumptions underlying the Concept, therefore, are regularly evaluated to ensure they reflect current market conditions.

On July 7, 2008, the Fund completed its initial public offering financing and the acquisition of substantially all of the portfolio of mortgage assets of TMIF as well as a portfolio of mortgage loan investments originally funded through non-committed funding facilities provided by the Warehouse Partners.

Building on the TMIF experience, 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 is working to achieve its investment objective by investing in a diversified Portfolio consisting primarily of Conventional Mortgage loans that are directly secured by residential (including multi-residential), office, retail and industrial real property across Canada, primarily located in larger urban markets and their surrounding areas, which are typically more liquid and provide less volatile security for mortgage loans. More specifically, the Fund intends to grow its Portfolio by periodically raising capital through offerings of Shares and using the proceeds of such offerings to purchase additional mortgage loans from the Warehouse Partners or other sources. Subject to important limitations and, in certain cases, Shareholder approval, future offerings of Shares may be made for net proceeds to the Fund per Share that are less than NRV per Class A Share or NRV per Class B Share, as applicable. See “Shareholder Matters — Matters Requiring Shareholder Approval”.

The Fund Manager, the Fund Advisor and the Mortgage Manager manage and administer the Mortgage Assets, for and on behalf of the Fund, from origination through repayment, which is intended to provide the Fund and the Shareholders transparency as to the contents and performance of the Portfolio.

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

Focusing on preservation of capital via directly secured lending positions, the Fund endeavours to take advantage of opportunities to provide high yielding loans in the relatively inefficient Canadian mortgage lending market to seek to generate returns that are superior to those typically generated by Canadian fixed income products. For the 6-month period ending June 30, 2009, the Fund Manager is targeting an annualized yield of approximately 8.5 – 9.0%, net of all fees and expenses of the Fund and based on the issue price of \$10.00 per Class A Share. For the period from July 7, 2008 to October 31, 2008 the Fund declared dividends to Class A shareholders of \$0.29 per Class A Share, which on an annualized basis represents a yield of 9.1% on an issue price of \$10.00 per Class A Share. In the long-term, the Fund Manager is targeting an aggregate annual yield (net of all fees and expenses of the Fund) equal to the then current yield to maturity on the 2-Yr GOC Yield plus 550 basis points. For the period of January 1, 2008 to September 30, 2008, the average 2-Yr GOC yield was 2.95%.

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

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

### ***Experienced, Reputable Management***

The directors, officers and principals of the Fund Manager, Fund Advisor and Mortgage Manager will provide the Fund with depth of experience, an established reputation and a developed network of long-term relationships in the commercial real estate and mortgage lending community, and in the capital markets and asset management sectors in Canada.

The Fund will benefit from the Fund Manager's real estate, asset and investment management experience. The directors, officers and principals of the Fund Manager have cumulative experience of 65 years in real estate, asset and investment management sectors. Since the inception of the Fund Manager, its team of professionals has founded and built a full-service asset management platform that has the capacity to underwrite, finance, acquire and manage assets that fit the investment profile and mandate of its managed funds. As of October 31, 2008, the Fund Manager had over \$700 million in assets under management.

The directors, officers and principals of the Mortgage Manager have over 30 years of cumulative experience in originating, underwriting, and syndicating mortgage loans. They are well known in the private real estate lending market across Canada and source potential opportunities through an extensive network of mortgage brokers and repeat borrowers across the country, including some of Canada's largest real estate operators. The directors, officers and principals of the Mortgage Manager have expertise in three areas they consider key to generating attractive returns for the Fund, namely: (a) in-depth knowledge of mortgage underwriting and finance structuring; (b) the ability to generate a broad range of investment opportunities; and (c) the capacity to provide comprehensive and structured mortgage loan oversight, servicing and collection methodology.

### ***Structured to Enhance Returns and Investor Confidence***

The structure of the Fund is designed to enhance returns and instil investor confidence in the Fund. The principal components of this structure are:

- *Aligned interests; simple fee arrangements.* The Mortgage Manager's interests are aligned with those of the Fund and the Shareholders. The Mortgage Manager is obligated to present to the Fund any loan originated by the Mortgage Manager that meets the investment objective of the Fund. The Mortgage Manager may not invest directly in or make available for investment to any other person any Mortgage Asset that fits the Fund's investment objective without first offering such investment opportunity to the Fund. Moreover, the Mortgage Manager is compensated exclusively through a performance fee based on the financial performance of the Fund. The Fund Manager and Fund Advisor are compensated through a fixed-rate, all-inclusive fee for service. The Fund Manager, and not the Fund, pays an investment advisory fee to the Fund Advisor. The expenses of each of the Fund Manager, Fund Advisor and the Mortgage Manager are satisfied by the Fund Manager from its fee for service. See "Fees and Expenses".
- *Robust Asset Allocation Model.* The Fund has adopted an Asset Allocation Model that is focused first on capital preservation and, second, on the achievement of the Fund's investment objective and targeted returns. The Asset Allocation Model of the Fund sets specific thresholds that are regularly monitored and that must be complied with at the time of issuance of every mortgage loan investment commitment (subject to duly approved exceptions). See "Investment Objective, Strategies and Restrictions — Asset Allocation Model".
- *Returns enhanced by additional sources of revenue.* In addition to the yield earned by the Fund on Mortgage Assets, the Fund also earns revenue from the mortgage loan origination and placement activities directly or indirectly carried on by the Mortgage Manager. The Mortgage Manager is obligated to remit to the Fund all mortgage origination and placement fees (collectively, "Lender Fees") generated in connection with mortgage loans funded by the Fund.

- *Strong governance.* The Fund is governed by a board of directors, a majority of the members of which are independent. The Fund also has a MAC, which approves mortgage investments based on the guidelines dictated by the Asset Allocation Model and subject to the required confirmation of the IRC in circumstances where the investment presents a “conflict of interest matter”, as defined in NI 81-107.

### ***Strategic Partners***

The Fund Manager and the Fund Advisor have key financing relationships with strategic partners that are intended to allow the Fund to enhance returns and to better service the mortgage borrower market.

- *Warehouse Arrangements.* The Fund currently has warehouse funding agreements with two warehouse partners (each a “Warehouse Partner” and, collectively, the “Warehouse Partners”) representing approximately \$24 million in non-committed warehouse funding. Each Warehouse Partner (i) provides a non-committed funding facility (each a “Warehouse Facility” and collectively, the “Warehouse Facilities”) to fund mortgage loans originated and placed directly or indirectly by the Mortgage Manager and (ii) grants the Fund an option to repurchase mortgage loans funded from the respective Warehouse Facility.

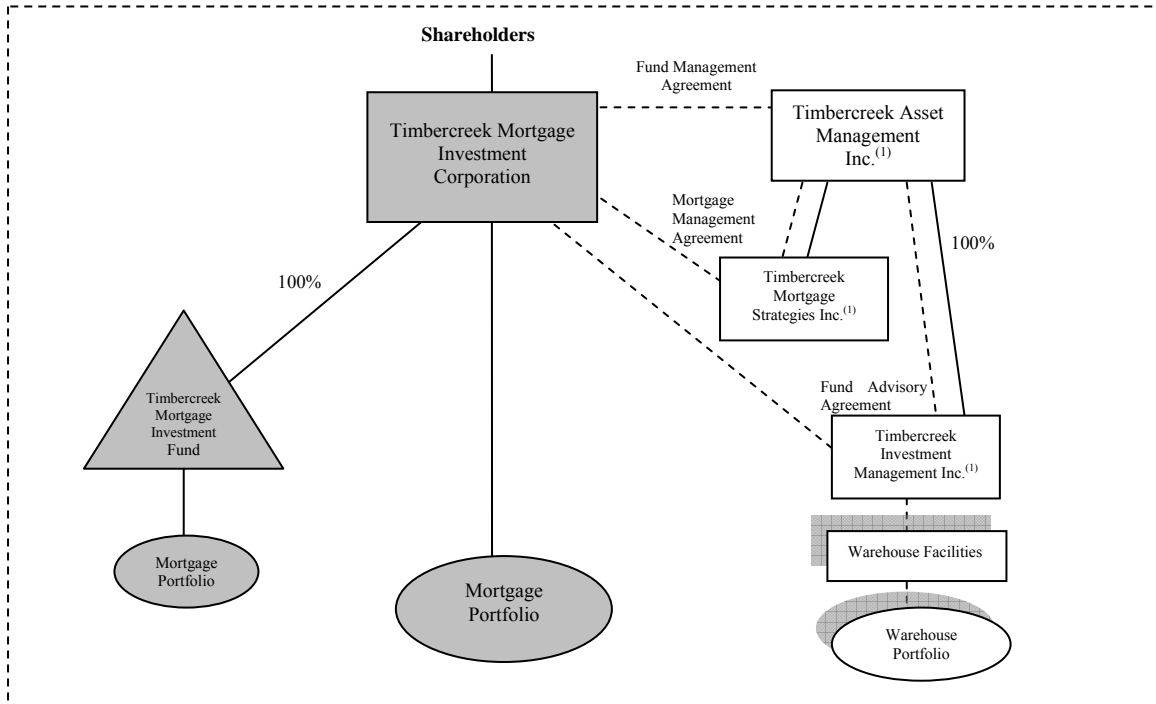
The Mortgage Manager may, if it deems appropriate, use the Warehouse Facilities to temporarily fund mortgage loans through the Warehouse Partners until such time as the Fund may acquire, using proceeds from securities offerings or other available cash, these temporarily funded mortgages from the Warehouse Partners. The warehousing arrangements are intended to: (i) permit the continuous deployment of capital, (ii) avoid a reduction of returns associated with delays in the deployment of equity capital that needs to be raised to fund a mortgage investment, and (iii) maintain a rigorous, two-tiered credit analysis in the case of Mortgage Assets that are purchased from a Warehouse Partner, with the Warehouse Partners performing their own additional review of the merits of mortgage loans funded by them.

- *Senior lender position.* The Fund Manager has developed a relationship with a federal trust and loan company regulated by the Office of the Superintendent of Financial Institutions which had over \$345 million of assets as at December 31, 2007. This lending partner holds the Senior Position on a number of syndicated mortgages that are currently held in the Portfolio or that are financed under the Warehouse Facilities. Alignment with well-capitalized lending partners that seek similar investment opportunities is intended to allow the Fund to source larger mortgage loans while maintaining the Fund’s higher yield objectives.

### **Investment Structure of the Fund**

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

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



(1) Certain directors and/or officers of the Fund, the Fund Manager and/or the Mortgage Manager are shareholders of the Fund Manager and the Mortgage Manager. See “Organization and Management Details of the Fund”.

## INVESTMENT OBJECTIVE, STRATEGIES AND RESTRICTIONS

### Investment Objective

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

### Investment Strategies

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

In the short to medium term, the Fund plans to focus on investing in mortgages that are secured by income-producing assets.

The Fund is leveraging the strategic relationships established by the Fund Manager and the Fund Advisor with the Warehouse Partners and with senior lenders to enhance returns. In addition, all Lender Fees generated by the Mortgage Manager are paid to the Fund to enhance the income of the Fund and, hence, the return on investment for the investors. The Fund’s focus on short-term mortgage loan investments is primarily designed to reduce risk in the Portfolio and increase liquidity of the investments, but is also expected to contribute to income through Lender Fees. The Fund Manager believes that these strategies will combine to provide the Fund with superior opportunities to:

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

The long-term strategy of the Fund is to grow the Portfolio by continuing to acquire, if appropriate, mortgage loans through financing partners, including the Warehouse Partners. The Fund intends in the future, when the Warehouse Facilities reach a satisfactory size to warrant the cost associated with the purchase and transfer of mortgages contained therein, to purchase such loans with funds generated through further equity financings and/or the operations of the Fund. By repeating this cycle, the Fund Manager and the Fund Advisor plan to grow the Portfolio and continue to enhance the economies of scale and returns achieved by the Fund. Moreover, the Fund may also from time to time enter into co-ownership or similar arrangements with arm’s length third parties in respect of certain Mortgage Assets in order to allow the Fund to benefit from participating in larger size Mortgage Assets (“Co-Ownership Arrangements”). The Fund Manager expects that the larger size of the Portfolio will provide the Fund with greater diversification of Mortgage Assets and added mortgage funding capacity and flexibility.

### **Investment Philosophy**

The Fund Manager believes that successful investing in the alternative asset class, over the long term, is about identifying and buying assets in inefficient markets. These inefficiencies can be the 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. The primary methods that the Fund uses to focus on capital preservation are (a) to abstain from using leverage as an investment tool, (b) to adhere to the Asset Allocation Model (subject to certain duly approved exceptions) in order to ensure that the Portfolio of loans is diversified geographically and by type of real estate used as security, and (c) to invest exclusively in loans directly secured by real estate assets that the Mortgage Manager has completed in-depth due diligence on.

Long term views, focus on process, research and analysis and an active management style sum up the investment philosophy of the Fund Manager.

### **Investment Process**

The Fund utilizes an investment process that is characterized by a top-down approach to identifying attractive mortgage investment opportunities, beginning first with a macro-level economic analysis of various geographic markets and properties, and second with the identification of individual mortgage investment opportunities and the evaluation of their attributes. This top-down approach to loan selection is intended to yield mortgage investments that are determined to be high quality by the Fund Manager and the Fund Advisor. In the Fund Manager’s opinion, “high quality” mortgage investments are investments in mortgage loans where (a) the Fund has a clear exit strategy, (b) the mortgage is secured by real property that is reasonably liquid, and (c) the borrower has a reasonable amount of equity ahead of the loan with respect to the specific asset securing the loan.

Early in the identification and evaluation process, the Mortgage Manager will confirm that a mortgage investment opportunity satisfies the Asset Allocation Model. Once determined by the Mortgage Manager to be satisfactory based on an initial review, the Mortgage Manager is required to perform comprehensive due diligence of the underlying assets. This due diligence process includes (but is not limited to), obtaining structural reports,

environmental reports, appraisals, quantitative surveyor or architects certificates, title insurance, and, to the extent possible, audited operating statements.

The due diligence process generally includes, but is not limited to, the following considerations:

Duties Performed	Matters Considered
A. General Market Analysis	<ul style="list-style-type: none"> <li>• macroeconomic variables</li> <li>• demographic characteristics</li> <li>• socioeconomic outlook</li> </ul>
B. Local Market Analysis	<ul style="list-style-type: none"> <li>• assessment of local market conditions</li> <li>• level of infrastructure development</li> </ul>
C. Valuation Process	<ul style="list-style-type: none"> <li>• discounted cash flow</li> <li>• capitalization rate</li> </ul>
D. Debt Analysis	<ul style="list-style-type: none"> <li>• interest rate sensitivity</li> <li>• market appetite for increased leverage</li> </ul>
E. Borrower Analysis	<ul style="list-style-type: none"> <li>• review of financial status of borrower, sponsor or, if applicable, construction companies involved in any loan</li> <li>• review of credentials of all borrowers and sponsors</li> </ul>
F. Due Diligence Period	<ul style="list-style-type: none"> <li>• financial due diligence</li> <li>• legal due diligence — including title and off-title searches (property tax payments, work orders, fire code compliance, etc.)</li> <li>• analysis of taxes / utilities /expenses over previous three years</li> <li>• environmental / physical due diligence — external</li> <li>• soil / structural reports completed by consultants</li> <li>• review and assignment if any required property hazard insurance (consultant may be engaged)</li> <li>• architect’s or quantitative surveyor’s report reviewing costs, plans, permits, etc. for any construction loans — they will also authorize draw on construction loans</li> <li>• independent valuation/appraisal report</li> </ul>

The due diligence process undertaken by the Mortgage Manager is tailored to each investment opportunity according to the relevant aspects thereof. The Mortgage Manager does not expect that all due diligence items will be required or performed for all investments. For example, residential home loans will generally not require an environmental report. Similarly, in rare circumstances a mortgage loan may be advanced before an appraisal has been received.

#### *Initial Funding Process*

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

The MAC considers each investment opportunity presented to it by the Mortgage Manager on a stand-alone basis, as well as in the context of the Aggregate Funded and Committed Assets to determine whether the investment meets the requirements of the Asset Allocation Model. Recommendations by the MAC to the Fund Advisor will be based on the unanimous determination of the MAC with respect thereto.

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

Mortgage investment opportunities approved on behalf of the Fund are required, subject to exceptions described below, to be presented to KingSett Capital, through KingSett Real Estate Mortgage LP No. 3 (“KingSett”), pursuant to the terms of the KingSett Agreement. KingSett has three business days from the date of presentation to advise whether it will commit to funding a subject mortgage loan through the KingSett Facility. If KingSett does not commit to funding the mortgage investment opportunity within such time, the Mortgage Manager may present it to another Warehouse Partner or seek alternative funding. See “Principal Agreements — KingSett Warehouse Agreement”.

#### *Repurchase/Investment by the Fund*

Mortgage loans funded through a Warehouse Facility can be repurchased by the Fund at any time, but must be repurchased in the order of the date each warehoused mortgage loan was funded, or on a “first in first out” basis. See “Principal Agreements”. The evaluation of the suitability of a Mortgage Asset with respect to the Asset Allocation Model is performed on the basis of the Aggregate Funded and Committed Assets.

Upon repurchasing a mortgage loan from a Warehouse Facility, the Mortgage Manager will again review the loan for compliance with the Asset Allocation Model (based on the Aggregate Funded and Committed Assets) and present it to the MAC for review. The MAC will consider each repurchase opportunity on a stand-alone basis as well as in the context of the Aggregate Funded and Committed Assets to determine whether the investment meets the requirements of the Asset Allocation Model. Recommendations by the MAC to the Fund Advisor will be based on the unanimous determination of the MAC with respect thereto. Based on the advice of the MAC at such time, the Fund Advisor will review and, if deemed appropriate, approve the repurchase of the loan from the Warehouse Facility and investment of the Portfolio assets in the subject mortgage.

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

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

#### **Asset Allocation Model**

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 Aggregate Funded and Committed Assets for compliance with the Asset Allocation Model.

The Asset Allocation Model is a dynamic investment tool that assists the Fund Advisor in its development and maintenance of the Portfolio with a view to achieving the investment objective of the Fund. Based on evolving market conditions and the investment history of the Portfolio, the Asset Allocation Model may be amended from time to time by the Fund Advisor in order to maintain the currency and relevance of the model as a discipline on the overall investment approach of the Fund.

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 Asset Allocation Model criteria include, without limitation, the following:

1. Not more than 10% of the Aggregate Funded and Committed Assets can be allocated to an investment in any one real property. Assuming completion of the Minimum Offering as of October 31, 2008, immediately thereafter the largest individual Funded and Committed Asset would have amounted to less than 10% of NAV;
2. Not more than 20% of the Aggregate Funded and Committed Assets can be allocated to an investment with any one borrower;
3. Not more than 30% of the Aggregate Funded and Committed Assets can be allocated to investment in mortgages which are secured by non-income producing non-residential assets. "Non-income producing" assets are mortgage loans in respect of which the income servicing the mortgage is less than the monthly principal and interest payments, either at the time the loan is advanced or as projected based on leases in-place;
4. Not more than 40% of the Aggregate Funded and Committed Assets can be allocated to investment in B-Notes;
5. The average term to maturity on mortgage investments, excluding any B-Notes in the Portfolio, comprising the Aggregate Funded and Committed Assets shall not exceed 24 months. The target term to maturity on any one mortgage investment, other than B-Notes, shall be 18-36 months;
6. Not more than 60% of the Aggregate Funded and Committed Assets shall be secured by second mortgage positions;
7. Not more than the percentages set out below of the Aggregate Funded and Committed Assets can be invested in the corresponding regions:

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

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

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

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

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

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

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

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

The mortgage lending industry in Canada has seen steady growth for the past several years, with an estimated \$15 billion in principal amount of mortgages placed in 2007.

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

1. The value of investment real estate in Canada should exhibit limited volatility, which helps create a stable environment and reliable security for mortgage lending opportunities. The following factors support this belief:

- The Canadian economy has experienced steady growth and remains among the most politically and economically stable countries in the world;
  - The supply of new real estate through development has been limited in Canada for approximately the past 10 years, which has resulted in a strong market that has not been oversupplied with investment real estate; and
  - An abundance of domestic and foreign investment capital has been, and continues to be, deployed in Canadian direct real estate equity investments, contributing to continued strong demand; and
2. Increased lending opportunities are anticipated in the market because:
- The recent volatility and uncertainty in the debt capital markets has limited the availability of funds from Canadian financial institutions, regardless of the quality of the borrower or loan;
  - The virtual disappearance of the Canadian commercial mortgage-backed securities market has eliminated approximately \$4 billion of the \$15 billion commercial mortgage lending market, thereby reducing competition among lenders; and
  - Canadian federal and provincial governments and governmental agencies have generally imposed increasingly strict regulatory requirements on the lending practices of Canadian financial institutions, limiting their ability to fully service the market.

The segment of the mortgage market where borrowers have been particularly underserved consists of real estate investors requiring funding during the transitional phase of the investment process (e.g., construction, development, lease-up, etc.). Real estate investors typically use interim funding to add value to a property prior to qualifying for long-term financing.

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

With a limited supply of financing available to borrowers, in part due to the retrenchment of the commercial mortgage-backed securities market, borrowers are often willing to pay higher interest rates of approximately 800 to 900 basis points over the corresponding Government of Canada bonds for these short-term mortgages. Once the transitional phase of the underlying property is complete, these real estate investors usually refinance the properties with longer-term, lower interest financing through large Canadian financial institutions.

The recent uncertainties in the Canadian economy and tightening of the credit market have, on one hand, created certain business opportunities for the Fund as traditional mortgage lenders have generally reduced their lending activities and borrowers are forced to seek other sources of financing. However, the current economic environment may also result in increased risks in certain aspects of the Fund's business as there may be an increase in defaults under mortgage loans. See "Risk Factors".

#### *Types of Mortgage Investments*

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

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

In order to achieve the Fund’s investment objective, the Fund Advisor will invest primarily in first charge Conventional Mortgages of the following types:

1. Bridge Mortgages

Bridge mortgages are typically interim loans made by borrowers to bridge a shorter (1-3 year) period where they require temporary capital. Borrowers commonly use funds from bridge loans for capital repairs to a property, redevelopment of a property, or for the purchase of another investment. Often, a subsequent refinancing of the existing conventional debt on the property will provide sufficient proceeds to repay the bridge mortgage.

2. Development Mortgages

Development mortgages are typically loans secured against vacant lands prior to development or lands with existing buildings that are slated for development in the short term. In either case, the majority of the value of the asset is in the underlying land. Development mortgages are frequently used to assist in funding site acquisitions, pre-development costs, and costs associated with servicing sites with infrastructure.

3. Construction Mortgages

Construction mortgages are mortgages provided to borrowers to assist with the funding of the construction of a new project or the construction or redevelopment of an existing project.

4. Syndicated Mortgages

Mortgage syndication consists of (i) segregation or tranching a single mortgage into a senior ranking interest (“Senior Position”) and a subordinate ranking interest (“Subordinate Position”) (i.e., participating in a loan with other lenders at different ranks), which permit a mortgage investor to achieve lower or higher yield income participation, respectively, or (ii) funding of a single mortgage by multiple lenders with *pari passu* participation (participation in a loan with other equal ranking lenders). Syndicating a loan allows the borrower to obtain funding under a single mortgage loan while the initial lender has the opportunity to reduce its risk by retaining ownership of only a portion of the loan.

### **Investment Restrictions**

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 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 MIC;
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.

### **Leverage**

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

### **STRATEGIC PARTNERS**

The Fund benefits from several key strategic relationships as described below.

#### **Warehousing Arrangements**

The Fund has an agreement with each Warehouse Partner, namely: KingSett and Forsgate Funding Corporation (“Forsgate”). Each Warehouse Partner has provided a non-committed Warehouse Facility for use by the Fund until such time as the Fund has cash available or issues securities and uses the proceeds thereof to acquire Mortgage Assets from the Warehouse Partners.

KingSett has provided the Fund with a \$20 million non-committed facility (the “KingSett Facility”) to house mortgages that are approved by the Fund Manager and require interim funding. The terms of the KingSett Facility are summarized under “Principal Agreements — KingSett Warehouse Agreement”.

KingSett is a Canadian private equity real estate investment firm that specializes in providing real estate investment opportunities on a direct basis, through joint ventures, and through its mezzanine lending program.

Forsgate has provided the Fund, with an additional \$4 million non-committed facility (the “Forsgate Facility”) to house mortgages that are approved by the MAC and require interim funding. The terms of the Forsgate Facility are summarized under “Principal Agreements — Forsgate Warehouse Facility”.

Moreover, from time to time the Fund Manager and the Fund Advisor may establish additional or replace existing warehousing arrangements.

## Senior Position Lender

The Fund Manager has also developed a strong relationship with CTC, a company established under the *Trust and Loan Companies Act* (Canada) and registered with the Financial Services Commission of Ontario that had over \$345 million of assets as at December 31, 2007. As described earlier, the Senior Position on a loan represents a lower risk position and therefore typically warrants a substantially lower return on investment. Partitioning off this portion of a mortgage loan will generally allow the Fund to assume a higher rate of return on the Subordinate Position of a mortgage in which the Fund is to invest. In effect, this provides the Fund with enhanced returns in the same manner that leverage would, without the risks associated with pledging assets of the Fund or exposing the Fund's assets to recourse.

In addition, the Fund may from time to time establish relationships with other lending partners that the Fund Manager believes to be well-capitalized and that seek similar Senior Position investment opportunities. The Fund Manager believes that such relationships will enable the Fund to source larger mortgage loans while maintaining the Fund's higher yield objectives.

## THE PORTFOLIO

The Fund acquired all of the outstanding shares of TMIF on July 7, 2008 (the "Transfer Date") and the portfolio of mortgage investments held by TMIF at that time provided a strong foundation for the Fund. Since the Transfer Date, the Fund has funded new mortgage loans and certain mortgage loans within the initial portfolio have been repaid. As of October 31, 2008, the Portfolio of mortgages funded directly or indirectly (through TMIF) by the Fund accounted in the aggregate for 32 mortgage loans of various types totalling \$36,047,750 in outstanding principal amount (which amount includes up to an additional \$120,624 that will be advanced by the Fund upon satisfaction of specified conditions under certain mortgage loans included in the Portfolio). As of such date, the average size of mortgage loans contained in the Portfolio was approximately \$1.126 million per mortgage investment.

The following table illustrates, as of October 31, 2008, the Portfolio by property type relative to the allocation targeted by the Fund Manager ("Target Allocation") and the maximum allocation levels specified in the Asset Allocation Model ("AAM Allocation"):

<u>Property Type</u>	<u>Portfolio Mortgages (#)</u>	<u>Portfolio Outstanding Principal<sup>(1)</sup> (\$)</u>	<u>%</u>	<u>Target Allocation</u>	<u>AAM Allocation</u>
Residential and multi-residential	17	19,732,750	55%	50%	Less than 80%
<i>Single family</i>	4	2,198,500	6%	–	–
<i>Multi family</i>	10	14,441,250	40%	–	–
<i>Other</i>	3	3,093,000	9%	–	–
Retail	8	9,110,000	25%	15%	Less than 50%
Office	4	3,705,000	10%	15%	Less than 50%
Unimproved land	1	2,000,000	6%	5%	Less than 25%
Industrial	2	1,500,000	4%	10%	Less than 50%
Self-storage, hotels and other	–	–	–	5%	Less than 20%
Total:	32	36,047,750	100%	100%	

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

The following table illustrates, as of October 31, 2008, the Portfolio by geographic location relative to the Target Allocation and the AAM Allocation:

<b>Geographic Location of Property</b>	<b>Portfolio Mortgages (#)</b>	<b>Portfolio Market Value (\$)</b>	<b>%</b>	<b>Target Allocation</b>	<b>AAM Allocation</b>
Ontario	13	13,128,500	36%	60%	Less than 80%
Alberta	8	12,430,000	34%	10%	Less than 50%
Quebec	8	8,846,250	25%	15%	Less than 35%
British Columbia	2	1,263,000	4%	10%	Less than 50%
Other provinces and territories	1	380,000	1%	5%	Less than 25%
Total:	32	36,047,750	100%	100%	

The following table illustrates, as of October 31, 2008, the Portfolio categorized by contractual interest rate:

<b>Interest Rate (excluding fees earned by the Fund)</b>	<b>Portfolio Mortgages (#)</b>	<b>Portfolio Outstanding Principal<sup>(1)</sup></b>	<b>%</b>
Less than or equal to 10%	6	\$ 4,370,500	12%
10% - 10.49%	—	\$ —	—
10.50% - 10.99%	2	\$ 5,200,000	14%
11% - 11.49%	3	\$ 1,638,000	5%
11.50% - 11.99%	7	\$ 7,575,000	21%
12% - 12.49%	8	\$ 9,871,250	27%
12.50% - 12.99%	2	\$ 4,330,000	12%
13% - 13.49%	1	\$ 1,780,000	5%
13.50% - 13.99%	2	\$ 608,000	2%
Greater than or equal to 14%	1	\$ 675,000	2%
Total:	32	\$ 36,047,750	100%

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

The following table illustrates, as of October 31, 2008, the Portfolio categorized by year of maturity:

<b>Year of Maturity</b>	<b>Portfolio Mortgages (#)</b>	<b>Portfolio Market Value</b>
2008	9	\$ 7,374,000
2009	16	\$ 18,013,750
2010	6	\$ 7,910,000
2011	1	\$ 2,750,000
Thereafter	—	\$ —
Total:	32	\$ 36,047,750

The following table illustrates, as of October 31, 2008, the Portfolio categorized by secured property type:

Average duration of mortgages by property type	Portfolio Mortgages (#)	Average Duration (Months)
Residential and multi-residential	17	16.8
Retail	8	23.6
Office	4	12.0
Unimproved Land	1	12.0
Industrial	2	12.0
Self storage, hotels and other	—	—
	32	17.5

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

1. Interest only loans with a typical duration of 12 - 36 months;
2. First mortgage positions and syndicated first mortgage positions where the Senior Position is held by a strategic partner;
3. Mortgages invested primarily in large urban markets across Canada, providing geographic diversification of the portfolio;
4. Mortgages secured by the properties to which they relate and typically include corporate and/or personal guarantees of the borrowers; and
5. All loans are uninsured Conventional mortgage loans.

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

Deal Name	Prov.	Loan Value	Loan Value	To	Term (months)	Effective Interest Rate	Position	Allocation Product Type
Hinton & Red Deer- Apartments	AB	\$1,600,000	61.8%		12	12.38%	First	Residential
Ascot Rental Townhomes, Edmonton	AB	\$1,980,000	74.9%		36	12.00%	First	Residential
Halmac Building	SK	\$1,100,000	64.7%		12	8.65%	First	Office Buildings
Walmer & Spadina Apartments	ON	\$1,000,000	57.6%		24	11.50%	Second	Residential
Western Square Plaza	ON	\$700,000	82.7%		12	12.00%	Second	Retail
The Mark on Jasper	AB	\$1,500,000	44.44%		12	12.00%	First	Residential

As part of the Fund's investment process, the Mortgage Manager regularly extends to potential borrowers commitment letters to fund new mortgage loans ("Committed Mortgages"). Moreover, the Fund may from time to time enter into negotiations with one or more arm's length third parties in respect of potential Co-Ownership Arrangements pursuant to which the Fund may acquire interests in certain Mortgage Assets, subject to due diligence

and approval by the MAC and the Fund Advisor. Collectively, all such Committed Mortgages and outstanding new mortgage financing opportunities, together with other mortgage financing opportunities for which the borrower has paid a good faith deposit, are referred to as “Available Mortgages”.

There can be no assurance that Available Mortgages will become funded mortgage loans of the Fund until funds are advanced to the borrower, or until the relevant Co-Ownership Arrangement has been finalized and the mortgage loans that are the subject of the Co-Ownership Arrangement have been acquired. As of October 31, 2008, there were 10 Available Mortgages representing \$19,568,388 in principal amount.

Eight of the Available Mortgages as of October 31, 2008 are part of a portfolio of existing mortgage loans that the Fund, together with an arm’s length third party, are negotiating to purchase from another arm’s length third party and that, if acquired, would be subject to a Co-Ownership Arrangement. The proposed transaction is a sale of a portfolio of mortgage interests (specifically, B-Notes) by a financial institution, that is seeking to raise cash in order to manage its exposure to the current financial market turmoil, to the Fund and an arm’s length third party as co-owners. After reviewing the portfolio involved in the proposed transaction, the Mortgage Manager, the MAC and the Fund Advisor believe that the proposed transaction offers an opportunity for the Fund to purchase a portfolio of mortgage interests at an attractive price. The relevant interests in this portfolio of Available Mortgages that the Fund is considering to purchase have an aggregate principal amount of \$17,318,388, and an effective interest rate of 11.42%. Based upon the current status of the respective negotiations, the Mortgage Manager and Fund Advisor expect that all or a portion of these Available Mortgages will become funded mortgage loans of the Fund.

In addition, the other two Available Mortgages as of October 31, 2008 consisted of two mortgage investment opportunities (one of which is a Committed Mortgage) having an aggregate principal amount of \$2,250,000 and respective interest rates of 11.50% and 11.56%.

All of the Available Mortgages have been approved by the MAC and the Fund Advisor in principal, subject, in some cases to the completion of due diligence.

The KingSett Facility and the Forsgate Facility were also transferred or assigned to the Fund on or about the Transfer Date, to temporarily fund and house mortgages (collectively, mortgages housed under the KingSett Facility and the Forsgate Facility are referred to as the “Warehouse Portfolio”) that have been approved pursuant to the investment process (as described under “Investment Objective, Strategies and Restrictions — Investment Process”) until such time as the Fund has raised equity or otherwise has the necessary funds to purchase mortgages from the Warehouse Facility.

Following the completion of the Offering, the Fund intends to continue to utilize the Warehouse Facilities to fund mortgage loans which meet the Asset Allocation Model and subsequently purchase these loans from the Warehouse Partners with the net proceeds of future securities offerings or other available funds. The Mortgage Manager intends to target mortgages which yield on average 550 basis points over the 2-Yr GOC Yield.

The Fund is currently targeting investments in Mortgage Assets ranging in principal amount from approximately \$1 million to \$5 million per mortgage investment. It is further anticipated that in the future the Fund’s average mortgage investment size will be approximately \$2 million. Despite more permissive restrictions contained in the Asset Allocation Model, the Fund intends that approximately 75% of the Mortgage Assets in the Portfolio will be Conventional Mortgages.

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

The following discussion is prepared as of October 31, 2008 and should be read in conjunction with the audited financial statements of the Fund as at August 31, 2008 and for the period from inception of the Fund on April 30, 2008 to August 31, 2008, and the notes thereto, which are prepared in accordance with Canadian generally accepted accounting principles and which appear elsewhere in this prospectus.

### Results of Operations

The Fund was incorporated on April 30, 2008, and began operations on July 7, 2008 following the completion of its initial public offering of subscription receipts (that were subsequently converted into Class A Shares) and issuance of Class B Shares in connection with its acquisition of the portfolio of mortgage investments of TMIF. There has not been any material change in the investment objective of the Fund since inception, and the over-all portfolio mix is consistent with the investment strategies, restrictions and objective of the Fund, as outlined in the prospectus.

As the Fund did not begin operations until after the Transfer Date which occurred on July 7, 2008, there were no material revenues or expenses prior to that date. For the period from July 7, 2008 to August 31, 2008 the significant components to the revenue of the Fund were (i) interest earned on the Portfolio of mortgages totalling \$561,920, and (ii) fee income of \$28,580 earned from the placement of mortgages. The Fund's operating expenses primarily consisted of management fees of \$74,306 paid to the Fund Manager, trailer fees of \$26,416 and administrative operating expenses of \$34,154. The total net investment income from operations for the period from July 7, 2008 to August 31, 2008 was \$455,624.

While fundamentals in the global financial markets have deteriorated significantly over the past 90 days, the investment thesis for the Fund remains sound. In fact, for a well-capitalized lender, the opportunities to lend have generally improved.

The Fund relies on the Mortgage Manager's ability to source and make investments in high quality, shorter term mortgage loans. The availability of such investments continues to be strong. This has a direct correlation to the tightening in the credit markets, as the availability of traditional sources of mortgage capital has decreased significantly.

There is also evidence of slowing general economic conditions in Canada. As a result, the Fund Advisor has chosen to limit the Fund's investment in mortgage lending opportunities which require economic growth for their success – such as certain construction projects or land developments. Further, the Fund will focus on mortgage loans secured by income producing assets in order that in the event the current tightening in the credit markets delays the ability of borrowers to refinance, the loans can be serviced from the cash flows generated by the assets the loans are secured by.

The Fund's focus on lending against income-producing assets, and the absence of any leverage on the Fund's balance sheet to date have proven to be able to insulate the Fund from any concerns of loan impairment to date. The risk factors identified in the prospectus under "Risk Factors" continue to fairly depict the risks inherent in the investment landscape of the Fund.

### Recent Developments

Timbercreek Investment Management Inc. was incorporated on June 16, 2008 for the purpose of becoming the Fund Advisor. The Fund Advisor is a wholly-owned subsidiary of the Fund Manager, 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 view of the various business and operating activities of the Fund Manager, the Fund Manager concluded that it would be simpler from an administrative as well as accounting perspective to have a wholly-owned subsidiary which is solely dedicated to the provision of portfolio management and advisory services to the Fund to take on the role as the portfolio advisor

of the Fund. The senior management of the Fund Manager who were responsible for providing portfolio advice to the Fund are now taking on the same role under the Fund Advisor.

### Related Party Transaction

On July 7, 2008 the Fund acquired the portfolio of 12 Mortgage Assets of TMIF and the outstanding units of TMIF for aggregate consideration of 1,509,279 Class B Shares at an issue price of \$10.00 per Class B Share for total consideration of \$15,008,141.

During the period ended August 31, 2008, the Fund incurred management fees payable to the Fund Manager of \$74,306. In addition, \$43,054 remains payable to the Fund Manager relating to issuance costs paid on behalf of the Fund. Accordingly, as at August 31, 2008, \$117,360 remains payable to the Fund Manager. In addition, \$53,444 remains payable to the Mortgage Manager for performance fees earned prior to the acquisition of the portfolio of mortgage investments of TMIF.

### Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the period beginning July 7, 2008, the date the Fund was launched following its initial public offering, to August 31, 2008. The Fund's net assets per share, net asset value and distributions are based on the actual number of shares outstanding at the relevant time.

<b>The Fund's Net Assets per Class A Share <sup>(1)</sup></b>	<b>Period Ended August 31, 2008</b>
Net Assets, beginning of period	\$9.33
<b>Increase (decrease) from operations:</b>	
total revenue	0.15
total expenses	(0.04)
realized gains (losses) for the period	—
unrealized gains (losses) for the period	—
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.11</b>
<b>Distributions:</b>	
From Income (excluding dividends)	<b>(0.14)</b>
From Dividends	—
From Capital Gain	—
Return of Capital	—
<b>Total Distributions for the period<sup>(3)</sup></b>	<b>(0.14)</b>
<b>Net Assets, end of period</b>	<b>\$9.30</b>
<b>Ratios And Supplemental Data<sup>(4)</sup></b>	
Total net asset value (000's) <sup>(4)</sup>	\$22,960
Number of shares outstanding <sup>(4)</sup>	2,433,186
Management expense ratio* <sup>(5)</sup>	2.64%

<b>Ratios And Supplemental Data<sup>(4)</sup></b>	<b>Period Ended August 31, 2008</b>
Management expense ratio before waivers or absorptions*	2.64%
Trading expense ratio <sup>(6)</sup>	0.01%
Portfolio turnover rate <sup>(7)</sup>	1.2%
Net asset value per share	\$9.44
Closing market price	

<b>The Fund's Net Assets per Class B Share<sup>(1)</sup></b>	<b>Period Ended August 31, 2008</b>
Net Assets, beginning of period	\$9.84
<b>Increase (decrease) from operations:</b>	
total revenue	0.16
total expenses	(0.03)
realized gains (losses) for the period	—
unrealized gains (losses) for the period	—
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.13</b>
<b>Distributions:</b>	
From Income (excluding dividends)	<b>(0.15)</b>
From Dividends	—
From Capital Gain	—
Return of Capital	—
<b>Total Distributions for the period<sup>(3)</sup></b>	<b>(0.15)</b>
<b>Net Assets, end of period</b>	<b>\$9.82</b>

<b>Ratios And Supplemental Data<sup>(4)</sup></b>	
Total net asset value (000's) <sup>(4)</sup>	\$14,970
Number of shares outstanding <sup>(4)</sup>	1,509,279
Management expense ratio* <sup>(5)</sup>	1.88%
Management expense ratio before waivers or absorptions*	1.88%
Trading expense ratio <sup>(6)</sup>	0.01%
Portfolio turnover rate <sup>(7)</sup>	1.2%
Net asset value per share	\$9.92
Closing market price	N/A

\* annualized

(1) This information is derived from the Fund's audited financial statements appearing elsewhere in this prospectus. The net assets per share presented in the financial statements differ from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in the notes to the financial statements. This difference is due to including costs associated with establishment, structuring and periodic offering of securities of the Fund attributable to a class of shares being amortized monthly over a period of five years.

- (2) Net assets and distributions are based on the actual number of the relevant class of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of the relevant class of shares outstanding over the financial period.
- (3) Distributions were paid in cash.
- (4) This information is provided as at August 31, 2008.
- (5) Management expense ratio is based on total expenses (excluding portfolio and other transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.
- (6) The trading expense ratio represents the mortgage transaction costs incurred on a particular mortgage investment as an annualized percentage of semi-monthly average net assets during the period. Typically, the borrower will reimburse the Fund for transaction costs, although situations may arise where the Fund may incur the costs.
- (7) The Portfolio turnover rate indicates how actively the Fund Advisor managed the Portfolio investments. A portfolio turnover rate of 100% is equivalent to a fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the change of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

## Management Fees

The fees and expenses payable by the Fund are described under "Fees and Expenses".

## Past Performance

The Fund was incorporated on April 30, 2008 and commenced operations on July 7, 2008, following the Transfer Date, therefore, there is no past performance to report.

## Summary of Investment Portfolio

The following summary of the Portfolio is as at August 31, 2008. Information in relation to the Total Portfolio as at October 31, 2008 is disclosed under the section "The Portfolio". The summary of the Portfolio may change due to ongoing portfolio transactions. Quarterly updates of the Portfolio are available at [www.timbercreekfunds.com](http://www.timbercreekfunds.com).

### Asset Mix

	Net Assets (\$)	% of Net Assets
Mortgages	28,729,626	76.7
Cash and Cash Equivalents	9,281,160	24.8
Other Assets less Liabilities	(569,601)	-1.5

### Summary of Top 25 Investments

The following table summarizes the top 25 investments in the Portfolio as at August 31, 2008:

	Prov.	Outstanding Principal (\$) <sup>1</sup>	Loan to Value	Term	Interest Rate	Position	Allocation Product Type	% of NAV
Cash & Cash Equivalents	N/A	\$9,281,160	N/A	N/A	N/A	N/A	N/A	24.8%
Summit Glen Portfolio, Toronto	ON	\$4,000,000	74.3%	18	12.90%	Second	Multi family	10.7%
Reneau-Lapointe Recreation Centre, Montreal	QC	\$3,200,000	67.5%	36	10.90%	First	Retail	8.5%
Charest Boulevard Building, Quebec City	QC	\$2,250,000	77.1%	12	11.80%	First	Office Buildings	6.0%
Grand Design Homes Residential Lots, Edmonton	AB	\$2,000,000	55.0%	12	10.90%	Second	Unimproved Land	5.3%

<sup>1</sup> The outstanding principal is equal to the market value on all such mortgage investments.

	Prov.	Outstanding Principal (\$) <sup>2</sup>	Loan to Value	Term	Interest Rate	Position	Allocation Product Type	% of NAV
Ascot Rental Townhomes, Edmonton	AB	\$1,980,000	74.9%	36	12.00%	First	Multi family	5.3%
Gateway Mobile Home Park, Ft. McMurray	AB	\$1,780,000	42.6%	24	13.19%	First	Other Residential	4.8%
The Mark on Jasper , Edmonton	AB	\$1,500,000	44.4%	12	11.90%	First	Multi family	4.0%
Augusta Apartments, Ottawa	ON	\$1,400,000	72.1%	16	11.90%	Second	Multi family	3.7%
Van Horne & Linton Apartments, Montreal	QC	\$1,250,000	79.8%	12	8.90%	First	Multi family	3.3%
Honey Harbour Mobile Home Park, Georgian Bay	ON	\$1,050,000	71.1%	24	11.31%	First	Other Residential	2.8%
Walmer and Spadina Apartments, Toronto	ON	\$1,000,000	57.6%	24	11.50%	Second	Multi family	2.7%
Gateway Village Residential, Pemberton	BC	\$995,661	60.4%	12	8.62%	First	Multi family	2.7%
Queen East Mixed-Use Building, Toronto	ON	\$855,784	70.2%	12	12.00%	Second	Retail	2.3%
Queen Mary, Montreal	QC	\$825,000	84.0%	12	11.90%	Second	Office Buildings	2.2%
Lake Rosseau Residential, Muskoka	ON	\$675,000	74.2%	12	14.25%	First	Single Family	1.8%
Mirror Lake Retail Complex, Camrose	AB	\$547,931	72.0%	24	9.67%	First	Retail	1.5%
Bois de Boulogne Apartments, Montreal	QC	\$500,000	47.1%	18	9.50%	Second	Multi family	1.3%
Des Pins Retail-Office, Montreal	QC	\$400,000	70.1%	33	11.65%	Second	Retail	1.1%
Redevelopment Land, East Garafraxa	ON	\$378,000	80.0%	18	11.18%	First	Other Residential	1.0%
Alexandra Boulevard Residential, Toronto	ON	\$358,000	77.3%	12	13.70%	First	Single Family	1.0%
Country Fair Mall, Ft. Erie	ON	\$330,000	79.8%	24	12.90%	Second	Retail	0.9%
Alexandra Boulevard Residential, Toronto	ON	\$320,000	77.8%	12	13.78%	First	Single Family	0.9%
Ward St Residential Assembly, New Westminster	BC	\$263,000	75.0%	12	8.92%	First	Other Residential	0.7%
Dumbarton Retail Plaza, Calgary	AB	\$250,000	55.6%	12	13.60%	First	Office Buildings	0.7%
								99.7%

<sup>2</sup> The outstanding principal is equal to the market value on all such mortgage investments.

## **Portfolio Composition**

The following tables illustrate the Portfolio composition of loans as at August 31, 2008.

<b>Property Type</b>	<b>Outstanding Principal (\$)</b>	<b>Mortgages (#)</b>	<b>%</b>
Residential and multi-residential	\$17,660,911	16	61%
Single Family	\$1,731,000	4	6%
Multi Family	\$12,836,911	9	45%
Other	\$3,093,000	3	10%
Retail	\$5,543,715	6	19%
Office	\$3,325,000	3	12%
Unimproved Land	\$2,000,000	1	7%
Industrial	\$200,000	1	1%
<b>Total</b>	<b>\$28,729,626</b>	<b>27</b>	<b>100%</b>

<b>Geographic Location of Property</b>	<b>Outstanding Principal (\$)</b>	<b>Mortgages (#)</b>	<b>%</b>
Ontario	\$10,566,784	11	37%
British Columbia	\$1,258,661	2	4%
Alberta	\$8,057,931	6	28%
Quebec	\$8,846,250	8	31%
Other provinces and territories	\$0	0	0%
<b>Total</b>	<b>\$28,729,626</b>	<b>27</b>	<b>100%</b>

<b>Interest Rate (excluding fees earned by the Fund)</b>	<b>Outstanding Principal (\$)</b>	<b>Mortgages (#)</b>	<b>%</b>
10.00% or Lower	\$3,556,592	5	12.4%
10.00% - 10.49%	\$0	0	0.0%
10.50% - 10.99%	\$5,200,000	2	18.1%
11.00% - 11.49%	\$1,638,000	3	5.7%
11.50% - 11.99%	\$7,575,000	7	26.4%
12.00% - 12.49%	\$3,047,034	3	10.6%
12.50% - 12.99%	\$4,330,000	2	15.1%
13.00% - 13.49%	\$1,780,000	1	6.2%
13.50% - 13.99%	\$928,000	3	3.2%
14% or Greater	\$675,000	1	2.3%
<b>Total</b>	<b>\$28,729,626</b>	<b>27</b>	<b>100%</b>

<b>Loan-to-Appraised Value <sup>(1)</sup></b>	<b>Outstanding Principal (\$)</b>	<b>Mortgages (#)</b>	<b>%</b>
55% or Less	\$6,845,785	5	23.8%
56% - 60%	\$2,245,661	3	7.8%
61% - 65%	\$0	0	0.0%
66% - 70%	\$3,800,000	4	13.3%
71% - 75%	\$9,915,931	7	34.5%
76% - 80%	\$4,886,000	6	17.0%
81% - 85%	\$1,036,250	2	3.6%
Total	\$28,729,626	27	100%

<sup>(1)</sup> Based on appraisals performed by arms length, third party at time of funding

<b>Year of Maturity</b>	<b># of Mortgages</b>	<b>Portfolio Market Value</b>
2008	10	\$7,595,445
2009	11	\$13,224,181
2010	6	\$7,910,000
	27	\$28,729,626

## **PRINCIPAL AGREEMENTS**

### **KingSett Warehouse Agreement**

The KingSett Facility is provided to the Fund pursuant to a mortgage warehouse agreement between KingSett, the Fund and the Fund Manager, as assigned to the Fund Advisor on October 3, 2008 (the “KingSett Agreement”). The description in this section is a summary only and is qualified in its entirety by reference to the text of the KingSett Agreement.

The KingSett Agreement provides that the Fund and the Fund Advisor shall not, other than in respect of a Permitted Loan (as defined below), fund or advance, or agree or commit to fund or advance, any loan or mortgage or any direct or indirect interest or participation in any loan or mortgage (a “Loan”), nor shall either of them broker or refer to any other person any opportunity to fund or advance any Loan or interest therein, without first providing KingSett the opportunity to fund such Loan. Loans presented to KingSett will be required to include completed loan application documentation. A “Permitted Loan” means (i) a Loan that was presented to KingSett for funding under the KingSett Agreement and in respect of which KingSett did not commit to fund, and (ii) any Loan without restriction, if at the relevant time there are no Loans under the Warehouse Facility that may be purchased by the Fund in accordance with the Asset Allocation Model.

The KingSett Facility provides the Fund the right, provided it is not then in default of its obligations thereunder, to purchase from KingSett (i) from time to time, KingSett’s interest in any one or more Loans held in the KingSett Facility, (ii) upon termination of the KingSett Agreement by the Fund, KingSett’s interest in all but not less than all of the Loans funded and held by KingSett under the KingSett Facility (the “KingSett Facility Loans”), and (iii) upon termination of the KingSett Agreement by KingSett, KingSett’s interest in any one or more of the KingSett Facility Loans. However, the Fund is entitled to purchase Loans from KingSett only in the same order they are funded by

the KingSett Facility (i.e., on a “first in first out” basis) (the “FIFO Requirement”) unless (i) otherwise agreed by the Fund and KingSett in writing, or (ii) the Fund notifies KingSett in writing that the purchase of prior KingSett Facility Loans would contravene the Asset Allocation Model. Under the FIFO Requirement, the Fund may be required to purchase mortgage loans that are in default or that are otherwise subject to unfavourable circumstances in order to be entitled to purchase additional mortgages under the KingSett Agreement. See “Risk Factors”.

The purchase price for the purchase of KingSett Facility Loans from KingSett will be (a) the outstanding principal balance owing under the subject purchased KingSett Facility Loan, plus all accrued and unpaid interest on such KingSett Facility Loan calculated as at the purchase closing date, less (b) the amount of the Lender Fees to be earned by the Fund during the remainder of the term of the subject KingSett Facility Loan. Moreover, the purchase price for each KingSett Facility Loan will be adjusted for prepaid interest and other customary adjustments as well as to account for any expenses incurred by and owed to KingSett under the KingSett Agreement on the applicable closing date.

The KingSett Agreement appoints the Fund Advisor to act as sole administrator with respect to the KingSett Facility Loans. In such capacity, the Fund Advisor will rely on the services of the Mortgage Manager to source and structure Loans, obtain necessary approvals for the Loans under the Fund’s investment process, and present Loans from time to time to KingSett in accordance with the terms of the KingSett Agreement. For its services under the KingSett Agreement, KingSett will pay the Fund Advisor a fee based on the average outstanding principal amount owed to KingSett under the KingSett Facility Loans over the course of the subject year. In addition, if KingSett realizes an internal rate of return in excess of a specified rate, KingSett will pay to the Fund Advisor an additional performance fee. The fees earned by the Fund Advisor under the KingSett Agreement will be retained by the Fund Advisor and will not be remitted to the Fund. Expenses, costs, obligations and liabilities incurred by the Fund Advisor in providing its services under the KingSett Facility Loans will not be reimbursed by the Fund.

The KingSett Agreement provides that the Asset Allocation Model may not be amended at any time during the term of the KingSett Agreement without the prior written consent of KingSett and the Fund.

The KingSett Agreement has an initial term extending until January 31, 2009 and shall thereafter be automatically renewed for successive 365-day terms unless terminated by written notice being given by any party to the others not less than 30 days prior to the expiry of the then current term or otherwise terminated in accordance with its terms. The Fund has the right to terminate the KingSett Agreement at any time upon 90 days’ written notice to KingSett. KingSett has the right to terminate the KingSett Agreement at any time upon 120 days’ written notice to the Fund. KingSett has the right to terminate the KingSett Agreement at any time if the Fund or the Fund Advisor continues to be in default of its obligations thereunder 10 days following the receipt by such party of a notice of such default from KingSett.

### **Forsgate Warehouse Agreement**

The Forsgate Facility is provided to the Fund pursuant to a warehouse loan facility agreement between Forsgate, the Fund and the Fund Manager, as assigned to the Fund Advisor on October 3, 2008 (the “Forsgate Agreement”). The description in this section is a summary only and is qualified in its entirety by reference to the text of the Forsgate Agreement.

The Forsgate Agreement gives Forsgate the right of first refusal to fund any loan earmarked for funding or purchase by the Fund with outside funding, provided that such loan has first been offered to and not accepted for funding by KingSett. The Forsgate Facility provides the Fund the right to purchase from Forsgate (i) from time to time, Forsgate’s interest in any one or more Loans held in the Forsgate Facility, (ii) upon termination of the Forsgate Agreement by the Fund, Forsgate’s interest in all but not less than all of the Loans funded and held by Forsgate under the Forsgate Facility (the “Forsgate Facility Loans”), and (iii) upon termination of the Forsgate Agreement by Forsgate, Forsgate’s interest in any one or more of the Forsgate Facility Loans. However, subject to conformity with the AAM, the Fund will be entitled to purchase Loans from Forsgate only in the same order they are funded by the Forsgate Facility (i.e., on a “first in first out” basis, also referred to as the FIFO Requirement) unless otherwise

agreed by the Fund and Forsgate in writing. Under the FIFO Requirement, the Fund may be required to purchase mortgage loans that are in default or that are otherwise subject to unfavourable circumstances in order to be entitled to purchase additional mortgages under the Forsgate Agreement. See “Risk Factors”.

The purchase price for the purchase of Forsgate Facility Loans from Forsgate will be (a) the outstanding principal balance owing under the subject purchased Forsgate Facility Loan, plus all accrued and unpaid interest on such Forsgate Facility Loan calculated as at the purchase closing date, less (b) fees and prepaid interest, if any, to be credited to the Fund. Moreover, the purchase price for each Forsgate Facility Loan will be adjusted for customary adjustments as well as to account for any expenses incurred by and owed to Forsgate under the Forsgate Agreement on the applicable closing date.

The Forsgate Agreement appoints the Fund Advisor to act as sole administrator with respect to the Forsgate Facility Loans. In such capacity, the Fund Advisor will rely on the services of the Mortgage Manager to source and structure Loans, obtain necessary approvals for the Loans under the Fund’s investment process, and present Loans from time to time to Forsgate in accordance with the terms of the Forsgate Agreement. For its services under the Forsgate Agreement, Forsgate will pay the Fund Advisor a fee based on the average outstanding principal amount owed to Forsgate under the Forsgate Facility Loans over the course of the subject year. The fees earned by the Fund Advisor under the Forsgate Agreement will be retained by the Fund Advisor and will not be remitted to the Fund. Expenses, costs, obligations and liabilities incurred by the Fund Advisor in providing its services under the Forsgate Facility Loans will not be reimbursed by the Fund.

The current term of the Forsgate Agreement ends on September 12, 2009 and is renewable for successive 12-month terms at Forsgate’s option. The Fund has the right to terminate the Forsgate Agreement at any time upon 90 days’ written notice to Forsgate. Forsgate has the right to terminate the Forsgate Agreement at any time upon 120 days’ written notice to the Fund.

## **FEES AND EXPENSES**

### **Offering Fees and Expenses**

The expenses of the Offering, estimated to be \$350,000 (including the costs of printing and preparing this prospectus, legal expenses, marketing expenses, certain expenses incurred by the Agents and certain other expenses incurred in connection with the Offering), will, together with the Agents’ fees in respect of the Offering, be paid from the gross proceeds of the Offering. However, the Fund is responsible for the expenses of the Offering up to a maximum of the lesser of \$500,000 and 3.0% gross proceeds of the Offering. The Fund Manager will be responsible for any amount over such maximum.

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

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

In addition, in any calendar year where the Fund has net earnings available for distribution to Shareholders in excess of the Hurdle Rate (“Hurdle Rate” means the average 2-Yr GOC Yield for the 12-month period then ended plus 450 basis points), the Mortgage 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 Mortgage 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 Mortgage 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.

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 Mortgage Manager 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 are estimated to be \$270,000 per annum (assuming a NAV of the Fund of approximately \$60 to \$70 million). 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, the Fund Advisor and the Mortgage Manager will be satisfied by the Fund Manager from the Fund Manager Fee.

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

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

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

Trailer Fees in respect of Class A Shares issued pursuant to this Offering will begin accruing in January 2009.

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.

## MANAGEMENT EXPENSE RATIO

The management expense ratio of the Fund, for the period from July 7, 2008, the date the Fund was launched, to August 31, 2008, on an annualized basis, is 2.33%. See “Management Discussion of Fund Performance”.

## RISK FACTORS

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

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

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

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

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

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

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

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

### **Subordinated Loans and Mortgages**

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

### **No Guarantees or Insurance**

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

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

## **General Economic Conditions**

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

## **Competition**

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

## **Sensitivity to Interest Rates**

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

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

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

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

In addition, new standards prescribed by Canadian GAAP apply to investment funds which, among other changes, may require investment funds to use valuation standards that differ from the current customary industry practice. On September 8, 2008 an amendment to National Instrument 81-106 – Investment Fund Continuous Disclosure came into effect which requires investment funds to calculate NAV for purposes other than financial statement reporting using "fair value" of an investment fund's assets and liabilities. As a result of this amendment, NAV set out in financial statements calculated in accordance with Canadian GAAP could differ significantly from NAV used for other purposes calculated using "fair value" pursuant to National Instrument 81-106.

The Fund depends on revenue generated from the Portfolio. There can be no assurance regarding the amount of revenue that will be generated by the Mortgage Assets comprising the Portfolio. The amount of distributions will depend upon numerous factors, including the ability of borrowers to make applicable payments under Mortgage Assets, interest rates, unexpected costs, and other factors which may not now be known by or which may be beyond the control of the Fund or the Fund Manager. If the directors of the Fund, on the advice of the Fund Manager,

determine that it would be in the best interests of the Fund, they may reduce or suspend for any period or altogether cease indefinitely the distributions to be made to the Shareholders.

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

### **Availability of Investments and Obligation to Purchase Certain Mortgage Assets**

Because the Fund relies on the Fund Manager and Mortgage Manager to source Mortgage Assets it invests in, the Fund is exposed to adverse developments in the business and affairs of the Fund Manager and Mortgage Manager, to their management and financial strength and to their ability to operate their 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.

Moreover, under the FIFO Requirement contained in the KingSett Agreement and the Forsgate Agreement, the Fund may be required to purchase mortgage loans that are in default or that are otherwise subject to unfavourable circumstances in order to be entitled to purchase additional mortgages under such respective Warehouse Facilities. The purchase by the Fund of any mortgage loan that generates a yield that is below the targeted yield of the Fund will have a negative impact on the overall yield of the Fund.

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.

In addition, there can be no assurance that Available Mortgages will become funded mortgage loans of the Fund until funds are advanced to the borrower, or until the relevant Co-Ownership Arrangement has been finalized and the mortgage loans that are subject of the Co-Ownership Arrangement have been acquired.

### **Dilution**

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

## **Foreclosure and Related Costs**

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

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

## **Ability to Manage Growth**

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

## **Nature of Class A Shares**

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 "Attributes of Securities — Description of the Class A Shares and Class B Shares — Redemption Privileges — Monthly Redemptions". The purpose of the annual redemption right is to prevent the Class A Shares from trading at a substantial discount to the NRV per Class A Share and to provide holders of Shares with the right to realize their investment once per year without any trading discount to the NRV per Class A Share. While the redemption right provides holders of Shares with the option of annual liquidity at NRV, there can be no assurance that it will reduce trading discounts. If a significant number of Class A Shares is redeemed, the trading liquidity of the Class A Shares could be significantly reduced. In addition, if a significant number of Shares are redeemed, (i) the Fund may be required to sell Portfolio assets in order to satisfy redemption payment obligations and may not be able to complete such Portfolio asset sales on favourable terms or at all, (ii) in circumstances where the NRV per Share is greater than the NAV applicable to such Shares, this will result in dilution to remaining shareholders of the Fund due to the formula for the annual redemption of Shares being based upon NRV; and (iii) the expenses of the Fund would be spread among fewer Shares resulting in a higher management expense ratio per Share. If, as a result of significant redemptions, the 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” 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 and RESP. See “Income Tax Considerations”.

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

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. Similarly, pursuant to the Mortgage Management Agreement, the Mortgage Manager will be responsible for the management and direction of the affairs of the Fund relating to the administration and evaluation of the existing and potential Mortgage Assets of the Fund. Although the employees of each of the Fund Manager, the Fund Advisor and the Mortgage Manager 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, the Fund Advisor or the Mortgage Manager in the future. In addition, the Mortgage Management Agreement may be terminated at any time by either party thereto on 120 days’ prior written notice. There is no assurance that the Fund Manager, the Fund Advisor and/or the Mortgage Manager 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, Fund Advisor and Mortgage Manager 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, Fund Advisor and Mortgage Manager 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, the Fund Advisor or the Mortgage Manager.

## **Limited Operating History of the Fund**

The Fund is a recently organized MIC with a limited operating history. There is no assurance that an active public market for the Class A Shares will be sustained after completion of the Offering.

## **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, Fund Advisor and Mortgage Manager, 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, Fund Advisor or Mortgage Manager or their respective directors, officers or employees. Similarly, neither the Fund Manager, Fund Advisor nor Mortgage Manager has any non-competition agreements with its respective directors, officers and employees. Accordingly, any one or more of the Fund Manager, Fund Advisor or Mortgage Manager 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, Fund Advisor and Mortgage Manager 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, Fund Advisor and Mortgage Manager to manage the business of the Fund and to provide managerial skill. The directors and officers of the Fund Manager, Fund Advisor and Mortgage Manager may have a conflict of interest in allocating their time between the respective businesses and interests of the Fund Manager, Fund Advisor and Mortgage Manager and the Fund, and other businesses or projects in which they may become involved.

The directors and officers of the Fund Manager, Fund Advisor and Mortgage Manager 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, Fund Advisor and Mortgage Manager 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, with the assistance of the Mortgage 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 Mortgage Manager may obtain a Phase I Environmental Audit on the underlying real property provided as security for a mortgage, when it has determined that a Phase I Environmental Audit is appropriate. However, there can be no assurance that any such Phase I Environmental Audit will reveal any or all existing or potential environmental liabilities necessary to effectively insulate the Fund from potential liability for a materially adverse environmental condition at any mortgaged property. If hazardous substances are discovered on a property of which the Fund has taken possession, the Fund may be required to remove such substances and clean up the property. The Fund may also be liable to tenants and other users of neighbouring properties and may find it difficult or not possible to resell the property prior to or following such clean-up.

## DISTRIBUTION POLICY

The registered holders of Shares are entitled to receive distributions as and when declared from time to time by the directors of the Fund, acting in their sole discretion, out of the assets of the Fund properly available for the payment of dividends. The Fund intends to make equal monthly cash distributions by way of dividend to holders of Shares of record on the last business day of each month, except for a month when additional shares are issued, the Fund, if deemed appropriate, may fix the record date to be the day before such issuance in order to avoid dilution to existing holders of the Shares. The distributions will be paid within 15 days following the end of each month. For the 6-month period ending June 30, 2009, the Fund Manager is targeting an annualized yield of approximately 8.5 – 9.0%, net of all fees and expenses of the Fund and based on the issue price of \$10.00 per Class A Share. For the period from July 7, 2008 to October 31, 2008, the Fund declared dividends to Class A shareholders of \$0.29 per Class A Share, which on an annualized basis represents a yield of 9.1% on an issue price of \$10.00 per Class A Share. In the long-term, the Fund Manager is targeting an aggregate annual yield (net of all fees and expenses of the Fund) equal to the then current yield to maturity on the 2-Yr GOC Yield plus 550 basis points. For the period of January 1, 2008 to September 30, 2008, the average 2-Yr GOC yield was 2.95%.

## CAPITALIZATION

The capitalization of the Fund as at August 31, 2008 and at such date as adjusted to give effect to this Offering and the issue and sale of the Class B Shares issuable pursuant to the Concurrent Private Placement of up to \$10,000,000 is set forth in the table below. As of August 31, 2008, the Fund had no outstanding borrowings.

Share Capital	Authorized	Outstanding as at August 31, 2008	Outstanding as at August 31, 2008 after giving effect to the maximum offering under the Concurrent Private Placement <sup>(1)(2)</sup>	Outstanding as at August 31, 2008 after giving effect to Minimum Offering <sup>(1)</sup>	Outstanding as at August 31, 2008 after giving effect to the Maximum Offering <sup>(1)</sup>	Outstanding as at August 31, 2008 after giving effect to the Minimum Offering and Concurrent Private Placement <sup>(1)</sup>	Outstanding as at August 31, 2008 after giving effect to the Maximum Offering and Concurrent Private Placement <sup>(1)</sup>
		(audited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Class A Shares	Unlimited	\$24,331,860 (2,433,186 Shares)	\$24,331,860 (2,433,186 Shares)	\$29,331,860 2,933,186	\$49,331,860 4,933,186	\$29,331,860 2,933,186	\$49,331,860 4,933,186
Class B Shares	Unlimited	\$15,092,795 (1,509,279 Shares)	\$25,092,795 (2,509,279 Shares) <sup>(2)</sup>	\$15,092,795 1,509,279	\$15,092,795 1,509,279	\$25,092,795 2,509,279	\$25,092,795 2,509,279
Voting Shares	Unlimited	\$100 (100 shares)	\$100 (100 Shares)	\$100 100	\$100 100	\$100 100	\$100 100
Issue Costs		\$(1,878,507)	\$(1,878,507)	\$(2,028,507)	\$(2,228,507)	\$(2,028,507)	\$(2,228,507)
Total Capitalization		\$37,546,248	\$47,546,248	\$42,396,248	\$62,196,248	\$52,396,248	\$72,196,248

<sup>(1)</sup> Table does not reflect any redemptions of Class A Shares that may occur after October 31, 2008.

<sup>(2)</sup> The Fund intends to complete the Concurrent Private Placement of up to 1,000,000 Class B Shares for an issue price of \$10 per share, expected to close on or about December 1, 2008. Assumes the sale of 1,000,000 Class B Shares at \$10 per share pursuant to the Concurrent Private Placement.

## PRIOR SALES

On July 7, 2008, the Fund issued 2,433,186 subscription receipts at a price of \$10 per subscription receipt for gross proceeds of \$24,331,800. The subscription receipts were converted into Class A Shares on a one-to-one basis on July 7, 2008.

The Class A Shares are listed for trading on the TSX. The following table indicates the high, low and closing price of the Class A Shares and volume of trading for the Class A Shares on the TSX on a monthly basis since the initial listing of the Class A Shares on the TSX:

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Close</u>	<u>Volume</u>
July 2008	10.10	10.00	10.10	1,000
Aug 2008	-	-	-	-
Sept 2008	12.56	9.75	10.75	22,100
Oct 2008	10.00	9.90	10.00	4,700
Nov 2008 (through Nov 26)	10.00	9.63	9.80	17,800

### INCOME TAX CONSIDERATIONS

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

This summary only applies to an investor who, for the purposes of the Tax Act, is a resident of Canada, will hold the Class A Shares as capital property and deals at arm’s length and is not affiliated with the Fund. The Class A Shares will generally be considered to constitute capital property to an investor unless the investor either holds such securities in the course of carrying on a business of trading or dealing in securities or has acquired such securities in a transaction or transactions considered to be an adventure or concern in the nature of trade, and this summary is based on the assumption that neither of these circumstances apply. Certain investors who are resident in Canada and whose Class A Shares do not otherwise qualify as capital property may in certain circumstances make an irrevocable election to have their Class A Shares and every other “Canadian security” (as defined in the Tax Act) owned by such investor deemed to be capital property.

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

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

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

**administrative practices of the CRA. Investors are urged to consult their own income tax advisors with respect to their particular circumstances.**

## **Status of the Fund**

### *Classification under Tax Act*

As noted above, this summary assumes that the Fund is a MIC. A MIC is deemed to be a public corporation under the Tax Act. However, the Tax Act effectively treats a corporation that qualifies as a MIC as operating 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.

### *MIC Requirements*

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

1. *Canadian Corporation.* The Fund must have been a Canadian corporation for the purposes of the Tax Act, which generally means a corporation incorporated and resident in Canada;
2. *Undertaking.* The Fund's only undertaking was the investing of funds of the corporation. The Fund cannot have managed or developed any real property;
3. *Prohibited Foreign Investment.* None of the property of the Fund consisted of debts owing to the Fund secured by real property situated outside Canada, debts owing to the Fund by non-resident persons unless such debts were secured on real property situated in Canada, shares of the capital stock of corporations not resident in Canada, or real property situated outside of Canada or any leasehold interest in such property;
4. *Shareholder Requirements.* The Fund had at least 20 shareholders (in its first taxation year the Fund must have at least 20 shareholders on the last day of that year). In addition, no shareholder (together with Related Persons, see below) of the Fund at any time in the year owned, directly or indirectly, more than 25% of the shares of any class of the Fund. Special rules apply for the purposes of counting shareholders that are registered pension plans or deferred profit sharing plans;
5. *Preferred Shareholders.* Holders of preferred shares (if any) of the Fund had the right, after payment to them of their preferred dividends and payment of dividends in a like amount per share to the holders of the Shares, to participate *pari passu* (equally) with the holders of the Shares in any further payment of dividends;
6. *50% Asset Test.* The cost amount for tax purposes to the Fund of its property in the form of or as a combination of money, debts secured on certain specified residential properties, and funds on deposit with a Canada Deposit Insurance Fund-insured institution or credit union (such debts and deposits referred to as "Required Property") constituted at least 50% of the cost amount to the Fund of all of its property;
7. *25% Asset Test.* The cost amount for tax purposes to the Fund of its property in the form of interests in real property (including leaseholds but excepting real property acquired by foreclosure after default by the mortgagor) did not exceed 25% of the cost amount to the Fund of all of its property; and
8. *Debt to Equity Ratio.* Where at any time in the year the cost amount to the Fund of its money and Required Property represented less than two-thirds of the aggregate cost amount to the Fund of all

of its property, the Fund must maintain an asset (at cost amount) to liability ratio of at least 1:3. Where, however, throughout the year the cost amount to the Fund of its money and Required Property represented two-thirds or more of the aggregate cost amount to the Fund of all of its property, the Fund must maintain an asset to liability ratio of at least 1:5.

With respect to the requirement noted above that no shareholder (together with Related Persons) may own more than 25% of the shares of any class of the Fund, for these purposes “Related Persons” include a corporation and the person or persons that control the corporation, a parent corporation and its subsidiary corporation(s) and corporations that are part of the same corporate group, and an individual and that individual’s spouse, common-law partner or child under 18 years of age. The rules in the Tax Act defining “related persons” are complex and holders should consult with their own tax advisors in this regard.

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

#### *Eligibility for Investment*

If issued on the date hereof, the Class A Shares would be qualified investments on the date hereof under the Tax Act for trusts governed by RRSPs, DPSPs, RRIFs, RDSPs, and RESPs (“Plans”), provided that either: (i) the Fund qualifies as a MIC throughout the current taxation year and further provided that at any time in the year, the Fund does not hold any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer, or a subscriber under the Plan, or of any other person who does not deal at arm’s length with that person; or (ii) the Class A Shares are listed on a designated stock exchange for the purposes of the Tax Act.

#### **Taxation of the Fund**

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

- (i) all taxable dividends, other than capital gains dividends, paid by the Fund to its shareholders during the year (to the extent not deductible in computing the Fund’s income for the previous year) or within 90 days after the end of the year; and
- (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 a dividend qualify as a capital gains dividend. The Fund may elect that dividends paid during a 12-month period commencing 91 days after the commencement of a taxation year and ending 90 days after the end of the year be capital gains dividends to the extent of the Fund’s capital gains for the year less any applicable capital losses. The election must be made in respect of the full amount of a dividend and can only be made if the Fund qualifies as a MIC throughout the taxation year in respect of which the dividend is paid. The payment of capital gains dividends will allow the Fund to flow capital gains it realizes through to its shareholders.

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

## **Taxation of Shareholders**

### *Class A Shares*

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

### *Taxation of Distributions*

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

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

The reinvestment of an ordinary dividend or a capital gains dividend in additional Class A Shares will have the same consequence for determining the adjusted cost base of a shareholder’s Class A Shares as any other purchase of Class A Shares. In particular, if a dividend is paid in Class A Shares, or paid in cash and reinvested in Class A Shares, the adjusted cost base of such Class A Shares acquired by a shareholder will be equal to the amount of the dividend, or the amount of cash so reinvested, as the case may be.

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

### *Disposition of Class A Shares*

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

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

Shareholders who are individuals (and certain trusts) who realize net capital gains on the disposition of Class A Shares or who receive capital gain dividends on Class A Shares may be subject to an alternative minimum tax under the Tax Act.

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

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

### **Taxation of Registered Plans**

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

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

### **Tax Implications of the Fund’s Distribution Policy**

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

## **ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND**

### **Directors and Management**

The following table sets forth the name, municipality of residence, position as it relates to the Fund, and principal occupation of each of the directors, officers and principals of the Fund, the Fund Manager, the Fund Advisor and the Mortgage Manager 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).

<u>Name and Municipality of Principal Residence</u>	<u>Position with Subject Entity</u>	<u>Principal Occupation</u>
<b>Fund</b>		
Zelick L. Altman <sup>(1)</sup> Thornhill, Ontario	Director <sup>(3)</sup>	Managing Director, LaSalle Investment Management Canada

<b>Name and Municipality of Principal Residence</b>	<b>Position with Subject Entity</b>	<b>Principal Occupation</b>
<b>Fund</b>		
Edward W. Boomer <sup>(1)(2)</sup> <i>Toronto, Ontario</i>	Director <sup>(3)</sup>	Managing Director, Kimco Canada
Craig A. Geier <sup>(2)</sup> <i>Toronto, Ontario</i>	Director <sup>(3)</sup>	Chief Financial Officer, Sulliden Exploration Inc.
W. Glenn Shyba <sup>(1)(2)</sup> <i>Toronto, Ontario</i>	Director <sup>(3)</sup>	Executive Vice President and Chief Operating Officer, Osmington Inc.
R. Blair Tamblyn <i>Toronto, Ontario</i>	Director, Chief Executive Officer and Corporate Secretary	President and Chief Executive Officer, Fund Manager
Ugo Bizzarri <i>Toronto, Ontario</i>	Chief Financial Officer	Chief Financial Officer, Fund Manager and Portfolio Manager/Investment Counsel, Fund Advisor
<b>Fund Manager</b>		
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 Tamblyn <i>Toronto, Ontario</i>	Director (Chairman), President and Chief Executive Officer	President and Chief Executive Officer, Fund Manager
Andrew Jones <i>Toronto, Ontario</i>	Vice President – Corporate Finance & Debt Origination	Managing Director, Mortgage Manager
Jeff Hutchison <i>Toronto, Ontario</i>	Vice President – Asset Management	Vice President – Asset Management, Fund Manager
David Melo <i>Toronto, Ontario</i>	Director – Financial Transactions	Director – Financial Transactions, Fund Manager
Carrie Morris <i>Oakville, Ontario</i>	Director and Director – Investor Relations & Corporate Governance	Director – Investor Relations & Corporate Governance, Fund Manager
Tye Bousada <i>King City, Ontario</i>	Principal	Chief Executive Officer, EdgePoint Capital
<b>Mortgage Manager</b>		
Ugo Bizzarri <i>Toronto, Ontario</i>	Director and Treasurer	Chief Financial Officer, Fund Manager and Portfolio Manager/Investment Counsel, Fund Advisor
Chris Humeniuk <i>Toronto, Ontario</i>	Director and Vice President	Managing Partner, Canadian Mortgage Strategies & Investments
Andrew Jones <i>Toronto, Ontario</i>	Director and Managing Director	Managing Director, Mortgage Manager
R. Blair Tamblyn <i>Toronto, Ontario</i>	Director and President	President and Chief Executive Officer, Fund Manager

<b>Name and Municipality of Principal Residence</b>	<b>Position with Subject Entity</b>	<b>Principal Occupation</b>
<b>Fund Advisor</b>		
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 Tamblyn <i>Toronto, Ontario</i>	Director (Chairman), President and Chief Executive Officer	President and Chief Executive Officer, Fund Manager
Carrie Morris <i>Oakville, Ontario</i>	Director	Director - Investor Relations & Corporate Governance, Fund Manager
Andrew Jones <i>Toronto, Ontario</i>	Member of the MAC, the advisory committee appointed by the Fund Advisor	Managing Director, Mortgage Manager
Chris Humeniuk <i>Toronto, Ontario</i>	Member of the MAC, the advisory committee appointed by the Fund Advisor	Managing Partner, Canadian Mortgage Strategies & Investments
Pamela Spackman <i>Toronto, Ontario</i>	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.

As of October 31, 2008, the Principal Shareholders, who are also directors and/or officers of the Fund, the Fund Manager and/or the Mortgage 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 Mortgage Manager is owned by the Fund Manager (as to 50%), Andrew Jones (as to 25%) and Chris Humeniuk (as to 25%). See also "Organization and Management Details of the Fund – Conflicts of Interest".

### **Biographies**

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

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

*Edward W. Boomer* – Edward Boomer is the Managing Director, Canadian Operations, for Kimco Realty Corporation ("Kimco") and is responsible for all aspects of Kimco's operations in Canada. Kimco, which is a self-administered real estate investment trust, believes that its portfolio of neighbourhood and community shopping

centres is the largest held by any publicly-traded real estate investment trust. Mr. Boomer has over eighteen years of real estate experience. Prior to joining Kimco, Mr. Boomer was the Vice-President & Territory Risk Manager with GE Real Estate. Mr. Boomer holds a Bachelor of Arts degree from York University's Glendon College (Economics), a law degree from Queen's University and is a member of the Law Society of Upper Canada.

*Craig A. Geier* – Craig Geier is Chief Financial Officer of Sulliden Exploration Inc. (TSX:SUE) (“Sulliden”) a mineral exploration company focused on the development of its Shahuindo gold-silver project located in northern Peru. 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 an 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 founder, a Director and the Chief Executive Officer and President of the Fund Manager. Mr. Tamblyn also is the Chairman, President and Chief Executive Officer of the Fund Advisor. Mr. Tamblyn is also a Director and the President of the Mortgage Manager. 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. Mr. Tamblyn is also President of Timbercreek Real Estate Investment Trust (“Timbercreek REIT”) and Chair of the board of directors of the Fund Manager. Mr. Tamblyn has over 10 years' experience working with the public and private capital markets and has led the origination, structuring, capitalization and execution of four distinct Timbercreek funds that currently manage over \$700 million in assets in the aggregate. Mr. Tamblyn has also been responsible for raising over \$200 million in capital through public and private channels and has developed an extensive network in both institutional and retail capital markets. Prior to founding Timbercreek in 1999, Mr. Tamblyn worked at Connor, Clark & Company as a securities trader and investment representative. Mr. Tamblyn is a graduate of the Bachelor of Arts program of the University of Western Ontario and has completed Level 1 of the Chartered Financial Analyst 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/Investment Counsel of the Fund Advisor. He is also a Director and the Treasurer of the Mortgage Manager. 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 – Corporate Finance and Debt Origination of the Fund Manager and Managing Director of the Mortgage 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.

*Jeff Hutchison* – Jeff Hutchison joined the Fund Manager in 2006 as Vice President – Asset Management. His primary responsibilities include developing portfolio strategies and overseeing the performance of the individual assets. Mr. Hutchison has extensive experience with all aspects of investment management including corporate strategy, asset management, acquisitions and dispositions and financing. From 2003 to 2006, Mr. Hutchison was Vice President, Corporate Development at Realstar Management Partnership (“Realstar”) where he was responsible for acquisitions and dispositions, asset management and financing. Prior to joining Realstar, Mr. Hutchison was a Portfolio Manager at OTPPB and its subsidiary, the Cadillac Fairview Corporation, from 1997 to 2003, where he was a senior member of the Real Estate Group and held responsibility for corporate strategy and asset management. Mr. Hutchison graduated from the Queen’s University School of Business and holds a Chartered Financial Analyst designation.

*David Melo* – David Melo is the Director – Financial Transactions 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 a Director and the Director – Investor Relations & Corporate Governance of the Fund Manager. Ms. Morris also is a Director of the Fund Advisor. Ms. Morris is also the acting Corporate Secretary for Timbercreek REIT. 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.

*Tye Bousada* – Tye Bousada is a founding partner, principal, and advisor 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.

*Chris Humeniuk* – Chris Humeniuk is Vice President of the Mortgage Manager and 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 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),

Director at Credit Suisse (2000 - 2008) and consultant to Credit Suisse (February 2008 to present). 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).

## **Directors of the Fund**

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

## **Board Committees of the Fund**

### *Independent Review Committee*

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

The IRC has adopted a written charter that includes its mandate, responsibilities and functions, and the policies and procedures it 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 (initially, \$10,000 per annum per director), but will not receive additional compensation as members of the IRC other than reimbursement for out-of-pocket expenses for attending meetings of the IRC. In addition, the Fund 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](http://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.

#### *Audit Committee*

The board of directors of the Fund has an audit committee comprised of three directors, namely Craig Geier, Edward Boomer and Glenn Shyba, each of whom is independent (within the meaning of applicable securities laws). The audit committee will assist 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 will be responsible for directing the auditors' examination of specific areas and for the selection of potential independent auditors to be appointed by the Fund Manager.

#### **Fund Manager**

The Fund Manager, Timbercreek Asset Management Inc., was incorporated under the laws of Ontario on May 31, 2004. The head office, registered office and principal business address of the Fund Manager is located at 25 Price Street, Toronto, Ontario M4W 1Z1. The Fund Manager is principally owned by BattleStone Capital Corporation, which in turn is principally owned by R. Blair Tamblyn, Ugo Bizzarri and Tye Bousada.

The Fund Manager 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.

In the view of the Fund Manager, 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 October 31, 2008, the Fund Manager had over \$700 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 October 3, 2008 (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 services to be provided by the Fund Manager under the terms of the 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. 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, Fund Advisor and the Mortgage Manager in connection with all salaries, employee expenses, office rent and equipment, and other expenses customarily considered to be overhead expenses.

### **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 Mortgage 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 Mortgage Manager will identify and present mortgage investment opportunities to the MAC. The MAC will then assess each opportunity on a stand-alone basis, as well as in the context of the Aggregate Funded and Committed Assets, to determine whether a proposed Mortgage Asset meets the requirements of the Asset Allocation Model and constitutes a desirable investment opportunity for the Fund. Following its assessment of and determination with respect to an investment opportunity, the MAC will provide its recommendation to the Fund Advisor, which is responsible for the final investment decision. All decisions and determinations made by the MAC with respect to investments of the Fund must be unanimous. See "Investment Objective, Strategies and Restrictions — Investment Process".

## **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 “Organization and Management Details of the Fund”. 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, the Fund Advisor or the Mortgage Manager, 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 still that a reasonably prudent person would exercise in similar circumstances.

Either party to the Fund Advisor 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.

### **Mortgage Manager**

The Mortgage Manager, Timbercreek Mortgage Strategies Inc. was incorporated under the laws of the Province of Ontario on January 16, 2007. The Mortgage 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). The head office, registered office and principal business address of Mortgage Manager is located at 25 Price Street, Toronto, Ontario M4W 1Z1. The Mortgage Manager is owned by the Fund Manager as to 50% and by Andrew Jones and Chris Humeniuk as to 25% each.

The Mortgage Manager has sole discretion in determining which mortgages and investments it will make available to the Fund, but is obligated under the terms of the Mortgage Management Agreement to present to the Fund any loan it directly or indirectly originates that meets the investment objective of the Fund.

### ***Role of the Mortgage Manager and Details of the Mortgage Management Agreement***

The Fund and the Mortgage Manager have entered into an amended and restated mortgage management agreement (the "Mortgage Management Agreement"). Among its other terms summarized below, the Mortgage Management Agreement contains the Asset Allocation Model summarized under "Investment Objective, Strategies and Restrictions — Asset Allocation Model". The description in this section is a summary only and is qualified in its entirety by reference to the text of the Mortgage Management Agreement.

The Mortgage Management Agreement provides for the appointment of the Mortgage Manager to deliver to the Fund, without limitation, the services described under "Organization and Management Details of the Fund — Mortgage Manager — Role of the Mortgage Manager" above and the following services: (i) to present to the Fund Advisor (indirectly through the MAC) all investment opportunities originated by the Mortgage 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 Advisor and the Fund; (iii) to provide assistance to the Fund Advisor 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 Mortgage Manager under the Mortgage Management Agreement; and (vii) all such other services or acts as may be reasonably necessary or ancillary to the performance of the Mortgage Manager's obligations under the Mortgage Management Agreement. In carrying out its obligations under the Mortgage Management Agreement, the Mortgage Manager is 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.

Either party to the Mortgage Management Agreement may terminate the agreement upon 120 days' written notice to the other. In addition, the Fund may terminate the Mortgage Management Agreement upon delivering a written notice to the Mortgage Manager upon the occurrence of the following events of default: (i) the bankruptcy or insolvency of the Mortgage Manager, or if the Mortgage 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 Mortgage Manager's wilful misconduct, bad faith, negligence or breach of its standard of care owed under the Mortgage 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 Mortgage Manager from the Fund specifying in reasonable detail the nature of such negligence; or (iii) the Mortgage Manager no longer holds the licenses, registration or other authorizations necessary to carry out its obligations under the Mortgage Management Agreement and is unable to obtain them within a reasonable period after their loss. There is no termination of the Mortgage Manager for breach of its obligations under the Mortgage Management Agreement unless such breach constitutes a breach of the standard of care owed by the Mortgage Manager.

The Mortgage Management Agreement contains indemnification provisions whereby the Fund indemnifies the Mortgage Manager 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 Mortgage Management Agreement, the Mortgage Manager indemnifies the Fund against any loss, expense, damage or injury suffered as a result of the Mortgage Manager's wilful misconduct, bad faith, negligence or breach of its standard of care owed under the agreement.

For its services, the Mortgage Manager 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 Mortgage Management Agreement, the Fund Manager will bear all costs and expenses incurred by the Mortgage Manager in connection with all salaries, employee expenses, office rent and equipment, other expenses customarily considered to be overhead expenses, and all costs associated with obtaining and maintaining a license under the *Mortgage Brokers Act* (Ontario).

### **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 will retain mortgage servicing agents ("Servicing Agents") to provide day-to-day administration of individual mortgages in the Portfolio, including, 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. Servicing Agents may vary from one mortgage loan to another and will often be parties involved or associated with, or engaged by parties associated with, the subject mortgage loan in some capacity (e.g., as senior or initial lender or as syndicator). In certain cases, affiliates of the Fund Manager will act as Servicing Agent.

Servicing Agents will be appointed by the Fund Manger and, as applicable depending on their role, will be licensed in accordance with the requirements of the *Mortgage Brokers Act* (Ontario) or other applicable legislation. In

instances where the Fund is a participant in a syndicated mortgage, other direct participants in the investment may act as the Servicing Agent for that investment, provided they are appropriately licensed.

Servicing Agents or other appropriate entities generally will be registered on title as mortgage lender, but will hold Mortgage Assets in trust as custodian for the Fund pursuant to a bare trust arrangement. The Mortgage Manager will monitor the placement and servicing of all Mortgage Assets. It is anticipated that once the Mortgage Manager has established the necessary infrastructure and has obtained the necessary administration license, many of the Fund's mortgage transactions will be serviced directly by the Mortgage Manager.

### **Conflicts of Interest**

The Fund Manager, Fund Advisor and Mortgage Manager 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, the Fund Advisor under the Fund Advisory Agreement and by the Mortgage Manager under the Mortgage Management Agreement will not be exclusive and nothing in those agreements will prevent the Fund Manager, Fund Advisor, Mortgage Manager 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 Mortgage Manager presents an investment opportunity to the MAC, the Mortgage Manager will provide details of any interest, direct or indirect, or proposed interest that the Mortgage Manager or any of its affiliates or, to the best of its knowledge, the Fund Advisor or Fund Manager or any of its affiliates has in such investment.

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

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

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

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

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

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

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

### **Valuation Policies and Procedures**

In calculating the NAV:

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

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

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

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

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

- (a) The Class Net Redemption Value last calculated for that class of Shares (except for the first calculation, in respect of which this value will be NAV applicable to that class of Shares); plus
- (b) The increase in assets attributable to that class of Shares as a result of the issuance of additional Shares of that class since the last calculation; minus
- (c) The decrease in the assets attributable to that class of Shares as a result of the redemption or exchange of Shares out of that class since the last calculation; plus or minus
- (d) The Proportionate Share (as defined below) of the Net Change in Fund Assets (as defined below) attributable to that class of Shares since the last calculation; plus or minus
- (e) Any Share Class Expenses (as defined below) attributable to that class since the last calculation; plus
- (f) The costs associated with the establishment, structuring and periodic offering of securities of the Fund attributable to that class of Shares, amortized monthly over a period of five years. These expenses (which include Share issue but not selling expenses) will be included in the calculation of Class Net Redemption Value until the Fund reaches total assets sufficient to achieve its long term investment strategies, currently contemplated to be total assets of \$200 million.

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

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

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

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

Generally, NRV for a class of Shares is equivalent to NAV for such class of Shares, adjusted for the costs associated with the establishment, structuring and periodic offering of securities of the Fund attributable to that class of Shares, amortized monthly over a period of five years. These expenses (which include Share issue but not selling expenses)

will be included in the calculation of Class Net Redemption Value until the Fund reaches total assets sufficient to achieve its long term investment strategies, currently contemplated to be total assets of \$200 million.

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

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

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

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

## **ATTRIBUTES OF SECURITIES**

The Fund is authorized to issue an unlimited number of Class A Shares, Class B Shares and voting shares (the “Voting Shares”), a summary of the terms and conditions of which is set forth below. As of October 31, 2008, there are issued and outstanding 100 Voting Shares, 2,433,186 Class A Shares and 1,509,279 Class B Shares.

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. See “Principal Shareholders”.

Class A Shares will be issued under the Offering and other offerings that may be completed in the future. Class B Shares will be issued pursuant to the Concurrent Private Placement and may also be offered in the future under available prospectus exemptions. Any such prospectus exempt sale of Class B Shares may be subject to a transfer restriction under applicable securities laws.

### **Voting Shares**

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

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

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

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

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

### ***Redemption Privileges***

#### ***Monthly Redemptions***

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

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

#### ***Annual Redemptions***

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

#### ***Exercise of Redemption Privileges***

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

### *Limitation and Suspension of Redemptions*

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

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

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

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

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

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

### *Determination of Exchange Ratio*

The ratio (the “Class B Exchange Ratio”) upon which Class B Shares will be exchanged into Class A Shares upon exercise of the Exchange Feature will be determined by dividing the NRV per Class B Share on the applicable Monthly Exchange Date by the NRV per Class A Share on such date. Holders of Class B Shares who deposit such securities pursuant to the Exchange Feature will continue to be holders of record up to but not including the Monthly Exchange Date and will be entitled to receive distributions in respect of such securities up to that date. The number of Class A Shares issuable pursuant to the Exchange Feature will be rounded down to the nearest whole number of

Class A Shares. No fractional Class A Shares will be issued pursuant to the Exchange Feature, nor will any cash consideration be paid in lieu thereof.

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

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

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

### **Restrictions on Ownership**

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

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

### **Purchase for Cancellation**

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

### **Amendments**

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

### **Book-Entry Only System**

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

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

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

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

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

## SHAREHOLDER MATTERS

### Meetings of Shareholders

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

### Matters Requiring Shareholder Approval

Unless otherwise required by law, the following acts require the approval of holders of Class A Shares and holders of Class B Shares at a meeting called and held for such purpose. Each Class A Share and each Class B Share will have one vote at such a meeting. Items (i) through (v) require approval by resolution passed by at least 66 ⅔% of the votes cast by holders of Shares voting thereon (an "Extraordinary Resolution") voting as a single class. Items (vi) and (vii) require approval by Extraordinary Resolution of the holders of each class of Shares 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 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) Except as described herein, a change in the Mortgage Manager, other than (a) a change resulting in an affiliate of the Mortgage Manager assuming such position or (b) a termination of the Mortgage Management Agreement in accordance with its terms;
- (iv) Any increase in the basis of calculating management and performance fees paid to the Fund Manager and the Mortgage Manager, collectively;
- (v) 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;
- (vi) Any amendment, modification or variation in the provisions or rights attaching to the Class A Shares, Class B Shares or Voting Shares;
- (vii) Any termination of the Fund;
- (viii) 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;
- (ix) 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
- (x) 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.

### Reporting to Shareholders

The Fund will make available to Shareholders, within the time periods prescribed by law, such financial statements and other continuous disclosure documents as are required by applicable law, including consolidated unaudited interim and consolidated audited annual financial statements that will include the accounts of the Fund and a consolidated statement of investments. The Fund shall make available to each Shareholder annually, within the time periods prescribed by law, information necessary to enable such Shareholder to complete an income tax return with respect to the amounts payable by the Fund.

### Termination of the Fund

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

### USE OF PROCEEDS

The net proceeds of the Offering will be as follows:

	<u>Minimum Offering</u>	<u>Maximum Offering</u>
Gross proceeds to the Fund	\$5,000,000	\$25,000,000
Agents’ fees	\$262,500	\$1,312,500
Estimated Expenses of the Offering <sup>(1)</sup>	\$150,000	\$350,000
Net proceeds to the Fund	<u>\$4,587,500</u>	<u>\$23,337,500</u>

<sup>(1)</sup> The Fund is responsible for the expenses of the Offering up to a maximum of the lesser of \$500,000 and 3% of the gross proceeds of the Offering. The Fund Manager will be responsible for any amount over such maximum.

This is a blind pool Offering. Although the net proceeds of the Offering are expected to be used (in the sole discretion of the Fund) to fund Available Mortgages and/or other mortgage loans invested in from time to time and for general corporate purposes of the Fund, the specific mortgages in which the Fund will invest have not yet been determined. However, the Fund is subject to certain investment restrictions that, among other things, limit the investments that may be made by the Fund. 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 under “Investment Objectives, Strategies and Restrictions – Asset Allocation Model”. While held by the Fund pending use for any of the foregoing purposes, the Fund will invest in Authorized Investments. The Fund Manager expects that the net proceeds of the Offering will be fully expended for the acquisition of additional mortgage loan investments and for general corporate purposes of the Fund within 60 days of the closing of the Offering.

## PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement dated as of November 27, 2008 between Manulife Securities Incorporated, Raymond James Ltd., BMO Nesbitt Burns Inc., Dundee Securities Corporation, HSBC Securities (Canada) Inc., Newport Securities L.P., Burgeonvest Securities Limited and M Partners Inc., as Agents, the Fund and the Fund Manager, the Agents have agreed to offer the Class A Shares, as agents of the Fund, on a commercially reasonable efforts basis, if, as and when issued by the Fund. The Offering is expected to close on December 16, 2008 or such other date agreed to by the Fund and the Agents, but in any event no later than December 31, 2008. Assuming completion of the Offering, the Agents will receive a fee equal to \$0.525 (representing 5.25% of the Offering price per Class A Share) for each Class A Shares sold, payable by the Fund and will be reimbursed for out-of-pocket expenses incurred by them. The Agents may form a sub-agency group including other qualified investment dealers and limited market dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their commercially reasonable efforts to sell the Class A Shares offered hereby, the Agents will not be obligated to purchase Class A Shares which are not sold. The offering price for the Class A Shares is fixed at \$10.00 and, together with the aggregate number of Class A Shares offered under the Offering, was determined by negotiation between the Fund and the Agents.

The Fund has granted the Agents an over-allotment option, exercisable for a period of 30 days from the closing of the Offering, to purchase additional Class A Shares representing 15% of the number of Class A Shares sold under the Offering, on the same terms as set out above solely to cover over-allotments, if any, and for market stabilization purposes (the "Over-Allotment Option"). This prospectus qualifies the distribution of the Over-Allotment Option and the Class A Shares issuable on the exercise thereof. The Agents may exercise the Over-Allotment Option, in whole or in part, at any time on or before the close of business on the 30th day following the closing of the Offering. To the extent that the Over-Allotment Option is exercised, the additional Class A Shares issued, as applicable, will be offered at \$10.00 per share and the Agents will be entitled to a fee of \$0.525 (representing 5.25% of the Offering price per Class A Share) per Class A Share sold.

If subscriptions for a minimum of 500,000 Class A Shares have not been received within 90 days following the date of issuance of a final receipt for this prospectus, the Offering may not continue without the consent of the securities regulatory authorities and those who have subscribed on or before such date. Under the terms of the Agency Agreement, the Agents may, at their discretion on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events, terminate the Agency Agreement. The Agency Agreement further provides that the Agents will hold in trust all funds received from subscriptions until the Minimum Offering amount has been raised. In the event the Minimum Offering is not achieved by the Fund and the necessary consents are not obtained or if the closing of the Offering does not occur for any reason, subscription proceeds received from prospective purchasers will be returned to such purchasers promptly without interest or deduction. Subscriptions for Class A Shares will be received subject to rejection or allotment in whole or in part. The right is reserved to close the subscription books at any time without notice.

The TSX has conditionally approved the listing of the Class A Shares offered pursuant to this Prospectus on the TSX. Listing is subject to the Fund fulfilling all of the requirements of the TSX on or before February 11, 2009.

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

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

One of the Agents, Newport Securities L.P., is registered as a limited market dealer with the Ontario Securities Commission. Newport Securities L.P. may consequently only make sales pursuant to the Offering for which a registration exemption is available to it. An affiliate of Newport Securities L.P. holds an 8.9% equity interest in the Fund Manager. In addition, as of November 27, 2008 accounts and funds managed by affiliates of Newport Securities L.P. own an aggregate of approximately 12% of the outstanding Class A Shares and approximately 52% of the outstanding Class B Shares and may purchase additional Class A Shares under the Offering. Accordingly, the Fund is considered to be a “connected issuer” and “related issuer” of Newport Securities L.P. under applicable securities laws for purposes of the Offering. Newport Securities L.P. will receive no benefit in connection with this Offering other than receiving from the Fund a portion of the Agents’ fee and a portion of the Trailer Fee. Newport Securities L.P. had no involvement in the decision by the Fund to offer the Class A Shares pursuant to this prospectus.

### **PRINCIPAL SHAREHOLDERS**

As of October 31, 2008, each of Ugo Bizzarri, Andrew Jones, David Melo, Carrie Morris and R. Blair Tamblyn owns beneficially and of record 20% of the issued and outstanding Voting Shares of the Fund.

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

As of October 31, 2008, each of Ugo Bizzarri and R. Blair Tamblyn own beneficially and of record 2,459 Class B Shares and Andrew Jones owns beneficially and of record 4,985 Class B Shares.

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

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

### **MATERIAL CONTRACTS**

Contracts material to investors in the Class A Shares offered by this prospectus that have been or that will have been entered into by the Fund on the closing date of the Offering are:

- (i) the Fund Management Agreement described under “Organization and Management Details of the Fund — Fund Manager — Role of the fund Manager and Details of the Fund Management Agreement”;

- (ii) the Mortgage Management Agreement described under — “Organization and Management Details of the Fund — Mortgage Manager — Role of the Mortgage Manager and Details of the Mortgage Management Agreement”;
- (iii) the Fund Advisory Agreement described under “Organization and Management Details of the Fund – Fund Advisor”;
- (iv) the Agency Agreement described under “Plan of Distribution”;
- (v) the KingSett Agreement described under “Principal Agreements — KingSett Warehouse Agreement”;
- (vi) the Forsgate Agreement described under “Principal Agreements — Forsgate Warehouse Agreement”; and
- (vii) the custodian agreement referred to under “Custodian”.

Copies of the foregoing agreements may be inspected during business hours at the principal office of the Fund during the course of distribution of the Class A Shares offered hereby.

### **LEGAL MATTERS**

Certain legal matters in connection with this Offering will be passed upon by McCarthy Tétrault LLP and, in respect of tax matters, Thorsteinssons LLP on behalf of the Fund, and by Fasken Martineau DuMoulin LLP on behalf of the Agents. As of the date hereof, the partners and associates of McCarthy Tétrault LLP, Thorsteinssons LLP and Fasken Martineau DuMoulin LLP, each beneficially own less than 1% of the outstanding securities of the Fund and its affiliates and associates.

### **PROMOTER**

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

### **AUDITORS**

The auditors of the Fund are PricewaterhouseCoopers LLP. The auditors of the Fund have confirmed that they are independent of the Fund within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. The address of PricewaterhouseCoopers LLP is 77 King Street West, Suite 3000, Toronto, Ontario M5K 1G8.

### **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 is, among other things, in the business of providing professional custodial services. The head office of the Custodian is located in Toronto, Ontario. The Custodian may employ sub-custodians as considered appropriate in the circumstances.

## **TRANSFER AGENT AND REGISTRAR**

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.

## **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 and Net Redemption Value – Calculation of Net Asset Value”.

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

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

## GLOSSARY OF TERMS

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

“**2 year GOC Yield**” has the meaning set forth on the face page of this prospectus.

“**AAM Allocation**” has the meaning set forth under “The Portfolio”.

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

“**Agency Agreement**” has the meaning set forth on the face page of this prospectus.

“**Agents**” means Manulife Securities Incorporated, Raymond James Ltd., BMO Nesbitt Burns Inc., Dundee Securities Corporation, HSBC Securities (Canada) Inc., Newport Securities L.P., Burgeonvest Securities Limited and M Partners Inc.

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

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

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

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

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

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

“**Available Mortgages**” has the meaning set forth under “The Portfolio”.

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

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

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

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

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

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

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

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

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

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

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

“**Committed Mortgages**” has the meaning set forth under “The Portfolio”.

“**Concept**” has the meaning set forth under “The Fund — Development and Rationale of the Fund”.

“**Concurrent Private Placement**” means the non-brokered private placement offering of up to 1,000,000 Class B Shares at \$10 per Class B Share by the Fund that is more or less concurrent with this Offering and is expected to close on or about December 1, 2008.

“**Conventional Mortgage**” has the meaning set forth under “Investment Objective, Strategies and Restrictions — Overview of the Canadian Mortgage Lending Industry – Types of Mortgage Investments”.

“**Co-Ownership Arrangements**” has the meaning set forth under “Investment Objective, Strategies and Restrictions – Investment Strategies”.

“**CRA**” means the Canada Revenue Agency.

“**CTC**” means Community Trust Corporation.

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

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

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

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

“**FIFO Requirement**” has the meaning set forth under “Principal Agreements — KingSett Warehouse Agreement”.

“**Forsgate**” means Forsgate Funding Corporation.

“**Forsgate Agreement**” has the meaning set forth under “Principal Agreements — Forsgate Warehouse Agreement”.

“**Forsgate Facility**” has the meaning set forth under “Strategic Partners — Warehousing Arrangements”.

“**Forsgate Facility Loans**” has the meaning set forth under “Principal Agreements — Forsgate Warehouse Agreement”.

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

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

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

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

“**Fund Management Agreement**” has the meaning set forth under “Organization and Management Details of the Fund — Fund Manager — Role of the Fund Manager and Details of the Fund Management Agreement”.

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

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

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

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

“**KingSett**” means KingSett Capital Inc., through KingSett Real Estate Mortgage LP No. 3.

“**KingSett Agreement**” has the meaning set forth under “Principal Agreements — KingSett Warehouse Agreement”.

“**KingSett Facility**” has the meaning set forth under “Strategic Partners — Warehousing Arrangements”.

“**KingSett Facility Loans**” has the meaning set forth under “Principal Agreements — KingSett Warehouse Agreement”.

“**Lender Fees**” has the meaning set forth under “The Fund — Competitive Advantages — Structured to Enhance Returns and Investor Confidence”.

“**Loan**” has the meaning set forth under “Principal Agreements — KingSett Warehouse Agreement”.

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

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

“**Maximum Offering**” means \$25,000,000 or 2,500,000 Class A Shares.

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

“**Minimum Offering**” means \$5,000,000 or 500,000 Class A Shares.

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

“**Mortgage Assets**” has the meaning set forth on the face page of this prospectus.

“**Mortgage Management Agreement**” has the meaning set forth under “Organization and Management Details of the Fund — Mortgage Manager — Role of the Mortgage Manager and Details of the Mortgage Management Agreement”.

“**Mortgage Manager**” means Timbercreek Mortgage Strategies Inc.

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

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

“**NI 81-102**” means National Instrument 81-102 Mutual Funds.

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

“**Non-Conventional Mortgage**” has the meaning set forth under “Investment Objective, Strategies and Restrictions — Overview of the Canadian Mortgage Lending Industry – Types of Mortgage Investments”.

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

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

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

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

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

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

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

“**Over-Allotment Option**” has the meaning set forth on the face page of this prospectus.

“**Permitted Loans**” has the meaning set forth under “Principal Agreements — KingSett Warehouse Agreement”.

“**Plans**” means trusts governed by RRSPs, DPSPs, RRIFs, RDSPs, and RESPs.

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

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

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

“**Proposals**” has the meaning set forth under “Income Tax Considerations”.

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

“**Regulations**” has the meaning set forth under “Income Tax Considerations”.

“**Required Property**” has the meaning set forth under “Income Tax Considerations — Status of the Fund — MIC Requirements”.

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

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

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

“**Related Persons**” has the meaning set forth under “Income Tax Considerations — Status of the Fund — MIC Requirements”.

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

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

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

“**Senior Position**” has the meaning set forth under “Investment Objective, Strategies and Restrictions — Overview of the Canadian Mortgage Lending Industry — Types of Mortgage Investments”.

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

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

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

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

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

“**Subordinate Position**” has the meaning set forth under “Investment Objective Strategies, and Restrictions — Overview of the Canadian Mortgage Lending Industry — Types of Mortgage Investments”.

“**Target Allocation**” has the meaning set forth under “The Portfolio”.

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

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

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

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

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

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

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

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

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

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

“**U.S. Securities Act**” has the meaning set forth on the face page of this prospectus.

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

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

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

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

“**Warehouse Facility**” and “**Warehouse Facilities**” have the meanings set forth under “The Fund — Competitive Advantages — Strategic Partners”.

“**Warehouse Partner**” and “**Warehouse Partners**” have the meanings set forth under “The Fund — Competitive Advantages — Strategic Partners”.

“**Warehouse Portfolio**” has the meaning set forth under “The Portfolio”.

**FINANCIAL STATEMENTS**

Auditor's Consent .....B-2

Consolidated Financial Statements of Timbercreek Mortgage Investment Corporation as at  
August 31, 2008 and for the period from April 30, 2008 to August 31, 2008.....B-3

## AUDITORS' CONSENT

We have read the prospectus of Timbercreek Mortgage Investment Corporation (the Fund) dated November 27, 2008 relating to the issue and sale of Class A Shares of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with an offering document.

We consent to the use in the above-mentioned prospectus of our report to the shareholders of the Fund on the following financial statements of the Fund:

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

Our report is dated November 27, 2008.

*“PricewaterhouseCoopers LLP”*

Chartered Accountants, Licensed Public Accountants  
Toronto, Canada  
November 27, 2008

# **Timbercreek Mortgage Investment Corporation**

Consolidated Financial Statements  
**For the period from April 30, 2008 (date of  
incorporation) to August 31, 2008**

November 27, 2008

## **Auditors' Report**

### **To the Shareholders of Timbercreek Mortgage Investment Corporation**

We have audited the consolidated statements of net assets and investment portfolio of **Timbercreek Mortgage Investment Corporation** (the Fund) as at August 31, 2008 and the consolidated statements of operations, changes in net assets and cash flows for the period from April 30, 2008 (date of incorporation) to August 31, 2008. These consolidated financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at August 31, 2008 and the results of its operations and its cash flows for the period from April 30, 2008 (date of incorporation) to August 31, 2008 in accordance with Canadian generally accepted accounting principles.

*"PricewaterhouseCoopers LLP"*

**Chartered Accountants, Licensed Public Accountants**

# Timbercreek Mortgage Investment Corporation

## Consolidated Statement of Net Assets

August 31, 2008

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### Assets

Cash and cash equivalents	\$	9,281,160
Mortgages (note 4)		28,729,626
Accrued interest receivable		264,717
Other amounts receivable and prepaids		25,326
Future income tax asset (note 1)		43,613
	\$	38,344,442

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### Liabilities

Accounts payable and accrued expenses	\$	227,605
Dividends payable to shareholders (note 5)		310,528
Due to Fund Manager (note 6)		117,360
Due to Mortgage Manager (note 6)		53,444
Unearned income		194,320
		903,257

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### Net assets representing Shareholders' Equity

Net assets, Class A	\$	22,617,831
Net assets, Class B	\$	14,823,254
Net assets, Voting shares	\$	100
Shares outstanding (note 5)		
Class A		2,433,186
Class B		1,509,279
Voting shares		100
Net assets per share		
Class A	\$	9.30
Class B	\$	9.82
Voting shares	\$	1.00

# Timbercreek Mortgage Investment Corporation

## Consolidated Statement of Operations

For the period from April 30, 2008 (date of incorporation) to August 31, 2008

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### Revenue

Interest income	\$	561,920
Fee income		28,580
		<hr/>
		590,500

### Expenses

Management fees (note 6)	\$	74,306
Transfer agent fees		3,150
Directors fees		3,333
Custodian fees		882
Servicing fees (note 3)		26,416
Audit fees		11,429
Legal fees		465
Other operating expenses		14,895
		<hr/>
		134,876

Net investment income	\$	455,624
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Fair value adjustment		-
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<b>Increase in net assets from operations</b>	<b>\$</b>	<b>455,624</b>
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### Other information

Increase in net assets from operations		
Class A	\$	264,866
Class B	\$	190,758

Increase in net assets from operations per share		
Class A	\$	0.1088
Class B	\$	0.1263

# Timbercreek Mortgage Investment Corporation

Consolidated Statement of Changes in Net Assets

For the period from April 30, 2008 (date of incorporation) to August 31, 2008

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	Class A		Class B		Voting shares	Fund	
<b>Net assets - Beginning of period</b>	\$	-	\$	-	\$	-	
Increase in net assets from operations		264,866		190,758		455,624	
Dividends to shareholders		(335,050)		(225,637)		(560,687)	
Net proceeds from issuance of shares		22,688,015		14,858,133	100	37,546,248	
Total increase in net assets		22,617,831		14,823,254	100	37,441,185	
<b>Net assets - End of period</b>	\$	22,617,831	\$	14,823,254	\$	100	37,441,185

# Timbercreek Mortgage Investment Corporation

## Consolidated Statement of Cash Flows

For the period from April 30, 2008 (date of incorporation) to August 31, 2008

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### Cash provided by (used in)

#### Operating activities

Net investment income	\$	455,624
Change in non-cash working capital		
Increase in accrued interest income receivable		(48,754)
Increase in other amounts receivable and prepaids		(25,326)
Increase in accounts payable and accrued expenses		252,590
Increase in due to fund manager		43,054
Increase in unearned income		155,675
		<hr/>
		832,863

#### Investing activities

Funding of mortgages		(16,111,250)
Discharge of mortgages		1,375,000
		<hr/>
		(14,736,250)

#### Financing activities

Proceeds from issuance of voting shares		100
Proceeds from issuance of Class A shares, net of costs incurred		22,688,015
Proceeds from issuance of Class B shares, net of costs incurred		746,591
Dividends paid		(250,159)
		<hr/>
		23,184,547

**Increase in cash and cash equivalents during the period** \$ 9,281,160

**Cash and cash equivalents - Beginning of period** -

**Cash and cash equivalents - End of period** \$ 9,281,160

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#### Supplementary information

Supplemental cash flow on non-cash investing and financing activities		
Class B shares issued in exchange for trust units	\$	3,838,796
Class B shares issued in exchange for mortgages		11,169,345

# Timbercreek Mortgage Investment Corporation

Consolidated Statement of Investment Portfolio

As at August 31, 2008

	<b>Amortized cost</b>	<b>Fair Value</b>
<b>Mortgages (76.73%)</b>	\$ 28,729,626	\$ 28,729,626
<b>Cash and other net assets (23.27%)</b>		<u>8,711,559</u>
<b>Net assets (100%)</b>		<u>\$ 37,441,185</u>

## Mortgage Portfolio Summary

<b>Interest rate</b>	<b>Number of mortgages</b>	<b>Amortized cost</b>	<b>Fair Value</b>
Less than or equal to 10%	5	\$ 3,556,592	\$ 3,556,592
10.00% - 10.49%	-	-	-
10.50% - 10.99%	2	5,200,000	5,200,000
11.00% - 11.49%	3	1,638,000	1,638,000
11.50% - 11.99%	7	7,575,000	7,575,000
12.00% - 12.49%	3	3,047,034	3,047,034
12.50% - 12.99%	2	4,330,000	4,330,000
13.00% - 13.49%	1	1,780,000	1,780,000
13.50% - 13.99%	3	928,000	928,000
Greater than or equal to 14%	1	675,000	675,000
	<u>27</u>	<u>28,729,626</u>	<u>28,729,626</u>

**Note:** All mortgages are conventional mortgages, a majority of which are prepayable at any time by the borrower without penalty or yield maintenance.

# **Timbercreek Mortgage Investment Corporation**

Consolidated Notes to Financial Statements

**Period from April 30, 2008 (date of incorporation) to August 31, 2008**

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## **Formation of the Fund**

Timbercreek Mortgage Investment Corporation (the Fund) was incorporated under the laws of the Province of Ontario by articles of incorporation dated April 30, 2008 and is authorized to issue an unlimited number of Class A, Class B and voting shares. The investment objective of the Fund is, with a primary focus on capital preservation, to acquire and maintain a diversified portfolio of mortgage loan investments which generate income allowing the Fund to pay monthly distributions to shareholders. Timbercreek Asset Management Inc. (the Fund Manger), as manager of the Fund, is responsible for the day-to-day operations and providing all general management and administrative services. Timbercreek Mortgage Strategies Inc. (the Mortgage Manager), a 50% owned subsidiary of the Fund Manager, is responsible for the management and administration of the Fund's mortgage loan portfolio.

Class A shares are available to all investors and were issued upon the conversion of subscription receipts issued under the initial public offering (IPO) and may be issued under other offerings that may be completed in the future. Class B shares were issued to the Timbercreek Mortgage Investment Fund unitholders in connection with the acquisition of the initial mortgage portfolio by the Fund (note 2) and may also be offered in the future under available prospectus exemptions.

The voting shares have nominal value and they are owned by certain shareholders of the Fund Manager. Accordingly, these shareholders, as holders 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 Fund commenced operations on July 7, 2008 when it completed the IPO of subscription receipts that were subsequently converted into Class A shares and issued Class B shares in connection with the acquisition of the initial mortgage portfolio.

## **1 Summary of significant accounting policies**

### **Basis of presentation**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP) and include the accounts of the Fund and Timbercreek Mortgage Investment Fund (the Trust), in which the Fund is the holder of all trust units and the sole beneficiary.

### **Mortgages**

The Fund measures its investment in mortgages at fair value in accordance with Canadian GAAP Accounting Guideline 18 Investment Companies, with any changes in the fair value of a mortgage recorded in the consolidated statement of operations. Fair value is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of the mortgages approximate their carrying value given the mortgage loan portfolio consists of short-term loans (typically maturing within 24 months or less) that are repayable at the option of the borrower without penalty or yield maintenance, and any renewal of the existing portfolio of mortgages would be made at the same or similar terms. When collection of the principal on a mortgage is no longer reasonably assured, the fair value of the mortgage is reduced to the estimated net realizable value of the underlying security.

# **Timbercreek Mortgage Investment Corporation**

Consolidated Notes to Financial Statements

Period from April 30, 2008 (date of incorporation) to August 31, 2008

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## **Interest and fee income**

Interest income is accounted for on an accrual basis. Lender fees received are amortized over the contractual terms of the mortgages. Forfeited lender fees are recognized at the time a borrower has not fulfilled the terms and conditions of a mortgage commitment and payment has been received.

## **Unearned income**

Unearned income includes lender fees received from borrowers, which are amortized over the contractual terms of the mortgage to fee income.

## **Income taxes**

The Fund intends to qualify as a mortgage investment corporation (MIC) for Canadian income tax purposes. A MIC is a special purpose corporation defined under section 130.1 of the Income Tax Act (Canada) and is generally able to deduct in computing its income for a taxation year, the amount of income for that year and within 90 days of year end that is distributed to its shareholders. Shareholders who receive any amounts as, or on account of, a taxable dividend, other than a capital gains dividend, will be subject to Canadian income or withholding tax accordingly.

The Fund intends to make distributions to the extent necessary to reduce its taxable income each year to \$nil so that it has no income taxes payable under Part I of the Income Tax Act (Canada) and to elect to have dividends be capital gains dividends to the maximum extent allowable.

## **MIC eligibility criteria**

To qualify as a MIC for Canadian income tax purposes the Fund must comply with the following:

- i) At least 50% of the Fund's assets must consist of residentially orientated mortgages and/or cash;
- ii) The Fund's only business activity is investing funds of the corporation and not managing or developing any real property;
- iii) The Fund must not hold any investments secured by real property situated outside Canada; and
- iv) No shareholder may own more than 25% of the issued shares of any class.

The Fund has recognized the benefit of tax-effected future deductible temporary differences of \$43,613. These differences arise primarily because of differences between the tax basis of certain financing costs and their carrying value on the balance sheet.

# Timbercreek Mortgage Investment Corporation

Consolidated Notes to Financial Statements

Period from April 30, 2008 (date of incorporation) to August 31, 2008

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## Cash and cash equivalents

The Fund considers highly liquid investments with an original maturity of three months or less to be cash equivalents.

## Earnings per share from operations

Earnings per share are based on the increase in net assets from operations attributable to each class of shares divided by the weighted average number of shares for that class during the period.

## Net assets per share

The net assets per share is calculated by dividing the net assets of a class of shares by the total number of shares of the class outstanding at the end of the period.

## Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

## 2 Acquisitions

Following the closing of the IPO on July 7, 2008, the Fund completed the acquisition of a portfolio of mortgage investments from the Trust and acquired all of the outstanding units of the Trust. As a result of acquiring all of the outstanding units of the Trust, the Fund became the sole beneficiary of the Trust.

Pursuant to the approval by the unitholders of the Trust, the Fund acquired a portfolio of 12 mortgage investments in exchange for 1,116,934 Class B shares issued at \$10 per share, for a total consideration of \$11,169,345. Subsequent to the transaction, the trustees declared an in specie distribution to the Trust unitholders of record of all Class B shares received, pursuant to this exchange. As a result of the in specie distribution, the Trust unitholders became Class B shareholders of the Fund.

Immediately following the acquisition of the mortgage portfolio, the Fund issued 392,345 Class B shares at \$10 per share in exchange for all of the outstanding units of the Trust, for total net proceeds of \$3,838,796. As a result of this transaction, the Fund holds all outstanding units of the Trust and is the sole beneficiary of the Trust.

The acquisition of the portfolio of mortgage investments and outstanding units of the Trust has been recorded using the purchase method. The following table summarizes the preliminary fair values of the net assets acquired by the Fund.

# Timbercreek Mortgage Investment Corporation

Consolidated Notes to Financial Statements

Period from April 30, 2008 (date of incorporation) to August 31, 2008

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Assets	
Mortgages	\$ 13,993,376
Cash and cash equivalents	896,599
Future income tax asset	43,613
Interest receivable	215,963
	<hr/> 15,149,551
Liabilities	
Accounts payable and accrued expenses	\$ 49,321
Unearned income	38,645
Due to Mortgage Manager	53,444
	<hr/> 141,410
Net assets acquired	<hr/> \$ 15,008,141
Net assets acquired in exchange for Class B shares	<hr/> \$ 15,008,141

### 3 Expenses

#### Management and performance fees

Timbercreek Asset Management Inc. serves as the Fund Manager and is responsible for the day-to-day operations and providing all general management and administration services to the Fund. The Fund pays the Fund Manager a monthly management fee of 1.2% for its services, based on the gross assets of the Fund, calculated daily and payable monthly.

Timbercreek Mortgage Strategies Inc. serves as the Mortgage Manager and is responsible for the management and administration of the Fund's mortgage loan portfolio. The Fund pays the Mortgage Manager a performance fee whereby in any calendar year where the Fund has net earnings available for distribution to shareholders in excess of the Hurdle Rate (Hurdle Rate is defined as the average two-year Government of Canada Yield for the 12 month period then ended plus 450 basis points), the Mortgage Manager will be entitled to receive from the Fund a performance fee equal to 20% of the net earnings of the Fund available to distribute over the Hurdle Rate. The performance fee is payable to the Mortgage Manager within 15 days of the issuance of the Fund's audited consolidated financial statements for that calendar year. No performance fees have been accrued for the period ended August 31, 2008.

#### Servicing fees

The Fund will pay each registered dealer a servicing fee equal to 0.75% annually of the net redemption value 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.

# Timbercreek Mortgage Investment Corporation

Consolidated Notes to Financial Statements

Period from April 30, 2008 (date of incorporation) to August 31, 2008

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## Fund operating expenses

Each class of shares is responsible for the payment of its proportionate share of common operating expenses, such as independent review committee fees, custodian fees, transfer agent fees, audit fees, filing fees, legal fees, and other administrative expenses, in addition to the expenses that are attributable to a particular class of shares. The common operating expenses are allocated on a proportionate basis to each class of shares based on the net redemption value of each class to the total net redemption value of the Fund.

## 4 Mortgages

The following is a summary of the mortgages as at August 31, 2008:

Interest in first mortgages	59%	\$	17,007,592
Interest in non-first mortgages	41%		11,722,034
	100%		28,729,626

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As part of the assessment of fair value, management of the Fund routinely reviews each mortgage for impairment to determine whether or not a loan should be recorded at its estimated realizable value. As at August 31, 2008, management does not believe an impairment exists on any mortgages and, as such, no adjustment to the fair value of the mortgages has been recorded.

The mortgages are secured by the real property to which they relate, bear interest at a weighted average interest rate of 11.7% and mature between 2008 and 2010.

Principal repayments based on contractual maturity dates are as follows:

	\$
2008	7,595,445
2009	13,224,181
2010	7,910,000
	<hr/>
	28,729,626
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A majority of the mortgages contain a prepayment option, whereby the borrower may repay the principal at any time prior to maturity without penalty or yield maintenance.

## 5 Shareholders' equity

The Fund is available in two classes of shares: Class A and Class B. All shares in a class rank equally with respect to dividends. Each Class A and Class B shareholder is entitled to one vote for each share owned at all meetings of shareholders at which the particular class of shares is entitled to attend and vote.

# Timbercreek Mortgage Investment Corporation

Consolidated Notes to Financial Statements

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	Authorized	Shares outstanding - beginning of period	Issued	Redeemed	Shares outstanding - end of period
Voting shares	unlimited	-	100	-	100
Class A	unlimited	-	2,433,186	-	2,433,186
Class B	unlimited	-	1,509,279	-	1,509,279

## Redemptions

### Monthly redemptions

Subject to certain restrictions, a Class A share may be surrendered for redemption and transacted on the last business day of any month. Shareholders whose Class A shares are surrendered for redemption in any month (other than October) will be entitled to receive a price per Class A share equal to the lesser of (i) 95% of the trading price, defined as the weighted average trading price on the Toronto Stock Exchange (TSX) for a period of ten trading days immediately preceding the relevant redemption date (the Trading Price) or (ii) the market price, being the closing price of the Class A shares on the TSX on the redemption date (the Market Price).

Class B shares are redeemable monthly on the same terms and conditions as the Class A shares equal to the lesser of (i) 95% of the Trading Price multiplied by the Class B exchange ratio; and (ii) the Market Price multiplied by the Class B exchange ratio. The exchange ratio is defined as the net redemption value per Class B share divided by the net redemption value per Class A share on the relevant exchange date.

There is no market through which Class B shares may be sold. Subject to certain restrictions, holders of Class B shares may exchange their shares for Class A shares on the last business day of each month.

### Annual redemptions

Class A and Class B shares may be redeemed on the last business day of October of each year at a price per share equal to the net redemption value per Class A share and Class B share, respectively.

## Dividends

The Fund intends to pay dividends to shareholders on a monthly basis within 15 days following the end of each month.

For the period ended August 31, 2008, the Fund declared dividends of \$0.1377 per Class A share for a total of \$335,050 and \$0.1495 per Class B share for a total of \$225,637.

# Timbercreek Mortgage Investment Corporation

Consolidated Notes to Financial Statements

Period from April 30, 2008 (date of incorporation) to August 31, 2008

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## 6 Due to related parties

During the period ended August 31, 2008, the Fund incurred management fees payable to the Fund Manager of \$74,306. In addition, \$43,054 remains payable to the Fund Manager relating to issuance costs paid on behalf of the Fund.

In addition, \$53,444 remains payable to the Mortgage Manager relating to performance fees earned prior to the acquisition of the mortgage portfolio (note 2).

## 7 Reconciliation of net asset value

A reconciliation between the redemption net asset value (Redemption NAV) and net assets calculated using Canadian GAAP (GAAP NAV) is as follows:

	Redemption NAV	Adjustment	GAAP NAV
Net asset value as at August 31, 2008			
Class A	\$ 22,959,891	\$ (342,473)	\$ 22,617,418
Class B	\$ 14,970,028	\$ (146,774)	\$ 14,823,254

	Redemption NAV per share	Adjustment	GAAP NAV per share
Net asset value per share as at August 31, 2008			
Class A	\$ 9.44	\$ (0.14)	\$ 9.30
Class B	\$ 9.92	\$ (0.10)	\$ 9.82

The GAAP NAV differs from the Redemption NAV calculated for fund pricing purposes. This adjustment is due to including costs associated with the establishment, structuring and periodic offering of shares of the Fund attributable to a class of shares being amortized monthly over a period of five years.

## 8 Capital risk management

The Fund manages its capital structure in order to support ongoing operations while focusing on its primary objectives of preserving shareholder capital and generating a stable monthly cash dividend to shareholders. The Fund defines its capital structure to include Class A and Class B shares. There were no changes to the Fund's approach to capital management during the period ended August 31, 2008.

The Fund reviews its capital structure on an ongoing basis and adjusts its capital structure in response to mortgage investment opportunities, the availability of capital, and anticipated changes in general economic conditions.

As at August 31, 2008, the Fund has no externally imposed capital requirements.

# Timbercreek Mortgage Investment Corporation

Consolidated Notes to Financial Statements

Period from April 30, 2008 (date of incorporation) to August 31, 2008

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## 9 Financial instruments

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial assets or financial liabilities will fluctuate because of changes in market interest rates. For the period ended August 31, 2008, if interest rates during the period had been 50 basis points lower, with all other variables held constant, net earnings for the period then ended would have been \$6,366 lower, arising mainly as a result of lower interest income generated on variable rate mortgage investments. If interest rates had been 50 basis points higher, with all other variables held constant, net earnings for the period then ended would have been \$5,871 higher, arising mainly as a result of higher interest income generated on variable rate mortgage investments.

### Credit risk

Credit risk is the possibility that a borrower may be unable to honour its mortgage loan commitments as a result of a negative change in market conditions that could result in a loss to the Fund. The Fund mitigates this risk by the following:

- Adhering to the investment restrictions and operating policies included in the asset allocation model (subject to certain duly approved exceptions);
- Ensuring a comprehensive due diligence process is conducted on each mortgage investment prior to funding. This generally includes, but is not limited to (1) engaging professional independent consultants, lawyers and appraisers and (2) performing credit checks on prospective borrowers;
- All mortgage investments are approved by the mortgage advisory committee before funding; and
- Actively monitoring the mortgage portfolio and initiating recovery procedures where required.

The maximum exposure to credit risk at August 31, 2008 is the fair values of its amounts receivable and mortgages which total \$29,019,669.

### Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations as they become due. This risk arises in normal operations from fluctuations in cash flow as a result of the timing of mortgage investment fundings and repayments and redemptions of shares. Management routinely forecasts future cash flow sources and requirements to ensure cash is efficiently utilized.

## 10 Commitments and contingencies

In the ordinary course of business activities, the Fund may be contingently liable for litigation and claims arising from investing in mortgages. Where required, management records adequate provisions in the accounts.

Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse effect on the Fund's financial position.

# **Timbercreek Mortgage Investment Corporation**

Consolidated Notes to Financial Statements

**Period from April 30, 2008 (date of incorporation) to August 31, 2008**

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## **11 Subsequent events**

On November 27, 2008, the Fund filed a prospectus offering a minimum of \$5 million to a maximum of \$25 million in Class A shares of the Fund. The offering is expected to close on or about December 16, 2008.

**CERTIFICATE OF  
TIMBERCREEK MORTGAGE INVESTMENT CORPORATION**

Dated: November 27, 2008

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all provinces and territories of Canada, other than Quebec.

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

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

On behalf of the Directors

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

By: (Signed) *W. Glenn Shyba*  
Director

**CERTIFICATE OF  
TIMBERCREEK ASSET MANAGEMENT INC.**  
(as manager and promoter of Timbercreek Mortgage Investment Corporation)

Dated: November 27, 2008

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all provinces and territories of Canada, other than Quebec.

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

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

On behalf of the Directors

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

By: (Signed) *Ugo Bizzarri*  
Director

By: (Signed) *Carrie Morris*  
Director

## CERTIFICATE OF THE AGENTS

Dated: November 27, 2008

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all provinces and territories of Canada, other than Quebec.

MANULIFE SECURITIES INCORPORATED

By: (Signed) *David MacLeod*

RAYMOND JAMES LTD.

By: (Signed) *John D. Bartkiw*

BMO NESBITT BURNS INC.

By: (Signed) *Robin Tessier*

DUNDEE SECURITIES  
CORPORATION

By: (Signed) *Onorio Lucchese*

HSBC SECURITIES (CANADA)  
INC.

By: (Signed) *Brent Larkan*

NEWPORT SECURITIES  
L.P.

By: (Signed) *John M. Garrow*

BURGEONVEST SECURITIES LIMITED

By: (Signed) *David R. Ellerby*

M PARTNERS INC.

By: (Signed) *Thomas Kofman*