

## Timbercreek MIC and Timbercreek Senior MIC – Proposed Merger

### Transaction Rationale

Timbercreek MIC (“TMC”) and Timbercreek Senior MIC (“MTG”) have agreed to combine to create Timbercreek Financial, a leading non-bank commercial real estate lender and the largest publicly traded MIC in the Canadian market. The proposed merger has many attractive features and anticipated benefits for TMC and MTG shareholders, including **enhanced scale and liquidity**, **increased portfolio diversification**, **increased institutional investors’ interest**, **cost savings** and **enhanced financial flexibility** to support improved portfolio characteristics and to drive **growth in cash flow and dividends**.

### Timbercreek Financial – Highlights of the Combined Entity

- A leading non-bank commercial real estate lender and the largest publicly traded MIC
- Providing financing solutions to qualified real estate investors
- Enhanced credit facility of \$350 million and investment guidelines that are designed to provide more opportunity to grow shareholder value over the long-run
- Led by the same experienced management team

Timbercreek Financial is targeting a portfolio composition that includes:

- Mortgage loans primarily secured by income-producing properties
- Strong diversification by borrower, asset type and geography
  - Limit of 10% exposure to any one asset
  - Limit of 20% exposure to any one borrower
  - Allocation targets specifically designed to manage risk
- 75% exposure to first mortgages (maximum 20% non-first mortgages)
- Targeted loan-to-value of 70% (maximum 85%)



### Annual and Special Meetings

#### Timbercreek MIC Meeting Details:

**Date & Time:**

June 22, 2016, 9:00 a.m.

**Location:**

The office of McCarthy Tétrault LLP  
TD Bank Tower, 66 Wellington Street West  
Suite 5300, Toronto, Ontario

#### Timbercreek Senior MIC Meeting Details:

**Date & Time:**

June 22, 2016, 10:00 a.m.

**Location:**

The office of McCarthy Tétrault LLP  
TD Bank Tower, 66 Wellington Street West  
Suite 5300, Toronto, Ontario

At each special meeting, shareholders of both Companies will be asked to consider and vote on the plan of arrangement effecting the combination of TMC and MTG.

[www.timbercreekmic.com](http://www.timbercreekmic.com)  
[www.timbercreekseniormic.com](http://www.timbercreekseniormic.com)

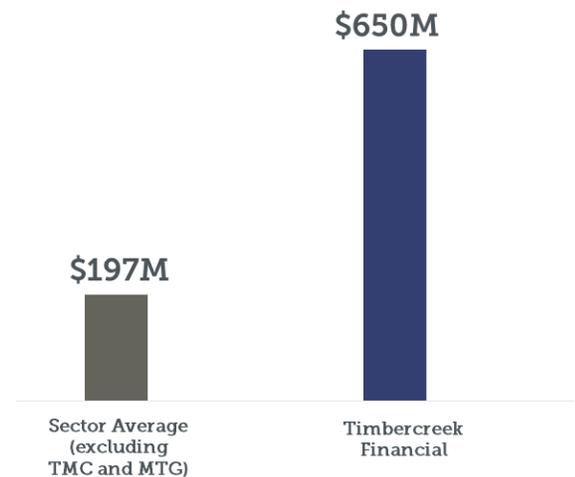
## Timbercreek MIC and Timbercreek Senior MIC – Proposed Merger

### Shareholder Benefits

#### Enhanced Capital Markets Profile

- Timbercreek Financial will have a combined book value of ~ \$650 million, more than double the size of any other publicly traded MIC in Canada.
- Growth in market capitalization, as a function of increased book value will improve liquidity for investors.
- Larger market cap and increased trading volume will help attract institutional investors, which is expected to help facilitate growth and acquisitions, as well as attract research coverage.

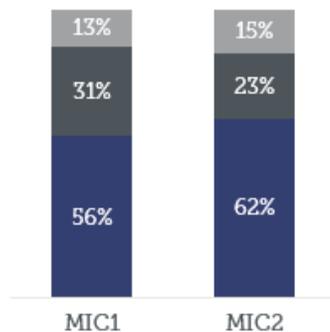
#### Book Value – \$ millions



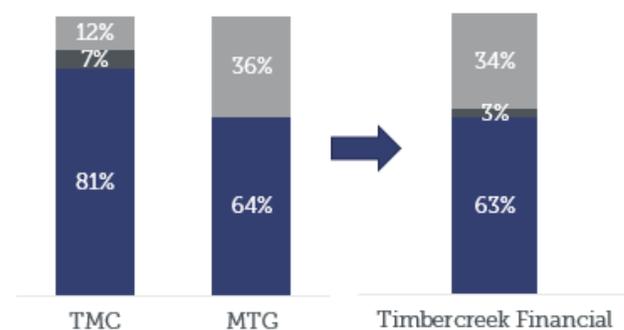
#### Enhanced Access to Credit

- Timbercreek Financial has secured a \$350 million credit facility designed to maximize flexibility upon completion of the combination.
- The credit facility was syndicated amongst ten Canadian financial institutions and will support future portfolio growth.
- Timbercreek Financial is expected to maintain 85% utilization of the facility resulting in a debt/equity ratio of ~37%, in line with peers.

#### Capital Structure for Next 2 Largest MICs



#### Target Capital Structure

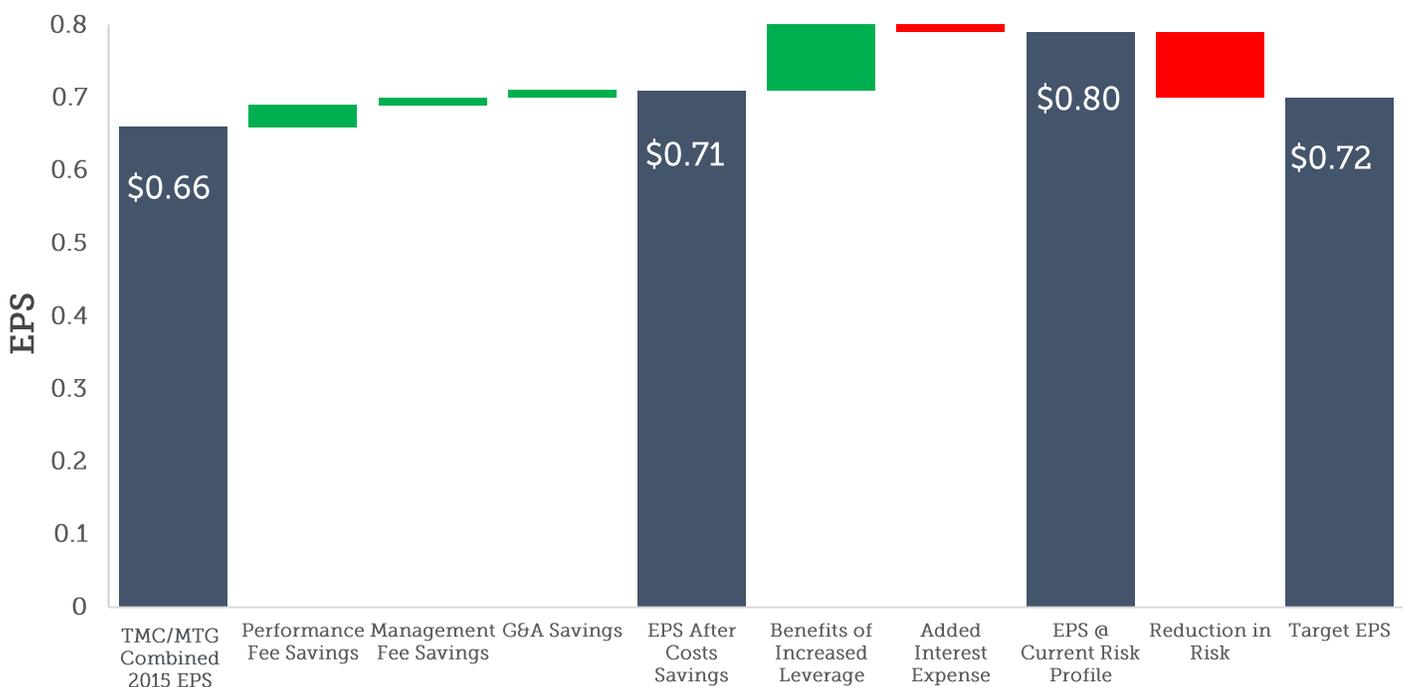
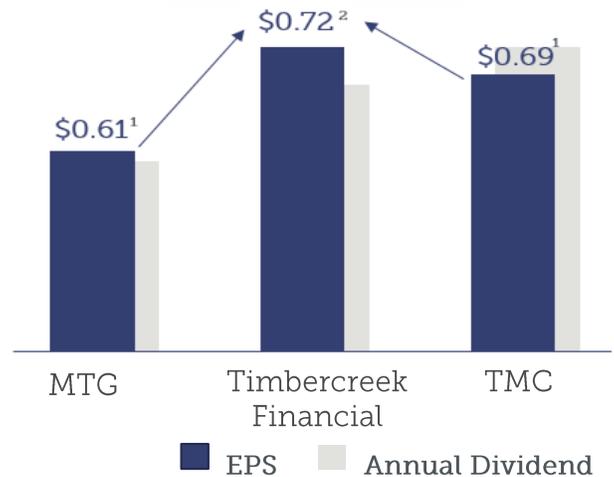


## Timbercreek MIC and Timbercreek Senior MIC – Proposed Merger

### Shareholder Benefits (continued)

#### Book Value and EPS Accretion Opportunities

- The enhanced credit facility and reduced costs due to a lower management fee and synergies are expected to allow for an EPS of ~ \$0.72<sup>2</sup> on a stabilized basis over the next 12 months, which is significantly higher than that which was earned in the last two fiscal years for TMC/MTG.
- Timbercreek Financial will target a payout ratio of 95% of earnings with the goal of using the retained capital to grow book value in a tax-efficient manner.
- Estimated cost savings from the merging of TMC and MTG would drive an EPS increase of \$0.05, as illustrated by the table below.
- The table below also demonstrates how Timbercreek Financial will adopt a strategy that aims to achieve the targeted \$0.72<sup>2</sup> EPS on a sustainable basis, but at the same time reduce the asset level risk in the portfolio by using the additional capital to target higher quality, lower interest rate loans.



<sup>1</sup> As of December 31, 2015. <sup>2</sup> The EPS estimate is for the 12 month period from the effective date of the combination and assumes market fundamentals are consistent with those present at the date of the agreement, and that targeted rates and fees are achieved and additional credit is deployed within 12 month of the effective date of the combination. The estimated EPS was approved as of the date of the agreement and it is for the purpose of showing potential accretion to the combined entity compared to pre-amalgamation entities. This information may not be appropriate and should not be used for other purposes. Please also see other assumptions and risk factors set out in the circular.

## Timbercreek MIC and Timbercreek Senior MIC – Proposed Merger

### Shareholder Benefits - continued

#### Superior Diversified Portfolio Delivering a Strong Risk-Adjusted Return

- Timbercreek Financial will have a portfolio of > \$1 billion, providing improved diversification.
- The combined portfolio along with the enhanced credit facility results in a reduction in the overall cost of capital for customized financing solutions.
- Timbercreek Financial will target a significantly lower average loan rate relative to other public MICs, resulting in a lower risk profile relative to peers.
- The reduced target lending rate will open up access to higher quality investment opportunities driving further improvements to the credit quality of the portfolio.

#### Reduced Management Fee and Improved Alignment of Interest

- Timbercreek Financial will have a simple and competitive structure, with a management fee of 0.85% per annum on assets, a significant reduction from the 1.2% previously paid by TMC.
- No performance fee will be payable to Timbercreek Asset Management (The Manager).
- The Manager will receive shares as consideration for the reduction in management fee (issued at book value which represents a premium to current trading price, thereby increasing management's alignment of interest with shareholders).
- Lender fees will continue to be passed through to shareholders, a unique feature in the market of publicly traded MICs.

#### Simplified Structure with Cost Synergies

- The merger will provide access to Timbercreek's mortgage investment strategies in a simplified manner, reducing market confusion between TMC and MTG and eliminating perceived conflict around related-party mortgage splitting and the relative risk/return between TMC/MTG.
- Operational synergies and cost savings realized through the elimination of duplicate costs.

### How to Vote

#### Registered Shareholders:

- Online using your Control Number: [www.cstvotemyproxy.com](http://www.cstvotemyproxy.com)
- By phone using your Control Number: 1.888.489.5760

#### Beneficial Shareholders:

- Online using your Control Number: [www.proxyvote.com](http://www.proxyvote.com)
- By phone, call the toll-free number on your Voting Instruction Form and use your Control Number

#### Questions about Voting:

- Call 1.888.637.5789 (North American Toll-Free) or 647.931.7454 (Outside North America)