



Timbercreek Mortgage Investment Corporation

Annual Information Form
For the year ended December 31, 2013

Dated as of March 4, 2014

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FORWARD-LOOKING STATEMENTS

This annual information form (the “**AIF**”) contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “proposes”, “expects”, “estimates”, “intends”, “anticipates”, or “believes”, or variations (including negative and grammatical variations) of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Timbercreek Mortgage Investment Corporation (the “**Corporation**”) to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Examples of such statements include, but are not limited to: the targeted annual yield of the Corporation, the nature of the Corporation, and the ability of the Corporation to qualify as a MIC under the Tax Act. 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 AIF. Such forward-looking statements are based on a number of factors and assumptions which may prove to be incorrect, including, but not limited to: the ability of the Corporation to acquire and maintain a portfolio of mortgage assets capable of generating the necessary annual yield or returns to enable the Corporation to achieve its business objectives, the ability of the Corporation to establish and maintain relationships and agreements with key strategic partners, the qualification of the Corporation 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 Corporation, the ability of Timbercreek to effectively perform its obligations owed to the Corporation and to effectively manage the mortgage assets in circumstances where an issue has arisen with respect to repayment of a mortgage loan or the borrower, anticipated costs and expenses, competition, and changes in general economic conditions. While the Corporation anticipates that subsequent events and developments may cause its performance to change, the Corporation 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 Corporation’s views as of any date subsequent to the date of this AIF. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results, performance and future events could differ materially from those anticipated in such statements. Accordingly, investors should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Corporation. Additional factors are noted under “Risk Factors” in this AIF.

GLOSSARY OF TERMS

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

“**2-Yr GOC Yield**” means at any time, the then current two-year Government of Canada bond yield.

“**AIF**” means this Annual Information Form.

“**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 Corporation, including any mortgage investments held in or committed to be funded under any warehouse facility; plus (c) in the context of a mortgage loan approval review, the proposed mortgage investment being considered for approval; plus (d) cash and cash equivalents.

“**Asset Allocation Model**” means, collectively, the set of investment guidelines governing the allocation of investments in which the Corporation assets are invested, such allocation percentages as set out in “*The Business – The Portfolio*”.

“**Automatic Repurchase**” has the meaning set forth under “*Description of Securities of the Corporation – Description of the Common Shares - Restrictions on Ownership and Repurchase of Shares*”.

“**Automatic Repurchase Shareholder**” has the meaning set forth under “*Description of Securities of the Corporation—Description of the Common Shares - Restrictions on Ownership and Repurchase of Shares*”.

“**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.

“**Board**” means the Board of Directors of the Corporation.

“**cash equivalents**” means an evidence of indebtedness that has a remaining term to maturity of 365 days or less and that is issued, or fully and unconditionally guaranteed as to principal and interest, by (a) the government of Canada or the government of a jurisdiction, (b) the government of the United States of America, the government of one of the states of the United States of America, the government of another sovereign state or a permitted supranational agency, if, in each case, the evidence of indebtedness has an approved credit rating, or (c) a Canadian financial institution, or a financial institution that is not incorporated or organized under the laws of Canada or of a jurisdiction if, in either case, evidences of indebtedness of that issuer or guarantor that are rated as short term debt by an approved credit rating organization have an approved credit rating.

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

“**Clients**” means, other than the Corporation, investors, including other investment funds, to whom Timbercreek provides discretionary investment management services.

“**Common Shares**” means common shares of the Corporation.

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

“**Custodian**” means Computershare Trust Company of Canada.

“**Custodian Agreement**” means the amended and restated custodian agreement entered into between the Corporation, TAML and the Custodian effective as of September 13, 2013.

“**Customized First Mortgages**” means first mortgage loans that typically involve slightly longer terms, lower loan-to-value characteristics and a higher Debt Service Coverage Ratio than the mortgage loans of the Corporation and therefore command a lower interest rate.

“**Customized Mortgages**” means mortgage loans of the Corporation that typically involve shorter-terms and are customized.

“**Debentures**” has the meaning set forth under “*The Business – Borrowing Strategy*”.

“**Debenture Trustee**” means Computershare Trust Company of Canada.

“**Debt Service Coverage Ratio**” means at any time, the projected cash flow available from operations divided by the total debt payments including interest, principal and lease obligations.

“**DPSP**” means a deferred profit sharing plan as defined in the Tax Act.

“**DRIP**” means the dividend reinvestment plan of the Corporation.

“**Indenture**” means the trust indenture between the Corporation and Computershare Trust Company of Canada, as trustee, dated February 25, 2014.

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

“**Licensed Services**” means all services and activities that, under the *Mortgage Brokerages, Lenders and Administrators Act* (Ontario), can only be provided by a person that holds a mortgage brokerage licence or a mortgage administration licence.

“**Management Agreement**” means the management agreement dated as of September 13, 2013 between the Corporation and the Manager.

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

“**Management Fee**” means a management fee equal to 1.20% per annum of the gross assets of the Corporation.

“**Market Price**” means the closing price of the Common Shares on the TSX or such other stock exchange on which the Common Shares may be listed on the relevant date or, if there was no trade on such date, the average of the last bid and the last asking prices of the Common Shares on such stock exchange on the relevant date.

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

“**Mortgage Advisory Committee**” means the mortgage advisory committee appointed by TAML.

“**Mortgage Services Agreement**” has the meaning set forth under “*Organization and Management of the Corporation – The Manager and TAML*”.

“**Plan**” means a RRSP, a RRIF, a DPSP, a RDSP, a TFSA or a RESP.

“**Portfolio**” means the portfolio of Customized Mortgages of the Corporation as described in more detail under “*The Business - The Portfolio*”.

“**RDSP**” means a registered disability savings plan as defined in the Tax Act.

“**RESP**” means a registered education savings plan as defined in the Tax Act.

“**Related Persons**” means a related person as defined in the Tax Act and, for the purposes of the requirement that no shareholder, together with Related Persons, holds more than 25% of the Common Shares of the Corporation, includes 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.

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

“**RRSP**” means a registered retirement savings plan as defined in the Tax Act.

“**Servicing Agents**” has the meaning set forth under “*Management of the Corporation — Details of the Mortgage Services Agreement*”.

“**Shareholders**” means the holders of Common Shares.

“**Shares**” means the common shares in the Corporation.

“**Subordinate Position**” has the meaning set forth under “Investment Objectives

“**TAML**” means Timbercreek Asset Management Ltd., a company incorporated under *Business Corporations Act* (Ontario).

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

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

“**TFSA**” means a tax-free savings account as defined in the Tax Act.

“**Timbercreek**” means the Manager and/or TAML, as the context may require.

“**TMIF**” means Timbercreek Mortgage Investment Fund, a trust governed by the laws of the Province of Ontario.

“**TSMIC**” means Timbercreek Senior Mortgage Investment Corporation.

“**Triggering Transaction**” has the meaning set forth under “*Description of Securities of the Corporation - Description of the Common Shares — Restrictions on Ownership*”.

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

CORPORATE STRUCTURE

Details of Incorporation and Material Amendments to Articles

Timbercreek Mortgage Investment Corporation is a corporation incorporated under the *Business Corporations Act* (Ontario) pursuant to articles of incorporation dated as of April 30, 2008, as amended as described below. The Corporation's head and registered office is at 1000 Yonge Street, Suite 500, Toronto, Ontario M4W 2K2.

On July 4, 2008 and July 8, 2008, the articles of the Corporation were amended to provide for (i) the creation of the Class A Shares and Class B Shares in the capital of the Corporation, (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), (iv) the creation of restrictions on the business that the Corporation may carry on, (v) a requirement that any investment objective and investment restriction of the Corporation be contained in the articles of the Corporation and not in the by-laws of the Corporation, (vi) additional matters requiring shareholder approval, and (vii) clarification that the voting rights of the holders of Class A Shares and Class B Shares in respect of matters requiring shareholder approval.

On November 21, 2012, the articles of the Corporation were further amended to revise the definition of "Investment Restrictions" to add certain clarification provisions.

On September 12, 2013, the shareholders of the Corporation approved (i) the transition (the "**Transition**") of the Corporation from the Canadian securities regulatory regime for investment funds (as that term is defined in National Instrument 81-106 *Investment Fund Continuous Disclosure*) to the regulatory regime for non-investment fund reporting issuers; and (ii) the consequential amendment of the Corporation's articles to, among other things, (a) provide the holders of Class A Shares and Class B Shares with a one-time redemption right, which right replaced all other redemption rights of such Class A Shares and Class B Shares (b) create a new class of voting common shares ("**Common Shares**") and (c) provide for the automatic conversion (the "**Conversion**") of all remaining non-redeemed Class A Shares and Class B Shares for Common Shares on a specified date at (A) a conversion ratio of 1 to 1 for each Class A Share and (B) a conversion ratio, for each of the Class B Shares equal to the quotient obtained by dividing the NRV per Class B Share by the NRV per Class A Share on the last business day of the month immediately preceding such conversion date. The articles of the Corporation were further amended on September 13, 2013 to reflect such amendments as approved by the shareholders.

On November 29, 2013 (the "**Exchange Date**"), upon the completion of the Conversion in accordance with the Corporation's articles, the Common Shares commenced trading on the TSX. In addition, on the Exchange Date, all of the outstanding Voting Shares were repurchased and cancelled by the Corporation in accordance with the Corporation's articles.

Status of the Corporation

Effective as of September 13, 2013, the Corporation transitioned from an investment fund reporting issuer into a non-investment fund reporting issuer, and currently files public disclosure pursuant to National Instrument 51-102 *Continuous Disclosure Obligations*, including the preparation and filing of audited financial statements in accordance with International Financial Reporting Standards.

The Corporation intends to continue to qualify as a MIC and not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Shares are not "deposits" within the meaning of the *Canadian Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation.

Subsidiary

The Corporation currently has (i) one directly wholly-owned subsidiary, Timbercreek Mortgage Investment Fund ("**TMIF**"), a trust governed by the laws of the Province of Ontario and (ii) one indirectly wholly-owned subsidiary, 2292912 Ontario Inc., a corporation incorporated under the *Business Corporations Act* (Ontario).

Management of the Corporation

Effective September 13, 2013, Timbercreek Asset Management Inc. (the “**Manager**”) provides management services to the Corporation and has entered into the Mortgage Services Agreement with Timbercreek Asset Management Ltd. (“**TAML**”), a wholly-owned subsidiary of the Manager, pursuant to which TAML provides the Licensed Services, including without limitation, mortgage brokerage services and mortgage administration services, to the Corporation. Timbercreek employs all personnel needed to provide the relevant services to the Corporation and as a result the Corporation has no employees. For details of the Management Agreement, please see “Management of the Corporation”.

THE BUSINESS

General

The Corporation’s business is providing Customized Mortgages to qualified real estate investors, most of whom require funding during the transitional phase of the investment process. Real estate investors typically use short-term loans to bridge a period of one to five years where they require temporary capital for property repairs, redevelopment of a property, or for the purchase of another investment. These short-term loans are typically repaid with lower cost, longer-term debt obtained from other Canadian financial institutions once the applicable transitional period is over or the restructuring is complete or from proceeds generated on the sale of assets.

The Corporation believes that this portion of the Canadian borrower market is typically under-served by Canadian financial institutions which are reluctant to dedicate resources for these smaller, shorter-term mortgage investments and cannot typically provide the customization required to meet the borrower’s needs.

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

Since the global credit crisis of 2008, there has been a shift in the sources of mortgage capital for investment real estate. Although prior to 2008 the commercial mortgage backed securities market supplied a significant amount of this capital, it has since been an insignificant contributor in Canada. In addition, the banking and insurance industry reduced their availability of commercial mortgage debt following the crisis, and has only in the recent past brought back their participation to previously seen levels. These factors allowed Timbercreek, over the past few years, to take advantage of a very underserved sector and gain sufficient traction to build its platform, reputation, and its current book of mortgage business, and to fully establish itself as the premier non-bank lender in Canada.

The current state of the commercial mortgage industry sees borrowers presented with multiple low-cost financing options, although these options often do not meet their requirements due to the more rigid policies of institutional lenders, generally because although capital is available, restrictions in banking and limited commercial mortgage-backed securities issuances force lenders to demand very conservative and inflexible terms. The net result of these factors is a continued large gap in the supply-side of the credit market for high quality loans. This gap continues to be filled by non-bank lenders.

Investment real estate values continued to remain strong despite REIT valuations in the public markets being more volatile. The demand for cash flowing properties remained strong, and there has been little change to healthy underlying fundamentals. There were minimal adjustments to average prices (based on capitalization rates) in most asset classes, with some asset classes, such as rental apartments and class A commercial properties remaining flat. Although most Canadian public REITs have traded towards more modest valuations over the past quarter, thus reducing their ability to raise new capital, the demand for investment-grade commercial real estate from other institutional and private investors has quickly become more competitive. The result has been continued strength in asset valuations.

With the recent rise in the medium-term Canada bond yields, the gap in cost-of-funds between institutional lenders and non-bank lenders has narrowed slightly making the non-bank lenders more competitive in general. Over the past nine months, limited new capital has been raised by the public participants in the Canadian non-bank lending universe in general, leaving supply of competitive lenders’ capital steady. As a result of these factors, deal flow and lending opportunities have been abundant.

The Manager is very comfortable that the Company can continue to meet its investment objectives in this environment, particularly as the Company is able to take advantage of the strategic relationship of both the Corporation and TSMIC to offer flexible lending solutions to qualified borrowers.

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

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

As a result of the above, borrowers are willing to pay higher interest rates for Customized Mortgages.

The Corporation's Portfolio currently consists of a diversified pool of mortgages, or interests therein, meeting the criteria established in the Asset Allocation Model (see "*The Business – Strategies of the Corporation*"). The mortgage loans comprising the Portfolio include the following attributes:

- (i) Mortgages primarily secured by income-producing properties;
- (ii) Mortgages with interest only payment terms;
- (iii) Mortgages with terms of up to 36 months (as of December 31, 2013, the average term in the portfolio was 26 months);
- (iv) Mortgages with loan-to-value ratios of less than 85% (as of December 31, 2013, the average loan-to-value ratio of the Portfolio was 61.7%);
- (v) Mortgages invested primarily in urban markets across Canada, providing geographic diversification of the Portfolio; and
- (vi) Mortgages secured by the properties to which they relate and typically include corporate and/or personal guarantees of the borrowers.

As of December 31, 2013 and the date hereof, the Manager believes that the Portfolio was and remains well diversified (see "*The Portfolio*").

The Corporation has specifically targeted investments in Customized Mortgages where the yield and other fees generated from the Customized Mortgages has enabled it to pay out a monthly distribution that meets a targeted annual yield which is the 2-Yr GOC Bond Yield plus 550 basis points. The current Portfolio generated an aggregate annualized yield of approximately 8.33% per Common Share, based on a closing price on December 31, 2013 of \$9.17 per Common Share, net of fees and expenses of the Corporation, for the twelve month period ending December 31, 2013. In addition, all Lender Fees generated by TAML in connection with mortgage loans funded by the Corporation are paid to the Corporation to enhance the income of the Corporation and, hence, the return on investment for investors.

The Corporation intends to carry on its business in a manner so that it qualifies and continues to qualify as a "mortgage investment corporation" under the Tax Act.

Business Objectives of the Corporation

The business objectives of the Corporation are, with a primary focus on capital preservation, to place and maintain a diversified portfolio of Customized Mortgages that generates attractive, stable returns in order to permit the Corporation to pay monthly distributions to its Shareholders.

Strategies of the Corporation

The Corporation seeks to generate attractive, stable returns by placing and managing a diversified Portfolio of Customized Mortgages that are secured primarily by residential (including income producing multi-residential) real estate as well as office, retail and industrial properties, primarily located in large urban markets and their surrounding areas. These properties are typically more liquid and provide less volatile security for mortgage loans. The Customized Mortgages are primarily secured by income-producing assets where interest payments on the mortgages can be serviced from cash flow generated by the underlying assets.

These strategies combine to provide the Corporation with the ability 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 Corporation's quick access to capital through efficient processing and management of opportunities;
- take advantage of yield benefits which arise from the Corporation's ability to offer more flexibility with the loans;
- 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 Timbercreek.

In order to be a successful originator and investor in mortgage loans, it is important to build longstanding relationships with borrowers and maintain a presence in major markets across Canada. Borrowers are typically active real estate investors that will have different financing needs over time across their own portfolio of assets. Timbercreek has established preferred lender status with many active real estate investors by providing the following levels of service:

- in recognition of the timing constraints that borrowers frequently may have to execute on opportunities, Timbercreek seeks to promptly respond to requests made by borrowers;
- Timbercreek attempts to provide market loan terms that combine the flexibility required by borrowers in order for borrowers to maximize their efficiencies in executing on opportunities and realizing on profits; and
- Timbercreek works with borrowers throughout the terms of their loans to ensure that their capital requirements are met and, if requested, Timbercreek considers modifications of or extensions to the terms of their loans to accommodate additional opportunities that may arise or changes that may occur.

Timbercreek is able to satisfy borrowers' needs for both Customized Mortgages, funded through the Corporation, and Customized First Mortgages, funded through TSMIC, which is expected to further improve Timbercreek's relationship with borrowers. This enhances Timbercreek's ability to move quickly and offer more comprehensive solutions to the borrower, which provides a key competitive advantage in the marketplace.

Timbercreek uses the Asset Allocation Model in order to seek to manage the risk profile of the Portfolio. This Asset Allocation Model dictates the allocation of the Portfolio based upon geographical, economic sector, term, borrower and loan-to-value criteria. The Asset Allocation Model criteria include, without limitation, the following:

- Not more than 10% of the Aggregate Funded and Committed Assets can be allocated to an investment in any one real property.
- Not more than 20% of the Aggregate Funded and Committed Assets can be allocated to an investment with any one borrower;
- 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;

- Not more than 40% of the Aggregate Funded and Committed Assets can be allocated to investment in B-Notes;
- 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;
- Not more than 60% of the Aggregate Funded and Committed Assets shall be secured by second mortgage positions;
- 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%

- 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%.
- 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.

Lender Fees

TAML and TAML's originators do not participate in Lender Fee revenue. In particular, the Corporation is structured such that TAML remits to the Corporation all Lender Fees generated in connection with mortgage loans funded by the Corporation. Accordingly, in addition to the yield earned by the Corporation from interest revenue generated from the mortgage loans in the Portfolio, the Corporation also earns revenue from the mortgage loan origination and placement activities directly or indirectly carried out by TAML, contributing to the yield generated by the Corporation. The Manager is compensated on the total returns generated by the Corporation and the Manager believes that this compensation structure aligns the interests of Timbercreek with the Corporation and its Shareholders and avoids any potential conflicts of interest that could arise through alternative compensation structures.

Borrowing Strategy

The Corporation may utilize leverage from time to time at the discretion of the Manager through a credit facility arranged by the Manager with one or more arm's length commercial banks or other sources. It is expected that the terms, conditions, interest rate, fees and expenses of and under any credit facility will be typical of credit facilities of this nature and that the lender will require the Corporation to provide a security interest in the assets of the Corporation in favour of the lender to secure such borrowings. Subject to complying with rules to qualify as a MIC, there is no restriction on the amount of funds which the Corporation may borrow from time to time.

In December 2010, the Corporation entered into a revolving credit facility with a Canadian Schedule I bank, which was amended in July 2011, February 2012, September 2012 and November 2013 (as amended, the "Credit Facility"). Under the

terms of the Credit Facility, the Corporation can borrow up to \$25,000,000, plus the amount of a bulge which was repaid prior to December 31, 2013. The Credit Facility is used for general corporate purposes. The term of the Credit Facility matures on October 31, 2014. The Credit Facility is secured by a general security agreement over the Corporation's assets and guaranteed by TMIF. As at December 31, 2013, nil was outstanding under the Credit Facility. The Corporation does not guarantee securities or obligations of any person or company and the Corporation does not engage in securities lending.

The Corporation may also, from time to time, issue debt securities, convertible or otherwise, as the Board may determine appropriate. On February 25, 2014, the Corporation completed an offering of 6.35% unsecured subordinated convertible debentures which mature on September 30, 2019 (the "**Debentures**") for aggregate gross proceeds of \$30,000,000 and subsequently, on March 3, 2014, pursuant to the exercise of the over-allotment option in respect of such offering, the Corporation completed an offering of an additional \$4,500,000 aggregate principal amount of the Debentures. A description of the Debentures is set out in "*Description of Securities of the Corporation – Description of the Debentures*".

Competitive Advantages of the Corporation

The Corporation believes that the experience of Timbercreek's team, its track record in the marketplace and the Corporation's investment structure, has provided and will continue to provide the Corporation with the following, among other, competitive advantages to achieve its business objectives.

- ***Real Estate Expertise*** - Timbercreek has over fourteen years of real estate investment expertise and as of December 31, 2013, managed approximately \$3.4 billion in real estate assets. This real estate experience allows the Manager to have a deep understanding and perception of the trends, risks and opportunities associated with the mortgage investments and the underlying real estate which enables the Manager to better assess investment opportunities and manage risks for the Corporation.
- ***Alignment of Interests and Maximization of Income*** – To align the interests of the Manager with those of the Corporation and Shareholders, a management fee and a performance fee are paid to the Manager, and the Manager and its originators do not participate in Lender Fee revenue, such that all interest revenue and Lender Fees generated from placing mortgage loans is earned by the Corporation, contributing to the yield generated by the Corporation. For more details, see "*Management of the Corporation – Management Fees and Expenses*".
- ***Successful Track Record for Managing Mortgage Portfolios*** – To date, the target distribution level for all publicly-traded MICs managed by Timbercreek has been surpassed each year since inception, including the distributions of the Corporation. The current Portfolio generated an aggregate annualized yield of approximately 8.33% per Common Share, based on a closing price on December 31, 2013 of \$9.17 per Common Share, net of fees and expenses of the Corporation, for the twelve month period ending December 31, 2013.
- ***Strong Management with Key Industry Experience*** – The directors and officers of the Manager have cumulative experience of over 190 years in real estate asset and investment management and/or mortgage origination and underwriting, and have 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. Based on this platform, the Manager originated an average of approximately \$78 million per month in mortgage loans in 2013.
- ***Access to Mortgage Investment Opportunities*** – The ability of Timbercreek to move quickly and provide more comprehensive solutions to borrowers provides the Corporation with access to a strong supply of mortgage investment opportunities.
- ***Portfolio Diversification*** – The Asset Allocation Model is designed to ensure that the Portfolio is well diversified by geography, economic sector, asset class, term, borrower and Loan-To-Value.
- ***Conservative Selection Policy*** – The Corporation invests in mortgages with a focus on investing in mortgages that are primarily income-producing assets.

- ***Responsiveness of Timbercreek and Relationships with Borrowers*** – Timbercreek is often able to establish preferred lender status with many active real estate investors by providing prompt and responsive levels of service and by offering more comprehensive solutions to the borrower.
- ***Strong Governance*** – A majority of directors on the board of the Corporation are independent, and an independent Mortgage Advisory Committee reviews and approves all mortgage investment opportunities prior to investment.
- ***Active Management Philosophy*** – Timbercreek has a full-service integrated asset management platform, including property, capital and debt management, that seeks to optimize the value it provides to investors through active management of the Portfolio and in accordance with certain investment restrictions.

Investment Process

The Manager has entered into the Mortgage Services Agreement with TAML for TAML to provide the Licensed Services to the Corporation (see “*Management of the Corporation – Details of the Mortgage Services Agreement*”). TAML utilizes an investment process that is characterized by a top-down approach to identifying high-quality mortgage investments, beginning with a macro-level economic analysis of various geographic markets and properties, followed by the identification of individual mortgage investment opportunities and the evaluation of their attributes. In TAML’s opinion, high-quality mortgage investments are those: (i) where the Corporation has a clear exit strategy; (ii) where the mortgage is secured by real property that is reasonably liquid; and (iii) where the borrower has a reasonable amount of equity invested in the specific asset which is securing the loan.

The mortgage advisory committee (the “**Mortgage Advisory Committee**”) is an advisory committee appointed by TAML of at least two independent members within the meaning of applicable securities laws. The members of the Mortgage Advisory Committee are Chris Humeniuk, Ken Lipson and Pamela Spackman (Chair).

Each mortgage loan is subject to a detailed review process by the Mortgage Advisory Committee. Mortgage loans that are determined to be satisfactory by TAML’s management upon completion of its due diligence will be presented to the Mortgage Advisory Committee together with a comprehensive due diligence report. The Mortgage Advisory Committee will consider each investment opportunity presented to it by TAML’s management with a view to assessing the strength of the security covenants of such mortgage investment opportunities, and the payment and default risks associated with that mortgage. In considering the adequacy of the underlying real estate that is offered as security on a proposed loan, the Mortgage Advisory Committee will rely on a review of (among other things):

- real estate valuations – supported by third party appraisals;
- environmental risks – supported by third party environmental reports;
- covenants of the borrower and/or guarantor;
- exit strategy for the proposed loan;
- default risk of the proposed loan; and
- structural integrity of the real estate that is offered as security for a proposed loan, supported by third party structural/engineering reports (where necessary).

Following its analysis of the mortgage investment opportunities, the Mortgage Advisory Committee will make a recommendation to the Manager and the Corporation. Only with a positive recommendation from the Mortgage Advisory Committee will the Manager consider whether or not to allocate assets of the Corporation to such opportunities. The Manager will consider overall asset allocation and risk analysis before giving final approval of funding. The Mortgage Advisory Committee and the Manager are also responsible for approving any extensions or modifications to loans that were previously approved.

Once funded by the Corporation, TAML will regularly monitor the status of each loan funded by the Corporation and that of the borrower. TAML also communicates regularly with borrowers to understand how their asset is performing and to discuss their

repayment strategies. The Manager believes that a strong relationship between TAML and the borrower is critical to the success of the loan and to the development of a good quality and repeat borrower.

When assessing the mortgage investment opportunity, the Manager and the Corporation will consider each mortgage investment 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 (on a stand-alone basis as well as in the context of the Aggregate Funded and Committed Assets), or is otherwise considered worthy of consideration due to their particularly attractive features.

Exceptions to the Asset Allocation Model may be made by the Manager only with the unanimous recommendation by the Mortgage Advisory Committee 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 gross assets of the Corporation. There are various circumstances where exceptions to the Asset Allocation Model may be required. For example, if a default occurs where the Corporation owns a second mortgage loan or a loan which represents a Subordinate Position in a syndicated loan, and the Corporation needs to enforce its security to preserve the investment, the Corporation 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.

See “*Risk Factors — Fair Allocation*” and “*Management of the Corporation – Policies and Procedures of Manager and TAML*”.

Investment Restrictions

As a general rule, the assets of the Corporation will be invested in accordance with its business objectives. However, the Corporation intends to continue to qualify as a MIC and is subject to certain other investment restrictions, including certain restrictions according to applicable law that, among other things, limit the investments that may be made by the Corporation. A summary of the investment restrictions are as follows:

1. the Corporation will not make any investment or conduct any activity that would result in the Corporation failing to qualify as a "mortgage investment corporation" within the meaning of the Tax Act;
2. the Corporation will not invest in asset backed commercial paper or in securitized pools of mortgage loans, including securitized pools of sub-prime mortgage loans;
3. the Corporation will not invest in securities other than: (i) first and subordinate mortgages secured by real property, (ii) on a temporary basis only, interim investments consisting of cash and cash equivalents, Government of Canada treasury bills and Government of Canada bonds with a term to maturity of 3 years or less, (iii) equity securities of a corporation incorporated under the *Business Corporations Act* (Ontario) with its powers restricted by its articles to lending and investing money on mortgages of real estate, which after investment by the Corporation, does not have more than five shareholders, and (iv) securities of subsidiaries or affiliates of the Corporation;
4. the Corporation will not guarantee securities or obligations of any person or company;
5. the Corporation will not engage in securities lending; and
6. the Corporation will not engage in derivative transactions for any purpose.

These investment restrictions may not be changed without the approval of the holders of Common Shares by a special resolution.

Three Year History

From January 2011 to the end of December 2013, the portfolio of the Corporation grew from \$172.6 million to \$317.2 million. The average loan size in the portfolio decreased from \$3.4 million to \$3.3 million during this time. Due to this growth, the diversification has increased as there were more loans in the portfolio. From January 2011 to the end of December 2013, the Corporation has funded 159 new mortgage investments, totalling approximately \$828.2 million, which were originated and

underwritten by Timbercreek's origination and investment management platform. Over the same time period, the Corporation has also received approximately \$762.1 million in mortgage repayments. Throughout this period, the Corporation continues to focus on loans secured by income producing properties and has maintained very little exposure to land and construction loans.

The Portfolio

As of December 31, 2013, the Corporation had 96 Customized Mortgages outstanding with an average size of approximately \$3.3 million with an average loan-to-appraised value of 61.7% (based on the most recent appraisal of the real property underlying each Mortgage Asset conducted by an arm's length third party appraisal firm).

The value of real estate may change from the date of appraisal (see "Risk Factors – Changes in the Values of Real Estate"). The following table illustrates, as of December 31, 2012 and December 31, 2013, the number, value and percentage of mortgage loans comprising the Portfolio by property type.

Property Type	Portfolio Mortgages as of December 31, 2012 (#)	Value⁽¹⁾ as of December 31, 2012 (\$)	% of Portfolio Mortgages as of Dec. 31, 2012	Portfolio Mortgages as of December 31, 2013	Value⁽¹⁾ as of December 31, 2013 (\$)	% of Portfolio Mortgages as of December 31, 2013
Residential:						
<i>Multi family</i>	27	136,328,721	37.0	36	163,868,246	51.7
<i>Retirement</i>	9	58,548,033	15.9	8	39,693,366	12.5
<i>Other</i>	5	28,936,344	7.9	4	2,911,814	0.9
<i>Single family</i>	2	442,000	0.1	2	813,733	0.3
Retail	15	80,260,365	21.8	14	41,932,584	13.2
Office	8	28,006,000	7.6	15	43,081,446	13.6
Unimproved land	5	15,314,074	4.2	6	12,933,847	4.1
Industrial	6	20,417,500	5.5	7	5,867,455	1.8
Self-storage	0	0	0	2	2,144,542	0.7
Hotel	0	0	0	2	3,907,120	1.2
Total:	77	368,253,037	100.0	96	317,154,153	100.0

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

The following table illustrates, as of December 31, 2013, the number, value and percentage of the mortgage loans comprising the Portfolio by geographic location:

Geographic Location of Property	Portfolio Mortgages as of December 31, 2012 (#)	Value⁽¹⁾ of Mortgage Portfolios as of December 31, 2012 (\$)	% as of December 31, 2012	Portfolio Mortgages as of December 31, 2013 (#)	Value⁽¹⁾ of Mortgage Portfolios as of December 31, 2013 (\$)	% as of December 31, 2013
Ontario	37	160,060,889	43.4	47	163,163,424	51.4
Quebec	13	71,007,818	19.2	14	43,445,685	13.7
Alberta	7	50,301,902	13.7	15	40,025,964	12.6

Geographic Location of Property	Portfolio Mortgages as of December 31, 2012 (#)	Value⁽¹⁾ of Mortgage Portfolios as of December 31, 2012 (\$)	% as of December 31, 2012	Portfolio Mortgages as of December 31, 2013 (#)	Value⁽¹⁾ of Mortgage Portfolios as of December 31, 2013 (\$)	% as of December 31, 2013
Manitoba	4	33,371,485	9.1	3	7,867,663	2.5
British Columbia	9	25,625,352	7.0	9	45,978,330	14.5
Saskatchewan	6	11,364,765	3.1	5	10,329,851	3.3
Nova Scotia	0	0	0.0	1	2,875,706	0.9
Other	1	16,520,826	4.5	2	3,467,530	1.1
Total:	77	368,253,037	100.0	96	317,154,153	100.0

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

For the year ended December 31, 2013, the Company recorded a provision for mortgage loss of \$2,150,000. Of this amount, \$1,600,000 was transferred to foreclosed properties held for sale. The Corporation believes that adequate reserves have been established to cover any potential losses. Generally, a default occurs under a mortgage if the borrower fails to make any payment thereunder when due (including principal, interest and realty taxes) or fulfill any of the covenants set out therein when required (including covenants relating to, among other things, the provision and maintenance of security and insurance, disposition restrictions on the subject mortgaged property and the provision of financial statements of the borrower and any guarantor(s), environmental site assessment reports and soil tests); in our opinion, a material adverse change occurs in the financial position of the borrower and/or any guarantor(s) and/or the subject mortgaged property given as security; or if any of the representations or warranties made by the borrower in its application for the mortgage, the mortgage documentation or in any document or certificate delivered pursuant to the mortgage document is incorrect in a material respect.

The following is an overview of our mortgage portfolio as at December 31, 2013, December 31, 2012 and December 31, 2011 as well as the related interest and fees earned for the same years:

	December 31, 2013	December 31, 2012	December 31, 2011
Mortgages portfolio	317,154,153	368,253,037	303,356,645
Accrued interest receivable	4,690,571	4,620,491	6,470,134
Mortgage discount, net of accumulated amortization	0	0	0
Mortgage origination fees, net of accumulated amortization	(3,507,876)	(4,141,055)	(3,611,351)
Provision for mortgage losses	0	0	0
Total Mortgage and Loan Investments	318,336,848	368,732,473	306,215,428

DIVIDENDS AND DISTRIBUTION POLICY

The holders of Common Shares are entitled to receive distributions as and when declared from time to time on that class of Shares by the directors of the Corporation, acting in their sole discretion, out of the assets of the Corporation properly available for the payment of dividends. Declared distributions will be paid within 15 days following the end of each month.

Notwithstanding the above, the Corporation has the right to determine a record date that is other than the last business day of each month.

The historical distributions to the holders of Class A Shares and Class B Shares, prior to their Conversion to Common Shares, for the three most recently completed financial years are shown below.

Record Date	Payment Date	Dividend per Class A Share	Dividend per Class B Share
January 31, 2011	February 15, 2011	\$0.0680	\$0.0720
February 28, 2011	March 15, 2011	\$0.0680	\$0.0720
March 31, 2011	April 15, 2011	\$0.0680	\$0.0720
April 29, 2011	May 13, 2011	\$0.0680	\$0.0720
May 31, 2011	June 15, 2011	\$0.0680	\$0.0720
June 30, 2011	July 15, 2011	\$0.0680	\$0.0720
July 29, 2011	August 15, 2011	\$0.0680	\$0.0720
August 31, 2011	September 15, 2011	\$0.0680	\$0.0720
September 30, 2011	October 14, 2011	\$0.0680	\$0.0720
October 31, 2011	November 15, 2011	\$0.0680	\$0.0720
November 30, 2011	December 15, 2011	\$0.0680	\$0.0720
December 30, 2011	January 13, 2012	\$0.0680	\$0.0720
January 31, 2012	February 15, 2012	\$0.0670	\$0.0710
February 29, 2012	March 15, 2012	\$0.0670	\$0.0710
March 30, 2012	April 13, 2012	\$0.0670	\$0.0710
April 30, 2012	May 15, 2012	\$0.0670	\$0.0710
May 31, 2012	June 15, 2012	\$0.0670	\$0.0710
June 29, 2012	July 13, 2012	\$0.0670	\$0.0710
July 31, 2012	August 15, 2012	\$0.0630	\$0.0670
August 31, 2012	September 14, 2012	\$0.0630	\$0.0670
September 28, 2012	October 15, 2012	\$0.0630	\$0.0670
October 31, 2012	November 15, 2012	\$0.0630	\$0.0670
November 30, 2012	December 14, 2012	\$0.0630	\$0.0670
December 31, 2012	January 15, 2013	\$0.0630	\$0.0670
January 31, 2013	February 15, 2013	\$0.0630	\$0.0670
February 28, 2013	March 15, 2013	\$0.0630	\$0.0670
March 28, 2013	April 15, 2013	\$0.0630	\$0.0670
April 30, 2013	May 15, 2013	\$0.0630	\$0.0670
May 31, 2013	June 14, 2013	\$0.0630	\$0.0670
June 28, 2013	July 15, 2013	\$0.0630	\$0.0670
July 31, 2013	August 15, 2013	\$0.0630	\$0.0670
August 30, 2013	September 13, 2013	\$0.0630	\$0.0670

Record Date	Payment Date	Dividend per Class A Share	Dividend per Class B Share
September 30, 2013	October 15, 2013	\$0.0630	\$0.0670
October 31, 2013	November 15, 2013	\$0.0630	\$0.0670
		Dividend per Common Share	
November 29, 2013	December 13, 2013	\$0.067	
December 31, 2013	January 15, 2014	\$0.067	

The Corporation's Dividend Reinvestment Plan ("DRIP"), which was amended and restated as of November 20, 2013, provides eligible holders of Common Shares a means to purchase additional Common Shares by reinvesting a portion or all of their cash dividends at a potential discount and without having to pay commissions, service charges or brokerage fees.

Pursuant to the DRIP, the Manager has the right to require the plan agent to acquire Common Shares in the open market at prevailing prices or issued from treasury at 95% of the average market price. The average market price is defined in the DRIP as the volume weighted average trading price of Common Shares on the TSX for the 5 trading days ending on the third business day immediately prior to the dividend payment date on which at least a board lot of Common Shares is traded. Common Shares acquired pursuant to the DRIP, will be automatically enrolled in the DRIP. Shareholders who hold their Common Shares through a broker, financial institution or their nominee, must enrol for distribution reinvestment through their nominee broker.

DESCRIPTION OF SECURITIES OF THE CORPORATION

Description of the Common Shares

The Corporation is authorized to issue an unlimited number of Common Shares, a summary of the terms and conditions of which is set forth below. As at the date of this AIF, there are 36,964,028 issued and outstanding Common Shares.

Voting Rights

Holders of Common Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Corporation, and each Common Share shall confer the right to one vote in person or by proxy at all such meetings of shareholders of the Corporation.

In addition, any of the following matters will require approval by a resolution passed by at least 66 2/3% of the votes cast by the holders of the Common Shares at a meeting called and held for the consideration of such matter:

- (i) a change in the Manager, other than (A) a change resulting in an affiliate of the Manager assuming such position, (B) a termination of the Management Agreement in accordance with its terms, or (C) a change in accordance with the terms of the Management Agreement for which shareholder approval is not required;
- (ii) any increase in the basis of calculating management fees paid to the Manager;
- (iii) a reorganization with, or transfer of assets to, another entity, if:
 - (1) the Corporation ceases to continue after the reorganization or transfer of assets; and
 - (2) the transaction results in holders of Common Shares becoming securityholders in the other entity; and
- (iv) a reorganization with, or acquisition of assets to, another entity, if:
 - (1) the Corporation continues after the reorganization or acquisition of assets; and
 - (2) the transaction results in securityholders of the other entity holding a majority of the total number of outstanding securities of the Corporation.

Dividend Rights

The holders of the Common Shares shall be entitled to receive dividends or distributions as and when declared by the Board on the Common Shares out of the assets of the Corporation properly available for the payment of dividends or distributions in an amount and at a time determined by the Board at its sole discretion.

Rights upon Dissolution or Winding Up

In the event of the liquidation, dissolution or winding-up of the Corporation, or in the event of any other distribution of assets of the Corporation among its Shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary, after satisfaction of all liabilities of the Corporation (or the establishment of reserves or other provisions therefor), the holders of the Common Shares shall be entitled to receive from the assets of the Corporation for each Common Share an amount, in cash or property, equal to the net assets of the Corporation divided by the number of Common Shares issued and outstanding at the time.

Restrictions on Ownership

No Shareholder of the Corporation is permitted, together with Related Persons, at any time to hold more than 25% of the Common Shares of the Corporation.

In the event that any repurchase of Common Shares by the Corporation, or as determined by the board of directors of the Corporation in its sole discretion, any other transaction affecting any Common Shares (each a “**Triggering Transaction**”), if completed, would cause any holder(s) of such Common Shares (each an “**Automatic Repurchase Shareholder**”), together with Related Persons, to hold more than 25% of any class of Shares, that portion of such Common Shares held by each Automatic Repurchase Shareholder which constitutes in excess of 24.9% of the issued shares of any class of Common Shares (the “**Repurchased Shares**”) will, simultaneously with the completion of a Triggering Transaction, automatically be deemed to have been repurchased by the Corporation (an “**Automatic Repurchase**”) without any further action by the Corporation or the Automatic Repurchase Shareholder. The purchase price for any Repurchased Shares will be equal to the 10-day volume weighted average trading price of the Common Shares on the TSX for the 10 days prior to the date of the Triggering Transaction. The proceeds of any Automatic Repurchase will be remitted to each applicable Automatic Repurchase Shareholder within 30 days of the Automatic Repurchase.

Amendments

Amendments to the terms of the Common Shares must be approved by the Shareholders of the Corporation in accordance with applicable laws.

Voting Shares, Class A Shares and Class B Shares

Effective November 29, 2013, all Class A shares and Class B shares were converted into Common Shares as the ratio specified in the articles of the Corporation and all voting shares were re-purchased and cancelled. As of the date of this AIF, no voting share, Class A share or Class B share is outstanding.

Description of the Debentures

Under an agreement (the “**Underwriting Agreement**”) dated February 10, 2014 between the Corporation and TD Securities Inc., CIBC World Markets Inc., Raymond James Ltd., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., GMP Securities L.P., National Bank Financial Inc., Scotia Capital Inc., Canaccord Genuity Corp. and Dundee Securities Ltd. (collectively, the “**Underwriters**”), the Corporation agreed to sell and the Underwriters agreed to purchase, subject to the terms and conditions contained therein, \$30,000,000 aggregate principal amount of Debentures at a price of \$1,000 per Debenture, with an over-allotment option to purchase up to an additional \$4,500,000 aggregate principal amount of the Debentures.

As of the date of this AIF, there are \$34,500,000 aggregate principal amount of Debentures issued and outstanding. The Debentures are governed pursuant to the Indenture and the Corporation can issue additional convertible debentures under the Indenture from time to time. Computershare Trust Company of Canada has been appointed as the trustee, transfer agent and registrar of the Debentures.

The Debentures bear interest from and including the date of issue at 6.35% per annum. Interest is payable semi-annually, in arrears, on March 31 and September 30 in each year, with the first interest payment occurring on September 30, 2014. The Debentures are direct obligations of the Corporation and are not secured by any mortgage, pledge, hypothecation or other charge and are subordinated to the Corporation's other liabilities". The Indenture does not and will not restrict the Corporation from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging the Corporation's properties to secure any indebtedness.

Each Debenture is convertible into fully paid and non-assessable Common Shares, at the option of the holder, at any time prior to 5:00 p.m. (Toronto, Ontario local time) on the earlier of the business day immediately preceding the maturity date and, if called for redemption, the business day immediately preceding the date fixed for redemption of the Debentures, at the conversion. The conversion price is \$11.25 per Common Share, subject to adjustment upon the occurrence of certain events as described in the Indenture.

Other than in certain circumstances set out in the Indenture, the Debentures will not be redeemable prior to March 31, 2017. On and after March 31, 2017, but prior to March 31, 2018, the Debentures will be redeemable, in whole or in part, from time to time at the Corporation's sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days' and not less than 30 days' prior written notice, provided that the volume weighted average trading price of the Common Shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the conversion price. On or after March 31, 2018 and prior to the Maturity Date, the Debentures will be redeemable, in whole or in part, from time to time at the Corporation's sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days' and not less than 30 days' prior written notice.

Subject to certain conditions specified in the Indenture, the Corporation has the right to repay the outstanding principal amount of the Debentures, on maturity or redemption, through the issuance of Common Shares. The Corporation also has the option to satisfy its obligation to pay interest on the Debentures through the issuance and sale of Common Shares.

The Indenture provides that an event of default in respect of the Debentures will occur if any one or more of the following described events has occurred and is continuing with respect to the Debentures: (a) failure for 10 days to pay interest on the Debentures when due; (b) failure to pay principal or premium, if any, when due on the Debentures, whether at maturity, upon redemption, by declaration or otherwise; (c) certain events of bankruptcy, insolvency or reorganization of the Corporation under bankruptcy or insolvency laws as described in the Indenture; (d) default in the observance or performance of any material covenant or condition of the Indenture by us and continuance of such default for a period of 30 days after notice in writing has been given by the Debenture Trustee to the Corporation specifying such default and requiring the Corporation to rectify the same; or (e) if a resolution is passed for the winding-up or liquidation of the Corporation except as permitted under the Indenture.

If an event of default has occurred and is continuing, the Debenture trustee may, in its discretion, and shall upon prior funding and indemnity and the request of holders of not less than 25% of the principal amount of Debentures then outstanding, declare the principal of and interest on all outstanding Debentures to be immediately due and payable. In certain cases, the holders of more than 50% of the principal amount of the Debentures then outstanding may, on behalf of the holders of all Debentures, waive any event of default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe, provided that no act or omission of either the Debenture Trustee or of the holders of Debentures will extend to or be taken in any manner whatsoever to affect any subsequent event of default or the rights resulting therefrom.

MARKET FOR SECURITIES

Prior to the Exchange Date, the Class A Shares were listed for trading on the TSX under the symbol "TMC". Upon the completion of the Conversion on the Exchange Date, the Class A Shares were de-listed from the TSX and the Common Shares were listed for trading on the TSX under the symbol "TMC". The Debentures have been listed for trading on the TSX under the symbol "TMC.DB" since February 25, 2014.

Trading Price and Volume

The following table summarizes the high and low prices of the Class A Shares (or Common Shares since Exchange Date) and volume of trading on the TSX on a monthly basis for the year ended December 31, 2013:

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
January 2013 ⁽¹⁾	\$10.42	\$10.12	742,336
February 2013 ⁽¹⁾	\$10.35	\$10.15	604,750
March 2013 ⁽¹⁾	\$10.29	\$10.08	598,572
April 2013 ⁽¹⁾	\$10.23	\$9.82	650,310
May 2013 ⁽¹⁾	\$10.25	\$9.62	780,065
June 2013 ⁽¹⁾	\$9.70	\$8.95	1,290,470
July 2013 ⁽¹⁾	\$9.67	\$9.26	728,899
August 2013 ⁽¹⁾	\$9.55	\$9.17	577,972
September 2013 ⁽¹⁾	\$9.39	\$9.14	704,039
October 2013 ⁽¹⁾	\$9.54	\$9.05	615,440
November 2013 ⁽¹⁾	\$9.35	\$8.66	746,142
December 2013 ⁽²⁾	\$9.25	\$8.64	845,835

(1) Refers to prices for Class A Shares prior to the Exchange Date.

(2) Refers to prices for Common Shares on and after the Exchange Date.

On March 4, 2014, the date of this AIF, the closing price of the Corporation's Common Shares on the TSX was \$9.48.

Prior Sales

The following table sets out the prior sales of Class B Shares by the Corporation for the year ended December 31, 2013.

Date of Issuance and Issue Type	Type of security issued	Number of securities issued	Price per security	Total funds received
November 26, 2013	Class B Shares	508, 647	\$9.83	\$5,000,000

From the Exchange Date until December 31, 2013, no Common Shares were issued by the Corporation.

DIRECTORS AND EXECUTIVE OFFICERS

Directors and Officers of the Corporation

The following table sets forth the name, province and country of residence and position of the directors and executive officers of the Corporation as of the date of this AIF, and his or her position and office with the Corporation, and respective principal occupation during the five preceding years.

<u>Name and Province of Principal Residence</u>	<u>Position with the Corporation</u>	<u>Principal Occupation</u>
<i>Corporation</i>		
Zelick L. Altman ⁽¹⁾ <i>Ontario, Canada</i>	Independent Director (appointed April 30, 2008)	Managing Director of LaSalle Investment Management (Canada)

Name and Province of Principal Residence	Position with the Corporation	Principal Occupation
Craig A. Geier ⁽¹⁾⁽²⁾ <i>Ontario, Canada</i>	Independent Director (appointed August 20, 2008)	Microbonds Inc., Chairman & Chief Executive Officer
W. Glenn Shyba ⁽¹⁾ <i>Ontario, Canada</i>	Independent Director (appointed April 30, 2008)	Principal, Origin Merchant Partners
Derek J. Watchorn ⁽¹⁾ <i>Ontario, Canada</i>	Independent Director (appointed November 25, 2010)	Consultant
R. Blair Tamblyn <i>Ontario, Canada</i>	Director (Chairman) (appointed April 30, 2008)	Director, Chief Executive Officer and Founding Managing Director of the Manager
Andrew Jones ⁽³⁾⁽⁴⁾ <i>Ontario, Canada</i>	Director (appointed on September 12, 2013) and Chief Executive Officer	Managing Director, Debt Investments of the Manager
Ugo Bizzarri ⁽³⁾ <i>Ontario, Canada</i>	Director (appointed on September 12, 2013) and Chief Financial Officer	Director and Founding Managing Director, Portfolio Management and Investments of the Manager
David Melo <i>Ontario, Canada</i>	Vice President	Managing Director, Finance and Chief Compliance Officer of the Manager

- (1) Member of the Audit Committee of the board of directors of the Corporation.
(2) Chairman of the Audit Committee of the board of directors of the Corporation.
(3) Appointed as a director of the Corporation on September 12, 2013.
(4) Appointed as Chief Executive Officer of the Corporation effective January 20, 2014.

Each of the directors shall hold his office until the next annual meeting of the Corporation.

As of December 31, 2012, R. Blair Tamblyn was the Chief Executive Officer and Chairman of the board of directors of the Corporation and Edward W. Boomer was an independent director of the Corporation. Andrew Jones was appointed as the Chief Executive Officer effective January 20, 2014 and R. Blair Tamblyn continues in his position as the Chairman of the board of directors of the Corporation. Edward W. Boomer resigned as a director effective as of September 30, 2013.

Security Holding

The Directors and officers of the Corporation, as a group, collectively own, directly or indirectly, or exercise control or direction over an aggregate of 49,676 Common Shares, representing approximately 0.1% of the outstanding Common Shares.

Biographies

The following are biographies of the directors and executive officers of the Corporation:

Zelick L. Altman – Mr. Altman is a Managing Director of LaSalle Investment Management (Canada), a real estate investment management company, (“LaSalle”) and President of the LaSalle Canadian Income & Growth Funds. Mr. Altman has over 35 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.

Craig A. Geier – Mr. Geier is currently chairman & Chief Executive Officer of Microbonds Inc., a privately held Canadian Corporation engaged in the development of highly engineered nano-materials for application in the electronics industry. From November of 2007 to March of 2013 Mr. Geier was primarily engaged in the mineral resource sector, holding senior positions as

Chief Financial Officer of Sulliden Exploration Inc. and subsequently as Chief Financial Officer and VP of Corporate Development at Energold Drilling Corp. Previously Mr. Geier worked for over 20 years in the commercial real estate industry holding senior positions at Residential Equities REIT; TrizecHahn Inc. and BCE Development Corporation. Mr. Geier holds an Honours of Business Administration degree from the University of Western Ontario.

W. Glenn Shyba – Mr. Shyba is a Founder and Principal of Origin Merchant Partners which is an independent investment bank that provides value added corporate finance, mergers and acquisitions and merchant banking services across several core industries. He has spent over 20 years in the commercial real estate industry in Canada and is focused on the principal investing side. Prior to Origin Merchant Partners, Mr. Shyba was Executive Vice President and Chief Operating Officer at Osmington Inc. (“Osmington”), one of Canada’s most active and successful private commercial real estate owners and developers. Mr. Shyba has extensive transactional experience having had corporate responsibility for in excess of \$2.0B in acquisitions and dispositions, and for the firms finance and treasury functions. Mr. Shyba also has a depth of experience in commercial real estate development having planned and executed numerous commercial development projects. Prior to Osmington, Mr. Shyba was Vice President, Development at Bramalea Inc. He also participated in the development of Canada’s first property valuation software program for commercial real estate. Mr. Shyba holds a Bachelor of Commerce degree from the University of British Columbia.

Derek J. Watchorn - For the past three years, Mr. Watchorn has been acting as a consultant on several projects, notably as a member of the Management Committee involved with the redevelopment of the Buttonville Airport land and in respect of a joint venture involving a major shopping centre and several other properties in Budapest. Mr. Watchorn, a lawyer by trade, has extensive experience in the real estate industry through a variety of senior management and director positions he has held with both public and private organizations in Ontario and abroad. Mr. Watchorn was the President and Chief Executive Officer of Revera Inc. (formerly Retirement Residences REIT) from October 2004 until June 2009. Prior to that, he served in London, England as Executive Vice President of Canary Wharf plc from January 2003 until June 2004 and as Executive Director of TrizecHahn plc from January 1999 until June 2001. Mr. Watchorn was a senior partner of the law firm Davies Ward Phillips & Vineberg LLP (“Davies Ward”), which he joined as a solicitor in 1968 and became partner of in 1970. During the period from 1987 to 2004 (excluding his tenure with TrizecHahn), Mr. Watchorn was a senior advisor to the Paul Reichmann family in Toronto and, in that capacity, during a three year period from 1987 until 1990, served on a seconded basis from Davies Ward as Executive Director Olympia & York Canary Wharf plc. Mr. Watchorn is currently a director of Patheon Inc. (TSX:PTI).

R. Blair Tamblyn – Mr. Tamblyn is the Chairman of the Board of the Corporation. He is also a Director, Chief Executive Officer and Founding Managing Director of the Manager, and Chairman of the Board of TSMIC . Mr. Tamblyn has over 18 years’ of experience working with the public and private capital markets and has led the origination, structuring, capitalization and execution of all of Timbercreek’s public and private managed accounts that as of December 31, 2013, aggregated approximately \$3.4 billion in assets. Prior to founding the Manager in 1999, Mr. Tamblyn worked with Connor, Clark & Company. Mr. Tamblyn is a graduate of the University of Western Ontario, and is a graduate of the Rotman School of Business Director Education Program.

Andrew Jones – Mr. Jones is the Chief Executive Officer and a Director of the Corporation. Mr. Jones is also Managing Director, Debt Investments of the Manager, and Chief Executive Officer and a Director of TSMIC. Mr. Jones’ primary responsibility is to oversee the origination and structuring of Timbercreek-sponsored commercial mortgage investments. Since joining Timbercreek in 2007, Mr. Jones has originated over \$2 billion in commercial real estate debt investments across various real estate sectors, with substantial time devoted to originating loans for portfolios of TSMIC and the Corporation. Mr. Jones has been a registered mortgage broker for over 14 years, carries a mortgage broker licence in three provinces and is the broker of record on behalf of the Manager. Prior to joining the Manager, Mr. Jones was a co-founder and Managing Partner of Canadian Mortgage Strategies and 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. and also held the positions of Vice President, Finance at Residential Equities REIT and Vice President Finance at Dundee Realty Corporation. Mr. Jones is a graduate of the Vancouver School of Economics at UBC and has worked in the commercial real estate and mortgage business for over 20 years.

Ugo Bizzarri – Mr. Bizzarri is the Chief Financial Officer and a Director of the Corporation. Mr. Bizzarri is also the Founding Managing Director, Portfolio Management and Investments and a Director of the Manager, and Chief Financial Officer and a Director of TSMIC. Mr. Bizzarri has 20 years’ experience in the valuation, acquisition and disposition of investment-grade cash-flowing real estate, and as such leads the Timbercreek team that is responsible for the acquisition and disposition of direct real estate, and the underwriting and funding of commercial mortgage investments that are secured by direct real estate. In this capacity, over the past 6 years Mr. Bizzarri and his team have constructed and managed a diversified debt portfolio of over \$800 million in Timbercreek-sponsored commercial mortgage investments and have been responsible for underwriting, financing and

acquiring approximately \$2.5 billion worth of multi-residential real estate on behalf of Timbercreek and its partners. Prior to co-founding the Manager, Mr. Bizzarri was in Portfolio Management 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. Mr. Bizzarri is a graduate of the Richard Ivey School of Business and is a Chartered Financial Analyst.

David Melo – Mr. Melo is the Vice President of the Corporation. Mr. Melo joined the Manager in November 2004, and is Managing Director, Finance and Chief Compliance Officer of the Manager. Mr. Melo's responsibilities include overseeing the financial and tax reporting, treasury and corporate financings at the Manager. Prior to joining Timbercreek, Mr. Melo was 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.

Directors of the Corporation

The articles of incorporation of the Corporation provide that the Corporation will have a minimum of three and a maximum of eight directors. As of the date of this AIF, the Corporation has seven directors, four of whom are independent (within the meaning of applicable securities laws). The directors of the Corporation have a broad background of investment and real estate experience. See "*Directors and Executive Officers — Biographies*".

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

None of our directors or executive officers are, as at the date of this AIF, or was within ten (10) years before the date of this AIF, a director, chief executive officer or chief financial officer of any company, that was:

- (a) subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that, in each case, was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that, in each case, was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

- (a) is, as at the date of this AIF, or has been within the ten (10) years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the ten (10) years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Certain of our directors and officers may face actual or potential conflicts of interest due to their positions as directors or officers of the Manager, and/or their direct or indirect ownership interest in the Manager. Messrs. Tamblyn, Bizzarri, Jones and Melo are directors and/or officers of the Corporation and are also directors and/or officers of the Manager. These directors and officers may have a conflict of interest in allocating their time between the respective businesses and interests of the Manager and the Corporation, and other businesses and projects in which they may become involved. Messrs. Tamblyn, Bizzarri, Jones and Melo are also direct or indirect shareholders of the Manager.

The directors and officers of the Corporation are required by law to act in the best interests of the Corporation. Discharge by the directors and officers of their obligations to the Corporation may result in a breach of their obligations to the other companies, and in certain circumstances could expose the Corporation to liability to those companies. Similarly, discharge by the directors and officers of their obligations, if applicable, to any other company could result in a breach of their obligations to act in the best interests of the Corporation.

AUDIT COMMITTEE

Audit Committee Charter

The Audit Committee is responsible for overseeing, among other matters, the work of our external auditors, the integrity of our financial statements and financial reporting process, the qualifications and independence of the external auditors of the Corporation and our compliance with legal and regulatory requirements. The Audit Committee reviews and recommends to the Board for approval, our annual and interim financial statements and related management's discussion and analysis, earnings press releases, selected disclosure documents, including information pertaining to the Audit Committee contained in our annual information form and any other financial statements required by regulatory authorities, before they are released to the public or filed with the appropriate regulators. The Audit Committee will review its charter at least annually and recommends changes to the Board with respect to its charter, as necessary.

In accordance with National Instrument 52-110 *Audit Committees*, the Audit Committee has implemented procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by directors, officers, employees and others of concerns regarding questionable accounting or auditing matters. The Audit Committee Charter is attached as Schedule "A".

Composition of the Audit Committee

The Audit Committee is comprised of Zelick L. Altman, Craig Geier (Chairman), W. Glenn Shyba, and Derek Watchorn. Each member of the Audit Committee is independent and is financially literate in that each has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by our financial statements.

Relevant Education and Experience

The relevant education and experience of each of the members of the Audit Committee can be found in their respective biographies. See *Directors and Executive Officers – Biographies*.

Pre-Approval Policies and Procedures

The Audit Committee will pre-approve all non-audit services to be provided to the Corporation by the external auditors of the Corporation.

External Auditor Service Fees (By Category)

The following table sets out, by category, the fees billed by KPMG LLP, our external auditors, in the fiscal years ended December 31, 2012 and December 31, 2013, for the services noted:

Category	Year Ended December 31, 2013	Year Ended December 31, 2012
Audit fees ⁽¹⁾	\$129,976	\$95,519
Audit-related fees ⁽²⁾	\$19,950	\$19,950
Tax fees ⁽³⁾	\$12,647	\$5,789
All other fees	Nil	Nil
Total:	\$162,573	\$121,258

Notes:

- (1) Refers to the aggregate fees billed by our external auditor for audit services relating to the audit of the Corporation.
- (2) Refers to the aggregate fees billed for assurance and related services by our external auditor that are reasonably related to the performance of the audit.
- (3) Refers to the aggregate fees billed for professional services rendered by our external auditor for tax compliance, tax advice and tax planning.

MANAGEMENT OF THE CORPORATION

Board of Directors

The Board of Directors of the Corporation is responsible for general oversight of the business and affairs of the Corporation and is also responsible in reviewing, monitoring and supervising the management services provided by the Manager and TAML. The Corporation has entered into a management agreement as described below whereby the Corporation has engaged the Manager to provide services to manage the operations and related affairs of the Corporation. For the “Mandate of the Board” please see Schedule B attached hereto.

The Manager and TAML

Pursuant to the terms of the Management Agreement, the Manager will act as the manager of the Corporation and will provide or will arrange for the provision of all administrative services required by the Corporation. The Manager has entered into the Mortgage Services Agreement with TAML pursuant to which TAML will provide the Licensed Services to the Corporation. For more details on the Mortgage Services Agreement, see “*Management of the Corporation – Details of the Mortgage Services Agreement*”. TAML is a licensed mortgage brokerage firm in British Columbia, Alberta and Ontario and also is registered as an Investment Fund Manager, Portfolio Manager and Exempt Market Dealer with the Ontario Securities Commission.

The Manager is an investment management company that employs a conservative and risk-averse approach to real estate-based investments. Timbercreek has over twelve years of real estate investment management expertise and as of December 31, 2013, managed approximately \$3.4 billion in real estate assets and employ over 500 professionals in 18 offices across Canada and in the United States, the United Kingdom, Europe and Australia dedicated to managing this real estate on its behalf. This real estate experience allows Timbercreek to have a deep understanding and perception of the trends, risks and opportunities associated with mortgage investments and the underlying real estate security, which enables Timbercreek to better assess investment opportunities and manage risks for the Corporation. The Manager’s lending business leverages its real estate management infrastructure and expertise by providing knowledge of local market and economic trends, new lending opportunities and, if necessary, the management of properties.

The Manager is also dedicated to seeking to ensure that there is a robust platform in place to support the on-going growth of Timbercreek’s private lending activity and has assembled a comprehensive team of mortgage specialists that are dedicated to origination, analysis, funding and servicing of all mortgage loans investments.

The Manager believes that the current operating platform of Timbercreek, coupled with the expertise that the Manager and its affiliates as real estate investors and asset managers have developed over many years with respect to real estate and mortgage investments, provides the Corporation with a major competitive advantage.

Duties and Services to be Provided by the Manager

Pursuant to the Management Agreement effective from September 13, 2013, the Manager is the manager of the Corporation and, as such, is responsible for making all investment decisions of the Corporation in accordance with its business objectives, strategy and restrictions and for arranging for the execution of all Portfolio transactions. The Manager may delegate certain of its powers to third parties, where, in the discretion of the Manager, it would be in the best interests of the Corporation to do so. Without limiting the generality of the foregoing, the Manager is required to engage a licensed mortgage broker to provide the Licensed Services to the Corporation.

The Manager's duties include, without limitation: (i) authorizing the payment of operating expenses incurred on behalf of the Corporation; (ii) preparing the annual operating budget of the Corporation; (iii) coordinating the preparation and delivery to the Board and the Shareholders of financial statements (including quarterly and annual financial statements) and other reports as are required by applicable law from time to time; (iv) monitoring the Corporation's compliance with regulatory requirements; (v) preparing the Corporation's reports to Shareholders and the Canadian securities regulatory authorities; (vi) recommending to the Corporation's board of directors the amount of distributions to be made by the Corporation to Shareholders; and (vii) appointing third-party service providers for the Corporation, including registrars, transfer agents, auditors and printers.

Details of the Management Agreement

Pursuant to the Management Agreement, the Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Corporation and to exercise the standard of care, diligence and skill the Manager possesses or ought to possess as a prudent asset manager. The Management Agreement provides that the Manager will not be liable in any way for any default, failure or defect in the Portfolio held by the Corporation if it has acted with the scope of authority set out in the Management Agreement. The Manager will incur liability however, in cases of wilful misconduct, bad faith, gross negligence, or breach of the Manager's standard of care or by any material breach or default by it of its obligations under the Management Agreement.

The term of the Management Agreement is for a period of 10 years commencing on September 13, 2013, and automatically renewed for successive 5 year terms thereafter, unless:

1. terminated by the Corporation upon approval of a 2/3 majority of the votes cast by the independent directors of the Corporation:
 - (a) on the last day of the initial term or any renewal term, upon 12 months' prior written notice to the Manager;
 - (b) on the date upon which the Corporation has ceased carrying on its mortgage investment operations and has been wound up and all of the investments have been sold and all proceeds therefrom realised or upon the liquidation and dissolution of the Corporation
 - (c) at any time in the event that (i) there is a material breach of the Management Agreement by the Manager that is not remedied within 60 days of written notice to the Manager (or such longer period as may be reasonably required to remedy such breach, provided such longer period does not exceed 120 days), (ii) the Manager commits any act of bad faith, wilful malfeasance, gross negligence or reckless disregard of its duties, or (iii) any bankruptcy, insolvency or liquidation proceedings are taken against the Manager or if the Manager makes an assignment for the benefit of its creditors, commits any act of bankruptcy or declares itself or is declared to be insolvent (each a "**Termination for Cause**"); and
 - (d) upon 12 months' prior written notice to the Manager, such notice to be delivered at any time after the fourth anniversary of the commencement of the initial term (the "**Early Termination Date**"), and upon payment of an amount equal to three times the "**Annual Fee Basis**", which is comprised of (i) management fees earned by the Manager in the previous twelve months; and (ii) annualized average performance fees earned by the Manager in the previous 36 months, and all fees and expenses due and owing to the Manager up to and including the date of termination (together, the "**Early Termination Fee**"). Notwithstanding the foregoing, if less than three years remain in the initial term, or any renewal term, as applicable, the Early Termination Fee payable in the event of termination by the Corporation other than a Termination for Cause shall be all fees to which the Manager would have been entitled for the period commencing on the termination date and ending at the expiry of the initial term or renewal term, as the case may be, based on the Annual Fee Basis, and all expenses due and owing to the Manager up to and including the date of termination;

2. terminated by the Manager:
 - (a) in the event that there is a material breach of the Management Agreement by the Corporation that is not remedied within 60 days of written notice to the Corporation (or such longer period as may be reasonably required to remedy such breach, provided such longer period does not exceed 120 days); or any bankruptcy, insolvency or liquidation proceedings are taken against the Corporation or the Corporation makes an assignment for the benefit of its creditors, commits any act of bankruptcy or declares itself or is declared to be insolvent; or
 - (b) at any time after the initial term, provided at least 12 months' notice is given to the Corporation.

The Manager is entitled to fees for its services as manager under the Management Agreement as described under "*Management of the Corporation - Management Fees*" and will be reimbursed for all reasonable costs and expenses incurred by the Manager on behalf of the Corporation.

The Management Agreement provides for certain non-competition restrictions in respect of its activities outside of the business of the Corporation. The non-competition restrictions provide, among other things, that the Manager shall not create or act as manager for a mortgage investment entity with substantially similar investment objectives and policies as the Corporation.

Other than as stated above, the management services to be provided by the Manager under the Management Agreement are not exclusive to the Corporation and nothing in the Management Agreement prevents the Manager from providing similar management services to other investment funds and other clients or from engaging in other activities.

Management Fees and Expenses

For acting as manager of the Corporation, the Manager will receive from the Corporation a Management Fee equal to 1.20% per annum of the gross assets of the Corporation, paid monthly in arrears, plus applicable taxes. In addition, in any calendar year where the Corporation 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 Manager will be entitled to receive from the Corporation a performance fee equal to 20% of the amount by which the net earnings available for distribution divided by the outstanding share capital of the Company exceeds the Hurdle Rate. Any fees payable to TAML pursuant to the Mortgage Services Agreement will be paid by the Manager. There is no additional fee payable by the Corporation to TAML and the Manager will not charge the Corporation the fee payable by the Manager to TAML (if any) as a disbursement or as expenses under the Management Agreement.

The Corporation will pay for all expenses the Manager incurs in connection with the operations and management of the Corporation. In addition to the fees and expenses referenced elsewhere in this AIF, 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 Corporation; (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 Corporation, stock exchange fees and listing fees); (f) any expenses incurred in connection with any legal proceedings in which the Manager participates on behalf of the Corporation or any other acts of the Manager, TAML or any other agent of the Corporation in connection with the maintenance or protection of the property of the Corporation, including without limitation, costs associated with the enforcement of mortgage loans; (g) any fees, expenses or indemnity payable to, and expenses incurred by, independent directors, the Mortgage Advisory Committee; (h) any additional fees payable to the Manager for performance of extraordinary services on behalf of the Corporation; (i) consulting fees including website maintenance costs and expenses associated with the preparation of tax filings; and (j) other administrative expenses of the Corporation. The Corporation will also be responsible for all taxes, commissions, brokerage commissions and other costs of securities transactions, debt service, commitment fees and costs relating to any credit facilities, insurance premiums and any extraordinary expenses which the Manager may incur or which may be incurred on the Manager's behalf by the Manager's agent or contractor from time to time, as applicable.

For greater certainty, the salaries of the employees of the Manager will be borne by the Manager.

Details of the Mortgage Services Agreement

The Mortgage Services Agreement is entered into between the Manager and TAML effective September 13, 2013 and provides for:

- (i) TAML, through its qualified subsidiaries, to provide the Licensed Services to the Corporation, including without limitation, presenting to the Corporation through the Mortgage Advisory Committee any available loan that meets the investment guidelines of the Corporation, and overseeing the servicing of the mortgages in the investments of the Corporation and the enforcement of all loans;
- (ii) the Mortgage Advisory Committee to approve all mortgage investments by the Corporation (for more details on the Mortgage Advisory Committee and their responsibilities, see “*The Business – Investment Process*”);
- (iii) TAML to remit to the Corporation all revenue generated from the mortgage loan origination and placement activities directly or indirectly carried on by TAML in respect of first mortgage loans funded by the Corporation; and
- (v) TAML to use an asset allocation model substantially similar to the model set out in the Current Management Agreement to manage the risk profile of the Corporation’s portfolio of investments.

Further, pursuant to the Mortgage Services Agreement, TAML, through its qualified subsidiaries, will actively oversee the servicing of all mortgages in the Portfolio in order to monitor the status of all loans and respond to any potential issues that may arise. TAML will provide day-to-day administration of individual mortgages in the Portfolio either directly or in instances where the Corporation is a participant in a syndicated mortgage, other direct participants in the investment may act as the mortgage servicing agents (“**Servicing Agents**”). TAML will ensure that the Servicing Agents appointed to administer an individual mortgage are licensed in accordance with the requirements of the *Mortgage Brokers Act* (Ontario) or other applicable legislation. The Servicing Agents’ duties are the day-to-day administration of individual mortgages and include, among others things, responsibilities such as the collection of monthly payments, management of property tax and other escrow accounts, regular remittance to the Corporation of interest and other income collected, monitoring the status of loans, and regular reporting to TAML as required by the applicable servicing agreement.

Conflict of Interest Matters

The Corporation is subject to a number of actual and potential conflicts of interest involving the Manager, TAML and their respective affiliates because the Manager and TAML provide discretionary investment management services and Licensed Services respectively to other investors, including other investment funds, and the Manager, TAML and their affiliates may also invest for their own accounts. Accordingly, the services that are provided by the Manager pursuant to the Management Agreement are not exclusive to the Corporation and the Management Agreement does not restrict the Manager or its affiliates from establishing additional mortgage investment corporations or investment funds from time to time, from entering into other advisory relationships or from engaging in other business activities, even though such activities may be in competition with the Corporation and/or involve substantial time and resources of the Manager.

Such conflicts of interest are subject to statutory trading prohibitions and restrictions, the recommendation or approval of the Board and internal policies and procedures of the Manager, TAML and its affiliates that are intended to preclude the conflicts of interest from operating, or being acted upon, to the detriment of the Corporation. In addition, TAML is a registered adviser pursuant to securities laws and as such is required to ensure fairness in allocating investment opportunities among its clients.

Policies and Procedures of Manager and TAML

Pursuant to its internal policies and procedures, the Manager and its directors, officers and employees are required to devote as much of their time and attention to the business and affairs of the Corporation as they consider necessary and appropriate under the then prevailing circumstances.

In addition, Timbercreek’s policy is to ensure fairness in the allocation of investment opportunities among its Client accounts. For such purpose, all client accounts that have investment objectives that are compatible with a particular investment opportunity are required, when practicable, to participate *pro rata* in that opportunity based upon, among other things, the relative amount of assets under management in each account and the relative importance of the investment opportunity to the fulfillment of each account’s investment objectives. An assessment of the relative importance of an investment opportunity to

the fulfillment of a client account's investment objective is dependent upon a number of factors including the availability of the resources that are required to make the investments, alternative investment opportunities, present holdings of the same, or similar, securities, geographic and industry sector considerations and the liquidity of the account.

For the purpose of syndicating mortgage investment opportunities among Clients in accordance with Timbercreek's fair allocation policy, TAML complies with a standing instruction that governs the allocation of different mortgage investment opportunities to each of TAML's Client accounts that have investment objectives and restrictions that are compatible with such opportunities. Pursuant to this standing instruction, TAML is required to provide the Board with a report of all mortgages allocated to TAML's Client accounts for each calendar quarter. See "*Risk Factors – Fair Allocation*".

RISK FACTORS

There are certain other risks inherent in an investment in the Common Shares (and previously before the Effective Date, Class A Shares and Class B Shares) of the Corporation, 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 AIF. These risks and uncertainties are not the only ones that could affect the Corporation and additional risks and uncertainties not currently known to the Corporation or the Manager, or that they currently deem immaterial, may also impair the returns, financial condition and results of operations of the Corporation. If any such risks actually occur, the returns, financial condition and results of operations of the Corporation could be materially adversely affected and the financial performance of the Corporation and the ability of the Corporation to make cash distributions could be materially adversely affected.

No Assurance of Achieving Business Objectives or Paying Distributions

There is no assurance that the Corporation will be able to achieve its business objectives or be able to pay distributions at the targeted levels or at all. 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. There is no assurance that the Portfolio will earn any return.

The Manager, on behalf of the Corporation, may periodically re-evaluate the Corporation's targeted level of distributions and adjust it higher or lower (subject to the approval of the Board), which may have a material effect on the price or value of the Common Shares.

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

Changes in Real Estate Values

The Corporation's investments in mortgage loans will be 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. Changes in market conditions may 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. In particular, recent disruptions to the credit and financial markets in Europe and worldwide and local economic disruptions 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 Corporation's business and the value of the Common Shares.

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. Foreclosure by the Corporation on any such mortgage loan generally would not provide the Corporation with proceeds sufficient to satisfy the outstanding principal amount of the mortgage loan.

While independent appraisals are required before the Corporation may make any mortgage investments, the appraised values provided, even where reported on an "as is" basis, are not necessarily reflective of the market value of the underlying real property, which may fluctuate. In addition, the appraised values reported in independent appraisals may be subject to certain

conditions, including the completion of construction, rehabilitation or 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 will be invested in Customized Mortgages (the Corporation may also hold cash and cash equivalents). Given the concentration of the Corporation's exposure to the mortgage lending sector, the Corporation will be 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 Corporation's ability to vary its Portfolio promptly in response to changing economic or investment conditions.

The business objectives and investment restrictions of the Corporation permit the assets of the Corporation to be invested in a broad spectrum of Customized Mortgages. Therefore, the composition of the Portfolio may vary widely from time to time, subject to the business objectives and investment restrictions of the Corporation. The Portfolio will be invested and may from time to time be concentrated by location of the properties, type of property, or other factors resulting in the Portfolio being less diversified than at other times. As a result, the returns generated by the Portfolio may change as its composition changes.

Subordinated Loans and Mortgages

Some of the investments in which the Corporation invests may be considered to be riskier than senior debt financing because the Corporation 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 Corporation will result in a guaranteed rate of return or any return to Shareholders or that losses will not be suffered on one or more mortgage 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 Corporation 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 Corporation whole if and when resort is to be had thereto. Further, Shares are not "deposits" within the meaning of the *Canadian Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation.

Competition

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

Sensitivity to Interest Rates

It is anticipated that the Market Price for the Common 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 Corporation's income will consist primarily of interest payments on the Customized Mortgages comprising the Portfolio. If there is a decline in interest rates (as measured by the indices upon which the interest rates of the Corporation's Customized Mortgages are based), the Corporation may find it difficult to purchase or acquire additional Customized Mortgages bearing interest rates sufficient to achieve the targeted payment of distributions on the Common Shares. 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 Corporation's ability to maintain distributions on the Common Shares at a consistent level. As well, if interest rates increase, the value of the Corporation's Portfolio will be negatively impacted.

Fluctuations in Distributions

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 may occur for a number of reasons beyond the control of the Manager or the Corporation.

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

Distributions made to Shareholders may exceed actual cash available to the Corporation from time to time because of items such as debt payment obligations, and fluctuations in Portfolio returns, if any. The excess cash required to fund distributions may be funded from an operating credit facility (including the Credit Facility), to the extent that one is available or from the capital of the Corporation.

Availability of Investments

As the Corporation relies on TAML to source the Customized Mortgages it invests in, the Corporation is exposed to adverse developments in the business and affairs of TAML, to its management and financial strength and to its ability to operate its businesses profitably. The ability of the Corporation to make investments in accordance with its business objectives and strategies depends upon the availability of suitable investments and the amount of funds available to make such investments. Additionally, the Corporation may occasionally hold excess cash pending investments being made in additional Customized Mortgages, which may negatively impact returns.

Risks Related to Mortgage Defaults

As part of Timbercreek's active management of the Portfolio, among other strategies, Timbercreek may from time to time deem it appropriate to extend or renew the term of a mortgage loan past its maturity, or to accrue the interest on a mortgage loan. Timbercreek generally will do so if it believes that there is a very low risk to the Corporation of not being repaid the full principal and interest owing on the mortgage loan. In these circumstances, however, the Corporation is subject to the risk that the principal and/or accrued interest of such mortgage loan may not be repaid in a timely manner or at all, which could impact the cash flows of the Corporation during the period in which it is exercising such remedies. Further, in the event that the valuation of the asset underlying the mortgage loan has fluctuated substantially due to market conditions, there is a risk that the Corporation may not recover all or substantially all of the principal and interest owed to the Corporation in respect of such mortgage loan.

When a mortgage loan is extended past its maturity, the loan can either be held over on a month to month basis, or renewed for an additional term at the time of its maturity. Notwithstanding any such extension or renewal, if the borrower subsequently defaults under any terms of the loan, Timbercreek has the ability to exercise its mortgage enforcement remedies in respect of the extended or renewed mortgage loan. Exercising mortgage enforcement remedies is a process that requires a significant amount of time to complete, which could adversely impact the cash flows of the Corporation during the period of enforcement. In addition, as a result of potential declines in real estate values, in particular given the current economic environment, there is no assurance that the Corporation will be able to recover all or substantially all of the outstanding principal and interest owed to the

Corporation in respect of such mortgages by exercising its mortgage enforcement remedies. Should the Corporation be unable to recover all or substantially all of the principal and interest owed to the Corporation in respect of such mortgage loans, the returns, financial condition and results of operations of the Corporation could be adversely impacted.

Foreclosure and Related Costs

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

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 Corporation may therefore be required to incur such expenditures to protect its investment, even if the borrower is not honouring its contractual obligations.

Litigation Risks

The Corporation may, from time to time, become involved in legal proceedings in the course of its business. The costs of litigation and settlement can be substantial and there is no assurance that such costs will be recovered in whole or at all. During litigation, the Corporation is not receiving payments of interest on a mortgage loan that is the subject of litigation, thereby impacting cash flows. The unfavourable resolution of any legal proceedings could have an adverse effect on the Corporation and its financial position and results of operations that could be material.

Qualification as a MIC

Although the Corporation intends to qualify at all times as a MIC, no assurance can be provided in this regard. Since the Corporation must meet certain requirements throughout the year to qualify as a MIC, it is only possible to determine whether the Corporation qualifies as a MIC for a particular taxation year at or after the end of such year. If for any reason the Corporation does not qualify as a MIC under the Tax Act, dividends paid by the Corporation on its Shares will not be deductible by the Corporation in computing its income and will not be deemed to have been received by Shareholders as interest or a capital gain, as the case may be. In consequence, as long as the Common Shares are listed on a designated stock exchange, the rules in the Tax Act regarding the taxation of public corporations and their shareholders apply, with the result that the combined corporate and shareholder tax may be significantly greater. In addition, unless the Common Shares are listed on a designated stock exchange, the Common Shares may not constitute qualified investments for a Plan.

No shareholder of the Corporation is permitted, together with Related Persons, at any time to hold more than 25% of any class of the issued shares of the Corporation. The Corporation intends to monitor major holdings of Common Shares to ensure that no one Shareholder of the Corporation exceeds this 25% maximum ownership limit set by the Tax Act, in order for the Corporation to maintain its qualification as a MIC. However, given that the Corporation issues a significant number of Common Shares in the form of global certificates held by CDS, it may be more difficult for the Corporation to monitor this 25% ownership rule for the Common Shares. In order for the Corporation to stay within this 25% limit, it may have to exercise its right to trigger an Automatic Repurchase of certain Shares.

Reliance on the Manager, TAML and the Mortgage Advisory Committee

Pursuant to the Management Agreement, the Manager will advise the Corporation in a manner consistent with the investment objectives and the investment restrictions of the Corporation, and pursuant to the Mortgage Services Agreement, TAML will provide the Licensed Services to the Corporation. Although the employees of the Manager and TAML who will be primarily responsible for the performance of the obligations owed to the Corporation have extensive experience, there is no certainty that such individuals will continue to be employees of the Manager and TAML respectively in the future.

There is no certainty that the persons who are currently officers and directors of the Manager and TAML 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 Manager and TAML from time to time. Shareholders do not have the right to direct or influence in any manner the business or affairs of the Manager or TAML.

In addition, there is no certainty that the persons who are currently members of the Mortgage Advisory Committee 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 Mortgage Advisory Committee from time to time.

The Corporation may be Unable to fund Investments

The Corporation may commit to making future mortgage investments in anticipation of repayment of principal outstanding and/or the payment of interest under existing mortgage investments. In the event that such repayments of principal or payments of interest are not made, the Corporation 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 Corporation intends to borrow funds using its Customized Mortgages as security in order to maximize the amount of capital deployed. In this respect, the Corporation has entered into the Credit Facility.

Subject to complying with rules to qualify as a MIC, there is no restriction on the amount of funds which the Corporation may borrow from time to time. In the event that the Corporation could not meet the obligations of such loans (including under the Credit Facility (as defined below)) pertaining to the payment of interest or the repayment of principal, the Corporation could incur substantial costs if the Corporation is forced to sell assets to repay the loan or to otherwise protect the investments of the Corporation while managing the repayment of such loan. In addition, the Corporation could lose some or all of its assets as a result of lenders exercising their rights of foreclosure and sale or under the security arrangements made with respect to such loan, including in respect of the Credit Facility.

The interest expense and banking fees incurred in respect of any credit facilities, including the Credit Facility, of the Corporation may exceed the incremental capital gains/losses and income generated by the incremental investments in Customized Mortgages made with the proceeds of leverage. Accordingly, any event which adversely affects the value of Customized Mortgages would be magnified to the extent that leverage is employed to purchase such Customized Mortgages. In addition, the Corporation 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 Corporation will enhance returns. Any such loan will not be guaranteed by the Manager or secured by any of its assets.

Conflicts of Interest

The Corporation is subject to a number of actual and potential conflicts of interest involving the Manager, TAML and their respective affiliates because the Manager and TAML provide discretionary investment management services and Licensed Services respectively to other investors, including other MICs, investment entities, and the Manager, TAML and their affiliates may also invest for their own accounts. Accordingly, the services that are provided by the Manager pursuant to the Management Agreement or by TAML through the Mortgage Services Agreement are not exclusive to the Corporation, and the Management Agreement and the Mortgage Services Agreement do not restrict the Manager, TAML or their respective affiliates from establishing additional mortgage investment corporations, from entering into other advisory relationships or from engaging in other business activities, even though such activities may be in competition with the Corporation and/or involve substantial time and resources of the Manager.

For example, the Manager manages and advises one or more of its affiliates that may have certain investment objectives that are similar to those of the Corporation and may engage TAML or other mortgage brokers to execute transactions that are of the same types of securities and instruments as the Corporation. Such transactions will, except as discussed below, be executed independently of transactions of the Corporation and thus at prices or rates that may be more or less favourable than those obtained by the Corporation.

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

In addition, certain of our directors and officers may face actual or potential conflicts of interest due to their positions as directors or officers of the Manager, and/or their direct or indirect ownership interest in the Manager. Messrs. Tamblyn, Bizzarri, Jones and Melo are directors and/or officers of the Corporation and are also directors and/or officers of the Manager. These directors and officers may have a conflict of interest in allocating their time between the respective businesses and interests of the Manager and the Corporation, and other businesses and projects in which they may become involved. Messrs. Tamblyn, Bizzarri, Jones and Melo are also direct or indirect shareholders of the Manager.

The directors and officers of the Corporation are required by law to act in the best interests of the Corporation. Discharge by the directors and officers of their obligations to the Corporation may result in a breach of their obligations to the other companies, and in certain circumstances could expose the Corporation to liability to those companies. Similarly, discharge by the directors and officers of their obligations, if applicable, to any other company could result in a breach of their obligations to act in the best interests of the Corporation.

Fair Allocation

It is the general policy of Timbercreek that all of its managed accounts that have investment objectives and restrictions that are compatible with a particular investment opportunity should, when practicable, participate *pro rata* in that investment opportunity based upon, among other things, the relative amount of assets under management in each such account and the relative importance of the investment opportunity to the fulfillment of each such account's investment objective. Accordingly, TAML will generally present to the Mortgage Advisory Committee any investment opportunity available to TAML that is consistent with the investment objectives and restrictions of the Corporation based upon, and subject to, (i) the amount of assets under management on behalf of the Corporation relative to the amount of assets under management on behalf of all other accounts of TAML that have investment objectives and restrictions that are compatible with the investment opportunity, and (ii) the importance of the investment opportunity to the fulfillment of the investment objective of the Corporation relative to the importance of the investment opportunity to the fulfillment of the investment objectives of such other entities to which TAML provides mortgage services. An assessment of the relative importance of an investment opportunity to the fulfillment of a client account's investment objective is dependent upon a number of factors that include the availability of the resources that are required to make the investment, alternative investment opportunities, the composition of the client account's portfolio at the time, the geographic and industry sector exposure associated with the investment opportunity and the liquidity of the account.

As a result of this fair allocation policy, the Corporation may, from time to time, be presented with, but yet be precluded from participating in, an investment opportunity available to TAML that would otherwise be compatible with the Corporation's investment objectives and restrictions based upon TAML's assessment of the relative importance of the investment opportunity to each of the accounts to which TAML has been engaged to provide mortgage brokerage services, including the Corporation. In addition, a substantial portion of the assets of the Corporation may be co-invested, either directly or indirectly, in mortgage loans that have been syndicated by TAML among the Corporation and one or more other funds that are managed or advised by TAML. For the purposes of facilitating such syndicated mortgage loans in accordance with Timbercreek's fair allocation policy, TAML complies with a standing instruction that governs the allocation of mortgage investment opportunities among those funds, including the Corporation, that are managed or advised by TAML that have investment objectives and restrictions that are compatible with such opportunities. Pursuant to this standing instruction, TAML may allocate to different funds the senior and subordinated positions of a single mortgage loan and the different interest rates and security interests that are associated with such senior and subordinated positions after taking into account the relative importance of mortgage investment opportunities for each of the funds.

Restrictions on Ownership and Repurchase of Shares

No Shareholder of the Corporation is permitted, together with Related Persons, at any time to hold more than 25% of any class of the issued shares of the Corporation. The terms and conditions of the Common Shares provide that the portion of such Common Shares held by a Shareholder, together with Related Persons, that exceeds 24.9% of the issued Common Shares will be repurchased by the Corporation. If a significant number of Common Shares are repurchased, the trading liquidity of the Common Shares could be significantly reduced. In addition, if a significant number of Shares are repurchased, (i) the Corporation may be required to sell Portfolio assets in order to satisfy repurchase payment obligations and may not be able to complete such Portfolio asset sales on favourable terms or at all, and (ii) the expenses of the Corporation would be spread among fewer Common Shares resulting in a higher management expense ratio per Share. If, as a result of significant repurchases, the Manager determines that it is in the best interests of Shareholders to terminate the Corporation, the Manager could, subject to applicable law, seek to terminate the Corporation without Shareholder approval.

Change in Legislation

There can be no assurance that certain laws applicable to the Corporation, 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 Corporation or fundamentally alter the tax consequences to Shareholders acquiring, holding or disposing of Common Shares.

Ability to Manage Growth

The Corporation intends to grow the Portfolio. In order to effectively deploy its capital and monitor its loans and investments in the future, the Corporation may 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 Corporation will be able to effectively manage its growth and, if it is unable to do so, the Portfolio, and the Market Price of the Common Shares, may be materially adversely affected.

Environmental Matters

The Corporation 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, Timbercreek 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 Timbercreek subsequently determines to take possession of the property, the Corporation 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 Corporation's proposed mortgage investments, Timbercreek 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 Corporation from potential liability for a materially adverse environmental condition at any mortgaged property. If hazardous substances are discovered on a property of which the Corporation has taken possession, the Corporation may be required to remove such substances and clean up the property. The Corporation 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.

CUSTODIANS, REGISTRARS AND TRANSFER AGENTS

Custodian

The Corporation has appointed Computershare Trust Company of Canada as custodian of the Corporation's assets pursuant to the Custodian Agreement. The custodian is, among other things, in the business of providing professional custodial services. The address of the Custodian is 100 University Avenue, 11th Floor, Toronto, Ontario. The Custodian may employ sub-custodians as considered appropriate in the circumstances. In consideration for the services provided by the Custodian, the Corporation pays a monthly fee as agreed upon between the Custodian and the Corporation.

Registrar and Transfer Agent

Pursuant to a registrar and transfer agency agreement between the Corporation and CST Trust Company, as amended, CST Trust Company is the registrar and transfer agent for the Common Shares in the capital of the Corporation at their principal offices located in Toronto, Ontario.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

There are no legal proceedings to which the Corporation is or was a party or which are known by the Corporation to be contemplated since January 1, 2013, where such claims exceed 10% of the assets of the Corporation. In addition, there are no penalties or sanctions imposed against the Corporation by a court relating to Canadian securities legislation or by a securities regulatory authority during the Corporation's financial year ended December 31, 2013 or any other penalties or sanctions imposed by a court or regulatory body against any of them which would likely be considered important to a reasonable investor in making an investment decision, and none of them have entered into any settlement agreements with a court relating to

Canadian securities legislation or by a securities regulatory authority during the Corporation's financial year ended December 31, 2013.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Manager will receive the fees described under "*Management of the Corporation – Management Fees*" for its services to the Corporation and will be reimbursed by the Corporation for certain expenses incurred in connection with the operation and administration of the Corporation and may invest in mortgage loans in respect of property that the Manager or any of its affiliates has an interest in. Messrs. Tamblyn, Bizzarri, Jones and Melo are directors and/or officers of the Corporation and are also directors and/or officers, and direct or indirect shareholders, of the Manager. The Manager or any of its affiliates may earn fees from providing investment advisory services to funds invested in such properties. See "*Management of the Corporation – Management Fees*" and "*Risk Factors – Conflicts of Interest*". Moreover, the Corporation's activities may from time to time be restricted due to regulatory restrictions applicable to the Manager or any of its affiliates, and/or their internal policies designed to comply with such restrictions. As a result, there may be periods, for example, during which the Manager or the Corporation may be restricted from engaging in certain transactions.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts that have been entered into by the Corporation on or prior to the date of this AIF, or before the date of this AIF but are still in effect, are:

- (a) the Management Agreement described under "*Management of the Corporation – Duties and Services to be Provided by the Manager*" and "*Management of the Corporation – Details of the Management Agreement*";
- (b) the termination agreement dated September 13, 2013 between the Corporation and TAML providing for the termination of the management agreement dated September 7, 2010 between the Corporation and TAML;
- (c) the Custodian Agreement described under "*Custodians, Registrars and Transfer Agents – Custodian*";
- (d) the Credit Facility described under "*Corporate Structure – Borrowing Strategy*"; and
- (e) the Indenture described under "*Description of Securities of the Corporation – Description of the Debentures*".

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

EXPERTS

The auditor of the Corporation is KPMG LLP, Chartered Accountants. KPMG LLP is independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Corporation's management information circular dated August 12, 2013 for its most recent special meeting of shareholders. Additional financial information is provided in the financial statements and MD&A of the Corporation prepared in accordance with International Financial Reporting Standards for the year ended December 31, 2013. A copy of the management information circular, financial statements and MD&A may be obtained upon request from the Corporation, and those documents and other material information in respect of the Corporation are also available on SEDAR at www.sedar.com.

SCHEDULE A
AUDIT COMMITTEE CHARTER
OF
TIMBERCREEK MORTGAGE INVESTMENT CORPORATION

1.0 PURPOSE

1.1 The primary responsibility for the financial reporting, accounting systems and internal controls of Timbercreek Mortgage Investment Corporation's (the "**Corporation**") is vested in the manager of the Corporation, Timbercreek Asset Management Inc. or such other manager as may be appointed by the Corporation from time to time in accordance with the articles (the "**Articles**") of the Corporation (the "**Manager**").

1.2 The Audit Committee is a standing committee of the Board of Directors of the Corporation (the "**Board**") established to oversee the financial reporting process. The primary responsibilities of the Audit Committee include the following:

- review the integrity of the Corporation's financial statements, management's discussion and analysis ("**MD&A**"), annual and interim profit or loss press releases and other financial disclosures of the Corporation;
- monitor the integrity of the financial reporting and disclosure processes and the system of internal controls that the Management and the Board have established;
- monitoring the Corporation's compliance with legal and regulatory requirements;
- selecting the external auditors for recommendation to the Board;
- reviewing the qualifications, independence and performance of the external auditors; and
- establishing procedures for complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

2.0 MEMBERSHIP AND ORGANIZATION

2.1 Composition

The Audit Committee shall consist of not less than three or more than six independent members of the Board. At the invitation of the Audit Committee, members of the Management and others may attend Audit Committee meetings, as the Audit Committee considers necessary or desirable.

2.2 Appointment and Removal of Audit Committee Members

Each member of the Audit Committee shall be appointed by the Board on an annual basis and shall serve at the pleasure of the Board, or until the earlier of (a) the close of the next annual meeting of the voting shareholders of the Corporation at which the member's term of office expires, (b) the death of the member or (c) the resignation, disqualification or removal of the member from the Audit Committee or from the Board. The Board may fill a vacancy in the membership of the Audit Committee.

2.3 Chair

The Board shall appoint a Chair of the Audit Committee. The Chair shall: be a member of the Audit Committee, preside over all Audit Committee meetings, coordinate the Audit Committee's compliance with this mandate, work with management to develop the Audit Committee's annual work-plan, meeting agendas and provide reports of the Audit

Committee to the Board. The Chair may vote on any matter requiring a vote and shall provide a second vote in the case of a tie vote.

2.4 Independence

Each member of the Audit Committee shall meet the qualification requirements set out in Section 3.1 of National Instrument 52-110, including without limitation the requirement to be independent.

2.5 Financial Literacy

Members of the Audit Committee shall be financially literate or agree to become financially literate within a reasonable period of time following the member's appointment. An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

2.6 Service on Multiple Audit Committees

No member of the Audit Committee may serve on the audit committees of more than two other public companies, unless the Board determines that this simultaneous service would not impair the ability of the member to effectively serve on the Audit Committee.

3.0 MEETINGS

3.1 Meetings

The members of the Audit Committee shall hold meetings as are required to carry out this mandate. The external auditors are entitled to attend and be heard at each Audit Committee meeting. The Chair, any member of the Audit Committee, the external auditors, the Chairman of the Board or the Chief Executive Officer may call a meeting of the Audit Committee by notifying the Corporate Secretary of the Corporation who will notify the members of the Audit Committee. The Chair shall chair all Audit Committee meetings that he or she attends, and in the absence of the Chair, the members of the Audit Committee present may appoint a Chair from their number for a meeting.

3.2 Notices of Meetings

Notices of Audit Committee meetings may be provided by: prepaid mail, personal delivery, facsimile, electronic-mail or telephone, provided that the method of notification chosen shall be capable of being received by members of the Audit Committee and the external auditors at least 24 hours before an Audit Committee meeting at the member's contact information. Any member of the Audit Committee may in any manner waive notice of an Audit Committee meeting and attendance at an Audit Committee meeting is waiver of notice of the meeting, except where a member attends for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not properly called.

3.3 Secretary and Minutes

The Corporate Secretary, his or her designate or any other person the Audit Committee requests, shall act as secretary at Audit Committee meetings. Minutes of Audit Committee meetings shall be recorded and maintained by the Corporate Secretary and subsequently presented to the Audit Committee for approval.

3.4 Quorum

A majority of the members of the Audit Committee shall constitute a quorum. If a quorum cannot be obtained for an Audit Committee meeting, members of the Board who would qualify as members of the Audit Committee may, at the request of the Chair or the Chairman of the Board, serve as members of the Audit Committee for that meeting.

3.5 Resident Canadian Majority

The Audit Committee shall not transact business at an Audit Committee meeting unless a majority of the members present are "residents of Canada" under the Income Tax Act (Canada).

3.6 Access to Management and Outside Advisors

The Audit Committee shall have unrestricted access to management and employees of the Manager and the Corporation, and, from time to time may hold unscheduled or regularly scheduled meetings or portions of regularly scheduled meetings with the Chief Auditor, the external auditors, the Chief Financial Officer or the Chief Executive Officer. The Audit Committee shall have the authority to retain and terminate external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the compensation for these advisors without consulting or obtaining the approval of the Board or any officer of the Corporation. The Corporation shall provide appropriate funding, as determined by the Audit Committee, for the services of these advisors.

4.0 ACCOUNTABILITIES AND RESPONSIBILITIES

The Audit Committee shall have the accountabilities and responsibilities set out below as well as any other accountabilities as assigned by law or regulation or that are specifically delegated to the Audit Committee by the Board.

(1) Financial Reporting

- (a) **General** — The Audit Committee is responsible for reviewing the integrity of the Corporation's financial statements, MD&A, annual and interim profit or loss press releases and other financial disclosures prior to the public disclosure of such materials by the Corporation. Management is responsible for the preparation, presentation and integrity of the Corporation's financial statements MD&A, annual and interim profit or loss press releases and other financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the Corporation. The external auditors are responsible for auditing the Corporation's annual consolidated financial statements.
- (b) **Review of Annual Financial Reports** — The Audit Committee shall review the annual consolidated audited financial statements of the Corporation, the external auditors' report thereon and the related management's discussion and analysis (MD&A) of the Corporation's financial condition and results of operations and managements report that they present fairly, in all material respects in accordance with Canadian generally accepted accounting principles (GAAP), or any other generally accepted accounting principles in which the financial statements of the Corporation are prepared from time to time, the financial condition, results of operations and cash flows of the Corporation. After completing its review, if advisable, the Audit Committee shall approve and recommend for Board approval the annual financial statements and the related MD&A.
- (c) **Review Considerations** — In conducting its review of the annual financial statements, the Audit Committee shall:
 - i. meet with management and the external auditors to discuss the financial statements and MD&A;
 - ii. review the disclosures in the financial statements;
 - iii. review the audit report or review report prepared by the external auditors;
 - iv. discuss with management, the external auditors and internal legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the financial statements;
 - v. review critical accounting and other significant estimates and judgments underlying the financial statements as presented by management;

- vi. review any material effects of regulatory accounting initiatives, significant transactions or off-balance sheet structures on the financial statements as presented by management;
 - vii. review any material changes in accounting policies and practices and their impact on the financial statements as presented by management or the external auditors;
 - viii. review management's and the external auditors' reports on the effectiveness of internal control over financial reporting;
 - ix. review results of the Corporation's whistleblowing program; and
 - x. review any other matters, related to the financial statements, that are brought forward by the internal auditors, external auditors, management or which are required to be communicated to the Audit Committee under accounting policies, auditing standards or applicable law.
- (d) **Review of Public Disclosure** — The Audit Committee must be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the disclosure in the MD&A and annual and interim profit or loss press releases, and must periodically assess the adequacy of such procedures.

(2) **External Auditors**

- (a) **General** — The Audit Committee shall be responsible for oversight of the work of the external auditors engaged for the purpose of providing services (the “**Auditor Services**”) such as the following: preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, and auditing and reviewing the Corporation's financial statements and internal controls over financial reporting/ The Audit Committee is also responsible for the resolution of disagreements between management and the external auditors regarding financial reporting .
- (b) **Appointment and Compensation** — The Audit Committee shall review and, if advisable, select and recommend to the Board, subject to shareholder approval (as applicable) (i) the appointment of the external auditors and (ii) the compensation of the external auditors.
- (c) **Annual Review Report** — At least annually, the Audit Committee shall obtain and review a report by the external auditors describing: (i) their internal quality-control procedures and (ii) any material issues raised by their most recent internal quality-control review, peer review or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the external auditors and any steps taken to deal with any of these issues.
- (d) **Audit Plan** — At least annually, the Audit Committee shall review a summary of the external auditors' annual audit plan. The Audit Committee shall consider and review with the external auditors any material changes to the scope of the plan.
- (e) **Independence of External Auditors** — At least annually, and before the external auditors issue their report on the annual financial statements, the Audit Committee shall: obtain from the external auditors a formal written statement describing all relationships between the external auditors and the Corporation; discuss with the external auditors any disclosed relationships or services that may affect the objectivity and independence of the external auditors; and obtain written confirmation from the external auditors that they are independent within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which they belong
- (f) **Evaluation and Rotation of Lead Partner** — At least annually, the Audit Committee shall review the qualifications and performance of the external auditors. The Audit Committee shall obtain a

report from the external auditors annually confirming that they are in compliance with all audit firm and regulatory requirements relating to partner rotation and that the engagement team collectively possesses the experience and competence to perform an appropriate audit.

- (g) **Pre-Approval of Audit and Non-Audit Services** — The Audit Committee shall pre-approve any retainer of the external auditors for any audit and non-audit service to the Corporation or its subsidiaries in accordance with applicable. The Audit Committee may delegate pre-approval authority to a member of the Audit Committee. The decisions of any member of the Audit Committee to whom this authority has been delegated must be presented to the full Audit Committee at its next scheduled Audit Committee meeting.
- (3) **Internal Controls** — *The Audit Committee shall monitor the integrity of the financial reporting and disclosure processes and the system of internal controls that the Management and the Board have established.*
- (4) **Regulatory Reports and Returns** — The Audit Committee shall provide or review, as applicable, all reports and returns required of the Audit Committee under applicable law.
- (5) **Compliance with Legal and Regulatory Requirements** — The Audit Committee shall receive and review regular reports from the Chief Compliance Officer, the Corporation's General Counsel, and other management members on: legal or compliance matters that may have a material impact on the Corporation; the effectiveness of the Corporation's compliance policies; and any material reports received from regulators. The Audit Committee shall review management's evaluation of and representations relating to compliance with specific regulatory requirements, and management's plans to remediate any deficiencies identified.
- (6) **Whistleblowing Procedures** — The Audit Committee shall establish, approve and periodically review the procedures for (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by employees of the Corporation or others of concerns regarding questionable accounting or auditing matters.
- (7) **Hiring Policies** – The Audit Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.
- (8) **Succession Planning** — In consultation with the management resources, the Audit Committee shall review succession plans for the Chief Financial Officer of the Corporation.
- (9) **Adverse Investments and Transactions** — The Audit Committee shall review any investments and transactions that could adversely affect the well-being of the Corporation.
- (10) **Audit Committee Disclosure** — The Audit Committee shall review and approve any audit committee disclosures required by securities regulators in the Corporation's disclosure documents.
- (11) **Assessment of Regulatory Compliance** — The Audit Committee shall review management's assessment of compliance with laws and regulations as they pertain to responsibilities under this mandate, report any material findings to the Board and recommend changes it considers appropriate.
- (12) **Delegation** — The Audit Committee may designate a sub-committee to review any matter within this mandate as the Audit Committee deems appropriate.
- (13) **Review of Charter** – The Audit Committee will review and reassess this Charter at least once annually to determine whether revisions are necessary. The Audit Committee shall periodically self-assess its performance and effectiveness in fulfilling its role.

- (14) **Minutes** – The minutes of all meetings of the Audit Committee shall be provided to the Board. The Audit Committee shall appoint a secretary who shall record the proceedings of the meetings.

5.0 REPORTING TO THE BOARD

5.1 The Chair shall report to the Board, as required by applicable law or as deemed necessary by the Audit Committee or as requested by the Board, on matters arising at Audit Committee meetings and, where applicable, shall present the Audit Committee's recommendation to the Board for its approval.

SCHEDULE B

MANDATE OF THE BOARD OF DIRECTORS OF TIMBERCREEK MORTGAGE INVESTMENT CORPORATION

1.0 MANDATE

5.1 **The mandate of the board of directors (the “Board”) of Timbercreek Mortgage Investment Corporation (the “Corporation”) is to be responsible for the stewardship of the Corporation.**

5.2 This mandate includes, without limitation, being responsible for the matters set out in Section 3.0 below, fulfilling the duties of directors pursuant to the Business Corporations Act (Ontario) (the “**OBCA**”), establishing the overall policies for the Corporation, monitoring and evaluating the Corporation’s strategic direction, and retaining plenary power for those functions not specifically delegated by it to its committees or to the management of the Corporation Timbercreek Asset Management Inc. or such other manager as may be appointed by the Corporation from time to time in accordance with the articles (the “**Articles**”) of the Corporation (“**Management**”).

5.3 Nothing contained in this mandate is intended to expand applicable standards of liability under statutory or regulatory requirements for the directors of the Corporation.

2.0 STRUCTURE

5.4 Directors are elected annually by the shareholders of the Corporation and together with those appointed to fill vacancies or appointed as additional directors throughout the year in accordance with the Articles, collectively constitute the Board of Directors of the Corporation.

5.5 The composition of the Board, including the qualification of its members, shall comply with the constating documents of the Corporation, the OBCA as well as other applicable legislation, rules and regulations.

5.6 Except during temporary vacancies, a majority of the directors comprising the Board must be independent directors, as such term is defined under applicable securities laws.

5.7 The Chairman of the Board shall be appointed by resolution of the Board to hold office from the time of his/her appointment until the next annual general meeting of shareholders or until his/her successors is so appointed. The Corporate Secretary shall be the Secretary of the Corporation.

5.8 The Board may assign to Board committees the prior review of any issues it is responsible for.

5.9 The Board may engage outside advisors at the expense of the Corporation in order to assist the Board in the performance of its duties and may set and pay the compensation for such advisors.

5.10 The Board has delegated day-to-day authority to Management, but reserves the right to review decisions of Management and to exercise final judgment on any matter. Management in turn keeps the Board fully informed of the progress of the Corporation towards the achievement of its goals and objectives as set out in the business plan and strategic plans of the Corporation.

3.0 BOARD MEETINGS

5.11 The Board shall meet at least four times per year and may meet more often if required. Meetings of the Board may be convened at the request of any member of the Board.

5.12 The Board shall meet separately without Management present as it shall determine, but at least once annually.

5.13 The Board shall hold in camera independent director meetings following every scheduled Board meeting as well as following special Board meetings as deemed necessary.

5.14 The provisions of the Articles and By-laws of the Corporation that regulate meetings and proceedings shall govern Board meetings.

5.15 The Chairman shall propose and approve an agenda for each Board meeting. Each Board member is free to request the inclusion of other agenda items.

5.16 Information that is important to the Board's understanding of the business to be conducted at a Board or committee meeting will normally be distributed in writing to the directors reasonably before such meeting and directors should review these materials in advance of such meeting. The Board acknowledges that certain items to be discussed at a Board or committee meeting may be of a very time-sensitive nature and that the distribution of materials on such matters before such meeting may not be practicable.

5.17 The Board may invite from time to time such person as it may see fit to attend its meeting and to take part in discussion and consideration of the affairs of the Board.

5.18 The minutes of the Board meetings shall accurately record the significant discussions of and decisions made by the Board and shall be distributed to the Board members, with copies to the Chief Executive Officer of the Corporation and to the external auditors.

4.0 RESPONSIBILITIES

5.19 As part of its stewardship responsibility, the Board is responsible for the following matters:

- (1) Approving the strategic planning process of the Corporation.
- (2) Reviewing, evaluating, proposing appropriate changes to, and approving, at least once annually, the business plan and financial goals of the Corporation as well as longer term strategic plans prepared and elaborated by Management, such strategic plans to take into account, among other things, the opportunities and risk of the Corporation's business.
- (3) Monitoring, throughout the year, achievement of the objectives and goals set in accordance with the business plan and strategic plans.
- (4) Reviewing and approving all securities continuous disclosure filings.
- (5) Ensuring that it is properly informed, on a timely basis, of all important issues (including environmental, cash management and business development issues) and developments involving the Corporation and its business environment.
- (6) Identifying, with Management, the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage these risks as well as monitoring, on a regular basis, the adequacy of such systems.
- (7) To the extent feasible, satisfying itself as to the integrity of the CEO and other senior officers and that the CEO and other senior officers create a culture of integrity throughout the Corporation.
- (8) Ensuring proper succession planning, including appointing, training and monitoring senior executives.
- (9) Appointing, evaluating, and, if necessary, changing the manager of the Corporation, subject to shareholder approval (as applicable);
- (10) Adopting a communication and disclosure policy for the Corporation and monitoring investor relations programs.
- (11) Developing the Corporation's approach to governance, including adopting and enforcing good corporate governance practices and processes.
- (12) Taking reasonable steps to ensure the integrity of the Corporation's internal control and management information systems.

- (13) Establishing and maintaining an audit committee of the Board (the “Audit Committee”) and periodically reviewing the mandate of the Audit Committee.
- (14) Receiving recommendations of the Audit Committee respecting, and reviewing and approving, the audited, interim and other publicly disclosed financial information of the Corporation
- (15) Review the Board's mandate annually and recommend and implement changes as appropriate. The Board shall ensure that processes are in place to annually evaluate the performance of the Board, the Audit Committee and the directors.
- (16) Meeting regularly with Management to receive reports respecting the performance of the Corporation, new and proposed initiatives, the Corporation’s business and investments, management concerns and any other areas of concern involving the Corporation.
- (17) Approving all matters of a material nature that are presented to the Board by the Management.
- (18) Directing the Management to ensure the Corporation operates at all times within applicable laws and regulations.

5.20 It is recognized that every director, in exercising powers and discharging duties, must act honestly and in good faith with a view to the best interests of the Corporation. Directors must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

5.21 It is expected that each of the directors will have a high record of attendance, whether in person or by such means as permitted by the Articles and the Bylaws, at meetings of the Board and at meetings of each committee of which the director sits.

5.0 MEASURES FOR RECEIVING SHAREHOLDER FEEDBACK

All publicly filed and disclosed materials of the Corporation shall, to the extent applicable, provide for a mechanism for feedback from shareholders. Persons designated to receive such information shall provide a summary of the feedback to the Board on a regular basis.

6.0 ORIENTATION OF NEW DIRECTORS AND CONTINUING EDUCATION

5.22 The Board will give new directors such information and orientation opportunities as may be deemed by the Board to be necessary or appropriate to ensure that they understand the nature and operation of the Corporation’s business, the role of the Board and its committees and the contribution individual directors are expected to make.

5.23 The Board will give all directors such continuing education opportunities as may be deemed by the Board to be necessary or appropriate so that they may maintain or enhance their skills and abilities as directors, and to ensure that their understanding of the nature and operations of the Corporation’s business remains current.