

These materials are important and require your immediate attention. If you have any questions or require assistance, you should consult your broker, investment dealer, bank manager, lawyer or other professional advisor. No securities regulatory authority in Canada has expressed an opinion about, or passed upon the fairness or merits of, the transaction described in this document, the securities offered pursuant to such transaction or the adequacy of the information contained in this document and it is an offence to claim otherwise.



**NOTICES OF ANNUAL AND SPECIAL MEETINGS  
AND  
JOINT MANAGEMENT INFORMATION CIRCULAR  
CONCERNING THE PLAN OF ARRANGEMENT  
INVOLVING  
TIMBERCREEK MORTGAGE INVESTMENT CORPORATION  
AND  
TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION**

**May 12, 2016**

**If you have any questions or require more information with regard to the procedures for voting or have questions regarding the arrangement described herein, please contact our joint proxy solicitation agent, Shorecrest Group Ltd. Toll free at 1-888-537-5789, collect at 647-931-7454 or email at [contact@shorecrestgroup.com](mailto:contact@shorecrestgroup.com).**

## LETTER TO SHAREHOLDERS OF TIMBERCREEK MORTGAGE INVESTMENT CORPORATION

Dear Shareholders of Timbercreek Mortgage Investment Corporation,

On behalf of the Board of Directors, I am pleased to invite you to Timbercreek Mortgage Investment Corporation's ("TMIC") annual and special meeting taking place at 9:00 a.m. on June 22, 2016 at the office of McCarthy Tétrault LLP, Suite 5300, TD Bank Tower, 66 Wellington Street West, Toronto, Ontario (the "**TMIC Meeting**"). This is an important meeting, as apart from standard annual meeting matters, the shareholders of TMIC ("**TMIC Shareholders**") are being asked to consider and if deemed appropriate, pass the following special resolutions:

- (a) if deemed advisable, approve a special resolution approving a plan of arrangement under the *Business Corporation Act* (Ontario) ("**OBCA**") (the "**Arrangement**") pursuant to which TMIC and Timbercreek Senior Mortgage Investment Corporation ("**TSMIC**") will amalgamate to become Timbercreek Financial Corp. ("**Timbercreek Financial**"); and
- (b) if deemed advisable, approve a special resolution approving a series of transactions (the "**Management Agreement Transactions**") whereby, among other things, TMIC will acquire the right, title and interest of Timbercreek Asset Management Inc. ("**TAMI**" or the "**Manager**") in the management agreement between TMIC and TAMI and a new management agreement will be entered into between TAMI and Timbercreek Financial.

The Board of Directors of TMIC ("**TMIC Board**") recommends that TMIC Shareholders vote in favour of the Arrangement and the Management Agreement Transactions. The TMIC Board believes that the synergies and scale of Timbercreek Financial will create compelling benefits for TMIC Shareholders. These benefits include a larger float and better liquidity, improved prospects for earnings and dividend growth, improved portfolio characteristics, and cost savings.

Timbercreek Financial will continue to focus on providing financing solutions to qualified real estate investors, but with an enhanced credit facility and investment guidelines that are designed to provide more opportunity to grow shareholder value over the long-run. Timbercreek Financial is targeting a portfolio composition that includes:

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

Timbercreek Financial will engage TAMI as its manager and will continue to leverage the extensive experience and successful track record that TAMI and its subsidiaries have in originating and managing mortgage investments. The Manager's compensation will be reduced to one single management fee of 0.85% on assets, a significant reduction from the 1.2% management fee paid by TMIC today. TAMI will not receive any performance fees from Timbercreek Financial. As consideration for the termination of the performance fee and the reduction in percentage of the management fee, TMIC will issue a one-time payment to TAMI in the form of shares of TMIC at book value (which represents a premium of approximately 6% to the closing price of TMIC Shares as of May 5, 2016), which TMIC Shares will be exchanged for TF Shares pursuant to the Arrangement, thus better aligning the interest of the Manager with that of the shareholders.

Concurrently with the closing of the Arrangement and the Management Agreement Transactions, Timbercreek Financial will have an amended and restated credit agreement which will provide it with a \$350 million revolving

credit facility until May 6, 2018. With the enhanced credit facility, reduction of fees and resulting synergies of the arrangement, Timbercreek Financial is expecting to generate an annual EPS<sup>1</sup> of approximately \$0.72 on a stabilized basis over the next 12 months, an increase of \$0.03 from \$0.69 which was TMIC's average adjusted EPS over the previous 3 years achieved primarily through cost savings. At the same time, Timbercreek Financial is expected to reduce the overall risk in the portfolio by using the additional capital available through the larger credit facility to target higher quality, lower interest rate loans. Timbercreek Financial will target a pay-out ratio of 95% of its earnings with the intention of using the retained capital to grow book value in a tax efficient manner.

If the Arrangement and the Management Agreement Transactions are approved, TMIC and TSMIC will proceed to amalgamate and become Timbercreek Financial, with each TMIC Shareholder receiving 1 common share of Timbercreek Financial ("**TF Share**") for each TMIC share held, and each TSMIC shareholder receiving 1.035 TF Shares for each TSMIC share held.

The TMIC Board formed a special committee ("**TMIC Special Committee**") to review, consider, negotiate and make a recommendation on the Arrangement and the Management Agreement Transactions. The TMIC Special Committee retained TD Securities Inc. ("**TD Securities**"), as its financial advisor to provide a fairness opinion in respect of the above mentioned transactions. TD Securities has determined that, based upon and subject to the scope of review, assumptions, qualifications, limitations and other matters set out therein, as of May 5, 2016, the consideration to be received by TMIC Shareholders (other than TAMI and its related parties) in connection with the Arrangement and related transactions is fair, from a financial point of view, to such TMIC Shareholders. Based on the fairness opinion and other relevant considerations set out in the accompanying joint management information circular, the TMIC Board and the TMIC Special Committee have unanimously determined that the Arrangement and the Management Agreement Transactions are in the best interests of TMIC. **The TMIC Board (after receiving the unanimous recommendation of the TMIC Special Committee) has unanimously approved the combination and recommends that you vote in favour of the Arrangement and the Management Agreement Transactions.**

Full details of the Arrangement are set out in the accompanying Notice of Annual and Special Meeting of Shareholders and Joint Management Information Circular and Proxy Statement (the "**Circular**").

Your vote is important regardless of the number of TMIC shares you own. All TMIC Shareholders are encouraged to take the time to vote by internet, telephone or complete, sign, date and return the enclosed applicable form of proxy or voting instruction form in accordance with the instructions set out therein and in the Circular so that your TMIC shares can be voted at the TMIC Meeting in accordance with your instructions. Given the time constraints of the TMIC Meeting, TMIC Shareholders are urged to vote by internet or phone to ensure their vote is received in sufficient time.

**If you are a holder of TMIC shares and have any questions or require more information with regard to voting your shares, please contact the proxy solicitation agent, Shorecrest Group, at 1-888-637-5789 (toll free) or outside North America at 647-931-7454 (collect) or by email at [contact@shorecrestgroup.com](mailto:contact@shorecrestgroup.com).**

On behalf of the TMIC Board and the management, I would like to thank you for your consideration of this important transaction and for your continued support of TMIC.

Sincerely,

(Signed)

Andrew Jones  
Chief Executive Officer and Director  
Timbercreek Mortgage Investment Corporation

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<sup>1</sup> The EPS estimate assumes market fundamentals are consistent with those present at the time of the management information circular that accompanies this letter (the "Circular"), and that targeted rates and fees are achieved and additional credit is deployed within 12 months of the effective date of the Arrangement. The estimated EPS is approved by the Manager as of the date of this Circular and it is for the purpose of showing potential accretion to the combined entity compared to the pre-amalgamation entities. This information may not be appropriate and should not be used for other purposes. Please also see the other assumptions and risk factors set out in the Circular under "Joint Management Information Circular – Forward Looking Information".

## LETTER TO SHAREHOLDERS OF TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Dear Shareholders of Timbercreek Senior Mortgage Investment Corporation,

On behalf of the Board of Directors, I am pleased to invite you to Timbercreek Senior Mortgage Investment Corporation's ("TSMIC") annual and special meeting taking place at 10:00 a.m. on June 22, 2016 at the office of McCarthy Tétrault LLP, Suite 5300, TD Bank Tower, 66 Wellington Street West, Toronto, Ontario (the "**TSMIC Meeting**"). This is an important meeting, as apart from standard annual meeting matters, the shareholders of TSMIC ("**TSMIC Shareholders**") are being asked to consider and if deemed appropriate, pass the following special resolutions:

- (a) if deemed advisable, to approve a special resolution approving the continuance of TSMIC (the "**Continuance**") under the *Business Corporation Act* (Ontario) ("**OBCA**") from under the jurisdiction of the *Canada Business Corporations Act*;
- (b) if deemed advisable, approve a special resolution approving a plan of arrangement under the OBCA (the "**Arrangement**") pursuant to which TSMIC and Timbercreek Mortgage Investment Corporation ("**TMIC**") will amalgamate to become Timbercreek Financial Corp. ("**Timbercreek Financial**"); and
- (c) if deemed advisable, approve a special resolution approving a series of transactions (the "**Management Agreement Transactions**") whereby, among other things, the management agreement between TSMIC and Timbercreek Asset Management Inc. ("**TAMI**" or the "**Manager**") will be cancelled and a new management agreement will be entered into between TAMI and Timbercreek Financial.

The Board of Directors of TSMIC ("**TSMIC Board**") recommends that TSMIC Shareholders vote in favour of the Continuance, the Arrangement and the Management Agreement Transactions. The TSMIC Board believes that the synergies and scale of Timbercreek Financial will create compelling benefits for TSMIC Shareholders. These benefits include a larger float and better liquidity, improved prospects for earnings and dividend growth, improved portfolio characteristics, and cost savings.

Timbercreek Financial will continue to focus on providing financing solutions to qualified real estate investors, but with an enhanced credit facility and investment guidelines that are designed to provide more opportunity to grow shareholder value over the long-run. Timbercreek Financial is targeting a portfolio composition that includes:

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

Timbercreek Financial will engage TAMI as its manager and will continue to leverage the extensive experience and successful track record that TAMI and its subsidiaries have in originating and managing mortgage investments. As part of the Management Agreement Transactions, TMIC will issue a one-time payment to the Manager in the form of equity of TMIC at book value (which represents a premium of approximately 6% to the closing price of TMIC Shares as of May 5, 2016), which TMIC Shares will be exchanged for TF Shares pursuant to the Arrangement, thus better aligning the interest of the Manager with that of the shareholders.



Concurrently with the closing of the Arrangement and the Management Agreement Transactions, Timbercreek Financial will have an amended and restated credit agreement which will provide it with a \$350 million revolving credit facility until May 6, 2018. With the enhanced credit facility, reduction of fees and resulting synergies of the arrangement, Timbercreek Financial is expecting to generate an annual EPS<sup>2</sup> of approximately \$0.72 on a stabilized basis over the next 12 months, an increase of \$0.14 from \$0.58 which was TSMIC's average adjusted EPS over the previous 3 years. Timbercreek Financial will target a pay-out ratio of 95% of its earnings with the intention of using the retained capital to grow book value in a tax efficient manner.

If the Continuance, the Arrangement and the Management Agreement Transactions are approved, TSMIC and TMIC will proceed to amalgamate and become Timbercreek Financial, with each TSMIC Shareholder receiving 1.035 common shares of Timbercreek Financial ("**TF Shares**") for each TSMIC share held, and each TMIC Shareholder receiving 1 TF Share for each TMIC share held.

The TSMIC Board formed a special committee ("**TSMIC Special Committee**") to review, consider, negotiate and make a recommendation on the Continuance, the Arrangement and the Management Agreement Transactions. The TSMIC Special Committee retained National Bank Financial ("**National Bank**"), as its financial advisor to provide financial advice including providing a fairness opinion in respect of the consideration to be offered to the TSMIC Shareholders, other than TAMI and its affiliates, pursuant to the Arrangement. National Bank has determined that, based upon and subject to the scope of review, assumptions, qualifications, limitations and other matters set out therein, as of May 5, 2016, the consideration to be received by TSMIC Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the TSMIC Shareholders, other than TAMI and its affiliates. Based on the fairness opinion and other relevant considerations set out in the accompanying joint management information circular, the TSMIC Board and the TSMIC Special Committee have unanimously determined that the Continuance, the Arrangement and the Management Agreement Transactions are in the best interests of TSMIC. **The TSMIC Board (after receiving the unanimous recommendation of the TSMIC Special Committee) has unanimously approved the combination and recommends that you vote in favour of the Continuance, the Arrangement and the Management Agreement Transactions.**

Full details of the Arrangement are set out in the accompanying Notice of Annual and Special Meeting of Shareholders and Information Circular and Proxy Statement (the "**Circular**").

Your vote is important regardless of the number of TSMIC shares you own. All TSMIC Shareholders are encouraged to take the time to vote by internet, telephone or complete, sign, date and return the enclosed applicable form of proxy or voting instruction form in accordance with the instructions set out therein and in the Circular so that your TSMIC shares can be voted at the TSMIC Meeting in accordance with your instructions. Given the time constraints of the TSMIC Meeting, TSMIC Shareholders are urged to vote by internet or phone to ensure their vote is received in sufficient time.

**If you are a holder of TSMIC Shares and have any questions or require more information with regard to voting your TSMIC Shares, please contact the proxy solicitation agent, Shorecrest Group, at 1-888-637-5789 (toll free) or outside North America at 647-931-7454 (collect) or by email at [contact@shorecrestgroup.com](mailto:contact@shorecrestgroup.com).**

On behalf of the Board of Directors and Management, I would like to thank you for your consideration of this important transaction and for your continued support of TSMIC.

Sincerely,

(Signed)

Andrew Jones  
Chief Executive Officer and Director  
Timbercreek Senior Mortgage Investment Corporation

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<sup>2</sup> The EPS estimate assumes market fundamentals are consistent with those present at the time of the management information circular that accompanies this letter (the "Circular"), and that targeted rates and fees are achieved and additional credit is deployed within 12 months of the effective date of the Arrangement. The estimated EPS is approved by the Manager as of the date of this Circular and it is for the purpose of showing potential accretion to the combined entity compared to the pre-amalgamation entities. This information may not be appropriate and should not be used for other purposes. Please also see the other assumptions and risk factors set out in the Circular under "Joint Management Information Circular – Forward Looking Information".

## TIMBERCREEK MORTGAGE INVESTMENT CORPORATION

### NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual and special meeting (the “**TMIC Meeting**”) of the shareholders (“**TMIC Shareholders**”) of Timbercreek Mortgage Investment Corporation (“**TMIC**”) will be held at the office of McCarthy Tétrault LLP, Suite 5300, TD Bank Tower, 66 Wellington Street West, Toronto, Ontario, on June 22, 2016 at 9:00 a.m. (Toronto time) for the following purposes:

1. to receive the financial statements of TMIC for the financial year ended December 31, 2015 and the report of the auditors thereon;
2. to elect the directors of TMIC to hold office until their successors are elected at the next annual meeting of TMIC, unless their office is earlier vacated;
3. to appoint KPMG LLP as the auditors of TMIC to hold office until the next annual meeting of TMIC and to authorize the directors to fix the remuneration to be paid to the auditors;
4. to consider and, if thought advisable, to pass, with or without variation, a special resolution (the “**TMIC Arrangement Resolution**”), the full text of which is set forth in Appendix C to the accompanying joint management information circular of TMIC and Timbercreek Senior Mortgage Investment Corporation (“**TSMIC**”) dated May 12, 2016 (the “**Circular**”), to approve the proposed plan of arrangement under section 182 of the OBCA (the “**Arrangement**”) involving TMIC, the TMIC Shareholders, TSMIC and the shareholders of TSMIC (the “**TSMIC Shareholders**”), all as more particularly described in the Circular;
5. to consider and, if thought advisable, to pass, with or without variation, a special resolution (the “**TMIC Management Agreement Resolution**”), the full text of which is set forth in Appendix D to the accompanying Circular, to approve the transactions referred to in the Escrow Agreement dated May 5, 2016 between TMIC, TSMIC and Timbercreek Asset Management Inc. (“**TAMI**”) whereby pursuant to a Contribution and Termination Agreement between TMIC, TSMIC and TAMI, among other things, TMIC will acquire the right, title and interest of TAMI in the management agreement between TMIC and TAMI and a new management agreement will be entered into between TAMI and the company resulting from the amalgamation of TMIC and TSMIC, all as more particularly described in the Circular; and
6. to transact such other business as may properly be brought before the TMIC Meeting.

Accompanying this notice is the Circular and form of proxy. The Circular contains details of the matters to be considered at the TMIC Meeting. The above matters are deemed to include consideration of any permitted amendment to or variation of any matter identified in this notice and to transact such other business as may properly come before the TMIC Meeting or any adjournment thereof. Management is not aware of any other matters which are expected to come before the TMIC Meeting.

The directors of TMIC have fixed May 11, 2016 (the “**TMIC Record Date**”) as the record date for determining the TMIC Shareholders entitled to receive notice of and to vote at the TMIC Meeting. Only registered TMIC Shareholders of TMIC as of the close of business on the Record Date will be entitled to receive notice of and to vote, in person or by proxy, at the TMIC Meeting.

Registered TMIC Shareholders are requested to complete, date and sign the enclosed form of proxy and deliver it in accordance with the instructions set out in the enclosed form of proxy and in the Circular. If you plan to attend the TMIC Meeting and wish to vote in person, please follow the instructions on the enclosed voting form to appoint yourself, instead of the management nominees, to vote at the TMIC Meeting.

TMIC Shareholders who hold their shares with a bank, broker or other financial intermediary are not registered shareholders. All non-registered shareholders who receive these materials through a broker or other intermediary

should complete and return the materials in accordance with the instructions provided to them by such broker or intermediary. A non registered TMIC Shareholder receiving a voting instruction form or proxy cannot use that form as a proxy to vote TMIC Shares directly at the TMIC Meeting; rather, the voting instruction form must be returned in accordance with the instructions provided well in advance of the TMIC Meeting in order for such holder's TMIC Shares to be voted at the TMIC Meeting.

DATED at Toronto, Ontario as of May 12, 2016.

**BY ORDER OF THE BOARD OF DIRECTORS**

*(signed) "R. Blair Tamblyn"*

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**R. Blair Tamblyn**  
**Chairman**

## TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

### NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual and special meeting (the “**TSMIC Meeting**”) of the shareholders (“**TSMIC Shareholders**”) of Timbercreek Senior Mortgage Investment Corporation (“**TSMIC**”) will be held at the office of McCarthy Tétrault LLP, Suite 5300, TD Bank Tower, 66 Wellington Street West, Toronto, Ontario, on June 22, 2016 at 10:00 a.m. (Toronto time) for the following purposes:

7. to receive the financial statements of TSMIC for the financial year ended December 31, 2015 and the report of the auditors thereon;
8. to elect the directors of TSMIC to hold office until their successors are elected at the next annual meeting of the TSMIC, unless their office is earlier vacated;
9. to appoint KPMG LLP as the auditors of TSMIC to hold office until the next annual meeting of TSMIC and to authorize the directors to fix the remuneration to be paid to the auditors;
10. to consider and, if thought advisable, to pass, with or without variation, a special resolution (the “**Continuance Resolution**”), the full text of which is set forth in Appendix E to the accompanying joint management information circular of TSMIC and Timbercreek Mortgage Investment Corporation (“**TMIC**”) dated May 12, 2016 (the “**Circular**”), authorizing and approving the continuance (the “**TSMIC Continuance**”) of TSMIC into the Province of Ontario in accordance with the *Business Corporations Act* (Ontario) (the “**OBCA**”), all as more particularly described in the Circular;
11. to consider and, if thought advisable, to pass, with or without variation, a special resolution (the “**TSMIC Arrangement Resolution**”), the full text of which is set forth in Appendix F to the accompanying Circular, to approve the proposed plan of arrangement under section 182 of the OBCA (the “**Arrangement**”) involving TSMIC, the TSMIC Shareholders, TMIC and the shareholders of TMIC (the “**TMIC Shareholders**”), all as more particularly described in the Circular;
12. to consider and, if thought advisable, to pass, with or without variation, a special resolution (the “**TSMIC Management Agreement Resolution**”), the full text of which is set forth in Appendix G to the accompanying Circular, to approve the transactions referred to in the Escrow Agreement dated May 5, 2016 between TSMIC, TMIC and Timbercreek Asset Management Inc. (“**TAMI**”) whereby pursuant to a Contribution and Termination Agreement between TSMIC, TMIC and TAMI, among other things, the management agreement between TSMIC and TAMI will be terminated and a new management agreement will be entered into between TAMI and the company resulting from the amalgamation of TMIC and TSMIC, all as more particularly described in the Circular; and
13. to transact such other business as may properly be brought before the TSMIC Meeting.

Accompanying this notice is the Circular and form of proxy. The Circular contains details of the matters to be considered at the TSMIC Meeting. The above matters are deemed to include consideration of any permitted amendment to or variation of any matter identified in this notice and to transact such other business as may properly come before the TSMIC Meeting or any adjournment thereof. Management is not aware of any other matters which are expected to come before the TSMIC Meeting.

The directors of TSMIC have fixed May 11, 2016 (the “**TSMIC Record Date**”) as the record date for determining shareholders entitled to receive notice of and to vote at the TSMIC Meeting. Only registered TSMIC Shareholders as of the close of business on the Record Date will be entitled to vote, in person or by proxy, at the TSMIC Meeting.

Registered TSMIC Shareholders are requested to complete, date and sign the enclosed form of proxy and deliver it in accordance with the instructions set out in the enclosed form of proxy and in the Circular. If you plan to attend the TSMIC Meeting and wish to vote in person, please follow the instructions on the enclosed voting form to appoint yourself, instead of the management nominees, to vote at the TSMIC Meeting.

TSMIC Shareholders who hold their shares with a bank, broker or other financial intermediary are not registered shareholders. All non-registered shareholders who receive these materials through a broker or other intermediary should complete and return the materials in accordance with the instructions provided to them by such broker or intermediary. A non registered TSMIC Shareholder receiving a voting instruction form or proxy cannot use that form as a proxy to vote shares directly at the TSMIC Meeting; rather, the voting instruction form must be returned in accordance with the instructions provided well in advance of the TSMIC Meeting in order for such holder's TSMIC Shares to be voted at the TSMIC Meeting.

DATED at Toronto, Ontario as of May 12, 2016.

**BY ORDER OF THE BOARD OF DIRECTORS**

*(signed) "R. Blair Tamblyn"*

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**R. Blair Tamblyn**  
**Chairman**

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## **QUESTIONS AND ANSWERS ABOUT THE ARRANGEMENT AND THE TMIC MEETING & TSMIC MEETING**

The information contained below is of a summary nature and therefore is not complete and is qualified in its entirety by the more detailed information contained elsewhere in or incorporated by reference into this Circular, including the appendices hereto, all of which are important and should be reviewed carefully.

Capitalized terms used in these questions and answers but not otherwise defined herein have the meanings set forth in Appendix A to this Circular.

### **Q&A on the Arrangement**

#### **Q: When is the TMIC Meeting and the TSMIC Meeting?**

A: The TMIC Meeting and the TSMIC Meeting will each be held on June 22, 2016 at the offices of McCarthy Tétrault LLP, Suite 5300, TD Bank Tower, 66 Wellington Street West, Toronto, Ontario. The TMIC Meeting will commence at 9:00 a.m. (Toronto time) and the TSMIC Meeting will commence at 10:00 a.m. (Toronto time).

See “General Information Concerning the TMIC Meeting and Voting” and “General Information Concerning the TSMIC Meeting and Voting”.

#### **Q: What are TMIC Shareholders being asked to vote on?**

A: TMIC Shareholders are being asked to vote on a special resolution to approve the combination of TMIC and TSMIC by way of a plan of arrangement under Section 182 of the OBCA and a special resolution to approve, among other things, the Contribution and Termination Agreement pursuant to which TAMI will transfer its rights, title and interests in the TMIC Management Agreement to TMIC in consideration for the issuance by TMIC to TAMI of the Consideration Shares and the entering into of a new management agreement between Timbercreek Financial and TAMI.

See “The Arrangement and Management Agreement Transactions – TMIC Shareholder Approval”.

#### **Q: What are TSMIC Shareholders being asked to vote on?**

A: TSMIC Shareholders are being asked to vote on a special resolution to approve the continuance of TSMIC under the OBCA, a special resolution to approve the combination of TMIC and TSMIC by way of a plan of arrangement under Section 182 of the OBCA, and a special resolution to approve, among other things, the termination of the TSMIC Management Agreement and the entering into of a new management agreement between Timbercreek Financial and TAMI.

See “The Arrangement and Management Agreement Transactions – TSMIC Shareholder Approval”.

#### **Q: What is the “Arrangement” and what are the “Contemplated Transactions”?**

A: The “Arrangement” refers to the arrangement involving TSMIC and TMIC under the provisions of Section 182 of the OBCA, on the terms and conditions set forth in the Plan of Arrangement, as supplemented, modified or amended. The “Contemplated Transactions” refer to the Continuance, the Arrangement, the Management Agreement Transactions and the other transactions necessary or desirable in connection with the Arrangement.

See “The Arrangement and Management Agreement Transactions”.

#### **Q: Why are TMIC and TSMIC proposing the Arrangement and Management Agreement Transactions?**

A: Under the Arrangement, TMIC and TSMIC will combine to become Timbercreek Financial, a leading non-bank commercial real estate lender with a combined book value of approximately \$650 million. Among other benefits, the

synergies and scale of Timbercreek Financial will create a larger float and better liquidity, improved prospects for earnings and dividend growth, improved portfolio characteristics and cost savings.

In connection with the Arrangement, TMIC, TSMIC and TAMI will complete the Management Agreement Transactions, whereby the New Management Agreement will be entered into and TAMI's compensation will be reduced (in comparison to the TMIC Management Agreement) to one single management fee of 0.85% on gross assets (plus a servicing fee on any senior tranche of a mortgage syndicated by TAMI to a third party), and will no longer receive a performance fee (the New Management Agreement provides for the same fee as provided in the TSMIC Management Agreement). As consideration for the termination of the performance fee and the reduction in percentage of the management fee under the TMIC Management Agreement, TMIC will issue a one-time payment to TAMI in the form of TMIC Shares at book value (which represents a premium of approximately 6% to the closing price of TMIC Shares as of May 5, 2016). With the increased share ownership in Timbercreek Financial, the interest of TAMI will be further aligned with all shareholders.

See "Information Relating to Timbercreek Financial – Transaction Rationale".

**Q: What are the benefits of the Arrangement for TMIC and TSMIC and their respective shareholders?**

A: The enhanced market capitalization of Timbercreek Financial is expected to materially improve liquidity and to attract more institutional investors. A higher profile is also expected to enhance access to sources of capital, facilitate growth and acquisition and provide a greater ability to attract research coverage. As a result of the improved access to credit and reduction in costs due to lower overall management fees and administrative costs, Timbercreek Financial is targeting an EPS<sup>3</sup> of approximately \$0.72 on a stabilized basis over the next 12 months, which will be an improvement from the EPS generated by both companies in 2015. Timbercreek Financial will have a combined portfolio of more than \$1.0 billion, which will provide substantially better diversification for investors. The combined portfolio and the improved credit facility will result in a reduction in the overall cost of capital for Timbercreek Financial's customized financing solutions. Timbercreek Financial will pay (i) an annual management fee of 0.85% on gross assets, and (ii) a servicing fee on any senior tranche of a mortgage syndicated by TAMI to a third party. The previous performance fee payable by TMIC will be replaced with a one-time payment in the form of shares of TMIC, which will better align the interest of TAMI with that of the shareholders. The simplified structure will also reduce market confusion, eliminate potential perceived conflict and increase cost savings.

See "The Arrangement and Management Agreement Transactions – Reasons for the Recommendations of the TMIC Special Committee and TMIC Board" and "The Arrangement and Management Agreement Transactions – Reasons for the Recommendations of the TSMIC Special Committee and TSMIC Board".

**Q: What will TMIC Shareholders receive for their TMIC Shares under the Arrangement?**

A: Under the Arrangement, each TMIC Shareholder will receive, for each TMIC Share held, one (1) TF Share, subject to the provisions of the Arrangement Agreement. The TSX has conditionally approved (subject to customary conditions) the listing of the TF Shares issuable under the Arrangement on the TSX.

See "The Arrangement Agreement".

**Q: What will TSMIC Shareholders receive for their TSMIC Shares under the Arrangement?**

A: Under the Arrangement, each TSMIC Shareholder will receive, for each TSMIC Share held, 1.035 TF Shares, subject to the provisions of the Arrangement Agreement. The TSX has conditionally approved (subject to customary conditions) the listing of the TF Shares issuable under the Arrangement on the TSX.

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<sup>3</sup> The EPS estimate assumes market fundamentals are consistent with those present at the time of this Circular, and that targeted rates and fees are achieved and additional credit is deployed within 12 months of the effective date of the combination. The estimated EPS is approved by the Manager as of the date of the Circular and it is for the purpose of showing potential accretion to the combined entity compared to the pre-amalgamation entities. This information may not be appropriate and should not be used for other purposes. Please also see the other assumptions and risk factors set out under "Joint Management Information Circular – Forward Looking Information".

See “The Arrangement Agreement”.

**Q: What will happen to TMIC and TSMIC if the Arrangement and Management Agreement Transactions are completed?**

A: If the Arrangement and the Management Agreement Transactions are completed, TMIC and TSMIC will amalgamate and continue as one company. The amalgamated corporation will be named “Timbercreek Financial Corp.” and will be listed on the TSX under the symbol “TF” and TAMI will provide management services to Timbercreek Financial under the New Management Agreement.

See “The Arrangement and Management Agreement Transactions”.

**Q: When will the Arrangement become effective?**

A: Subject to obtaining the Court approval as well as the satisfaction of all other conditions precedent, if TMIC Shareholders approve the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution and TSMIC Shareholders approve the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution, it is anticipated that the Arrangement will be effective on June 30, 2016.

**Q: Does the TMIC Board support the Arrangement and the Management Agreement Transactions?**

A: Yes. Based upon a unanimous recommendation of the TMIC Special Committee, the TMIC Board has unanimously determined (with R. Blair Tamblyn, Ugo Bizzarri and Andrew Jones declaring their interest in the transactions and abstaining from voting) that the Arrangement and Management Agreement Transactions are in the best interests of TMIC and has recommended that TMIC Shareholders vote FOR the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution.

In making its recommendation, the TMIC Special Committee and the TMIC Board considered a number of factors which are described in this Circular under the heading “The Arrangement and Management Agreement Transactions – Reasons for the Recommendations of the TMIC Special Committee and TMIC Board”, including the opinion from TD Securities that, based upon and subject to the scope of review, assumptions, qualifications, limitations and other matters set out therein, as of May 5, 2016, the consideration to be received by TMIC Shareholders (other than TAMI and its related parties) in connection with the Contemplated Transactions is fair, from a financial point of view, to such TMIC Shareholders. See Appendix K for the full text of the TMIC Fairness Opinion.

See “The Arrangement and Management Agreement Transactions – Background to the Arrangement and Management Agreement Transactions”, “– Recommendation of the TMIC Special Committee”, “– Recommendation of the TMIC Board” and “– Reasons for the Recommendations of the TMIC Special Committee and TMIC Board”.

**Q: Does the TSMIC Board support the Continuance, the Arrangement and the Management Agreement Transactions?**

A: Yes. Based upon a unanimous recommendation of the TSMIC Special Committee, the TSMIC Board has unanimously determined (with R. Blair Tamblyn, Ugo Bizzarri and Andrew Jones declaring their interest in the transactions and abstaining from voting with respect to the approval of the Arrangement and Management Agreement Transactions) that the Continuance, the Arrangement and the Management Agreement Transactions are in the best interests of TSMIC and recommends that TSMIC Shareholders vote FOR the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution.

In making its recommendation, the TSMIC Special Committee and the TSMIC Board considered a number of factors which are described in this Circular under the heading “The Arrangement and Management Agreement Transactions – Reasons for the Recommendations of the TSMIC Special Committee and the TSMIC Board”, including the opinion from National Bank that, based upon and subject to the scope of review, assumptions, qualifications, limitations and other matters set out therein, as of May 5, 2016, the consideration to be received by

TSMIC Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the TSMIC Shareholders, other than TAMI and its affiliates. See Appendix L for the full text of the TSMIC Fairness Opinion.

See “The Arrangement and Management Agreement Transactions – Background to the Arrangement and Management Agreement Transactions”, “– Recommendation of the TSMIC Special Committee”, “– Recommendation of the TSMIC Board” and “– Reasons for the Recommendations of the TSMIC Special Committee and the TSMIC Board”.

**Q: What approvals are required of TMIC Shareholders at the TMIC Meeting?**

A: To be effective, the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution must each be approved, with or without variation, by the affirmative vote of at least 66 2/3% of the votes cast by TMIC Shareholders present in person or represented by proxy and entitled to vote at the TMIC Meeting as well as a majority of the votes cast by TMIC Shareholders present in person or represented by proxy and entitled to vote at the TMIC Meeting, excluding for this purpose votes attached to any TMIC Shares held by persons whose vote are required to be excluded in accordance with the policies of the TSX and MI 61-101.

See “The Arrangement and Management Agreement Transactions – TMIC Shareholder Approval” and “Regulatory Matters – Canadian Securities Law Matters – MI 61-101”.

**Q: What will happen if TMIC Shareholders do not approve either the TMIC Arrangement Resolution or the TMIC Management Agreement Resolution?**

A: If the TMIC Shareholders do not approve the TMIC Arrangement Resolution, then the TMIC Management Agreement Resolution will be withdrawn, no vote will be held on this resolution and the Arrangement will not proceed. TMIC believes that the Management Agreement Transactions are an integral part of the combination of the operations of TMIC and TSMIC, and it is a condition to the completion of the Arrangement that TMIC Shareholders will have approved both the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution. As a result, if either the TMIC Arrangement Resolution or the TMIC Management Agreement Resolution is not approved, the Arrangement and the Management Agreement Transactions will not be completed and TMIC and TSMIC will continue to carry on their respective operations as separate companies under their existing management agreements.

If the TMIC Arrangement Resolution or the TMIC Management Agreement Resolution is not approved or the Arrangement is not completed for any reason by the Outside Date, or either TMIC or TSMIC is in breach of the Arrangement Agreement, the Arrangement Agreement may be terminated. In certain circumstances as specified in the Arrangement Agreement, TMIC will be required to pay to TSMIC a termination fee of \$9 million in connection with such termination. In certain other circumstances, TSMIC will be required to pay to TMIC a termination fee of \$9 million in connection with such termination.

See “The Arrangement Agreement – Termination of the Arrangement Agreement”.

**Q: What approvals are required of TSMIC Shareholders at the TSMIC Meeting?**

A: To be effective, the Continuance Resolution must be approved, with or without variation, by the affirmative vote of at least 66 2/3% of the votes cast by TSMIC Shareholders present in person or represented by proxy and entitled to vote at the TSMIC Meeting.

The TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution must each be approved, with or without variation, by the affirmative vote of at least 66 2/3% of the votes cast by TSMIC Shareholders present in person or represented by proxy and entitled to vote at the TSMIC Meeting as well as a majority of the votes cast by TSMIC Shareholders present in person or represented by proxy and entitled to vote at the TSMIC Meeting, excluding for this purpose votes attached to any TSMIC Shares held by persons whose vote are required to be excluded in accordance with the policies of the TSX and MI 61-101.

See “The Arrangement and Management Agreement Transactions – TSMIC Shareholder Approval”.

**Q: What will happen if TSMIC Shareholders do not approve any of the Continuance Resolution, the TSMIC Arrangement Resolution or the TSMIC Management Agreement Resolution?**

A: The Arrangement will be carried out pursuant to the OBCA, and it is necessary that TSMIC be continued under the OBCA prior to the Effective Time in order for the Arrangement to proceed. If the TSMIC Shareholders do not approve the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution will be withdrawn, no vote will be held on these resolutions and the Arrangement will not proceed.

TSMIC believes that the Management Agreement Transactions are an integral part of the combination of the operations of TMIC and TSMIC, and it is a condition to the completion of the Arrangement that TSMIC Shareholders will have approved each of the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution. As a result, if any of the Continuance Resolution, the TSMIC Arrangement Resolution or the TSMIC Management Agreement Resolution is not approved, the Arrangement and the Management Agreement Transactions will not be completed and TMIC and TSMIC will continue to carry on their respective operations as separate companies.

If the Continuance Resolution, the TSMIC Arrangement Resolution or the TSMIC Management Agreement Resolution is not approved or the Arrangement is not completed for any reason by the Outside Date, or either TMIC or TSMIC is in breach of the Arrangement Agreement, the Arrangement Agreement may be terminated. In certain circumstances as specified in the Arrangement Agreement, TMIC will be required to pay to TSMIC a termination fee of \$9 million (the “**Termination Fee**”) in connection with such termination. In certain other circumstances, TSMIC will be required to pay to TMIC the Termination Fee in connection with such termination.

See “The Arrangement Agreement – Termination of the Arrangement Agreement”.

**Q: What other approvals are required for the Arrangement?**

A: In addition to the approvals of the TMIC Arrangement Resolution, the TMIC Management Agreement Resolution, the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution, the Arrangement must be approved by the Court. On May 9, 2016, the Court granted the Interim Order, which provides for the calling and holding of the TMIC Meeting and the TSMIC Meeting, the Dissent Rights and other procedural matters. The Interim Order is attached as Appendix I to this Circular. Subject to the terms of the Arrangement Agreement, and if the Arrangement and the Management Agreement Transactions are approved by the TMIC Shareholders at the TMIC Meeting and by the TSMIC Shareholders at the TSMIC Meeting, in each case in the manner required by the Interim Order, TMIC and TSMIC will make an application to the Court for the Final Order.

The Arrangement will require certain regulatory approvals, including approvals from the Toronto Stock Exchange and the Competition Bureau. Pursuant to the Arrangement Agreement, each of TSMIC and TMIC has agreed to use its commercially reasonable efforts to obtain, or assist with the obtaining of, all Required Regulatory Approvals, as well as all third party consents, waivers, permits, exemptions, orders, approvals, agreements, amendments and modifications necessary to consummate the Contemplated Transactions.

The respective obligations of the Parties to complete the Contemplated Transactions are subject to the obtaining of all Required Regulatory Approvals on or before the Outside Date or the Effective Time, as applicable.

See “The Arrangement and Management Agreement Transactions – Court Approval and Completion of the Arrangement” and “Regulatory Matters – Canadian Securities Law Matters”; “Regulatory Matters – Stock Exchange Approval” and “Regulatory Matters – Competition Act Approval”.

**Q: Will I continue to receive dividends on my TMIC Shares and TSMIC Shares prior to completion of the Arrangement?**

A: Yes. Subject to the right of each of the TMIC Board and TSMIC Board to reduce or suspend dividends at any time, each of TMIC and TSMIC is expected to continue to pay dividends on their respective shares prior to the completion of the Arrangement consistent with past practice. In connection with and in order to facilitate the Arrangement, the TMIC Board has resolved to terminate the TMIC DRIP and the TSMIC Board has resolved to terminate the TSMIC DRIP, in each case effective as of June 20, 2016. It is expected that following completion of the Arrangement, Timbercreek Financial will adopt a shareholder dividend reinvestment plan that is substantially similar to the current TMIC DRIP and TSMIC DRIP.

**Q: Will I receive dividends following completion of the Arrangement?**

A: Following completion of the Arrangement, TF Shareholders will be entitled to receive dividends if, as and when declared by the TF Board.

See “Information Relating to Timbercreek Financial – Dividend Policy”.

**Q: Are TMIC Shareholders entitled to Dissent Rights?**

A: Yes. Registered TMIC Shareholders have the right to dissent to the TMIC Arrangement Resolution pursuant to Section 185 of the OBCA, with modifications to the provisions of Section 185 as provided in the Plan of Arrangement and the Interim Order. See Appendix H for the full text of the Plan of Arrangement, Appendix I for the full text of the Interim Order and Appendix O for the full text of Section 185 of the OBCA.

See “The Arrangement and Management Agreement Transactions – Dissent Rights”.

**Q: Are TSMIC Shareholders entitled to Dissent Rights?**

A: Yes. Registered TSMIC Shareholders have the right to dissent to the Continuance Resolution pursuant to Section 190 of the CBCA. Registered TSMIC Shareholders who do not dissent to the Continuance Resolution also have the right to dissent to the TSMIC Arrangement Resolution pursuant to Section 185 of the OBCA, with modifications to the provisions of Section 185 as provided in the Plan of Arrangement and the Interim Order. See Appendix H for the full text of the Plan of Arrangement, Appendix I for the full text of the Interim Order and Appendix O for the full text of Section 190 of the CBCA and Section 185 of the OBCA.

See “The Arrangement and Management Agreement Transactions – Dissent Rights”; “The TSMIC Continuance – CBCA Dissent Rights in respect of the Continuance Resolution”.

**Q: What are the Canadian federal income tax consequences of the Arrangement?**

A: Generally, a TMIC Shareholder or a TSMIC Shareholder will not realize a capital gain or a capital loss under the *Income Tax Act* (Canada) in respect of the exchange of TMIC Shares or TSMIC Shares, as applicable, for TF Shares pursuant to the Arrangement under the Tax Act. The foregoing summary is qualified in its entirety by the more detailed summary set forth in the Circular under the heading “Certain Canadian Federal Income Tax Considerations”. **TMIC Shareholders and TSMIC Shareholders should consult their own tax advisors regarding the tax consequences of the Arrangement.**

See “Certain Canadian Federal Income Tax Considerations”.

**Q: As a TMIC Shareholder, what documents do I need to complete and return?**

*Registered TMIC Shareholders*

A: All registered holders of TMIC Shares should (i) complete and submit the enclosed form of proxy to TMIC's transfer agent and registrar, CST Trust Company (you are encouraged to vote well in advance of the TMIC Meeting proxy cut-off of 9:00 a.m. (Toronto time) on June 20, 2016); and (ii) complete, sign and return the Letter of Transmittal with accompanying TMIC Share certificate(s) to the Depositary as soon as possible.

Please be sure to use the Letter of Transmittal (printed on yellow paper). See "The Arrangement and Management Agreement Transactions – Procedure for Receiving TF Shares".

*Beneficial TMIC Shareholders*

A: If you are a Beneficial Shareholder, you will have received a Voting Instruction Form or proxy form with this Circular. This form will instruct the intermediary holding your TMIC Shares how to vote your TMIC Shares at the TMIC Meeting on your behalf. Your TMIC Shares will only be voted if you provide instructions to your intermediary on how to vote. Without these instructions, those TMIC Shares will not be voted. **You must carefully follow the instructions from your intermediary in order to vote your TMIC Shares.**

See "General Information Concerning the TMIC Meeting and Voting – Voting of Shares" and "– Voting of TMIC Shares Owned by Beneficial Shareholders".

**Q: As a TSMIC Shareholder, what documents do I need to complete and return?**

*Registered TSMIC Shareholders*

A: All registered holders of TSMIC Shares should (i) complete and submit the enclosed form of proxy to TSMIC's transfer agent and registrar, CST Trust Company (you are encouraged to vote well in advance of the TSMIC Meeting proxy cut-off of 10:00 a.m. (Toronto time) on June 20, 2016); and (ii) complete, sign and return the Letter of Transmittal with accompanying TSMIC Share certificate(s) to the Depositary as soon as possible.

Please be sure to use the Letter of Transmittal (printed on blue paper). See "The Arrangement and Management Agreement Transactions – Procedure for Receiving TF Shares".

*Beneficial TSMIC Shareholders*

A: If you are a Beneficial Shareholder, you will have received a Voting Instruction Form or proxy form with this Circular. This form will instruct the intermediary holding your TSMIC Shares how to vote your TSMIC Shares at the TSMIC Meeting on your behalf. Your TSMIC Shares will only be voted if you provide instructions to your intermediary on how to vote. Without these instructions, those TSMIC Shares will not be voted. **You must carefully follow the instructions from your intermediary in order to vote your TSMIC Shares.**

See "General Information Concerning the TSMIC Meeting and Voting – Voting of Shares" and "– Voting of TSMIC Shares Owned by Beneficial Shareholders".

**Q: Do I have to pay any fees or commissions?**

A: If you are a registered TMIC Shareholder or TSMIC Shareholder, you will not have to pay brokerage fees, commissions or similar expenses in connection with the Arrangement.

If you hold your TMIC Shares or TSMIC Shares through a broker, dealer, financial institution or other intermediary, and your broker, dealer, financial institution or other intermediary submits your TMIC Shares or TSMIC Shares on your behalf, it may charge you a fee for doing so. You should consult your broker, dealer, financial institution or other intermediary to determine whether any charges will apply.



**Q: When will I receive the TF Shares issuable pursuant to the Arrangement in exchange for my TMIC Shares or TSMIC Shares?**

A: Holders of TMIC Shares will receive one (1) TF Share in exchange for each TMIC Share held as soon as practicable after the Effective Date of the Arrangement and the receipt by the Depositary of your properly completed Letter of Transmittal and certificate(s) representing TMIC Shares.

Holders of TSMIC Shares will receive 1.035 TF Shares in exchange for each TSMIC Share held as soon as practicable after the Effective Date of the Arrangement and the receipt by the Depositary of your properly completed Letter of Transmittal and certificate(s) representing TSMIC Shares.

See “The Arrangement and Management Agreement Transactions – Procedure for Receiving TF Shares”.

**Q: What happens if I send in my TMIC Share certificate(s) or TSMIC Share certificate(s) and the Arrangement is not completed?**

A: If the TMIC Arrangement Resolution and TMIC Management Agreement Resolution or the Continuance Resolution, TSMIC Arrangement Resolution and TSMIC Management Agreement Resolution are not approved or the Arrangement is not otherwise completed, your certificate(s) representing TMIC Shares or TSMIC Shares, as applicable, will be returned to you by the Depositary.

**Q: What will happen to the TMIC Debentures?**

A: Timbercreek Financial will assume all of the obligations of TMIC under the TMIC Debenture Indenture, such that, following the completion of the steps contemplated by Section 2.4(a)(x) of the Plan of Arrangement, the TMIC Debentures continue as valid and binding obligations of Timbercreek Financial entitling the holders thereof, as against Timbercreek Financial, to all of the rights of holders of TMIC Debentures under the TMIC Debenture Indenture, as supplemented and amended by the Supplemental TMIC Debenture Indenture. As the interests and rights of the holders of the TMIC Debentures are not adversely affected by the Arrangement, pursuant to and subject to compliance with the terms of the TMIC Debenture Indenture, no consent or approval is required from the holders of the TMIC Debentures.

See “The Arrangement and Management Agreement Transactions – Treatment of the TMIC Debentures”.

**Q: Are there risks that TMIC Shareholders should consider in deciding whether to vote in favour of the TMIC Arrangement Resolution or the TMIC Management Agreement Resolution?**

A: Yes. TMIC Shareholders should carefully consider all of the information set forth in “Information Relating to TMIC – Risk Factors”, “Information Relating to TSMIC – Risk Factors” and in “Risk Factors Relating to Timbercreek Financial”.

**Q: Are there risks that TSMIC Shareholders should consider in deciding whether to vote in favour of the Continuance Resolution, the TSMIC Arrangement Resolution or the TSMIC Management Agreement Resolution?**

A: Yes. TSMIC Shareholders should carefully consider all of the information set forth in “Information Relating to TSMIC – Risk Factors”, “Information Relating to TMIC – Risk Factors” and in “Risk Factors Relating to Timbercreek Financial”.

**Q: How can I get more information about TMIC and TSMIC?**

A: As required by applicable securities legislation and regulatory requirements, each of TMIC and TSMIC periodically files information with various securities regulatory authorities in Canada. This information can be viewed at or copied from the SEDAR website at [www.sedar.com](http://www.sedar.com). In addition, you may visit TMIC’s web site at <http://www.timbercreekmic.com> or TSMIC’s website at <http://www.timbercreekseniormic.com>.

**Q: Who can help answer my questions?**

A: If you have any questions about this Circular or the matters described in this Circular, please contact Shorecrest Group Ltd. or your professional advisor. Shareholders who would like additional copies, without charge, of this Circular or have additional questions about the procedures for voting TMIC Shares or TSMIC Shares, should contact Shorecrest Group Ltd. by e-mail, or at the telephone number below.

North American Toll-Free Number:

1-888-637-5789

By E-mail:

contact@shorecrestgroup.com

**Q&A on Proxy Voting**

**Q: Who is entitled to vote on the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution?**

A: The record date for determining the TMIC Shareholders entitled to receive notice of and to vote at the TMIC Meeting is May 11, 2016. Only TMIC Shareholders of record as of the close of business on the TMIC Record Date are entitled to receive notice of and to vote at the TMIC Meeting. Each TMIC Shareholder is entitled to one vote in respect of each TMIC Share held.

**Q: Who is entitled to vote on the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution?**

A: The record date for determining the TSMIC Shareholders entitled to receive notice of and to vote at the TSMIC Meeting is May 11, 2016. Only TSMIC Shareholders of record as of the close of business on the TSMIC Record Date are entitled to receive notice of and to vote at the TSMIC Meeting. Each TSMIC Shareholder is entitled to one vote in respect of each TSMIC Share held.

**Q: What do I need to do now in order to vote on the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution?**

A: You should carefully read and consider the information contained in this Circular. TMIC Shareholders should then vote by completing, dating and signing the enclosed form of proxy or, alternatively, by telephone, or over the internet, in each case in accordance with the enclosed instructions. To be used at the TMIC Meeting, the completed proxy form must be deposited at the office of CST Trust Company, Proxy Department, P.O. Box 721, Agincourt, Ontario, M1S 0A1. You may alternatively fax your proxy to 416-368-2502 or toll free within Canada and the United States to 1-866-781-3111, or scan and email your proxy to [proxy@canstockta.com](mailto:proxy@canstockta.com). Alternatively, you may vote via the internet at [www.cstvotemyproxy.com](http://www.cstvotemyproxy.com) or by touch tone phone by calling 1-888-489-5760 (toll free in Canada and the United States) and following the instructions provided. To be effective, a proxy must be received by CST not later than 9:00 a.m. (Toronto time) on June 20, 2016, or in the case of any postponement or adjournment of the TMIC Meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the postponed or adjourned TMIC Meeting. Late proxies may be accepted or rejected by the chair of the TMIC Meeting in his discretion and without notice, and the chair is under no obligation to accept or reject any particular late proxy.

If you hold your TMIC Shares through an intermediary, please follow the instructions provided by such intermediary to ensure that your vote is counted at the TMIC Meeting and contact your intermediary for instructions and assistance in delivering the unit certificate(s) representing those shares.

See "General Information Concerning the TMIC Meeting and Voting – Voting of Shares".

**Q: What do I need to do now in order to vote on the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution?**

A: You should carefully read and consider the information contained in this Circular. TSMIC Shareholders should then vote by completing, dating and signing the enclosed form of proxy or, alternatively, by telephone, or over the

internet, in each case in accordance with the enclosed instructions. To be used at the TSMIC Meeting, the completed proxy form must be deposited at the office of CST Trust Company, Proxy Department, P.O. Box 721, Agincourt, Ontario, M1S 0A1. You may alternatively fax your proxy to 416-368-2502 or toll free within Canada and the United States to 1-866-781-3111, or scan and email your proxy to [proxy@canstockta.com](mailto:proxy@canstockta.com). Alternatively, you may vote via the internet at [www.cstvotemyproxy.com](http://www.cstvotemyproxy.com) or by touch tone phone by calling 1-888-489-5760 (toll free in Canada and the United States) and following the instructions provided. To be effective, a proxy must be received by CST not later than 10:00 a.m. (Toronto time) on June 20, 2016, or in the case of any postponement or adjournment of the TSMIC Meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the postponed or adjourned TSMIC Meeting. Late proxies may be accepted or rejected by the chair of the TSMIC Meeting in his discretion and without notice, and the chair is under no obligation to accept or reject any particular late proxy.

If you hold your TSMIC Shares through an intermediary, please follow the instructions provided by such intermediary to ensure that your vote is counted at the TSMIC Meeting and contact your intermediary for instructions and assistance in delivering the unit certificate(s) representing those shares.

See “General Information Concerning the TSMIC Meeting and Voting – Voting of Shares”.

**Q: Should I send in my proxy now?**

A: Yes. Once you have carefully read and considered the information contained in this Circular, to ensure your vote is counted, you need to complete and submit the enclosed form of proxy or, if applicable, provide your intermediary with voting instructions. If you are a TMIC Shareholder, you are encouraged to vote well in advance of the TMIC Meeting proxy cut-off of 9:00 a.m. (Toronto time) on June 20, 2016, and if you are a TSMIC Shareholder, you are encouraged to vote well in advance of the TSMIC Meeting proxy cut-off of 10:00 a.m. (Toronto time) on June 20, 2016 (or if the TMIC Meeting or TSMIC Meeting is postponed or adjourned, not later than 48 hours (excluding Saturdays, Sundays and holidays) before the time for holding the postponed or adjourned meeting).

**Q: What happens if I sign the form of proxy sent to me?**

A: Signing and depositing the enclosed form of proxy gives authority to the person(s) designated by the management of TMIC or TSMIC, as applicable, on such form to vote your TMIC Shares at the TMIC Meeting or your TSMIC Shares at the TSMIC Meeting, as applicable. If the instructions in a proxy given to TMIC’s management or TSMIC’s management, as applicable, are specified, the TMIC Shares or TSMIC Shares represented by such proxy will be voted FOR or AGAINST in accordance with your instructions on any poll that may be called for. If a choice is not specified, the TMIC Shares or TSMIC Shares represented by a proxy given to TMIC’s management or TSMIC’s management, as applicable, will be voted FOR the approval of the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution, or FOR the approval of the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution, as applicable, as described in this Circular.

See “General Information Concerning the TMIC Meeting and Voting – Solicitation of Proxies” and “General Information Concerning the TSMIC Meeting and Voting – Solicitation of Proxies”.

**Q: Can I appoint someone other than the person(s) designated by management of TMIC or TSMIC, as applicable, to vote my TMIC Shares or TSMIC Shares?**

A: Yes. A TMIC Shareholder or TSMIC Shareholder has the right to appoint a person or company (who need not be a TMIC Shareholder or TSMIC Shareholder) to attend and act for him, her or it and on his, her or its behalf at the TMIC Meeting or TSMIC Meeting other than the persons designated in the form of proxy and may exercise such right by inserting the name in full of the desired person in the blank space provided in the form of proxy and striking out the names now designated.

See “General Information Concerning the TMIC Meeting and Voting – Solicitation of Proxies” and “General Information Concerning the TSMIC Meeting and Voting – Solicitation of Proxies”.

**Q: What if amendments are made to these matters or if other matters are brought before the TMIC Meeting or TSMIC Meeting?**

A: The form of proxy accompanying this Circular confers discretionary authority upon the proxy nominee with respect to any amendments or variations to matters identified in the TMIC Notice of Meeting or TSMIC Notice of Meeting and any other matters that may properly come before the TMIC Meeting or the TSMIC Meeting or any postponement or adjournment thereof. As at the date of this Circular, each of TMIC's management and TSMIC's management is not aware of any such amendments or variations, or of other matters to be presented for action at the TMIC Meeting or TSMIC Meeting, respectively. However, if any amendments to matters identified in the accompanying TMIC Notice of Meeting or TSMIC Notice of Meeting or any other matters which are not now known to their respective management should properly come before the TMIC Meeting or TSMIC Meeting, as applicable, or any postponement or adjournment thereof, the TMIC Shares or TSMIC Shares represented by properly executed proxies given in favour of the person(s) designated by management of TMIC or TSMIC, as applicable, in the enclosed form of proxy will be voted on such matters pursuant to such discretionary authority.

See "General Information Concerning the TMIC Meeting and Voting – Solicitation of Proxies" and "General Information Concerning the TSMIC Meeting and Voting – Solicitation of Proxies".

**Q: Can I revoke my proxy?**

A: Yes. A proxy may be revoked by an instrument in writing executed by the shareholder or a legal representative authorized in writing or, where the shareholder is a corporation, by a duly authorized officer or attorney. To be valid, an instrument of revocation must be received at the registered office of TMIC or TSMIC (25 Price Street, Toronto, Ontario, Canada M4W 1Z1; Attention: Secretary) at any time up to and including the last business day preceding the day of the TMIC or TSMIC Meeting. Only registered shareholders may revoke a proxy. A shareholder may also submit a later dated proxy to revoke any prior proxy. Beneficial Shareholders will need to contact their financial intermediary and follow their instructions to revoke their proxy.

See "General Information Concerning the TMIC Meeting and Voting – Revocability of Proxies" and "General Information Concerning the TSMIC Meeting and Voting – Revocability of Proxies".

**Q: Who will count the votes?**

A: CST Trust Company, the transfer agent to both TMIC and TSMIC, will count and tabulate the votes received for the TMIC Meeting and TSMIC Meeting.

## **JOINT MANAGEMENT INFORMATION CIRCULAR**

**This Circular is delivered in connection with the solicitation of proxies from TMIC Shareholders by and on behalf of management of TMIC and from TSMIC Shareholders by and on behalf of management of TSMIC. The accompanying form of proxy for TMIC Shareholders is for use at the TMIC Meeting and at any adjournment or postponement thereof and for the purposes set forth in the applicable notice of meeting. The accompanying form of proxy for TSMIC Shareholders is for use at the TSMIC Meeting and at any adjournment or postponement thereof and for the purposes set forth in the applicable notice of meeting.**

This Circular contains defined terms. For a list of the defined terms used herein, see Appendix A to this Circular.

### **Information contained in the Circular**

Information in this Circular is given as at May 11, 2016 unless otherwise indicated and except for information contained in the documents incorporated herein by reference, which is given as at the respective dates stated therein.

No person is authorized to give any information or make any representation not contained or incorporated by reference in this Circular and, if given or made, such information or representation should not be relied upon as having been authorized or as being accurate. For greater certainty, to the extent that any information provided on TMIC's or TSMIC's website, by TMIC's or TSMIC's proxy solicitation agent or in other forms is inconsistent with this Circular, you should rely on the information provided in this Circular.

All summaries of, and references to, the Arrangement Agreement, the Plan of Arrangement, the Escrow Agreement, the Contribution and Termination Agreement, the New Management Agreement and the New Credit Facility in this Circular are qualified in their entirety by the complete text of such documents, available on SEDAR at [www.sedar.com](http://www.sedar.com) or attached hereto as appendices. You are urged to read carefully the full text of such documents.

This Circular does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation of an offer or proxy solicitation. Neither delivery of this Circular nor any distribution of the securities referred to in this Circular will, under any circumstances, create an implication that there has been no change in the information set forth herein since the date of this Circular.

TMIC Shareholders and TSMIC Shareholders should not construe the contents of this Circular as legal, tax or financial advice and should consult with their own legal, tax, financial or other professional advisors in considering the relevant legal, tax, financial or other matters contained in this Circular.

### **Information Contained in this Circular Regarding TMIC**

The information concerning TMIC contained in this Circular has been provided by TMIC. Although TSMIC has no knowledge that would indicate that any of such information is untrue or incomplete, TSMIC does not assume any responsibility for the accuracy or completeness of such information or the failure by TMIC to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to TSMIC.

### **Information Contained in this Circular Regarding TSMIC**

The information concerning TSMIC contained in this Circular has been provided by TSMIC. Although TMIC has no knowledge that would indicate that any of such information is untrue or incomplete, TMIC does not assume any responsibility for the accuracy or completeness of such information or the failure by TSMIC to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to TMIC.

## Forward-looking information

This Circular and the documents incorporated by reference herein include forward-looking statements which constitute forward-looking information within the meaning of Canadian securities laws. These forward-looking statements are often identified by the words “may”, “might”, “could”, “would”, “will”, “can”, “should”, “believe”, “foresee”, “anticipate”, “plan”, “expect”, “intend”, “potential”, “goal”, “pro forma”, “adjusted pro forma”, “target”, and the negative of these terms or other comparable or similar terminology or expressions. These include statements regarding (i) expectations regarding whether the Arrangement and the Management Agreement Transactions will be consummated, including whether conditions to the consummation of the Arrangement and the Management Agreement Transactions will be satisfied, or the timing for completing the Arrangement and the Management Agreement Transactions, (ii) the ability of Timbercreek Financial to acquire and maintain a portfolio of mortgage assets capable of generating the necessary annual yield or returns to enable Timbercreek Financial to achieve its business objectives, (iii) the ability of Timbercreek Financial to establish and maintain relationships and agreements with key strategic partners, (iv) the qualification of Timbercreek Financial as a MIC under the Tax Act, (v) the maintenance of prevailing interest rates at favourable levels, (vi) the ability of borrowers to service their obligations under the mortgage assets of Timbercreek Financial, (vii) the ability of TAMI to effectively perform its obligations owed to Timbercreek Financial 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; (viii) anticipated expenditures, future general and administrative expenses, including estimated synergies anticipated as a result of combining the two entities, (ix) the financial implications of the Arrangement, including the anticipated tax treatment of the transaction, the extent to which the transaction is accretive, the financial condition, cash flow, growth prospects, certain strategic benefits, capital markets, operational, competitive and cost synergy and the anticipated future results of Timbercreek Financial as the combined entity, and the adjusted pro forma impact on other financial metrics, and (x) expectations for other economic, business and/or competitive factors.

Such forward-looking information reflects current estimates, beliefs and assumptions of TAMI, the TMIC Board and the TSMIC Board and is based on information currently available to TAMI, the TMIC Board and the TSMIC Board and TAMI's, TMIC's and TSMIC's perception of historical trends, current conditions and expected future developments, as well as other factors they believe are appropriate in the circumstances. Other unknown or unpredictable factors could also have material adverse effects on future results, performance or achievements of Timbercreek Financial. Forward-looking information involves significant risks and uncertainties should not be read as a guarantee of future performance or results and will not necessarily be an accurate indication of whether or not, or the times at which, or by which, such performance or results will be achieved, and readers are cautioned not to place undue reliance on such forward-looking statements.

The forward-looking statements contained in this Circular are based on numerous assumptions which may prove incorrect and which could cause actual results or events to differ materially from the forward-looking statements. Although these forward-looking statements are based upon what TAMI and the boards of directors of each of TMIC and TSMIC believe are reasonable assumptions, none of TAMI, TMIC or TSMIC can assure investors that actual results will be consistent with this forward-looking information. Such assumptions include, but are not limited to, the assumptions set forth in this Circular, as well as (i) that the Arrangement and the Management Agreement Transactions will be completed in accordance with the terms and conditions of the Arrangement Agreement and Management Agreement Transactions, as applicable, and other transaction documents and on the timelines contemplated by the parties thereto, (ii) that court, shareholder, stock exchange and other regulatory approvals will be obtained on the basis and timelines anticipated by the parties, (iii) that the other conditions to the closing of the Arrangement and Management Agreement Transactions will be satisfied, (iv) that Timbercreek Financial will successfully realize the operational and financial benefits described herein, including the realization of synergies, completion of anticipated development opportunities, growth prospects, certain strategic benefits, capital market, operational and cost synergy and generation of cash flow, (v) assumptions relating to general economic and market factors, including exchange rates, local mortgage lending conditions, interest rates and the availability of equity and debt financing to Timbercreek Financial.

These forward-looking statements may be affected by risks and uncertainties in the business of TMIC and TSMIC and market conditions, including that the assumptions upon which the forward-looking statements in this Circular and the documents incorporated by reference herein are based may be incorrect in whole or in part, as well as risks related to the performance of and factors affecting the financial markets and mortgage lending markets generally;

interest rates, local real estate and mortgage financing conditions, currency risk; marketability; additional funding requirements and availability of equity and debt financing; governmental regulations, licenses and permits; competition; uninsured risks; contingent liabilities and guarantees; litigation; reliance on key personnel; directors' and officers' conflicts of interest; the failure to satisfy conditions precedent to the completion of the Arrangement; the ability of Timbercreek Financial to integrate the operations of TMIC and TSMIC and their respective subsidiaries; the ability of Timbercreek Financial to continue to develop and grow; and management of Timbercreek Financial's success in anticipating and managing the foregoing factors, as well as the risks described under "Risk Factors Relating to Timbercreek Financial", "Risk Factors Relating to the Arrangement", "Information Relating to TMIC – Risk Factors" and "Information Relating to TSMIC – Risk Factors" in this Circular. The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect forward-looking statements. Other risks and uncertainties not presently known to TAMI, TMIC and TSMIC or that TAMI, TMIC and TSMIC presently believe are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional information on these and other factors that could affect the operations or financial results of TMIC or TSMIC are included in reports filed by TMIC and TSMIC with applicable securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)). This Circular is qualified in its entirety by the disclosure in such reports.

The reader is also cautioned not to put undue reliance on forward-looking statements. Forward-looking statements reflect current estimates, beliefs and assumptions which are based on TMIC's and TSMIC's perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. TMIC's and TSMIC's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and, as such, are subject to change and may be outside the control of TMIC and TSMIC, and TAMI, TMIC and TSMIC can give no assurance that such estimates, beliefs and assumptions will prove to be correct, and disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

These forward-looking statements are made as of the date of this Circular and, other than as specifically required by law, none of TAMI, TMIC, TSMIC or, following completion of the Arrangement, Timbercreek Financial assumes any obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise, except as required by applicable law.

### **Additional Information**

This Circular incorporates important business and financial information about TMIC and TSMIC from documents that are not included in or delivered with this Circular. This information is available to you without charge upon your request. You can obtain the documents incorporated by reference into this Circular free of charge by requesting them in writing or by telephone from the appropriate entity at the following addresses and telephone numbers:

#### **Timbercreek Mortgage Investment Corporation**

25 Price Street  
Toronto, Ontario M4W 1Z1

Tel: 416-800-1552

#### **Timbercreek Senior Mortgage Investment Corporation**

25 Price Street  
Toronto, Ontario M4W 1Z1

Tel: 416-800-1552

For a more detailed description of the information incorporated by reference into this Circular and how you may obtain it, see "Information Relating to TMIC – TMIC Documents Incorporated by Reference" and "Information Relating to TSMIC – TSMIC Documents Incorporated by Reference".

### **Information for Beneficial Shareholders**

You are a Beneficial Shareholder if a securities dealer, broker, bank, trust corporation or other nominee holds your TMIC Shares or TSMIC Shares for you, or for someone else on your behalf. As a Beneficial Shareholder, you will

most likely have received a Voting Instruction Form from Broadridge Financial Solutions, Inc. (“**Broadridge**”), although in some cases you may have received a form of proxy from the securities dealer, broker, bank, trust corporation or other nominee holding your shares.

Each of TMIC and TSMIC has distributed copies of the securityholder materials related to the TMIC Meeting or TSMIC Meeting to intermediaries for distribution to Beneficial Shareholders. Intermediaries are required to deliver these materials to all Beneficial Shareholders who have not waived their rights to receive these materials and to seek instructions from Beneficial Shareholders as to how to vote their TMIC Shares or TSMIC Shares. Often, intermediaries will use a service corporation (such as Broadridge) to forward materials to securityholders.

Beneficial Shareholders who receive securityholder materials will typically be given the ability to provide voting instructions in one of two ways:

- (a) Usually, a Beneficial Shareholder will be given a Voting Instruction Form which must be completed and signed by the Beneficial Shareholder in accordance with the instructions provided by the intermediary. In this case, the mechanisms described below in the sections “Voting of Shares” and “Revocability of Proxies” cannot be used and the instructions provided by the intermediary must be followed.
- (b) Occasionally, however, a Beneficial Shareholder may be given a proxy that has already been signed by the intermediary. This form of proxy is restricted to the number of TMIC Shares or TSMIC Shares owned by the Beneficial Shareholder but is otherwise not completed. This form of proxy does not need to be signed by the Beneficial Shareholder but must be completed by the Beneficial Shareholder and returned to the transfer agent in the manner described below in the sections “Voting of Shares” and “Revocability of Proxies”. A proxy will not be valid unless it is deposited at the offices of the transfer agent no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the TMIC Meeting or TSMIC Meeting, being 9:00 a.m. (Toronto time) on June 22, 2016 in the case of the TMIC Meeting, and 10:00 a.m. (Toronto time) on June 22, 2016 in the case of the TSMIC Meeting, or any adjournment of either such meeting. TMIC Shareholders that wish to attend and vote at the TMIC Meeting and TSMIC Shareholders that wish to attend and vote at the TSMIC Meeting using this form of proxy should follow the instructions noted below for appointing a representative at the meeting.

The purpose of these procedures is to allow Beneficial Shareholders to direct the proxy voting of the TMIC Shares or TSMIC Shares that they own but that are not registered in their name. Should a Beneficial Shareholder who receives either a form of proxy or a Voting Instruction Form wish to attend and vote at the TMIC or TSMIC Meeting in person (or have another person attend and vote on their behalf), the Beneficial Shareholder should strike out the names noted in the form of proxy as the proxyholder and insert the Beneficial Shareholder's (or such other person's) name in the blank space provided or, in the case of a Voting Instruction Form, follow the corresponding instructions provided by the intermediary. **In either case, Beneficial Shareholders who receive materials from their intermediary should carefully follow the instructions provided by the intermediary.**

To exercise the right to revoke a proxy (or a Voting Instruction Form, as applicable), a Beneficial Shareholder who has completed a proxy (or a Voting Instruction Form, as applicable) should carefully follow the instructions provided by the intermediary.

### **Information for United States Shareholders**

The TF Shares issuable under the Arrangement have not been and will not be registered under the U.S. Securities Act or any state securities laws, and such securities will be issued in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by section 3(a)(10) thereof and similar applicable exemptions from registration under applicable state securities laws. Section 3(a)(10) of the U.S. Securities Act exempts the issuance of securities issued in exchange for one or more bona fide outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by a court of competent jurisdiction, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all persons to whom the securities will be issued have the right to



appear and receive timely notice thereof. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. The Court issued the Interim Order on May 9, 2016 and, subject to the approval of the Continuance Resolution and the TSMIC Arrangement Resolution by the TSMIC Shareholders and the approval of the TMIC Arrangement Resolution by the TMIC Shareholders, a hearing for a final order approving the Arrangement is expected to take place on June 29, 2016 at 10:00 a.m. (Toronto time), or as soon thereafter as is reasonably practicable. All TMIC Shareholders and TSMIC Shareholders are entitled to appear and be heard at this hearing, provided that they satisfy the applicable conditions set forth in the Interim Order. The Final Order approving the Arrangement, if granted, will constitute the basis for the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof. See “The Arrangement and Management Agreement Transactions – Court Approval and Completion of the Arrangement”.

TMIC and TSMIC are “**foreign private issuers**”, within the meaning of Rule 3b-4 under the *U.S. Exchange Act*, and the solicitation of proxies for the TMIC Meeting and the TSMIC Meeting are not subject to the requirements of section 14(a) of the *U.S. Exchange Act*. Accordingly, the solicitations contemplated in this Circular are being made in the United States in accordance with Canadian corporate laws and Canadian securities laws, and this Circular has been prepared solely in accordance with disclosure requirements applicable in Canada. TMIC Shareholders and TSMIC Shareholders in the United States should be aware that such requirements are different from those applicable to registration statements under the U.S. Securities Act and proxy statements under the *U.S. Exchange Act*.

The unaudited historical interim financial statements and audited historical financial statements of TMIC and TSMIC and other financial information included or incorporated by reference in this Circular have been prepared in Canadian dollars. The unaudited historical interim financial statements and audited historical financial statements of TMIC and TSMIC and other financial information included or incorporated by reference in this Circular have been prepared in accordance with IFRS, which differs from U.S. GAAP in certain material respects, and thus are not directly comparable to financial statements of companies prepared in accordance with U.S. GAAP.

The TF Shares to be received by TMIC Shareholders and TSMIC Shareholders upon completion of the Arrangement may be resold without restriction under the U.S. Securities Act, except in respect of resales by persons who are “affiliates” of Timbercreek Financial at the time of such resale or who have been affiliates of Timbercreek Financial within 90 days before such resale. See “Regulatory Matters – United States Securities Law Matters”.

**The enforcement by investors of civil liabilities under the United States federal and state securities laws may be affected adversely by the fact that TMIC and TSMIC are organized under the laws of a jurisdiction other than the United States, that some or all of their officers and directors are and will be residents of countries other than the United States, that some or all of the experts named in this Circular may be residents of countries other than the United States, and that all or a substantial portion of the assets of TMIC and TSMIC and such persons are and will be located outside the United States. As a result, it may be difficult or impossible for TMIC Shareholders or TSMIC Shareholders resident in the United States to effect service of process within the United States upon TMIC or TSMIC, as applicable, their respective officers and directors or the experts named herein, or to realize, against them, upon judgments of courts of the United States predicated upon civil liabilities under the securities laws of the United States or “blue sky” laws of any state within the United States. In addition, the TMIC Shareholders and the TSMIC Shareholders resident in the United States should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the securities laws of the United States or “blue sky” laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the securities laws of the United States or “blue sky” laws of any state within the United States.**

**THE TF SHARES ISSUABLE PURSUANT TO THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES, NOR HAS THE SEC OR ANY SUCH STATE SECURITIES REGULATORY AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

## MATTERS TO BE CONSIDERED AT THE TMIC MEETING

Set out below is summary information relating to the election of directors, the re-appointment of TMIC's auditors and the approval of the TMIC Arrangement Resolution. More detailed information in respect of the annual business matters, as well as the related disclosure to be included in a management information circular for an annual meeting of TMIC Shareholders, is included in Appendix M to this Circular.

### **Annual Business**

#### *Election of Directors of TMIC*

Under the articles of incorporation of TMIC (the "**TMIC Articles**"), the number of directors of TMIC is set at a minimum of three (3) and a maximum of eight (8) and the TMIC Board is authorized to determine the actual number of directors within that range to be elected from time to time. TMIC currently has seven (7) directors. Each director is elected annually and holds office until the next annual meeting of TMIC Shareholders unless he or she sooner ceases to hold office. The TMIC Articles also provide that the TMIC Board has the power to increase the number of directors at any time between annual meetings of shareholders and appoint one or more additional directors, provided that the total number of directors so appointed shall not exceed one-third of the number of directors elected at the previous annual meeting. The TMIC Board has determined that the number of directors to be elected at the TMIC Meeting shall be seven (7).

TMIC intends to nominate each of the current directors of TMIC (the "**TMIC Nominees**") for election as director, and TMIC Shareholders will be asked to vote on an ordinary resolution to elect the TMIC Nominees as directors at the TMIC Meeting. Each TMIC Nominee elected as a director will hold office until the close of the next annual meeting of the TMIC Shareholders or until his successor is elected or appointed. If the Arrangement is completed, TMIC will amalgamate with TSMIC and the TF Board will be constituted as described below under the heading "Information Relating to Timbercreek Financial – Management of Timbercreek Financial – Board of Directors". The TMIC Nominees are, in the opinion of the TMIC Board and management, well qualified to act as directors for the ensuing year. The persons named in the enclosed form of proxy, in the absence of direction to the contrary of the shareholder appointing them, intend to vote for the election of the TMIC Nominees whose names are set forth in "Appendix M – Information Regarding TMIC Annual Meeting and Related Disclosure – Election of Directors". However, in the event that any of the TMIC Nominees should become unavailable for election for any presently unforeseen reason, the persons named in the enclosed proxy will have the right to use their discretion in selecting a substitute.

TMIC has adopted a majority voting policy. Under this policy, in an uncontested election of directors, any nominee proposed for election as a director who receives a greater number of "**withheld**" votes than "**for**" votes is expected to tender his or her resignation to the TMIC Board (which would be effective upon acceptance by the TMIC Board). The TMIC Board will promptly consider the resignation and determine whether to accept or reject the resignation. The TMIC Board will make a decision regarding acceptance of the resignation within 90 days of the TMIC Meeting and will publicly disclose the decision by news release and a report filed on SEDAR at [www.sedar.com](http://www.sedar.com). Where the resignation has not been accepted, the news release will explain why. The TMIC Board expects that resignations will be accepted unless there are exceptional circumstances that warrant a contrary decision.

See "Appendix M – Information Regarding TMIC Annual Meeting and Related Disclosure – Election of Directors".

#### *Appointment of Auditors of TMIC*

TMIC proposes that KPMG LLP, Chartered Accountants of Toronto, Ontario, be appointed as auditors of TMIC for the year ending December 31, 2016 and that the TMIC Board be authorized to fix their remuneration. KPMG LLP has been TMIC's auditors since June 25, 2009. The audit committee of the TMIC Board is satisfied that KPMG LLP meets the relevant independence requirements and is free from conflicts of interest that could impair their objectivity in conducting the audit of TMIC.

The resolution appointing the auditors must be passed by a majority of the votes cast by TMIC Shareholders who vote in respect of that resolution. The TMIC Board recommends that TMIC Shareholders vote **FOR** the resolution appointing KPMG LLP as the auditors of TMIC and authorizing the TMIC Board to fix the remuneration to be paid to the auditors. TMIC Shares represented by proxies in favour of the management nominees will be voted **IN FAVOUR** of such resolution, unless a TMIC Shareholder has specified in their proxy that his, her or its TMIC Shares are to be withheld from voting on such resolution.

See “Appendix M – Information Regarding TMIC Annual Meeting and Related Disclosure – Appointment of Auditors”.

## **Special Business**

### *The Arrangement*

At the TMIC Meeting, TMIC Shareholders will consider and, if thought advisable, pass the TMIC Arrangement Resolution. The full text of the TMIC Arrangement Resolution is set forth in Appendix C to this Circular. Approval of the TMIC Arrangement Resolution will require at least 66 2/3% of the votes cast by TMIC Shareholders to be voted in favour of the TMIC Arrangement Resolution, as well as a majority of the votes cast by TMIC Shareholders present in person or represented by proxy and entitled to vote at the TMIC Meeting, excluding for this purpose votes attached to any TMIC Shares held by persons whose vote are required to be excluded in accordance with the policies of the TSX and MI 61-101.

The TMIC Board recommends that TMIC Shareholders vote **FOR** the TMIC Arrangement Resolution. **TMIC Shares represented by proxies in favour of the management nominees will be voted IN FAVOUR of such special resolution, unless a TMIC Shareholder has specified in their proxy that his, her or its TMIC Shares are to be voted against such special resolution.**

### *The Management Agreement Transactions*

At the TMIC Meeting, TMIC Shareholders will consider and, if thought advisable, pass the TMIC Management Agreement Resolution. The full text of the TMIC Management Agreement Resolution is set forth in Appendix D to this Circular. Approval of the TMIC Management Agreement Resolution will require at least 66 2/3% of the votes cast by TMIC Shareholders to be voted in favour of the TMIC Management Agreement Resolution, as well as a majority of the votes cast by TMIC Shareholders present in person or represented by proxy and entitled to vote at the TMIC Meeting, excluding for this purpose votes attached to any TMIC Shares held by persons whose vote are required to be excluded in accordance with the policies of the TSX and MI 61-101.

The TMIC Board recommends that TMIC Shareholders vote **FOR** the TMIC Management Agreement Resolution. **TMIC Shares represented by proxies in favour of the management nominees will be voted IN FAVOUR of such special resolution, unless a TMIC Shareholder has specified in their proxy that his, her or its TMIC Shares are to be voted against such special resolution.**

### *Conditionality of the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution*

If the TMIC Shareholders do not approve the TMIC Arrangement Resolution, then the TMIC Management Agreement Resolution will be withdrawn, no vote will be held on this resolution and the Arrangement will not proceed. If the TMIC Shareholders approve the TMIC Arrangement Resolution but do not approve the TMIC Management Agreement Resolution, TMIC will not have satisfied one of the conditions for closing under the Arrangement Agreement and TMIC will not proceed with the completion of the Arrangement. TMIC believes that the Management Agreement Transactions are an integral part of the combination of the operations of TMIC and TSMIC, and it is a condition to the completion of the Arrangement that TMIC Shareholders will have approved both the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution. As a result, if either the TMIC Arrangement Resolution or the TMIC Management Agreement Resolution is not approved, the Arrangement and the Management Agreement Transactions will not be completed and TMIC and TSMIC will continue to carry on their respective operations as separate companies under their existing management agreements.

### *Additional Information regarding Approval of the Arrangement*

TMIC Shareholder approval is required in connection with the Arrangement by the OBCA and the rules and regulations of the TSX. In connection with the Arrangement, Timbercreek Financial is obligated to issue approximately 32,551,944 TF Shares to TSMIC Shareholders (based on the number of TSMIC Shares outstanding on May 11, 2016 and subject to adjustment as provided in the Plan of Arrangement), which is equal to approximately 80.3% of the number of TF Shares that will be held by TMIC Shareholders immediately following completion of the Arrangement (based on the number of TMIC Shares outstanding on May 11, 2016 and excluding the TF Shares to be issued to TAMI in exchange for the Consideration Shares, and subject to adjustment as provided in the Plan of Arrangement). Additional dilution will be incurred by TMIC Shareholders, as immediately prior to the Effective Time, TMIC will issue the Consideration Shares, which will subsequently be exchanged for an aggregate of 782,830 TF Shares pursuant to the Arrangement. Pursuant to the Arrangement, the total number of TF Shares to be issued to TSMIC Shareholders (based on the number of such securities outstanding on May 11, 2016 and subject to adjustment as provided in the Plan of Arrangement) is equal to approximately 74.7% of the TF Shares that will be held by TMIC Shareholders (or issuable to holders of TMIC Debentures upon conversion, exchange or redemption of such TMIC Debentures) immediately following completion of the Arrangement (based on the number of TMIC Shares and TMIC Debentures outstanding on May 11, 2016 and excluding the TF Shares to be issued to TAMI in exchange for the Consideration Shares, and subject to adjustment as provided in the Plan of Arrangement). Pursuant to Section 611(c) of the TSX Company Manual, a listed company is generally required to obtain shareholder approval in connection with an acquisition transaction where the number of securities issued or issuable in payment of the purchase price for the acquisition exceeds 25% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the transaction. In order for the Arrangement to be completed, TMIC Shareholders must approve the TMIC Arrangement Resolution as set out above.

If the Arrangement were to be completed on the date of this Circular, approximately 40,523,728 TF Shares would be issued to TMIC Shareholders and 32,551,944 TF Shares would be issued to TSMIC Shareholders. 3,066,667 TF Shares would be reserved for issuance upon the conversion of the TF Debentures. An additional 782,830 TF Shares will be issuable to TAMI in exchange for the TMIC Shares issued as consideration pursuant to the Contribution and Termination Agreement. The exact number of TF Shares to be issued upon closing of the Arrangement will depend on the number of TMIC and TSMIC securities outstanding on such date.

Based on the TMIC and TSMIC securities outstanding on May 11, 2016, following completion of the Arrangement (and assuming that the Consideration Shares are exchanged for TF Shares and the obligations in respect of the TMIC Debentures are assumed by Timbercreek Financial), former TMIC Shareholders immediately following the Effective Time (excluding the TF Shares to be issued to TAMI in exchange for the Consideration Shares,) will hold approximately 55.5% of the TF Shares issued and outstanding immediately following the Effective Time, while former TSMIC Shareholders immediately following the Effective Time will hold approximately 44.5% of the TF Shares outstanding immediately after the Effective Time. As such, the Arrangement will not materially affect control of TMIC or TSMIC on a combined basis.

### **Other Business**

As of the date of this Circular, the TMIC Board does not know of any other matter to be brought before the TMIC Meeting, other than those set forth in the TMIC Notice of Meeting. If other matters are properly brought before the TMIC Meeting, the persons named in the enclosed form of proxy for the TMIC Meeting will vote the proxy on such matters in accordance with their best judgment.

### **Interest of Certain Persons in Matters to be Acted Upon**

Except as disclosed in this Circular, management of TMIC is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or proposed nominee for director, or executive officer or anyone who has held office, or of any associate or affiliate of any of the foregoing, in any matter to be acted upon at the TMIC Meeting.

See “The Arrangement and Management Agreement Transactions – Interests of Certain Persons in the Arrangement and the Management Agreement Transactions.”

## MATTERS TO BE CONSIDERED AT THE TSMIC MEETING

Set out below is summary information relating to the election of directors, the re-appointment of TSMIC's auditors and the approval of the TSMIC Arrangement Resolution. **More detailed information in respect of the annual business matters, as well as the related disclosure to be included in a management information circular for an annual meeting of TSMIC Shareholders, is included in Appendix N to this Circular.**

### **Annual Business**

#### *Election of Directors of TSMIC*

Under the articles of incorporation of TSMIC (the "**TSMIC Articles**"), the number of directors of TSMIC is set at a minimum of three (3) and a maximum of ten (10) and the TSMIC Board is authorized to determine the actual number of directors within that range to be elected from time to time. TSMIC currently has six (6) directors. Each director of TSMIC is elected annually and holds office until the next annual meeting of TSMIC Shareholders unless he or she sooner ceases to hold office. The TSMIC Articles also provide that the TSMIC Board has the power to increase the number of directors at any time between annual meetings of shareholders and appoint one or more additional directors, provided that the total number of directors so appointed shall not exceed one-third of the number of directors elected at the previous annual meeting. The TSMIC Board has determined that the number of directors to be elected at the TSMIC Meeting shall be six (6).

TSMIC intends to nominate each of the current directors of TSMIC (the "**TSMIC Nominees**") for election as directors, and TSMIC Shareholders will be asked to vote on an ordinary resolution to elect the TSMIC Nominees as directors at the TSMIC Meeting. Each TSMIC Nominee elected as a director will hold office until the close of the next annual meeting of the TSMIC Shareholders or until his successor is elected or appointed. If the Arrangement is completed, TSMIC will amalgamate with TMIC and the TF Board will be constituted as described below under the heading "Information Relating to Timbercreek Financial – Management of Timbercreek Financial – Board of Directors". The TSMIC Nominees are, in the opinion of the TSMIC Board and management, well qualified to act as directors for the ensuing year. The persons named in the enclosed form of proxy, in the absence of direction to the contrary of the shareholder appointing them, intend to vote for the election of the TSMIC Nominees whose names are set forth in "Appendix N – Information Regarding TSMIC Annual Meeting and Related Disclosure – Election of Directors". However, in the event that any of the TSMIC Nominees should become unavailable for election for any presently unforeseen reason, the persons named in the enclosed proxy will have the right to use their discretion in selecting a substitute.

TSMIC has adopted a majority voting policy. Under this policy, in an uncontested election of directors, any nominee proposed for election as a director who receives a greater number of "withheld" votes than "for" votes is expected to tender his or her resignation to the TSMIC Board (which would be effective upon acceptance by the TSMIC Board). The TSMIC Board will promptly consider the resignation and determine whether to accept or reject the resignation. The TSMIC Board will make a decision regarding acceptance of the resignation within 90 days of the TSMIC Meeting and will publicly disclose the decision by news release and a report filed on SEDAR at [www.sedar.com](http://www.sedar.com). Where the resignation has not been accepted, the news release will explain why. The TSMIC Board expects that resignations will be accepted unless there are exceptional circumstances that warrant a contrary decision.

See "Appendix N – Information Regarding TSMIC Annual Meeting and Related Disclosure – Election of Directors".

#### *Appointment of Auditors of TSMIC*

TSMIC proposes that KPMG LLP, Chartered Accountants of Toronto, Ontario, be appointed as TSMIC's auditors for the year ending December 31, 2016 and that the TSMIC Board be authorized to fix their remuneration. KPMG LLP has been the auditors of TSMIC since January 17, 2012. The audit committee of the TSMIC Board is satisfied that KPMG LLP meets the relevant independence requirements and is free from conflicts of interest that could impair their objectivity in conducting the audit of TSMIC.

The resolution appointing the auditors must be passed by a majority of the votes cast by TSMIC Shareholders who vote in respect of that resolution. The TSMIC Board recommends that TSMIC Shareholders vote **FOR** the resolution appointing KPMG LLP as the auditors of TSMIC to hold office until the next annual meeting of TSMIC and authorizing the TSMIC Board to fix the remuneration to be paid to the auditors. TSMIC Shares represented by proxies in favour of the management nominees will be voted **IN FAVOUR** of such resolution, unless a TSMIC Shareholder has specified in their proxy that his, her or its TSMIC Shares are to be withheld from voting on such resolution.

See “Appendix N – Information Regarding TSMIC Annual Meeting and Related Disclosure – Appointment of Auditors”.

### **Special Business**

#### *The Continuance*

At the TSMIC Meeting, TSMIC Shareholders will consider and, if thought advisable, pass the Continuance Resolution. The full text of the Continuance Resolution is set forth in Appendix E to this Circular. Approval of the Continuance Resolution will require at least 66 2/3% of the votes cast by TSMIC Shareholders to be voted in favour of the Continuance Resolution.

The TSMIC Board recommends that TSMIC Shareholders vote **FOR** the Continuance Resolution. **TSMIC Shares represented by proxies in favour of the management nominees will be voted IN FAVOUR of such special resolution, unless a TSMIC Shareholder has specified in their proxy that his, her or its TSMIC Shares are to be voted against such special resolution.**

#### *The Arrangement*

At the TSMIC Meeting, TSMIC Shareholders will consider and, if thought advisable, pass the TSMIC Arrangement Resolution. The full text of the TSMIC Arrangement Resolution is set forth in Appendix F to this Circular. Approval of the TSMIC Arrangement Resolution will require at least 66 2/3% of the votes cast by TSMIC Shareholders to be voted in favour of the TSMIC Arrangement Resolution, as well as a majority of the votes cast by TSMIC Shareholders present in person or represented by proxy and entitled to vote at the TSMIC Meeting, excluding for this purpose votes attached to any TSMIC Shares held by persons whose vote are required to be excluded in accordance with the policies of the TSX and MI 61-101.

The TSMIC Board recommends that TSMIC Shareholders vote **FOR** the TSMIC Arrangement Resolution. **TSMIC Shares represented by proxies in favour of the management nominees will be voted IN FAVOUR of such special resolution, unless a TSMIC Shareholder has specified in their proxy that his, her or its TSMIC Shares are to be voted against such special resolution.**

#### *The Management Agreement Transactions*

At the TSMIC Meeting, TSMIC Shareholders will consider and, if thought advisable, pass the TSMIC Management Agreement Resolution. The full text of the TSMIC Management Agreement Resolution is set forth in Appendix G to this Circular. Approval of the TSMIC Management Agreement Resolution will require at least 66 2/3% of the votes cast by TSMIC Shareholders to be voted in favour of the TSMIC Management Agreement Resolution, as well as a majority of the votes cast by TSMIC Shareholders present in person or represented by proxy and entitled to vote at the TSMIC Meeting, excluding for this purpose votes attached to any TSMIC Shares held by persons whose vote are required to be excluded in accordance with the policies of the TSX and MI 61-101.

The TSMIC Board recommends that TSMIC Shareholders vote **FOR** the TSMIC Management Agreement Resolution. **TSMIC Shares represented by proxies in favour of the management nominees will be voted IN FAVOUR of such special resolution, unless a TSMIC Shareholder has specified in their proxy that his, her or its TSMIC Shares are to be voted against such special resolution.**

*Conditionality of the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution.*

The Arrangement will be carried out pursuant to the OBCA, and it is necessary that TSMIC be continued under the OBCA prior to the Effective Time in order for the Arrangement to proceed. If the TSMIC Shareholders do not approve the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution will be withdrawn, no vote will be held on these resolutions and the Arrangement will not proceed. If the TSMIC Shareholders approve the Continuance Resolution and the TSMIC Arrangement Resolution but do not approve the TSMIC Management Agreement Resolution, TSMIC will not have satisfied one of the conditions for closing under the Arrangement Agreement and TSMIC will not proceed with the completion of the Arrangement. TSMIC believes that the Management Agreement Transactions are an integral part of the combination of the operations of TMIC and TSMIC, and it is a condition to the completion of the Arrangement that TSMIC Shareholders will have approved each of the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution. As a result, if any of the Continuance Resolution, the TSMIC Arrangement Resolution or the TSMIC Management Agreement Resolution is not approved, the Arrangement and the Management Agreement Transactions will not be completed and TMIC and TSMIC will continue to carry on their respective operations as separate companies.

*Additional Information Regarding Approval of the Arrangement*

TSMIC Shareholder approval is required in connection with the Arrangement by the OBCA and the rules and regulations of the TSX. In connection with the Arrangement, Timbercreek Financial is obligated to issue approximately 40,523,728 TF Shares to TMIC shareholders (based on the number of TMIC Shares outstanding on May 11, 2016 and excluding the TF Shares to be issued to TAMI in exchange for the Consideration Shares, and subject to adjustment as provided in the Plan of Arrangement), which is equal to approximately 124.5% of the number of TF Shares that will be held by TSMIC Shareholders immediately following completion of the Arrangement (based on the number of TSMIC Shares outstanding on May 11, 2016 and excluding the TF Shares to be issued to TAMI in exchange for the Consideration Shares, and subject to adjustment as provided in the Plan of Arrangement). Additional dilution will be incurred by TSMIC Shareholders, as immediately prior to the Effective Time, TMIC will issue the Consideration Shares, which will subsequently be exchanged for an aggregate of 782,830 TF Shares pursuant to the Arrangement. In addition, Timbercreek Financial will also assume the obligations of TMIC in respect of the TMIC Debentures. An aggregate of 3,066,667 TF Shares will be issuable upon conversion of the TF Debentures. Pursuant to the Arrangement, the total number of TF Shares to be issued to TMIC Shareholders (other than to TAMI in exchange for the Consideration Shares) and issuable to holders of TMIC Debentures (based on the number of such securities outstanding on May 11, 2016 and subject to adjustment as provided in the Plan of Arrangement) is equal to approximately 133.9% of the TF Shares that will be held by TSMIC Shareholders immediately following completion of the Plan of Arrangement (based on the number of TSMIC Shares outstanding on May 11, 2016 and excluding the TF Shares to be issued to TAMI in exchange for the Consideration Shares, and subject to adjustment as provided in the Plan of Arrangement). Pursuant to Section 611(c) of the TSX Company Manual, a listed company is generally required to obtain shareholder approval in connection with an acquisition transaction where the number of securities issued or issuable in payment of the purchase price for the acquisition exceeds 25% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the transaction. In order for the Arrangement to be completed, TSMIC Shareholders must approve the TSMIC Arrangement Resolution as set out above.

If the Arrangement were to be completed on the date of this Circular, approximately 40,523,728 TF Shares would be issued to TMIC Shareholders and 32,551,944 TF Shares would be issued to TSMIC Shareholders. 3,066,667 TF Shares would be reserved for issuance upon the conversion of the TF Debentures. An additional 782,830 TF Shares will be issuable to TAMI in exchange for the TMIC Shares issued as consideration pursuant to the Contribution and Termination Agreement. The exact number of TF Shares to be issued upon closing of the Arrangement will depend on the number of TMIC and TSMIC securities outstanding on such date.

Based on the TMIC and TSMIC securities outstanding on May 11, 2016, following completion of the Arrangement (and assuming that the Consideration Shares are exchanged for TF shares and the obligations in respect of the TMIC Debentures are assumed by Timbercreek Financial), former TMIC Shareholders immediately following the Effective Time (excluding the TF Shares to be issued to TAMI in exchange for the Consideration Shares,) will hold

approximately 55.5% of the TF Shares issued and outstanding immediately following the Effective Time, while former TSMIC Shareholders immediately following the Effective Time will hold approximately 44.5% of the TF Shares outstanding immediately after the Effective Time. As such, the Arrangement will not materially affect control of TMIC or TSMIC on a combined basis.

### **Other Business**

As of the date of this Circular, the TSMIC Board does not know of any other matter to be brought before the TSMIC Meeting, other than those set forth in the TSMIC Notice of Meeting. If other matters are properly brought before the TSMIC Meeting, the persons named in the enclosed form of proxy for the TSMIC Meeting will vote the proxy on such matters in accordance with their best judgment.

### **Interest of Certain Persons in Matters to be Acted Upon**

Except as disclosed in this Circular, management of TSMIC is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or proposed nominee for director, or executive officer or anyone who has held office, or of any associate or affiliate of any of the foregoing, in any matter to be acted upon at the TSMIC Meeting.

See “The Arrangement and Management Agreement Transactions – Interests of Certain Persons in the Arrangement and Management Agreement Transactions.”

## **SUMMARY INFORMATION**

### **TMIC Meeting**

#### *Purpose of the TMIC Meeting*

The TMIC Meeting is an annual and special meeting of TMIC Shareholders to elect directors for the ensuing year, appoint an auditor for the ensuing year and to authorize the TMIC Board to fix such auditor’s remuneration and to consider and, if thought advisable, approve the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution, and to transact such further and other business as may be properly brought before the TMIC Meeting.

#### *Date, Time and Place*

The TMIC Meeting will be held at the office of McCarthy Tétrault LLP, Suite 5300, TD Bank Tower, 66 Wellington Street West, Toronto, Ontario, on June 22, 2016 at 9:00 a.m. (Toronto time).

#### *TMIC Record Date*

The record date for determining the TMIC Shareholders entitled to receive notice of and to vote at the TMIC Meeting is May 11, 2016. Only TMIC Shareholders of record as of the close of business (Toronto time) on the TMIC Record Date are entitled to receive notice of and to vote at the TMIC Meeting.

### **TSMIC Meeting**

#### *Purpose of the TSMIC Meeting*

The TSMIC Meeting is an annual and special meeting of TSMIC Shareholders to elect directors for the ensuing year, appoint an auditor for the ensuing year and to authorize the TSMIC Board to fix such auditor’s remuneration and to consider and, if thought advisable, approve the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution, and to transact such further and other business as may be properly brought before the TSMIC Meeting.



#### *Date, Time and Place*

The TSMIC Meeting will be held at the office of McCarthy Tétrault LLP at 66 Wellington Street West, Toronto, Ontario, on June 22, 2016 at 10:00 a.m. (Toronto time).

#### *TSMIC Record Date*

The record date for determining the TSMIC Shareholders entitled to receive notice of and to vote at the TSMIC Meeting is May 11, 2016. Only TSMIC Shareholders of record as of the close of business (Toronto time) on the TSMIC Record Date are entitled to receive notice of and to vote at the TSMIC Meeting.

#### **The Arrangement and Management Agreement Transactions**

On May 5, 2016, TMIC, TSMIC and TAMI entered into the Arrangement Agreement, pursuant to which the parties agreed that, subject to the terms and conditions set forth in the Arrangement Agreement, TMIC and TSMIC will amalgamate to form a single entity, with each TMIC Shareholder receiving one (1) TF Share for each TMIC Share held and each TSMIC Shareholder receiving 1.035 TF Shares for each TSMIC Share held. The terms of the Arrangement Agreement are the result of arm's length negotiations conducted among TMIC, TSMIC and representatives of the TMIC Special Committee and the TSMIC Special Committee and their respective advisors. Under the Arrangement Agreement, TMIC has agreed to, among other things, call the TMIC Meeting to seek approval of TMIC Shareholders for the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution and, if such resolutions are approved, jointly apply to the Court with TSMIC for the Final Order, and TSMIC has agreed to, among other things, call the TSMIC Meeting to seek approval of TSMIC Shareholders for the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution, and, if such resolutions are approved, jointly apply to the Court with TMIC for the Final Order.

Concurrently with the Arrangement Agreement, TMIC, TSMIC and TAMI entered into the Management Fee Agreements, pursuant to which the parties agreed that, subject to the terms and conditions set forth in the Escrow Agreement and the Contribution and Termination Agreement (including, without limitation, that the Arrangement shall have been approved by the TMIC Shareholders and the TSMIC Shareholders and that all other conditions precedent to the completion of the Arrangement shall have been satisfied or waived): (i) at the Escrow Release Time, the TSMIC Management Agreement will be terminated; (ii) at the Escrow Release Time, TAMI will transfer its right, title and interest in the TMIC Management Agreement to TMIC, in consideration for the issuance by TMIC of the Consideration Shares; and (iii) immediately following the completion of the Arrangement, the New Management Agreement will be released from escrow and will be a valid and binding agreement as between Timbercreek Financial and TAMI.

See "The Arrangement and Management Agreement Transactions".

#### *Recommendation of the TMIC Special Committee*

After careful consideration, including consultation with its independent legal and financial advisors, the TMIC Special Committee unanimously determined that the Arrangement and the Management Agreement Transactions are in the best interests of TMIC. The TMIC Special Committee unanimously recommended that the TMIC Board approve the Arrangement Agreement and the Management Fee Agreements and that the TMIC Board recommend that TMIC Shareholders vote their TMIC Shares in favour the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution.

#### *Recommendation of the TMIC Board*

After careful consideration, and based upon the unanimous recommendation of the TMIC Special Committee, the TMIC Board has unanimously determined (with R. Blair Tamblyn, Ugo Bizzarri and Andrew Jones declaring their interest in the transaction and abstaining from voting) that the Arrangement and the Management Agreement Transactions are in the best interests of TMIC, and recommends that TMIC Shareholders vote their TMIC Shares in favour the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution.

### *Reasons for the Recommendations of the TMIC Special Committee and TMIC Board*

The TMIC Board has considered all aspects of the proposed Arrangement and Management Fee Agreements and has received the benefit of advice from its legal and financial advisors and a recommendation from the TMIC Special Committee. The TMIC Board and the TMIC Special Committee identified a number of factors set out below as being the most relevant to its recommendation to holders of TMIC Shares to vote for the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution. The conclusions and recommendations of the TMIC Board and the TMIC Special Committee were made after considering the totality of the information and factors considered.

The TMIC Board continuously considers ways to enhance shareholder value and the proposed Arrangement is the culmination of many months of consideration by the TMIC Board, TAMI and its advisors. Among the alternatives examined by the TMIC Board, the creation of Timbercreek Financial was determined to be the most compelling opportunity to enhance shareholder value, and the conclusions and recommendations of the TMIC Board are based upon the following factors, among others, which are benefits that will enhance shareholder value:

- *Enhanced Capital Markets Profile* – Timbercreek Financial will have a book value of approximately \$650 million, more than double the size of any other publicly traded MIC. Greater market capitalization, float and liquidity are key factors in attracting investors (particularly institutions), acquisition opportunities and research coverage. A higher profile is also expected to enhance access to sources of capital (including convertible debenture issuances) and facilitate growth for Timbercreek Financial.
- *Book Value and Earnings Per Share Accretion* – Timbercreek Financial will target to distribute 95% of annual earnings, reinvesting the remainder in the business to grow book value and earnings. As a result of the improved access to credit and reduction in costs due to lower overall management fees and administrative costs, Timbercreek Financial is targeting an EPS<sup>4</sup> of approximately \$0.72 on a stabilized basis over the next 12 months. This target EPS, which is primarily generated through costs savings, is a significant improvement from the EPS generated by TMIC in 2015, and the target payout of 95% of EPS will result in more income distributed to TMIC Shareholders.
- *Superior Diversified Portfolio Delivering a Strong Risk-Adjusted Yield* – Timbercreek Financial's \$1 billion portfolio will provide both improved earnings per share and diversification. Combined with the improved credit facility, cost of capital will be reduced, allowing Timbercreek Financial to target higher quality mortgages while delivering consistent financial results (or higher results with consistent risk).
- *Reduced Management Fees and Improved Alignment of Interests* – The elimination of TMIC's performance fee and the reduction of its management fee from 1.2% to 0.85% of gross assets are positive improvements for TMIC Shareholders. There will be also small servicing fee on any senior tranche of a mortgage syndicated by TAMI to a third party. In return, for the long-term fee reduction, TMIC will issue the Consideration Shares (at book value, which represents a premium of approximately 6% to the closing price of TMIC Shares as of May 5, 2016) to TAMI, substantially increasing TAMI's ownership of the company and alignment with all shareholders. See "Information Relating to Timbercreek Financial – New Management Agreement" and "The Arrangement and Management Agreement Transactions – Description of the Management Agreement Transactions".
- *Simplified Structure with Cost Synergies* – The combination creates a single entity, reducing market confusion between the different portfolios and the relative merits of the respective strategies, allowing

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<sup>4</sup> The EPS estimate assumes market fundamentals are consistent with those present at the time of this Circular and that targeted rates and fees are achieved and additional credit is deployed within 12 months of the effective date of the Arrangement. The estimated EPS is approved by TAMI as of the date of this Circular and it is for the purpose of showing potential accretion to the combined entity compared to the pre-amalgamation entities. This information may not be appropriate and should not be used for other purposes. Please also see the other assumptions and risk factors set out in this Circular under "Joint Management Information Circular – Forward Looking Information".

TAMI to share a simpler and unified message on its strategy, resulting in a very competitive fee structure relative to peers in the industry.

- *Enhanced Access to Credit* – The New Credit Facility provides advantages when compared to the pre-existing facilities for TMIC and TSMIC. Timbercreek Financial is targeting an EPS<sup>5</sup> of \$0.72 on a stabilized basis over the next 12 months, which can primarily be achieved through cost savings realized through the combination. The additional capital available as a result of the larger credit facility will, therefore, allow Timbercreek Financial to target higher quality, lower interest rate loans, thereby lowering the risk profile of the portfolio.
- *Peer Comparison* – Timbercreek Financial will demonstrate favourable characteristics versus its peers, including a larger portfolio, comparable debt-to-equity ratio, industry leading geographic diversification and a competitive management fee structure where the manager will pass through to the company all revenue generated through lender fees charged to the borrowers, which is not typical amongst other public MICs.

The TMIC Board and TMIC Special Committee also considered a number of risks and other potentially negative factors relating to the Arrangement and the Management Agreement Transactions, including those matters described under the headings “Risk Factors Relating to Timbercreek Financial”, “Risk Factors Relating to the Arrangement”, “Information Relating to TMIC – Risk Factors” and “Information Relating to TSMIC – Risk Factors”. The TMIC Board and TMIC Special Committee determined that, overall, the anticipated benefits of the Arrangement to TMIC outweighed these risks and potential negative factors.

#### *TMIC Fairness Opinion*

The TMIC Special Committee retained TD Securities to provide to TMIC an opinion as to whether the consideration to be received by TMIC Shareholders, other than TAMI and its related parties, in connection with the Contemplated Transactions is fair, from a financial point of view, to such TMIC Shareholders.

The TMIC Fairness Opinion states that, in the opinion of TD Securities, as of May 5, 2016, and based upon and subject to the analysis, assumptions, qualifications and limitations set out therein, the consideration to be received by TMIC Shareholders (other than TAMI and its related parties) in connection with the Contemplated Transactions is fair, from a financial point of view, to such TMIC Shareholders. TMIC Shareholders are urged to read the TMIC Fairness Opinion in its entirety. A copy of the TMIC Fairness Opinion is attached as Appendix K to this Circular.

#### *Recommendation of the TSMIC Special Committee*

After careful consideration, including consultation with its independent legal and financial advisors, the TSMIC Special Committee unanimously determined that the Continuance, the Arrangement and the Management Agreement Transactions are in the best interests of TSMIC. The TSMIC Special Committee unanimously recommended that the TSMIC Board approve the Continuance, the Arrangement Agreement and the Management Fee Agreements and that the TSMIC Board recommend that TMIC Shareholders vote their TSMIC Shares FOR the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution.

#### *Recommendation of the TSMIC Board*

After careful consideration, and based upon the unanimous recommendation of the TSMIC Special Committee, the TSMIC Board has unanimously determined (with R. Blair Tamblyn, Ugo Bizzarri and Andrew Jones declaring their interest in the transaction and abstaining from voting with respect to the approval of the Arrangement and Management Agreement Transactions) that the Continuance, the Arrangement and the Management Agreement

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<sup>5</sup> The EPS estimate assumes market fundamentals are consistent with those present at the time of this Circular and that targeted rates and fees are achieved and additional credit is deployed within 12 months of the effective date of the Arrangement. The estimated EPS is approved by TAMI as of the date of this Circular and it is for the purpose of showing potential accretion to the combined entity compared to the pre-amalgamation entities. This information may not be appropriate and should not be used for other purposes. Please also see the other assumptions and risk factors set out in this Circular under “Joint Management Information Circular – Forward Looking Information”

Transactions are in the best interests of TSMIC, and recommends that TSMIC Shareholders vote their TSMIC Shares in favour of the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution.

*Reasons for the Recommendations of the TSMIC Special Committee and TSMIC Board*

The TSMIC Board has considered all aspects of the proposed Arrangement and Management Agreement Transactions and has received the benefit of advice from its legal and financial advisors and a recommendation from the TSMIC Special Committee. The TSMIC Board and the TSMIC Special Committee identified a number of factors as being the most relevant to its recommendation to holders of TSMIC Shares to vote for the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution. The conclusions and recommendations of the TSMIC Board and the TSMIC Special Committee were made after considering the totality of the information and factors considered.

The conclusions and recommendations of the TSMIC Board are based upon the following factors, among others, which are benefits that will enhance shareholder value:

- *Enhanced Capital Markets Profile* – Timbercreek Financial will have a book value of approximately \$650 million, more than double the size of any other publicly traded MIC. Greater market capitalization, float and liquidity are key factors in attracting investors (particularly institutions), acquisition opportunities and research coverage. A higher profile is also expected to enhance access to sources of capital (including convertible debenture issuances) and facilitate growth for Timbercreek Financial.
- *Book Value and Earnings Per Share Accretion* – Timbercreek Financial will target to distribute 95% of annual earnings, reinvesting the remainder in the business to grow book value and earnings. As a result of the improved access to credit and reduction in costs due to lower overall management fees and administrative costs, Timbercreek Financial is targeting an EPS<sup>6</sup> of approximately \$0.72 on a stabilized basis over the next 12 months. This target EPS, which is primarily generated through costs savings, is a significant improvement from the EPS generated by TSMIC in 2015, and the target payout of 95% of EPS will result in more income distributed to TSMIC Shareholders.
- *Superior Diversified Portfolio Delivering a Strong Risk-Adjusted Yield* – Timbercreek Financial's \$1 billion portfolio will provide both improved earnings per share and diversification. Combined with the improved credit facility, cost of capital will be reduced, allowing Timbercreek Financial to target higher quality mortgages while delivering consistent financial results (or higher results with consistent risk).
- *Improved Alignment of Interests* – The Consideration Shares that TAMI receives from TMIC prior to the Arrangement being effected will substantially increase TAMI's ownership of and alignment with Timbercreek Financial.
- *Simplified Structure with Cost Synergies* – The combination creates a single entity, reducing market confusion between the different portfolios and the relative merits of the respective strategies, allowing TAMI to share a simpler and unified message on its strategy, resulting in a very competitive fee structure relative to peers in the industry.
- *Improved Investment Guidelines* – Adjustments to the investment criteria will permit Timbercreek Financial to monetize on investment opportunities, creating benefits in addition to the operational synergies that are expected.

<sup>6</sup> The EPS estimate assumes market fundamentals are consistent with those present at the time of this Circular and that targeted rates and fees are achieved and additional credit is deployed within 12 months of the effective date of the Arrangement. The estimated EPS is approved by TAMI as of the date of this Circular and it is for the purpose of showing potential accretion to the combined entity compared to the pre-amalgamation entities. This information may not be appropriate and should not be used for other purposes. Please also see the other assumptions and risk factors set out in this Circular under "Joint Management Information Circular – Forward Looking Information".

- *Enhanced Access to Credit* – The New Credit Facility provides advantages when compared to the pre-existing facilities for TMIC and TSMIC. Timbercreek Financial is targeting an EPS<sup>7</sup> of \$0.72 on a stabilized basis over the next 12 months, which can primarily be achieved through cost savings realized through the combination. The additional capital available as a result of the larger credit facility will, therefore, allow Timbercreek Financial to target higher quality, lower interest rate loans, thereby lowering the risk profile of the portfolio.
- *Peer Comparison* – Timbercreek Financial will demonstrate favourable characteristics versus its peers, including a larger portfolio, comparable debt-to-equity ratio, industry leading geographic diversification and a competitive management fee structure where the manager will pass through to the company all revenue generated through lender fees charged to the borrowers, which is not typical amongst other public MICs.
- *Alternatives to the Arrangement* – The TSMIC Special Committee reviewed several structural alternatives to the Arrangement presented by National Bank, and National Bank concluded that the Arrangement is the most attractive value creation strategy in comparison to the structural alternatives.

The TSMIC Board and TSMIC Special Committee also considered a number of risks and other potentially negative factors relating to the Arrangement and the related transactions, including those matters described under the headings “Risk Factors Relating to Timbercreek Financial”, “Risk Factors Relating to the Arrangement”, “Information Relating to TSMIC – Risk Factors” and “Information Relating to TMIC – Risk Factors”. The TSMIC Board and TSMIC Special Committee determined that, overall, the anticipated benefits of the Arrangement to TSMIC outweighed these risks and potential negative factors.

#### *TSMIC Fairness Opinion*

The TSMIC Special Committee retained National Bank to provide to TSMIC an opinion as to whether the consideration to be received by TSMIC Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the TSMIC Shareholders, other than TAMI and its affiliates.

The TSMIC Fairness Opinion states that, in the opinion of National Bank, as of May 5, 2016, and based upon and subject to the analysis, assumptions, qualifications and limitations set out therein, the consideration to be received by the TSMIC Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the TSMIC Shareholders, other than TAMI and its affiliates. TSMIC Shareholders are urged to read the TSMIC Fairness Opinion in its entirety. A copy of the TSMIC Fairness Opinion is attached as Appendix L to this Circular.

#### *Other Considerations*

In making their respective conclusions and recommendations, each of the TMIC Board and the TSMIC Board (and their respective special committees) were also mindful that a number of procedural safeguards were and are present to permit each of the boards and their respective special committees to effectively represent the interests of each of the Parties, the TMIC Shareholders and TSMIC Shareholders, other than TAMI and its affiliates, and the other stakeholders of each of the Parties, including, among others:

- *Role of the TMIC Special Committee.* The TMIC Special Committee evaluated and negotiated the Arrangement Agreement and the Management Fee Agreements on behalf of TMIC. The TMIC Special Committee consists of individuals who are independent of management and TSMIC. The TMIC Special Committee met regularly with its own independent legal and financial advisors.

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<sup>7</sup> The EPS estimate assumes market fundamentals are consistent with those present at the time of this Circular and that targeted rates and fees are achieved and additional credit is deployed within 12 months of the effective date of the Arrangement. The estimated EPS is approved by TAMI as of the date of this Circular and it is for the purpose of showing potential accretion to the combined entity compared to the pre-amalgamation entities. This information may not be appropriate and should not be used for other purposes. Please also see the other assumptions and risk factors set out in this Circular under “Joint Management Information Circular – Forward Looking Information”

- *Role of the TSMIC Special Committee.* The TSMIC Special Committee evaluated and negotiated the Arrangement Agreement and the Management Fee Agreements on behalf of TSMIC. The TSMIC Special Committee consists of individuals who are independent of management and TSMIC. The TSMIC Special Committee met regularly with its own independent legal and financial advisors.
- *Ability to Respond to Superior Proposals.* Notwithstanding the limitations contained in the Arrangement Agreement on TMIC and TSMIC's ability to solicit interest from third parties, the Arrangement Agreement allows each of the parties to engage in discussions or negotiations with respect to an unsolicited written bona fide Acquisition Proposal at any time: (i) in the case of TMIC, prior to the approval of the TMIC Arrangement Resolution by the TMIC Shareholders and after the TMIC Board determines, in good faith, after consultation with its financial advisors and outside legal counsel, that such Acquisition Proposal could reasonably be expected to lead to a Superior Proposal; or, (ii) in the case of TSMIC, prior to the approval of the TSMIC Arrangement Resolution by the TSMIC Shareholders and after the TSMIC Board determines, in good faith, after consultation with its financial advisors and outside legal counsel, that such Acquisition Proposal could reasonably be expected to lead to a Superior Proposal.
- *Reasonable Termination Fee.* The amount of the reciprocal Termination Fee, being \$9 million, is reasonable in the circumstances.
- *Protection for TMIC Shareholders.* The Arrangement and related transactions are subject to the following securityholder and Court approvals, which protect TMIC Shareholders (other than TAMI and its affiliates):
  - pursuant to the TMIC Articles, the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution must each be approved, with or without variation, by the affirmative vote of at least two-thirds of the votes cast on such resolution by TMIC Shareholders present in person or represented by proxy and entitled to vote at the TMIC Meeting, as well as a majority of the votes cast by TMIC Shareholders present in person or represented by proxy and entitled to vote at the TMIC Meeting, excluding for this purpose votes attached to any TMIC Shares held by persons whose vote are required to be excluded in accordance with the policies of the TSX and MI 61-101, being TAMI and its related parties;
  - the Arrangement must be approved by the Court, which will consider, among other things, the fairness and reasonableness of the Arrangement to TMIC Shareholders; and
  - any registered TMIC Shareholder who opposes the Arrangement may, on strict compliance with certain conditions, exercise its Dissent Rights and receive the fair value of the Dissent Shares in accordance with the section 185 of the OBCA, as modified by the Interim Order and the Plan of Arrangement.
- *Protection for TSMIC Shareholders.* The Arrangement and related transactions are subject to the following securityholder and Court approvals, which protect TSMIC Shareholders (other than TAMI and its affiliates):
  - pursuant to the TSMIC Articles, the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution must each be approved, with or without variation, by the affirmative vote of at least two-thirds of the votes cast on such resolution by TSMIC Shareholders present in person or represented by proxy and entitled to vote at the TSMIC Meeting. The TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution must also be approved by a majority of the votes cast by TSMIC Shareholders present in person or represented by proxy and entitled to vote at the TSMIC Meeting, excluding for this purpose votes attached to any TSMIC Shares held by persons whose vote are required to be excluded in accordance with the policies of the TSX and MI 61-101, being TAMI and its related parties;

- the Arrangement must be approved by the Court, which will consider, among other things, the fairness and reasonableness of the Arrangement to TSMIC Shareholders; and
- any registered TSMIC Shareholder who opposes the Continuance Resolution may, on strict compliance with certain conditions, exercise its Dissent Rights and receive the fair value of the Dissent Shares in accordance with section 190 of the CBCA. In addition, any registered TSMIC Shareholder who opposes the Arrangement and who does not exercise Dissent Rights in respect of the Continuance Resolution may, on strict compliance with certain conditions, exercise its Dissent Rights and receive the fair value of the Dissent Shares in accordance with section 185 of the OBCA, as modified by the Interim Order and the Plan of Arrangement;
- *TAMI and all of the Directors and Officers of TMIC will be voting FOR the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution.* As of TMIC Record Date, TAMI and the Directors and Officers of TMIC collectively own, directly or indirectly, or exercise control or direction over an aggregate of 417,260 TMIC Shares, representing approximately 1.03% of the outstanding TMIC Shares. As indicated above, TMIC Shares held by TAMI and its related parties will be excluded from voting for purposes of determining whether minority approval of the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution is obtained in accordance with the policies of the TSX and MI 61-101.
- *TAMI and all of the Directors and Officers of TSMIC will be voting FOR the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution.* As of the TSMIC Record Date, TAMI and the Directors and Officers of TSMIC collectively own, directly or indirectly, or exercise control or direction over an aggregate of 330,289 TSMIC Shares, representing approximately 1.05% of the outstanding TSMIC Shares. As indicated above, TSMIC Shares held by TAMI and its related parties will be excluded from voting for purposes of determining whether minority approval of the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution is obtained in accordance with the policies of TSX and MI 61-101.

#### *Effect of the Arrangement and the Management Agreement Transactions*

If approved, the Arrangement will become effective at the Effective Time (which is expected to be at 12:01 a.m. (Toronto time) on June 30, 2016, or such later date as may be agreed to in writing by TMIC and TSMIC). At the Effective Time, among other things, TMIC and TSMIC will be amalgamated and continue as a single corporation, with TMIC Shareholders receiving one (1) TF Share for each TMIC Share and TSMIC Shareholders receiving 1.035 TF Shares for each TSMIC Share, without any further authorization or formality. Immediately prior to the Effective Time of the Arrangement, pursuant to the Contribution and Termination Agreement, the right, title and interest of TAMI in the TMIC Management Agreement will be acquired by TMIC and the TSMIC Management Agreement will be terminated, and following the completion of the Arrangement, the New Management Agreement will become effective, all as provided in the Management Fee Agreements.

See “The Arrangement and Management Agreement Transactions”.

#### *Procedure for the Arrangement and the Management Agreement Transactions to become Effective*

The Arrangement is proposed to be carried out pursuant to the provisions of Sections 182 of the OBCA. The following procedural steps must be taken in order for the Arrangement to become effective:

- the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution must be approved by the TMIC Shareholders at the TMIC Meeting;
- the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution must be approved by the TSMIC Shareholders at the TSMIC Meeting;
- the Court must grant the Final Order approving the Arrangement;

- all conditions precedent to the Arrangement (as further described in the Arrangement Agreement) must be satisfied or waived by the appropriate Party; and
- the Final Order, Articles of Arrangement and related documents, in the form prescribed by the OBCA, must be filed with the Director.

#### *TMIC Shareholder Approval*

To be effective, the TMIC Arrangement Resolution must be approved, with or without variation, by the affirmative vote of at least 66 2/3% of the votes cast by TMIC Shareholders present in person or represented by proxy and entitled to vote at the TMIC Meeting as well as a majority of the votes cast by TMIC Shareholders present in person or represented by proxy and entitled to vote at the TMIC Meeting, excluding for this purpose votes attached to any TMIC Shares held by persons whose vote are required to be excluded in accordance with the policies of the TSX and MI 61-101 (being TAMI and its related parties).

To be effective, the TMIC Management Agreement Resolution must be approved, with or without variation, by the affirmative vote of at least 66 2/3% of the votes cast by TMIC Shareholders present in person or represented by proxy and entitled to vote at the TMIC Meeting as well as a majority of the votes cast by TMIC Shareholders present in person or represented by proxy and entitled to vote at the TMIC Meeting, excluding for this purpose votes attached to any TMIC Shares held by persons whose vote are required to be excluded in accordance with the policies of the TSX and MI 61-101 (being TAMI and its related parties).

See “Regulatory Matters – Canadian Securities Law Matters – MI 61-101.”

#### *TSMIC Shareholder Approval*

To be effective, the Continuance Resolution must be approved, with or without variation, by the affirmative vote of at least 66 2/3% of the votes cast by TSMIC Shareholders present in person or represented by proxy and entitled to vote at the TSMIC Meeting.

To be effective, the TSMIC Arrangement Resolution must be approved, with or without variation, by the affirmative vote of at least 66 2/3% of the votes cast by TSMIC Shareholders present in person or represented by proxy and entitled to vote at the TSMIC Meeting as well as a majority of the votes cast by TMIC Shareholders present in person or represented by proxy and entitled to vote at the TMIC Meeting, excluding for this purpose votes attached to any TSMIC Shares held by persons whose vote are required to be excluded in accordance with the policies of the TSX and MI 61-101 (being TAMI and its related parties).

To be effective, the TSMIC Management Agreement Resolution must be approved, with or without variation, by the affirmative vote of at least 66 2/3% of the votes cast by TSMIC Shareholders present in person or represented by proxy and entitled to vote at the TSMIC Meeting as well as a majority of the votes cast by TSMIC Shareholders present in person or represented by proxy and entitled to vote at the TSMIC Meeting, excluding for this purpose votes attached to any TSMIC Shares held by persons whose vote are required to be excluded in accordance with the policies of the TSX and MI 61-101.

See “Regulatory Matters – Canadian Securities Laws Matters– MI 61-101.”

#### *Court Approval and Completion of the Arrangement*

The OBCA provides that an arrangement requires Court approval. On May 9, 2016, the Court granted the Interim Order, which provides for the calling and holding of the TMIC Meeting and TSMIC Meeting, the Dissent Rights and other procedural matters. The Interim Order is attached as Appendix I to this Circular. Subject to the terms of the Arrangement Agreement, and if the Arrangement and Management Agreement Transactions are approved by the TMIC Shareholders at the TMIC Meeting and by the TSMIC Shareholders at the TSMIC Meeting, in each case in the manner required by the Interim Order, TMIC and TSMIC will make an application to the Court for the Final



Order. The hearing in respect of the Final order is expected to take place on June 29, 2016 at 10:00 a.m. (Toronto time), or as soon thereafter as reasonably practicable.

Any TMIC Shareholder, TSMIC Shareholder or other person who wishes to participate, to appear, to be represented, and/or to present evidence or arguments at the hearing, must serve and file a Notice of Appearance, including an address for service in the Province of Ontario, indicating whether such person intends to support or oppose the application or make submissions thereat, together with a summary of the position such person intends to advocate before the Court and any evidence or materials which are to be presented to the Court, as set out in the Interim Order, appended hereto as Appendix I, and any other document as the Court may direct in the future. The Court will consider, among other things, the fairness and reasonableness of the Arrangement and the rights of every person affected. The Court may approve the Arrangement in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit. The Court has further been advised that the Final Order granted by the Court will constitute the basis for the exemption from the registration requirements of the U.S. Securities Act provided by section 3(a)(10) thereof with respect to the TF Shares to be issued pursuant to the Arrangement. If the hearing is postponed, adjourned or rescheduled then, subject to further direction of the Court, only those persons having previously served a Notice of Appearance in compliance with the Interim Order will be given notice of the new date.

Although TMIC and TSMIC's objective is to have the Effective Date occur as soon as possible after the TSMIC Meeting and the TSMIC Meeting, the Effective Date could be delayed for a number of reasons, including, but not limited to, an objection before the Court at the hearing of the application for the Final Order or any delay in obtaining any required approvals or clearances. TMIC or TSMIC may determine not to complete the Arrangement without prior notice to or action on the part of TMIC Shareholders or TSMIC Shareholders.

See "The Arrangement and Management Agreement Transactions – Court Approval and Completion of the Arrangement".

#### *Stock Exchange Listing*

The TMIC Shares currently trade on the TSX under the symbol "TMC" and the TMIC Debentures currently trade on the TSX under the symbol "TMC.DB". The TSMIC Shares currently trade on the TSX under the symbol "MTG". If the Arrangement is completed, it is expected that the amalgamated corporation will be named "Timbercreek Financial Corp.". The TF Shares will trade on the TSX under the symbol "TF" and the TF Debentures will trade on the TSX under the symbol "TF.DB". TSMIC and TMIC have received conditional approval of the TSX to list the TF Shares and TF Debentures (and the TF Shares issuable upon conversion, redemption or maturity of such TF Debentures) on the TSX. Such listing will be subject to Timbercreek Financial fulfilling all of the listing requirements of the TSX. There can be no assurance that the TSX will list the TF Shares and TF Debentures. If listing approval is ultimately obtained prior to the Effective Time, trading in the TF Shares and TF Debentures is expected to commence shortly following the completion of the Arrangement.

See "Regulatory Matters – Stock Exchange Approvals"; "The Arrangement and Management Agreement Transactions – Stock Exchange Listing".

#### *Procedure for Receiving the TF Shares*

A Letter of Transmittal (printed on yellow paper for TMIC Shareholders and on blue paper for TSMIC Shareholders) is being mailed, together with this Circular, to each person who was a registered TMIC Shareholder on the TMIC Record Date or a registered TSMIC Shareholder on the TSMIC Record Date.

Each TMIC Shareholder and TSMIC Shareholder must forward a properly completed and signed Letter of Transmittal, with accompanying share certificates (if applicable), in order to receive the TF Shares to which such TMIC Shareholder or TSMIC Shareholder is entitled under the Arrangement. It is recommended that TMIC Shareholders and TSMIC Shareholders complete, sign and return the Letter of Transmittal with accompanying share certificates (if applicable) to the Depositary as soon as possible.

See “The Arrangement and Management Agreement Transactions – Procedure for Receiving TF Shares”.

#### *Dissent Rights*

The Interim Order expressly provides registered TMIC Shareholders with the right to dissent with respect to the TMIC Arrangement Resolution and registered TSMIC Shareholders with the right to dissent with respect to the TSMIC Arrangement Resolution (provided such TSMIC Shareholder did not dissent with respect to the Continuance Resolution), in each case pursuant to Section 185 of the OBCA, with modifications to the provisions of Section 185 as provided in the Plan of Arrangement and the Interim Order. See Appendix H for the full text of the Plan of Arrangement, Appendix I for the full text of the Interim Order and Appendix O for the full text of Section 185 of the OBCA.

See “The Arrangement and Management Agreement Transactions – Dissent Rights”.

In addition to dissent rights under the OBCA with respect to the TSMIC Arrangement Resolution, TSMIC Shareholders also have the right to dissent with respect to the TSMIC Continuance Resolution pursuant to Section 190 of the CBCA. See Appendix O for the full text of Section 190 of the CBCA.

See “The TSMIC Continuance – CBCA Dissent Rights in respect of the Continuance Resolution”

### **Information Relating to Timbercreek Financial**

#### *Overview*

Pursuant to the Arrangement, TSMIC and TMIC will amalgamate under the OBCA to form a single entity which will be named “Timbercreek Financial Corp.”. Following the completion of the Arrangement, the head office of Timbercreek Financial will be located at 25 Price Street, Toronto, Ontario M4W 1Z1.

#### *Business of Timbercreek Financial*

Timbercreek Financial will be focused on providing financing solutions to qualified real estate investors who require funding, and who are generally in a transitional phase of the investment process (such as redevelopment of a property). Timbercreek Financial will fulfill a financing requirement for real estate investors that is not well serviced by the commercial banks: primarily shorter duration, structured financing. Real estate investors typically use short-term loans to bridge a period (generally one to five years) during which they conduct property repairs, redevelop the property, or purchase another investment. These short-term “bridge” loans are typically repaid with traditional bank mortgages (lower cost and longer-term debt) once the transitional period is over or a restructuring is complete or from proceeds generated on the sale of assets.

See “Information Relating to Timbercreek Financial – Business of Timbercreek Financial”.

#### *Investment Portfolio of Timbercreek Financial*

The portfolio of Timbercreek Financial will consist of a diversified pool of mortgages, or interests therein. The portfolio of Timbercreek Financial will be allocated based on region, asset type, maturity, interest rate and loan-to-value ratio.

See “Information Relating to Timbercreek Financial – Investment Portfolio of Timbercreek Financial”.

#### *Unaudited Pro Forma Financial Profile*

The pro forma financial statements attached as Appendix B were based on, and should be read in conjunction with, the historical consolidated financial statements and related notes of both TMIC and TSMIC for the applicable periods, which have been incorporated by reference in this Circular.

See “Appendix B – Unaudited Pro Forma Condensed Combined Financial Statements of Timbercreek Financial” and the selected unaudited adjusted pro forma financial information for Timbercreek Financial that is included under the heading “Information Relating to Timbercreek Financial – Unaudited Pro Forma Financial Profile”.

#### *Investment Strategy and Process*

Timbercreek Financial will seek to generate attractive, risk-adjusted returns for investors by providing financing solutions to qualified real estate investors who require funding, and who are generally in a transitional phase of the investment process (such as redevelopment of a property). Timbercreek Financial will primarily focus on lending against where this is existing rental income as these assets are typically more liquid, provide less volatile security for mortgage loans and have a lower probability of default. See “Information Relating to Timbercreek Financial – Investment Strategy and Process”.

#### *Investment Guidelines*

As a general rule, the assets of Timbercreek Financial will be invested in accordance with its business objectives. However, Timbercreek Financial intends to qualify as a MIC and intends to invest its assets according to the investment guidelines which are described in detail below. See “Information Relating to Timbercreek Financial – Investment Guidelines”.

#### *Borrowing Strategy*

Timbercreek Financial will utilize leverage at the discretion of TAMI through a credit facility arranged by the Manager with one or more arm’s length commercial banks or other sources. Subject to complying with rules to qualify as a MIC, there is no restriction on the amount of funds which Timbercreek Financial may borrow from time to time. See “Information Relating to Timbercreek Financial – Borrowing Strategy”.

#### *Management of Timbercreek Financial*

Following completion of the Arrangement and in accordance with the Arrangement Agreement, the TF Board will initially be comprised of the following seven individuals: R. Blair Tamblyn, Ugo Bizzarri, Andrew Jones, W. Glenn Shyba, Steven Scott, Derek Watchorn and Zelik Altman. The TF Board will be highly experienced and will be comprised of a majority of independent directors.

The TF Board will be responsible for oversight of Timbercreek Financial’s business and affairs. The TF Board will discharge its responsibilities directly and through two committees – the audit committee and the corporate governance committee. The TF Board will delegate day-to-day authority to TAMI as Timbercreek Financial’s manager pursuant to the New Management Agreement, while reserving the right to review decisions of TAMI and exercise final judgment on any matter. TAMI will review with the TF Board on a periodic basis its strategic plan for Timbercreek Financial and deliver to the TF Board ongoing reports on the status of Timbercreek Financial’s business and operations. In addition, all matters of a material nature will be presented to the TF Board for approval.

Pursuant to the terms of the New Management Agreement, TAMI will act as the manager of Timbercreek Financial and provide or arrange for the provision of all administrative services required by Timbercreek Financial. For more details on the New Management Agreement, see “Information Relating to Timbercreek Financial – New Management Agreement”.

TAMI has entered into the Mortgage Services Agreement with TAML pursuant to which TAML will provide the Licensed Services to Timbercreek Financial. For more details on the Mortgage Services Agreement, see “Information Relating to Timbercreek Financial – Management of Timbercreek Financial – 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.

### *Principal Shareholders*

To the knowledge of TMIC and TSMIC, no other person will beneficially own, directly or indirectly, or exercise control or direction over, 10% or more of the outstanding TF Shares upon completion of the Arrangement.

### *Dividend Policy*

The holders of the TF Shares will be entitled to receive dividends as and when declared from time to time on the TF Shares by the directors of Timbercreek Financial, acting in their sole discretion, out of the assets of Timbercreek Financial properly available for the payment of dividends. Declared dividends will normally be paid within 15 days following the end of each month. Notwithstanding the foregoing, Timbercreek Financial will have the right to determine a record date that is other than the last business day of each month or an alternate payment date.

### *Dividend reinvestment plan*

Timbercreek Financial intends to adopt a dividend reinvestment plan substantially similar to the current TMIC DRIP and the TSMIC DRIP, which will provide eligible holders of TF Shares a means to purchase additional TF 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.

### *New Management Agreement*

The New Management Agreement will be released from escrow at the Escrow Release Time and will become effective immediately following the completion of the Arrangement.

Under the New Management Agreement, Timbercreek Financial will pay TAMI (i) an annual management fee of 0.85% per annum of the gross assets of Timbercreek Financial, calculated and paid monthly in arrears, plus applicable taxes, and (ii) a servicing fee on any senior tranche of a mortgage syndicated by TAMI to a third party. The term of the New Management Agreement will be for a period of 10 years commencing on the Effective Date (which is expected to be June 30, 2016), and will be automatically renewed for successive five-year terms thereafter, unless terminated by Timbercreek Financial or by TAMI in accordance with the terms of the New Management Agreement.

TAMI will be subject to certain non-competition restrictions in respect of its activities outside of the business of Timbercreek Financial. TAMI will be permitted to provide similar management services to other investment funds and other clients, however, the non-competition restrictions will provide, among other things, that TAMI shall not create or act as manager for a mortgage investment entity with substantially similar investment objectives and policies as Timbercreek Financial.

For a summary of the material terms of the New Management Agreement and a description of key differences from the TMIC Management Agreement and TSMIC Management Agreement, see “Information Relating to Timbercreek Financial – New Management Agreement.”

### *New Credit Facility*

In connection with the Arrangement, each of the TMIC Credit Facility and the TSMIC Credit Facility will be amended and restated in their entirety under the New Credit Facility and the New Credit Facility will become effective immediately following the Effective Time upon satisfaction of the conditions precedents set forth in the New Credit Facility.

Under the terms of the New Credit Facility, Timbercreek Financial will be permitted to borrow up to \$350 million on a revolving basis, subject to its borrowing base as set out in the New Credit Facility. The calculation of the borrowing base differs from that provided in the TSMIC Credit Facility.

The term of the New Credit Facility will mature on May 6, 2018 and the New Credit Facility will be secured by a general security agreement over all of Timbercreek Financial's present and after-acquired assets and Timbercreek Financial's indebtedness under the New Credit Facility will be guaranteed by TMIF and each Subsidiary of Timbercreek Financial required to provide a guarantee in accordance with the New Credit Facility.

For a summary of the material terms of the New Credit Facility, see "Information Relating to Timbercreek Financial – New Credit Facility."

#### *Auditors of Timbercreek Financial*

KPMG LLP, Chartered Accountants, will be appointed as auditors of Timbercreek Financial for the year ending December 31, 2016 and the audit committee of Timbercreek Financial will be authorized to fix their remuneration. KPMG LLP has been the auditors of TMIC since June 25, 2009 and the auditors of TSMIC since January 17, 2012.

#### *Other Agreements*

Except for contracts entered into in the ordinary course of business, Timbercreek Financial will be party to the following agreements:

1. New Management Agreement (see "Information Relating to Timbercreek Financial – New Management Agreement");
2. Custodian agreement with TAML and Computershare Trust Company of Canada;
3. New Credit Facility (see "Information Relating to Timbercreek Financial – New Credit Facility"); and
4. TMIC Debenture Indenture, as amended by the Supplemental TMIC Debenture Indenture.

#### **Canadian Securities Law Matters**

The TF Shares to be issued as consideration to the TMIC Shareholders and TSMIC Shareholders pursuant to the Arrangement will be issued in reliance upon exemptions from the prospectus requirements of securities legislation in each province and territory of Canada. Subject to certain disclosure and regulatory requirements and to customary restrictions applicable to distributions of shares that constitute "control distributions", TF Shares issued under the Arrangement may be resold in each province and territory in Canada, subject in certain circumstances, to the usual conditions that no unusual effort, or no effort, has been made to prepare the market or create demand.

MI 61-101 regulates certain types of related party transactions to ensure equality of treatment among security holders and may require enhanced disclosure, approval by a majority of security holders (excluding "interested parties" under applicable law), independent valuations and, in certain instances, approval and oversight of certain transactions by a special committee of independent directors. As reporting issuers or the equivalent in Ontario and other provinces and territories of Canada, TMIC and TSMIC are, among other things, subject to MI 61-101.

See "Regulatory Matters – Canadian Securities Law Matters".

#### **United States Securities Law Matters**

The TF Shares to be issued as consideration to the TMIC Shareholders and TSMIC Shareholders under the Arrangement in exchange for their TMIC Shares and TSMIC Shares, respectively, have not been and will not be registered under the U.S. Securities Act, and such securities will be issued in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by section 3(a)(10) thereof. The TF Shares to be received by TMIC Shareholders and TSMIC Shareholders may be resold without restriction under the U.S.

Securities Act, except in respect of resales by persons who are “affiliates” of Timbercreek Financial at the time of such resale or who have been affiliates of Timbercreek Financial within 90 days before such resale.

See “Regulatory Matters – United States Securities Law Matters”.

### **Certain Canadian Federal Income Tax Considerations**

Generally, a TMIC Shareholder or a TSMIC Shareholder will not realize a capital gain or a capital loss in respect of the exchange of TMIC Shares or TSMIC Shares, as applicable, for TF Shares pursuant to the Arrangement under the Tax Act.

The foregoing summary is qualified in its entirety by the more detailed summary set forth in this Circular under the heading “Certain Canadian Federal Income Tax Considerations”. TMIC Shareholders and TSMIC Shareholders should consult their own tax advisors regarding the tax consequences of the Arrangement.

### **Risk Factors**

There are a number of risk factors relating to the Arrangement and the related transactions, the business of Timbercreek Financial, the TF Shares, the business of TMIC, the business of TSMIC, the TMIC Shares and the TSMIC Shares, all of which should be carefully considered by TMIC Shareholders and TSMIC Shareholders.

See “Risk Factors Relating to Timbercreek Financial”, “Risk Factors Relating to the Arrangement”, “Information Relating to TMIC – Risk Factors” and “Information Relating to TSMIC – Risk Factors”.

## **THE ARRANGEMENT AND MANAGEMENT AGREEMENT TRANSACTIONS**

### **Background to the Arrangement and Management Agreement Transactions**

The terms of the Arrangement and the Management Agreement Transactions, and the provisions of the Arrangement Agreement and the Management Fee Agreements, are the result of arm’s length negotiations conducted between representatives of TMIC, TSMIC, the TMIC Special Committee, the TSMIC Special Committee, TAMI and their respective advisors. The following is a summary of the material meetings, negotiations, discussions and actions among the parties that preceded the execution and public announcement of the Arrangement Agreement and the Management Fee Agreements.

Following various discussions between management, the TMIC Board and the TSMIC Board over a period of time, in October, 2015, TAMI advised the TMIC Board and TSMIC Board that it had begun exploring a broad range of strategic alternatives available to TMIC and TSMIC in order to increase shareholder value. The TMIC Board, TSMIC Board and TAMI examined the issue in detail, and the TMIC Board and TSMIC Board agreed that TAMI should engage appropriately with financial advisors and continue its work to determine what alternatives are available to TMIC and TSMIC, and which if any, could achieve the shared goal of narrowing the discount of the trading price to book value of the TMIC Shares and TSMIC Shares and generally increasing shareholder value.

The TMIC Board also asked TAMI to explore a broad range of alternatives, including a strategic acquisition or disposition, or merger, a substantial issuer bid, a going-private transaction, material revisions to the investment parameters of TMIC (including ceasing to operate as a MIC), and any other alternatives that TAMI, together with its advisors, determine to be viable. TAMI agreed to undertake the work, and report back to the TMIC Board before the year-end with considered results.

Despite consecutive quarters of strong earnings for TSMIC, it became clear to the TSMIC Board that TSMIC was limited in its current structure through the limitations on its investment criteria as well as access to capital due to various factors, including:

- (i) it is difficult for TSMIC to generate additional income from operations because:

- (1) the debt and equity available to TSMIC was fully deployed in income-earning opportunities;
- (2) TSMIC had accretive transactions that met their risk profile in its pipeline that could not be completed to generate additional income opportunities because of the full deployment of capital;
- (3) the constating documents limited the deployment of capital into the accretive income-earning opportunities available to TSMIC;
- (4) the leverage limitations in the constating documents limited the ability of TSMIC to acquire and deploy additional low cost and accretive debt;
- (ii) despite the strong operating performance, the share price of TSMIC was constantly below both expectations and book value, making the issuance of additional equity non-accretive; and
- (iii) the underperformance of TSMIC's share price was attributable to a number of factors, including:
  - (1) the perception that there was limited growth potential in earnings;
  - (2) the lack of institutional participation in the holdings because of the earnings history, but also because TSMIC's relatively small enterprise value kept it far below the minimum thresholds set by institutions for participation in the share capital of an enterprise;
  - (3) the resulting predominantly retail shareholders have provided thin price support given their perception of limited liquidity and market volatility; and
  - (4) the feeling that the existence of TSMIC and TMIC, with slightly different investment agendas that could not be easily distinguished by investors, creates unnecessary confusion, limiting participation in the TSMIC shares, which confusion does not exist in other combined MICs.

Similarly, the TMIC Board also found that it encountered many of the above factors that constrained its further development and access to capital. Although TMIC has more flexibility compared to TSMIC in its constating documents to deploy capital into more accretive income-earning opportunities, the lack of access to capital resulted in TMIC's inability to deploy funds to certain desirable additional low cost and accretive income-earning opportunities. Access to equity capital by TMIC is difficult and may be more dilutive to existing shareholders due to a long term depressed share price that trades below book value. Furthermore, by nature of TMIC's portfolio mix, on a stand-alone basis, TMIC also faced challenges in increasing leverage in an economic manner.

In October 2015, the TSMIC Board instructed TAMI to explore strategic alternatives that might be available to TSMIC to narrow the discount to book value evident in the trading price of TSMIC shares. TAMI then began exploring a number of different strategic possibilities, together with legal and financial advisors. The process included a detailed consideration of the factors potentially contributing to the discounted trading prices, and to what extent each of the various strategic alternatives could address one or more of the issues for TSMIC. The TSMIC Board also agreed, after its own detailed review, that TAMI should continue its work, with a mandate to consider a wide range of possible transactions, amendments, or other material changes to TSMIC to increase shareholder value. TAMI advised of its intention to report back to the TSMIC Board before the year-end. The TMIC Board, faced with similar issues as set out above, also instructed TAMI to evaluate and propose for the TMIC Board's consideration proposals that may resolve the issues of the discounted trading price and lack of access to capital.

In December 2015, TAMI had separate meetings with the TMIC Board and the TSMIC Board and TAMI presented to each of the TMIC Board and TSMIC Board a broad survey of the MIC landscape, including an analysis of market peers and potential contributing factors to the trading discount, applicable market conditions, and the alternative transactions and other possibilities available to TMIC and/or TSMIC, together with the benefits, risks, and

drawbacks of each. The possibilities reviewed included a strategic acquisition of, or sale to, another lending institution, a substantial issuer bid, a privatization or de-listing, continuing as a non-MIC lender or other real-estate issuer, and a merger between TMIC and TSMIC on a 'book-value' basis. Both the TMIC Board and TSMIC Board agreed that the potential merger presented the strongest opportunity to address the likely factors that contributed to the trading discount, and asked TAMI to conduct a further examination of the possibility of such a merger.

TAMI, the TSMIC Board and the TMIC Board all agreed that a key condition precedent (and benefit available to the merged entity) for a successful potential merger of TMIC and TSMIC would be a materially larger senior credit facility allowing for lower cost capital. Each of the TMIC Board and TSMIC Board agreed with TAMI that it should explore and determine if such a credit facility would be available to the merged entity before further work was conducted on the potential transaction.

During January and February 2016, upon the instructions of each of the TMIC Board and TSMIC Board, TAMI engaged in detailed discussions with TD Bank regarding the bank's views on a credit facility for a potential merged entity.

On March 8, 2016, TAMI, together with TD Bank and advisors from TD Securities, presented each of the TMIC Board and TSMIC Board with a proposed merger scenario, and the framework for a senior credit facility. At the same meetings, National Bank was invited to present its views regarding the viability of a merged entity, and its considerations for an appropriate capital structure of such a merged entity. The TSMIC Board met first with the presenting institutions, and explored the relevant considerations, including the benefits to shareholders in terms of improved trading price in the near term, and general increase in shareholder value on an overall basis. The independent members of the TSMIC Board took a lead role in conducting the discussions, while TAMI offered its views on the viability of the merged entity on an operational basis. The TMIC Board meeting was then held, and the independent members of the TMIC Board conducted a thorough examination of the materials presented by the advisors and questioned the presenters on a number of issues relevant to the proposed transactions.

TAMI continued its work in the following week, and discussed various elements of the presentations of TD Bank, TD Securities and National Bank with the independent members of each of the TMIC Board and TSMIC Board. On March 15, 2016, the TMIC Board convened a conference call to determine the next steps. At this meeting, it was determined that Glenn Shyba, the lead independent director of TMIC, should lead discussions with TD Securities regarding the engagement of TD Securities as financial advisor to the TMIC Board, in order to allow for a more fulsome exploration of the merger possibility.

Following the engagement of TD Securities as financial advisor to the TMIC Board, TD Securities began a detailed review of the potential transaction under the direction of Mr. Shyba, while TAMI continued to engage in discussions with lenders regarding a credit facility for the merged entity and the ability of such a credit facility to be syndicated broadly.

Over the following month, TD Bank and TAMI, under the direction of the TMIC Board, concluded the terms of a senior secured credit facility and successfully syndicated the facility among a broad syndicate of lenders that would be available to the merged entity. Upon successful syndication of the facility on April 13, 2016, the TMIC Board determined that the potential transaction with TSMIC was now a viable possibility, that it was appropriate for the TMIC Board to form a special committee of independent directors to examine the potential transactions in detail from an independent perspective, and that it should engage in formal discussions with TSMIC and TAMI to consider the material terms of the potential merger and related transactions.

The TSMIC Board also met on April 14, 2016, and was advised by TAMI of the successful syndication of the credit facility, and the TMIC Board's desire to engage in concerted negotiations regarding a potential merger. The TSMIC Board determined to form a special committee of independent directors to engage in such discussions with the TMIC Board and TAMI, and to explore the potential benefits of such transactions for the shareholders of TSMIC.

Upon the formation of the TMIC Special Committee, TD Securities continued its mandate for the TMIC Board, but under the exclusive direction of the TMIC Special Committee. McCarthy Tétrault LLP acts as legal counsel to the TMIC Special Committee.



TSMIC and the TSMIC Special Committee engaged National Bank as its financial advisor and Goodmans LLP acts as legal counsel to the TSMIC Special Committee.

#### *TMIC Special Committee Process*

The TMIC Special Committee held its first meeting on April 20, 2016, to discuss the Contemplated Transactions. At this meeting, McCarthy Tétrault LLP reviewed with the TMIC Special Committee the role, mandate and obligations of the TMIC Special Committee with respect to the Contemplated Transactions. The TMIC Special Committee then discussed the independence of each of TD Securities and McCarthy Tétrault LLP in connection with the Contemplated Transactions. Following this discussion, the TMIC Special Committee confirmed the engagement of TD Securities as financial advisor to the TMIC Special Committee and elected to retain McCarthy Tétrault LLP to provide legal advice to the TMIC Special Committee.

On April 21, 2016, TD Securities discussed with the TMIC Special Committee the scope of its mandate in connection with the Contemplated Transactions and the analysis it would undertake to determine the conclusion of its fairness opinion.

On April 28, 2016, TD Securities provided a progress report on its analysis and discussed with the TMIC Special Committee the customary due diligence procedures for the Contemplated Transactions.

On May 2, 2016, TD Securities presented its preliminary analysis with respect to the Management Agreement Transactions. McCarthy Tétrault LLP then provided an update to the TMIC Special Committee regarding the terms and conditions of the Arrangement Agreement and the Management Fee Agreements and the duties and responsibilities of the TMIC Special Committee in considering such agreements.

On May 4, 2016, TD Securities provided a confidential presentation to the TMIC Special Committee regarding the detailed financial analysis completed by TD Securities with respect to the Contemplated Transactions and TD Securities' preliminary findings regarding the TMIC Fairness Opinion.

Following this meeting, the TMIC Special Committee engaged in further discussions with management of TMIC and the TSMIC Special Committee with respect to the consideration to be received by TMIC Shareholders and the terms of the Arrangement Agreement. Following these discussions, the TMIC Special Committee, the TSMIC Special Committee and management of each of TMIC and TSMIC agreed that each TMIC Shareholder would receive one (1) TF Share for each TMIC Share held and each TSMIC Shareholder would receive 1.035 TF Shares for each TSMIC Share held. The terms of the Arrangement Agreement were also finalized.

Throughout the process, the TMIC Special Committee reviewed and provided comments on the various drafts of the Arrangement Agreement, the Management Fee Agreements and other documents related to the Contemplated Transactions. The TMIC Special Committee also took into consideration the other factors set forth under "The Arrangement - Reasons for the Recommendations of the TMIC Special Committee and the TMIC Board".

On May 5, 2016, TD Securities delivered to the TMIC Special Committee its oral opinion, later delivered in writing, that, as of such date, and subject to the assumptions, limitations and qualifications to be set out in the TMIC Fairness Opinion, the consideration to be received by TMIC Shareholders (other than TAMI and its related parties) in connection with the Contemplated Transactions is fair, from a financial point of view, to such TMIC Shareholders.

The TMIC Special Committee then recommended that the TMIC Board approve the Contemplated Transactions, including the Arrangement Agreement and the Management Fee Agreements.

#### *TSMIC Special Committee Process*

The TSMIC Special Committee met on April 19, 2016 and engaged Goodmans LLP as its legal counsel to provide the TSMIC Special Committee with, among other things, advice concerning its duties and assist the TSMIC Special Committee in discharging them, and engaged National Bank as its financial advisor to, among other things, provide a fairness opinion and conduct other financial analysis and assessment to assist the TSMIC Special Committee in

evaluating the Contemplated Transactions. At the meeting, Goodmans LLP reviewed with the TSMIC Special Committee the role, mandate and obligations of the TSMIC Special Committee with respect to the Contemplated Transactions, including the scope of due diligence to be undertaken, and the TSMIC Special Committee discussed the background, rationale, terms and structure of the Contemplated Transactions.

On April 25, 2016, National Bank presented its preliminary analysis with respect to the Contemplated Transactions to the TSMIC Special Committee. At the request of the TSMIC Special Committee, National Bank's presentation also included alternatives to the Contemplated Transactions in order to assist the TSMIC Special Committee in its analysis. The TSMIC Special Committee also met with KPMG, as auditor of TMIC, to discuss due diligence matters. Goodmans LLP reviewed with the TSMIC Special Committee the material terms of the Arrangement Agreement and Plan of Arrangement and the duties and responsibilities of the TSMIC Special Committee in considering such agreements.

On May 2, 2016, the TSMIC Special Committee conducted a due diligence session with management of TMIC in respect of TMIC's business and, specifically, its mortgage portfolio, with participation from National Bank and Goodmans LLP.

On May 4, 2016, the TSMIC Special Committee discussed with Goodmans LLP certain agreements in connection with the Contemplated Transactions, including the New Management Agreement, and discussed the rationale and reasons for approving the Contemplated Transactions.

On May 5, 2015, National Bank provided a confidential presentation to the TSMIC Special Committee reviewing the Contemplated Transactions, the consideration to be paid to TSMIC Shareholders and TMIC Shareholders and the financial terms of the Arrangement as a whole.

Following this meeting, the TSMIC Special Committee engaged in further discussions with management of TSMIC and the TMIC Special Committee with respect to the consideration to be paid to TSMIC Shareholders and the terms of the Arrangement Agreement and other documents related to the Contemplated Transactions. Following these discussions, the TSMIC Special Committee, the TMIC Special Committee and management of each of TSMIC and TMIC agreed that each TSMIC Shareholder would receive 1.035 TF Shares for each TSMIC Share held. The terms of the Arrangement Agreement and other documents were also finalized.

Throughout the process, the TSMIC Special Committee reviewed and provided comments on the various drafts of the Arrangement Agreement, the Management Fee Agreements and other documents related to the Contemplated Transactions. The TSMIC Special Committee then also considered the terms of the Continuance, the Arrangement and the Management Agreement Transactions and the other factors set forth under "The Arrangement and Management Agreement Transactions – Reasons for the Recommendation of the TSMIC Special Committee and the TSMIC Board".

On May 5, 2016, National Bank delivered to the TSMIC Special Committee its fairness opinion, which indicated that the consideration payable to TSMIC Shareholders under the Arrangement is fair, from a financial point of view, to the TSMIC Shareholders, other than TAMI and its affiliates.

The TSMIC Special Committee then recommended that the TSMIC Board approve the Contemplated Transactions, including the Continuance, the Arrangement and the Management Agreement Transactions.

Immediately following the TSMIC Special Committee meeting, the TSMIC Board reconvened to receive the recommendation of the TSMIC Special Committee. At the meeting, the TSMIC Board discussed and approved the Contemplated Transactions and a news release announcing the Arrangement was issued thereafter.

#### **Recommendation of the TMIC Special Committee**

After careful consideration, including consultation with its independent legal and financial advisors, the TMIC Special Committee unanimously determined that the Arrangement and the Management Agreement Transactions are in the best interests of TMIC. The TMIC Special Committee unanimously recommended that the TMIC Board

approve the Arrangement Agreement and the Management Fee Agreements and that the TMIC Board recommend that TMIC Shareholders vote their TMIC Shares in favour of the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution.

### **Recommendation of the TMIC Board**

After careful consideration, and based upon the unanimous recommendation of the TMIC Special Committee, the TMIC Board has unanimously determined (with R. Blair Tambllyn, Ugo Bizzarri and Andrew Jones declaring their interests in the transaction and abstaining from voting) that the Arrangement and the Management Agreement Transactions are in the best interests of TMIC, and recommends that TMIC Shareholders vote their TMIC Shares in favour of the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution.

### **Reasons for the Recommendations of the TMIC Special Committee and TMIC Board**

The TMIC Board has considered all aspects of the proposed Arrangement and related transactions and has received the benefit of advice from its legal and financial advisors and a recommendation from the TMIC Special Committee. The TMIC Board and the TMIC Special Committee identified a number of factors set out below as being the most relevant to its recommendation to holders of TMIC Shares to vote for the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution. The conclusions and recommendations of the TMIC Board and the TMIC Special Committee were made after considering the totality of the information and factors considered.

Among other alternatives examined by the TMIC Board, the Arrangement was determined to be the most compelling opportunity to enhance shareholder value, and the conclusions and recommendations of the TMIC Board are based upon the following factors, among others, which are benefits that enhance shareholder value:

- *Enhanced Capital Markets Profile* – Timbercreek Financial will have a book value of approximately \$650 million, more than double the size of any other publicly traded MIC. Greater market capitalization, float and liquidity are key factors in attracting investors (particularly institutions), acquisition opportunities and research coverage. A higher profile is also expected to enhance access to sources of capital (including convertible debenture issuances) and facilitate growth for Timbercreek Financial.
- *Book Value and Earnings Per Share Accretion* – Timbercreek Financial will target to pay out 95% of annual earnings, reinvesting the remainder in the business to grow book value and earnings. As a result of the improved access to credit and reduction in costs due to lower overall management fees and administrative costs, Timbercreek Financial is targeting an EPS<sup>8</sup> of approximately \$0.72 on a stabilized basis over the next 12 months. This target EPS, which is primarily generated through costs savings, is a significant improvement from the EPS generated by TMIC in 2015, and the target payout of 95% of EPS.
- *Superior Diversified Portfolio Delivering a Strong Risk-Adjusted Yield* – Timbercreek Financial's \$1 billion portfolio will provide both improved earnings per share and diversification. Combined with the improved credit facility, cost of capital will be reduced, allowing Timbercreek Financial to target higher quality mortgages while delivering consistent financial results (or higher results with consistent risk).
- *Reduced Management Fees and Improved Alignment of Interests* – The elimination of TMIC's performance fee and the reduction of its management fee from 1.2% to 0.85% of gross assets are positive improvements for TMIC Shareholders. There will be also small servicing fee on any senior tranche of a mortgage syndicated by TAMI to a third party. In return, for the long-term fee reduction,

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<sup>8</sup> The EPS estimate assumes market fundamentals are consistent with those present at the time of this Circular, and that targeted rates and fees are achieved and additional credit is deployed within 12 months of the effective date of the combination. The estimated EPS is approved by the Manager as of the date of the Circular and it is for the purpose of showing potential accretion to the combined entity compared to the pre-amalgamation entities. This information may not be appropriate and should not be used for other purposes. Please also see the other assumptions and risk factors set out under "Joint Management Information Circular – Forward Looking Information".

TMIC will issue the Consideration Shares (at book value, which represents a premium of approximately 6% to the closing price of TMIC Shares as of May 5, 2016) to TAMI, substantially increasing TAMI's ownership of the company and alignment with all shareholders. See "Information Relating to Timbercreek Financial – New Management Agreement" and "The Arrangement and Management Agreement Transactions – Description of the Management Agreement Transactions".

- *Simplified Structure with Cost Synergies* – The combination creates a single entity, reducing market confusion and eliminating potential conflicts, allowing TAMI to share a simpler and unified message on its strategy, resulting in a very competitive fee structure relative to peers in the industry.
- *Enhanced Access to Credit Facility* – The New Credit Facility provides advantages when compared to the pre-existing facilities for TMIC and TSMIC. Timbercreek Financial is targeting an EPS<sup>9</sup> of \$0.72 on a stabilized basis over the next 12 months, which can primarily be achieved through cost savings realized through the combination. The additional capital available as a result of the larger credit facility will, therefore, allow Timbercreek Financial to target higher quality, lower interest rate loans, thereby lowering the risk profile of the portfolio.
- *Peer Comparison* – Timbercreek Financial will demonstrate favourable characteristics versus its peers, including a larger portfolio, comparable debt-to-equity ratio, industry leading geographic diversification and a competitive management fee structure where the manager will pass through to the company all revenue generated through lender fees charged to the borrowers, which is not typical amongst other public MICs.

The TMIC Board and TMIC Special Committee also considered a number of risks and other potentially negative factors relating to the Arrangement and the related transactions, including those matters described under the headings "Risk Factors Relating to Timbercreek Financial", "Risk Factors Relating to the Arrangement", "Information Relating to TMIC – Risk Factors" and "Information Relating to TSMIC – Risk Factors". The TMIC Board and TMIC Special Committee determined that, overall, the anticipated benefits of the Arrangement to TMIC outweighed these risks and potential negative factors.

### **TMIC Fairness Opinion**

**The following is only a summary of the TMIC Fairness Opinion and is qualified in its entirety by reference to the full text of the TMIC Fairness Opinion, which describes the assumptions made, procedures followed and other factors considered and limitations on the review undertaken by TD Securities. TMIC Shareholders are urged to read the TMIC Fairness Opinion in its entirety. A copy of the TMIC Fairness Opinion is attached as Appendix K and forms part of this Circular. The TMIC Fairness Opinion is directed only to the fairness to the TMIC Shareholders, from a financial point of view, of the consideration to be received by TMIC Shareholders in connection with the Contemplated Transactions and does not address the relative merits of the Arrangement as compared to other business strategies or transactions that might be available to either TMIC or TSMIC or the underlying business decision of either TMIC or TSMIC to effect the Arrangement. The TMIC Fairness Opinion does not constitute a recommendation by TD Securities to any TMIC Shareholder as to how such shareholder should vote or act with respect to any matters relating to the Arrangement.**

### *Engagement of TD Securities*

TD Securities was first contacted by TMIC in December 2015, and was formally engaged by TMIC pursuant to an engagement agreement (the "**TD Engagement Agreement**") dated March 23, 2016, to act as financial advisor in respect of the Contemplated Transactions. As provided for in the TD Engagement Agreement, upon formation of

<sup>9</sup> The EPS estimate assumes market fundamentals are consistent with those present at the time of this Circular, and that targeted rates and fees are achieved and additional credit is deployed within 12 months of the effective date of the combination. The estimated EPS is approved by the Manager as of the date of the Circular and it is for the purpose of showing potential accretion to the combined entity compared to the pre-amalgamation entities. This information may not be appropriate and should not be used for other purposes. Please also see the other assumptions and risk factors set out under "Joint Management Information Circular – Forward Looking Information".

the TMIC Special Committee TD Securities continued to act as financial advisor to TMIC under the sole direction of the TMIC Special Committee. On May 5, 2016, at the request of the TMIC Special Committee, TD Securities orally delivered the TMIC Fairness Opinion. The TMIC Fairness Opinion provides the same opinion, in writing, as of May 5, 2016. The terms of the TD Engagement Agreement provide that TD Securities will receive a fee for its services, a portion of which is payable on delivery of the TMIC Fairness Opinion and a portion of which is contingent on the successful completion of the Arrangement, and is to be reimbursed for its reasonable out-of-pocket expenses. In addition, TMIC has agreed to indemnify TD Securities, in certain circumstances, against certain expenses, losses, claims, actions, suits, proceedings, investigations, damages and liabilities which may arise directly or indirectly from services performed by TD Securities in connection with the TD Engagement Agreement.

#### *Credentials of TD Securities*

TD Securities is one of Canada's largest investment banking firms with operations in a broad range of investment banking activities including corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. TD Securities also has significant international operations. TD Securities has been a financial advisor in a large number of transactions involving public and private companies in various industry sectors and has extensive experience in preparing valuations and fairness opinions.

The TMIC Fairness Opinion is the opinion of TD Securities and its form and content has been approved by a committee of senior investment banking professionals of TD Securities, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

#### *Relationships with Interested Parties*

Neither TD Securities nor any of its affiliated entities (as such term is defined for the purposes of MI 61-101: (i) is an associated or affiliated entity or issuer insider (as such terms are defined for the purposes of MI 61-101) of TMIC, TSMIC, TAMI, or any of their respective affiliated entities (collectively, the "**Interested Parties**"), (ii) is an advisor to any of the Interested Parties in connection with the Contemplated Transactions, other than TD Securities in its capacity as financial advisor to TMIC pursuant to the TD Engagement Agreement, (iii) is a manager or co-manager of a soliciting dealer group for the Contemplated Transactions (or a member of a soliciting dealer group for the Contemplated Transactions providing services beyond customary soliciting dealer's functions or receiving more than the per security or per security holder fees payable to the other members of the group), or (iv) has a material financial interest in the completion of the Contemplated Transactions.

TD Securities and its affiliated entities have not been engaged to provide any financial advisory services to, nor have they acted as lead or co-lead manager on any offering of TMIC Shares, TSMIC Shares, or any other securities of TMIC, TSMIC or any other Interested Party, during the 24 months preceding the date on which TD Securities was first contacted in respect of the Contemplated Transactions, other than as described herein. TD Securities acted as bookrunner on a \$30 million bought deal offering of TMIC convertible unsecured subordinated debentures in February 2014 and as bookrunner on a \$35 million bought deal offering of TMIC Shares in April 2014. TD Bank, the parent company of TD Securities, is currently sole lead arranger and sole bookrunner on the TMIC Credit Facility, the TSMIC Credit Facility and TAMI's \$22 million syndicated revolving credit facility. If the Contemplated Transactions are completed, the TMIC Credit Facility and the TSMIC Credit Facility will be amended and restated in their entirety under the New Credit Facility with TD Bank acting as sole lead arranger and sole bookrunner.

TD Securities and certain of its affiliates act as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have and may in the future, in the ordinary course of its business, have positions in the securities of any Interested Party and, from time to time, may have executed or may execute transactions on behalf of such companies or other clients for which it may have received or may receive compensation. As an investment dealer, TD Securities conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including matters with respect to the Contemplated Transactions, TMIC, TSMIC, or any other Interested Party.

The fees paid to TD Securities in connection with the foregoing activities, together with the fee payable to TD Securities pursuant to the TD Engagement Agreement, are not, in the aggregate, financially material to TD

Securities. There are no understandings or agreements between TD Securities and TMIC, TSMIC, or any other Interested Party with respect to future financial advisory or investment banking business. TD Securities may in the future, in the ordinary course of its business, perform financial advisory or investment banking services for TMIC, TSMIC, or any other Interested Party. TD Bank and TD Securities, may in the future, in the ordinary course of their business, provide banking services or credit facilities to TMIC, TSMIC, or any other Interested Party.

### *Scope of Review*

In connection with the Fairness Opinion, TD Securities reviewed and relied upon (without attempting to verify independently the completeness or accuracy of) or carried out, among other things, the following:

- (a) a draft of the Arrangement Agreement, dated May 4, 2016;
- (b) audited financial statements of TMIC and TSMIC and management's discussion and analysis related thereto for the fiscal years ended December 31, 2013, 2014, and 2015;
- (c) annual reports of TMIC and TSMIC for the fiscal years ended December 31, 2013, 2014, and 2015;
- (d) annual information forms of TMIC dated March 4, 2014, February 25, 2015, and February 24, 2016;
- (e) annual information forms of TSMIC dated March 4, 2014, February 24, 2015, and February 23, 2016;
- (f) the short form prospectus of TMIC dated April 9, 2014, related to its offering of TMIC Shares;
- (g) the short form prospectus of TMIC dated February 18, 2014, related to its offering of TMIC Debentures;
- (h) notices of meeting and management information circulars of TMIC for the annual general meetings of TMIC Shareholders held on September 12, 2013, May 6, 2014, and May 5, 2015;
- (i) notices of meeting and management information circulars of TSMIC for the annual general meetings of TSMIC Shareholders held on September 12, 2013, May 6, 2014, and May 5, 2015;
- (j) various internal financial and operating reports prepared by management of TMIC and TSMIC;
- (k) unaudited pro forma financial and operating information for Timbercreek Financial prepared by management of TMIC and TSMIC;
- (l) discussions with senior management of TMIC, TSMIC, and TAMI with respect to the information referred to above and other issues considered relevant;
- (m) representations contained in a certificate dated May 5, 2016, from senior officers of TMIC (the **"TMIC Certificate"**);
- (n) representations contained in a certificate dated May 5, 2016, from senior officers of TSMIC (the **"TSMIC Certificate"**), and together with the TMIC Certificate, the **"Certificates"**);
- (o) discussions with the TMIC Special Committee and its legal counsel with respect to the Contemplated Transactions and certain information referred to above;
- (p) various research publications prepared by equity research analysts regarding TMIC, TSMIC, and other selected public companies considered relevant;
- (q) public information relating to the business, operations, financial performance and stock trading history of TMIC, TSMIC, and other selected public companies considered relevant;

- (r) public information with respect to certain other transactions of a comparable nature considered relevant; and
- (s) such other corporate, industry, and financial market information, investigations and analyses as TD Securities considered necessary or appropriate in the circumstances.

TD Securities was not, to the best of its knowledge, denied access by TMIC or TSMIC to any information requested by TD Securities. TD Securities did not meet with the auditors of TMIC or TSMIC and has assumed the accuracy, completeness and fair presentation of and has relied upon, without independent verification, the audited financial statements of TMIC and TSMIC and the reports of the auditors thereon.

#### *Assumptions and Limitations*

With the TMIC Special Committee's acknowledgement and agreement as provided for in the TD Engagement Agreement, TD Securities has relied upon the accuracy, completeness and fair presentation of all financial and other data and information provided to it by or on behalf of TMIC, TSMIC, or their respective representatives in respect of TMIC or TSMIC, or their respective subsidiaries, filed by TMIC or TSMIC with securities regulatory or similar authorities (including on the SEDAR website), or otherwise obtained by TD Securities, including the Certificates identified above (collectively, the "**Information**"). The TMIC Fairness Opinion is conditional upon such accuracy, completeness and fair presentation of the Information. Subject to the exercise of professional judgment, and except as expressly described herein, TD Securities has not attempted to verify independently the accuracy, completeness or fair presentation of any of the Information.

With respect to the budgets, forecasts, projections or estimates provided to TD Securities and used in its analyses, TD Securities notes that projecting future results is inherently subject to uncertainty. TD Securities has assumed, however, that such budgets, forecasts, projections or estimates provided to TD Securities and used in its analyses were prepared using the assumptions identified therein which TD Securities has been advised by TMIC and TSMIC, as applicable, are (or were at the time of preparation and continue to be) reasonable in the circumstances. TD Securities expresses no independent view as to the reasonableness of such budgets, forecasts, projections or estimates or the assumptions on which they are based.

Senior officers of TMIC (the "**TMIC Officers**") have represented to TD Securities in the TMIC Certificate dated May 5, 2016, among other things, that, to the best of their knowledge, information and belief after due inquiry with the intention that TD Securities may rely thereon in connection with the preparation of the TMIC Fairness Opinion: (i) they are authorized by TMIC to give the representations and warranties contained therein and have knowledge and have made appropriate inquiries as to the matters contained therein; (ii) TMIC has no information or knowledge of any facts, public or otherwise, not specifically provided to TD Securities relating to TMIC which would reasonably be expected to affect materially the TMIC Fairness Opinion to be given by TD Securities; (iii) with the exception of forecasts, projections or estimates referred to in subparagraph (v) below, the information, data and other material (collectively, the "**TMIC Information**") as filed under TMIC's profile on SEDAR and/or provided to TD Securities by or on behalf of TMIC or its representatives in respect of TMIC and its affiliates in connection with the Contemplated Transactions is or, in the case of historical TMIC Information was, at the date of preparation, true, complete and accurate and did not and does not contain any untrue statement of a material fact, and does not omit to state a material fact necessary to make the TMIC Information not misleading in the light of circumstances in which it was presented; (iv) to the extent that any of the TMIC Information identified in subparagraph (iii) above is historical, there have been no changes in any material facts or new material facts since the respective dates thereof which have not been disclosed to TD Securities or updated by more current information not provided to TD Securities by TMIC and there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of TMIC and no material change has occurred in the TMIC Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Fairness Opinion; (v) any portions of the TMIC Information provided to TD Securities (or filed on SEDAR) which constitute forecasts, projections or estimates were prepared using the assumptions identified therein, which, in the reasonable opinion of TMIC, are (or were at the time of preparation and continue to be) reasonable in the circumstances; (vi) there have been no valuations or appraisals relating to (a) TMIC or any affiliate or any of their respective material assets or liabilities, or (b) to the best of the knowledge of the TMIC Officers, TSMIC or any affiliate or any of their respective material assets or liabilities, made in the preceding 24 months and

in the possession or control of TMIC other than those which have been provided to TD Securities or, in the case of valuations known to TMIC which it does not have within its possession or control, notice of which has not been given to TD Securities; (vii) there have been no verbal or written offers or serious negotiations for or transactions involving any material property of TMIC or any of its affiliates or, to the best of the knowledge of the TMIC Officers, TSMIC or any of its affiliates during the preceding 24 months which have not been disclosed to TD Securities; (viii) since the dates on which the TMIC Information was provided to TD Securities (or filed on SEDAR), no material transaction has been entered into by TMIC or any of its affiliates; (ix) other than as disclosed in the TMIC Information, neither TMIC, nor any of its affiliates has any material contingent liabilities and there are no actions, suits, claims, proceedings, investigations or inquiries pending or threatened against or affecting the Contemplated Transactions, TMIC, or any of its affiliates at law or in equity or before or by any federal, national, provincial, state, municipal or other governmental department, commission, bureau, board, agency or instrumentality which may, in any way, materially adversely affect TMIC or its affiliates or the Contemplated Transactions; (x) all financial material, documentation and other data concerning the Contemplated Transactions, TMIC and its affiliates, including any projections or forecasts provided to TD Securities, were prepared on a basis consistent in all material respects with the accounting policies applied in the most recent audited consolidated financial statements of TMIC; (xi) there are no agreements, undertakings, commitments or understandings (whether written or oral, formal or informal) relating to the Contemplated Transactions, except as have been disclosed in complete detail to TD Securities; (xii) the contents of any and all documents prepared in connection with the Contemplated Transactions for filing with regulatory authorities or delivery or communication to securityholders of TMIC (collectively, the “**Disclosure Documents**”) have been, are and will be true, complete and correct in all material respects and have not and will not contain any misrepresentation (as defined in the *Securities Act* (Ontario)) and the Disclosure Documents have complied, comply and will comply with all requirements under applicable laws; (xiii) TMIC has complied in all material respects with the TD Engagement Agreement; and (xiv) to the best of its knowledge, information and belief after due inquiry there is no plan or proposal for any material change (as defined in the *Securities Act* (Ontario)) in the affairs of TMIC which has not been disclosed to TD Securities.

Senior officers of TSMIC have represented to TD Securities in the TSMIC Certificate dated May 5, 2016, among other things, that, to the best of their knowledge, information and belief after due inquiry with the intention that TD Securities may rely thereon in connection with the preparation of the Fairness Opinion: (i) they are authorized by TSMIC to give the representations and warranties contained therein and have knowledge and have made appropriate inquiries as to the matters contained therein; (ii) TSMIC has no information or knowledge of any facts public or otherwise not specifically provided to TD Securities relating to TSMIC which would reasonably be expected to affect materially the Fairness Opinion; (iii) with the exception of forecasts, projections or estimates referred to in subparagraph (v) below, the information, data and other material (collectively, the “**TSMIC Information**”) as filed under TSMIC's profile on SEDAR and/or provided to TD Securities by or on behalf of TSMIC or its representatives in respect of TSMIC and its affiliates in connection with the Contemplated Transactions is or, in the case of historical TSMIC Information was, at the date of preparation, true, complete and accurate and did not and does not contain any untrue statement of a material fact, and does not omit to state a material fact necessary to make the TSMIC Information not misleading in the light of circumstances in which it was presented; (iv) to the extent that any of the TSMIC Information identified in subparagraph (iii) above is historical, there have been no changes in any material facts or new material facts since the respective dates thereof which have not been disclosed to TD Securities or updated by more current information not provided to TD Securities by TSMIC and there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of TSMIC and no material change has occurred in the TSMIC Information or any part thereof which would have or which would reasonably be expected to have a material effect on the TMIC Fairness Opinion; (v) any portions of the TSMIC Information provided to TD Securities (or filed on SEDAR) which constitute forecasts, projections or estimates were prepared using the assumptions identified therein, which, in the reasonable opinion of TSMIC, are (or were at the time of preparation and continue to be) reasonable in the circumstances; (vi) there have been no valuations or appraisals relating to TSMIC or any affiliate or any of their respective material assets or liabilities made in the preceding 24 months and in the possession or control of TSMIC other than those which have been provided to TD Securities or, in the case of valuations known to TSMIC which it does not have within its possession or control, notice of which has not been given to TD Securities; (vii) there have been no verbal or written offers or serious negotiations for or transactions involving any material property of TSMIC or any of its affiliates during the preceding 24 months which have not been disclosed to TD Securities; (viii) since the dates on which the TSMIC Information was provided to TD Securities (or filed on SEDAR), no material transaction has been entered into by TSMIC or any of its affiliates; (ix) other than as disclosed in the TSMIC



Information, neither TSMIC nor any of its affiliates has any material contingent liabilities and there are no actions, suits, claims, proceedings, investigations or inquiries pending or threatened against or affecting the Contemplated Transactions, TSMIC or any of its affiliates at law or in equity or before or by any federal, national, provincial, state, municipal or other governmental department, commission, bureau, board, agency or instrumentality which may, in any way, materially adversely affect TSMIC or its affiliates or the Contemplated Transactions; (x) all financial material, documentation and other data concerning the Contemplated Transactions, TSMIC and its affiliates, including any projections or forecasts provided to TD Securities, were prepared on a basis consistent in all material respects with the accounting policies applied in the most recent audited consolidated financial statements of TSMIC; (xi) there are no agreements, undertakings, commitments or understandings (whether written or oral, formal or informal) relating to the Contemplated Transactions, except as have been disclosed in complete detail to TD Securities; and (xii) to the best of its knowledge, information and belief after due inquiry, there is no plan or proposal for any material change (as defined in the *Securities Act* (Ontario)) in the affairs of TSMIC which has not been disclosed to TD Securities.

In preparing the Fairness Opinion, TD Securities has made several assumptions, including that all final or executed versions of documents will conform in all material respects to the drafts provided to TD Securities, all conditions precedent to the completion of the Contemplated Transactions can and will be satisfied in due course, all consents, approvals, authorizations, permissions, exemptions or orders of relevant regulatory authorities, courts of law, or third parties required in respect of or in connection with the Contemplated Transactions will be obtained in a timely manner, in each case without adverse condition, qualification, modification or waiver, all steps or procedures being followed to implement the Contemplated Transactions are valid and effective and comply in all material respects with all applicable laws and regulatory requirements, and all required documents (including the Circular) will be distributed to the TMIC Shareholders and TSMIC Shareholders in accordance with all applicable laws and regulatory requirements, the disclosure in such documents will be complete and accurate in all material respects, and such disclosure will comply in all material respects with the requirements of all applicable laws and regulatory requirements. In its analysis in connection with the preparation of the Fairness Opinion, TD Securities made numerous assumptions with respect to industry performance, general business and economic conditions, and other matters, many of which are beyond the control of TD Securities, TMIC, TSMIC, TAMI, or any other Interested Party. In addition, TD Securities has assumed the accuracy, completeness and fair presentation of and has relied upon, without independent verification, the financial statements forming part of the Information.

The TMIC Fairness Opinion has been provided for the exclusive use of the TMIC Special Committee and the TMIC Board and is not intended to be, and does not constitute, a recommendation regarding how any TMIC Shareholder or TSMIC Shareholder should vote in respect of the Contemplated Transactions. The TMIC Fairness Opinion may not be used by any other person or relied upon by any other person other than the TMIC Special Committee and the TMIC Board without the express prior written consent of TD Securities. The TMIC Fairness Opinion does not address the relative merits of the Contemplated Transactions as compared to other transactions or business strategies that might be available to TMIC, nor does it address the underlying business decision to implement the Contemplated Transactions or any individual term or aspect of the Contemplated Transactions or the Arrangement Agreement or any other agreement entered into or amended in connection with the Contemplated Transactions. TD Securities expresses no opinion with respect to future trading prices of TMIC Shares, TSMIC Shares, or TF Shares. In considering fairness, from a financial point of view, TD Securities considered the Contemplated Transactions from the perspective of TMIC Shareholders (other than TAMI and its related parties) generally and did not consider the specific circumstances of any particular TMIC Shareholder or any other TMIC stakeholder, including with regard to income tax considerations. The TMIC Fairness Opinion is rendered as of May 5, 2016, on the basis of securities markets, economic and general business and financial conditions prevailing on that date and the condition and prospects, financial and otherwise, of TMIC, TSMIC, and their affiliates as they were reflected in the Information provided to or otherwise available to TD Securities. Any changes therein may affect the TMIC Fairness Opinion and, although TD Securities reserves the right to change, withdraw or supplement the TMIC Fairness Opinion in such event, it disclaims any undertaking or obligation to advise any person of any such change that may come to its attention, or update the TMIC Fairness Opinion after such date. In preparing the TMIC Fairness Opinion, TD Securities was not authorized to solicit, and did not solicit, interest from any other party with respect to the acquisition of TMIC Shares or other securities of TMIC, or any business combination or other extraordinary transaction involving TMIC, nor did TD Securities negotiate with any party in connection with any such transaction. TD Securities is not an expert on and did not provide advice to the TMIC Special Committee or the Board regarding

legal, accounting, regulatory or tax matters. The TMIC Fairness Opinion may not be summarized, published, reproduced, disseminated, quoted from or referred to without the express written consent of TD Securities.

### *Conclusion*

Based upon and subject to the foregoing, TD Securities is of the opinion that, as of May 5, 2016, the consideration to be received by the TMIC Shareholders, other than TAMI and its related parties, in connection with the Contemplated Transactions is fair, from a financial point of view, to such TMIC Shareholders.

### **Recommendation of the TSMIC Special Committee**

After careful consideration, including consultation with its independent legal and financial advisors, the TSMIC Special Committee unanimously determined that the Continuance, the Arrangement and the Management Agreement Transactions are in the best interests of TSMIC. The TSMIC Special Committee unanimously recommended that the TSMIC Board approve the Continuance, the Arrangement Agreement and the Management Fee Agreements and that the TSMIC Board recommend that TMIC Shareholders vote their TSMIC Shares in favour of the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution.

### **Recommendation of the TSMIC Board**

After careful consideration, and based upon the unanimous recommendation of the TSMIC Special Committee, the TSMIC Board has unanimously determined (with R. Blair Tamblyn, Ugo Bizzarri and Andrew Jones declaring their interests in the transaction and abstaining from voting with respect to the approval of the Arrangement and Management Agreement Transactions) that the Continuance, the Arrangement and the Management Agreement Transactions are in the best interests of TSMIC, and recommends that TSMIC Shareholders vote their TSMIC Shares in favour of the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution.

### **Reasons for the Recommendations of the TSMIC Special Committee and TSMIC Board**

The TSMIC Board has considered all aspects of the proposed Arrangement and related transactions and has received the benefit of advice from its legal and financial advisors and a recommendation from the TSMIC Special Committee. The TSMIC Board and the TSMIC Special Committee identified a number of factors as being the most relevant to its recommendation to holders of TSMIC Shares to vote for the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution. The conclusions and recommendations of the TSMIC Board and the TSMIC Special Committee were made after considering the totality of the information and factors considered.

The conclusions and recommendations of the TSMIC Board are based upon the following factors, among others, which are benefits that enhance shareholder value:

- *Enhanced Capital Markets Profile* – Timbercreek Financial will have a book value of approximately \$650 million, more than double the size of any other publicly traded MIC. Greater market capitalization, float and liquidity are key factors in attracting investors (particularly institutions), acquisition opportunities and research coverage. A higher profile is also expected to enhance access to sources of capital (including convertible debenture issuances) and facilitate growth for Timbercreek Financial.
- *Book Value and Earnings Per Share Accretion* – Timbercreek Financial will target to distribute 95% of annual earnings, reinvesting the remainder in the business to grow book value and earnings. As a result of the improved access to credit and reduction in costs due to lower overall management fees and administrative costs, Timbercreek Financial is targeting an EPS<sup>10</sup> of approximately \$0.72 on a stabilized

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<sup>10</sup> The EPS estimate assumes market fundamentals are consistent with those present at the time of this Circular, and that targeted rates and fees are achieved and additional credit is deployed within 12 months of the effective date of the combination. The estimated EPS is approved by the Manager as of the date of the Circular and it is for the purpose of showing potential accretion to the combined entity compared to the

basis over the next 12 months. This target EPS, which is primarily generated through costs savings, is a significant improvement from the EPS generated by TSMIC in 2015, and the target payout of 95% of EPS will result in more income distributed to TSMIC Shareholders.

- *Superior Diversified Portfolio Delivering a Strong Risk-Adjusted Yield* – Timbercreek Financial’s \$1 billion portfolio will provide both improved earnings per share and diversification. Combined with the improved credit facility, cost of capital will be reduced, allowing Timbercreek Financial to target higher quality mortgages while delivering consistent financial results (or higher results with consistent risk).
- *Improved Alignment of Interests* – The Consideration Shares that TAMI receives from TMIC prior to the Arrangement being effected will substantially increase TAMI’s ownership of and alignment with Timbercreek Financial.
- *Simplified Structure with Cost Synergies* – The combination creates a single entity, reducing market confusion between the different portfolios and the relative merits of the respective strategies, allowing TAMI to share a simpler and unified message on its strategy, resulting in a very competitive fee structure relative to peers in the industry.
- *Improved Investment Guidelines* – Adjustments to the investment criteria will permit Timbercreek Financial to monetize on investment opportunities, creating benefits in addition to the operational synergies that are expected.
- *Enhanced Access to Credit* – The New Credit Facility provides advantages when compared to the pre-existing facilities for TMIC and TSMIC. Timbercreek Financial is targeting an EPS<sup>11</sup> of \$0.72 on a stabilized basis over the next 12 months, which can primarily be achieved through cost savings realized through the combination. The additional capital available as a result of the larger credit facility will, therefore, allow Timbercreek Financial to target higher quality, lower interest rate loan, thereby lowering the risk profile of the portfolio.
- *Peer Comparison* – Timbercreek Financial will demonstrate favourable characteristics versus its peers, including a larger portfolio, comparable debt-to-equity ratio, industry leading geographic diversification and a competitive management fee structure where the manager will pass through to the company all revenue generated through lender fees charged to the borrowers which is not typical amongst other public MICs.
- *Alternatives to the Arrangement* – The TSMIC Special Committee reviewed several structural alternatives to the Arrangement presented by National Bank, and National Bank concluded that the Arrangement is the most attractive value creation strategy in comparison to the structural alternatives.

The TSMIC Board and TSMIC Special Committee also considered a number of risks and other potentially negative factors relating to the Arrangement and the related transactions, including those matters described under the headings “Risk Factors Relating to Timbercreek Financial”, “Risk Factors Relating to the Arrangement”, “Information Relating to TMIC – Risk Factors” and “Information Relating to TSMIC – Risk Factors”. The TSMIC Board and TSMIC Special Committee determined that, overall, the anticipated benefits of the Arrangement to TSMIC outweighed these risks and potential negative factors.

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pre-amalgamation entities. This information may not be appropriate and should not be used for other purposes. Please also see the other assumptions and risk factors set out under “Joint Management Information Circular – Forward Looking Information”.

<sup>11</sup> The EPS estimate assumes market fundamentals are consistent with those present at the time of this Circular, and that targeted rates and fees are achieved and additional credit is deployed within 12 months of the effective date of the combination. The estimated EPS is approved by the Manager as of the date of the Circular and it is for the purpose of showing potential accretion to the combined entity compared to the pre-amalgamation entities. This information may not be appropriate and should not be used for other purposes. Please also see the other assumptions and risk factors set out under “Joint Management Information Circular – Forward Looking Information”.

## **TSMIC Fairness Opinion**

**The following is only a summary of the TSMIC Fairness Opinion and is qualified in its entirety by reference to the full text of the TSMIC Fairness Opinion, which describes the assumptions made, procedures followed, valuation approaches and other factors considered and limitations on the review undertaken by National Bank. TSMIC Shareholders are urged to read the TSMIC Fairness Opinion in its entirety. A copy of the TSMIC Fairness Opinion is attached as Appendix L and forms part of this Circular. The TSMIC Fairness Opinion is directed only to the fairness to the TSMIC Shareholders, from a financial point of view, of the consideration to be received by TSMIC Shareholders pursuant to the Arrangement and does not address the relative merits of the Arrangement as compared to other business strategies or transactions that might be available to either TMIC or TSMIC or the underlying business decision of either TMIC or TSMIC to effect the Arrangement. The TSMIC Fairness Opinion does not constitute a recommendation by National Bank to any TSMIC Shareholder as to how such shareholder should vote or act with respect to any matters relating to the Arrangement.**

### *Engagement of National Bank*

National Bank was initially approached in October 2015 by TSMIC and was formally retained by the TSMIC Special Committee pursuant to an engagement agreement dated effective April 20, 2016 (the “**National Bank Engagement Agreement**”) to provide financial advice to TSMIC and the TSMIC Special Committee, including providing the opinion to the TSMIC Board as to the fairness, from a financial point of view, to TSMIC Shareholders, other than TAMI and its affiliates, of the consideration to be received by TSMIC Shareholders pursuant to the Arrangement.

National Bank was not asked to prepare and has not prepared a valuation of TSMIC or TMIC or a valuation of any of their respective securities or assets, and the TSMIC Fairness Opinion should not be construed as such.

National Bank will be paid fees for its services as financial advisor to TSMIC and the TSMIC Special Committee, including for the delivery of the TSMIC Fairness Opinion. A portion of the fees payable to National Bank are contingent on the completion of the Arrangement. In addition, National Bank is to be reimbursed for its reasonable out-of-pocket expenses and to be indemnified by TSMIC in certain circumstances.

### *Independence of National Bank*

National Bank is not an “associated” or “affiliated” entity or “issuer insider” (as such terms are used in MI 61-101) of TSMIC or TMIC or TAMI or Timbercreek Financial (collectively, the “**Interested Parties**”), nor is it a financial advisor to TMIC or TAMI in connection with the Arrangement.

In 2015, National Bank acted as co-manager for one public offering of Class A units of Timbercreek Global Real Estate Fund, an associated entity of TAMI. In 2014, National Bank also acted as co-manager for one public offering of TMIC Shares. National Bank or its affiliates may, in the future, in the ordinary course of their respective businesses, perform financial advisory or investment banking or other services to the Interested Parties or any of their respective associated entities or affiliated entities.

National Bank acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of the Interested Parties and, from time to time, may have executed or may execute transactions for such companies and clients from whom it received or may receive compensation. National Bank, as an investment dealer, conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to the Interested Parties.

The controlling shareholder of National Bank, National Bank of Canada (“**NBC**”) is a co-lender to TSMIC in the TSMIC Credit Facility. In connection with the Arrangement, NBC has committed to act as a co-lender in respect of the New Credit Facility. Except as expressed in the TSMIC Fairness Opinion, there are no understandings,

agreements or commitments between National Bank or NBC, on the one hand, and Interested Parties or their respective associates or affiliates on the other hand with respect to any future business dealings.

#### *Credentials of National Bank*

National Bank is a leading Canadian investment dealer whose businesses include corporate finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. The TSMIC Fairness Opinion is the opinion of National Bank and the form and content herein has been reviewed and approved for release by a group of managing directors of National Bank, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

#### *Scope of Review*

In connection with rendering the TSMIC Fairness Opinion, the following have been reviewed and relied upon, or carried out (as the case may be), among other things, the following:

- (a) a draft of the Arrangement Agreement, dated May 4, 2016;
- (b) a draft of the Plan of Arrangement, dated May 4, 2016;
- (c) a draft copy of the Management Agreement between Timbercreek Financial and TAMI, dated April 29, 2016;
- (d) a draft representation letters as to certain factual matters and the completeness and accuracy of certain information upon which the TSMIC Fairness Opinion is based and addressed from senior officers of TSMIC and TAMI;
- (e) the audited annual financial statements and management's discussion and analysis of TSMIC and TMIC for each of the fiscal years ended December 31, 2015 and 2014;
- (f) the annual information forms of TSMIC and TMIC for the fiscal years ended December 31, 2015 and 2014;
- (g) notice of annual meeting and management information circulars of TSMIC and TMIC, both dated April 1, 2015;
- (h) notice of special meeting and management information circulars of TSMIC and TMIC, both dated August 12, 2013;
- (i) the TSMIC Management Agreement;
- (j) the TMIC Management Agreement;
- (k) certain financial information of TSMIC and TMIC for the quarter ended March 31, 2016, including: co-invested mortgage investments, past-due mortgage investments and related party transactions;
- (l) certain other non-public information prepared and provided by TAMI and TSMIC management, primarily financial in nature, concerning the business, its assets, liabilities and prospects of TSMIC;
- (m) discussions with the members of the TSMIC Board with respect to the information referred to above and other issues considered relevant;
- (n) discussions with representatives of Goodmans LLP, legal counsel to TSMIC and the TSMIC Special Committee;

- (o) discussions with members of the management team of TSMIC, TMIC and TAMI;
- (p) discussions with representatives of KPMG, the auditors of TSMIC and TMIC;
- (q) various research publications prepared by industry and equity research analysts regarding TSMIC and other selected public companies considered relevant;
- (r) public information relating to the business, assets, operations, financial performance and market trading history of TSMIC, TMIC, and other selected public companies considered relevant;
- (s) public information with respect to certain other transactions of a comparable nature considered relevant; and
- (t) such other corporate, industry and financial market information, investigations and analyses as considered necessary or appropriate in the circumstances

National Bank was not, to the best of its knowledge, denied access by TSMIC nor TAMI to any information under their respective control that was requested by National Bank.

#### *Prior Valuations*

TSMIC and TAMI have each separately represented to National Bank that there have not been any prior valuations (as defined in MI 61-101) of TSMIC and TAMI, as the case may be, and any of their respective material assets or securities in the past twenty-four month period.

#### *Assumptions and Limitations*

With the TSMIC Board's approval and as provided for in the National Bank Engagement Agreement, National Bank has relied upon the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions, representations and other material obtained by it from public sources, or provided by TSMIC and TAMI, as the case may be, and their respective subsidiaries (as defined in National Instrument 45-106) or any of its or their respective representatives in connection with National Bank's engagement (collectively, the "**Information**"). The TSMIC Fairness Opinion is conditional upon the completeness, accuracy and fair presentation of the Information. National Bank has have not been requested to nor, subject to the exercise of professional judgment, has it attempted to verify independently the completeness, accuracy or fair presentation of the Information.

Senior officers of each of TSMIC and TAMI have separately represented to National Bank in a certificate delivered as of May 5, 2016, among other things, that (i) the Information provided orally by, or in the presence of, an officer or employee of TSMIC or TAMI, as the case may be, or in writing by TSMIC or TAMI, as the case may be, or any of their respective subsidiaries, or any of their respective representatives, was at the date the Information provided to National Bank and is (except to the extent superseded by more current Information) as of May 5, 2016, complete true and correct in all material respects, and did not and does not contain a misrepresentation (as defined in the *Securities Act* (Ontario)); (ii) since the dates on which the Information was provided to National Bank, except as disclosed to National Bank, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of TSMIC or TMIC, as the case may be, or any of their respective subsidiaries and no change has occurred in the Information or any part thereof which would have or which could reasonably be expected to have a material effect on the Fairness Opinion; and (iii) public disclosure documents of TSMIC and TMIC, as the case may be, did not, at the time they were filed with the applicable securities regulatory authorities, contain a misrepresentation (as defined in the *Securities Act* (Ontario)) and complied in all material respects with applicable securities laws at the time they were filed.

With respect to any forecasts, projections, estimates and/or budgets provided to National Bank and used in its analyses, National Bank notes that projecting future results of any company is inherently subject to uncertainty. National Bank has assumed, however, that such forecasts, projections, estimates and/or budgets were prepared using the assumptions identified therein and that such assumptions in the opinion of TSMIC or TAMI, as the case may be,

(i) were reasonably prepared on bases reflecting the best currently available assumptions, estimates and judgments of management of TSMIC and TAMI, as the case may be, having regard to their respective business, plans, financial condition and prospects; (ii) reasonably present the views of management of TSMIC and TAMI, as the case may be, as to the financial prospects and forecasted performance of TSMIC, TMIC and Timbercreek Financial; and (iii) are not, in the reasonable belief of management of TSMIC and TAMI, as the case may be, misleading in any material respect.

National Bank has assumed that, in all respects material to its analysis, the Arrangement Agreement executed by the parties will be in substantially the form of the draft provided, the Arrangement will be made as provided for in the Arrangement Agreement, the representations and warranties of the parties to the Arrangement Agreement contained therein are true, accurate and complete in all material respects, such parties will each perform all of the respective covenants and agreements to be performed by them under the Arrangement Agreement, TSMIC, TMIC and TAM will each perform their respective obligations under the Arrangement, and all conditions to the obligations of such parties as specified in the Arrangement Agreement and the Arrangement will be satisfied without any waiver thereof. National Bank has also assumed that all material approvals and consents required in connection with the consummation of the Arrangement will be obtained and that, in connection with obtaining any necessary approvals and consents, no limitations, restrictions or conditions will be imposed that would have a Material Adverse Effect on TSMIC or TMIC, as the case may be.

National Bank is not a legal, tax or accounting expert and expresses no opinion concerning any legal, tax or accounting matters concerning the Arrangement and have relied upon, without independent verification, the assessment by TSMIC and TAMI and their legal and tax advisors with respect to such matters. National Bank expresses no opinion as to the value at which Timbercreek Financial may trade following completion of the Arrangement.

The TSMIC Fairness Opinion is rendered as of May 5, 2016 and on the basis of securities markets, economic and general business and financial conditions prevailing as of May 5, 2016 and the conditions and prospects, financial and otherwise, of TSMIC and TMIC as they are reflected in the Information and as they were represented to National Bank in its discussions with the management of TSMIC and TAMI, as the case may be. In its analyses and in connection with the preparation of the TSMIC Fairness Opinion, National Bank made numerous assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of National Bank and any party involved in the Arrangement Agreement and the Arrangement. The TSMIC Fairness Opinion is provided to the TSMIC Board for their use only and may not be relied upon by any other person. National Bank disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the TSMIC Fairness Opinion which may come or be brought to the attention of National Bank after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the TSMIC Fairness Opinion after May 5, 2016, National Bank reserves the right to change, modify or withdraw the TSMIC Fairness Opinion.

The TSMIC Fairness Opinion is addressed to the TSMIC Board and is for the sole use and benefit of the TSMIC Board, and may not be referred to, summarized, circulated, publicized or reproduced or disclosed to or used or relied upon by any party without the express written consent of National Bank. The TSMIC Fairness Opinion is not to be construed as a recommendation to any TSMIC Shareholder to vote in favour or against the Arrangement.

### *Conclusion*

Based upon and subject to the foregoing, and such other matters as National Bank considered relevant, National Bank is of the opinion, as of May 5, 2016, that the consideration to be received by TSMIC Shareholders pursuant to the Arrangement is fair, from a financial point of view, to TSMIC Shareholders, other than TAMI and its affiliates.

### **Exemption from Formal Valuation Requirement**

The Arrangement constitutes a “business combination” for purposes of MI 61-101 and the issuance of securities by TMIC to TAMI pursuant to the Contribution and Termination Agreement is a “connected transaction” and a “related party” transaction under MI 61-101. MI 61-101 requires that a formal valuation be obtained for a business combination if a connected transaction is a related party transaction for which a formal valuation is required under

MI 61-101. MI 61-101 provides that a related party transaction is exempt from the formal valuation requirement if at the time the transaction is agreed to, neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the transaction, insofar as it involves interested parties, exceeds 25% of the market capitalization of TMIC.

TMIC, TSMIC and TAMI have determined that the fair market value of the securities to be issued by TMIC to TAMI pursuant to the Contribution and Termination Agreement is less than 25% of the market capitalization of TMIC as at the time that the transaction was agreed to. As a result, the Arrangement is exempt from the requirement to obtain a formal valuation.

### **Other Considerations**

In making their respective determinations and recommendations, each of the TMIC Board and the TSMIC Board (and their respective special committee) also observed that a number of procedural safeguards were and are present to permit each board and its special committee to represent effectively the interests of each of the Parties, the TMIC Shareholders and TSMIC Shareholders, the minority shareholders of each of TMIC and TSMIC, and the other stakeholders, including, among others:

- *Role of the TMIC Special Committee.* The TMIC Special Committee evaluated and negotiated the Arrangement Agreement and the Management Fee Agreements on behalf of TMIC. The TMIC Special Committee consists of individuals who are independent of management and TSMIC. The TMIC Special Committee met regularly with its own independent legal and financial advisors.
- *Role of the TSMIC Special Committee.* The TSMIC Special Committee evaluated and negotiated the Arrangement Agreement and the Management Fee Agreements on behalf of TSMIC. The TSMIC Special Committee consists of individuals who are independent of management and TSMIC. The TSMIC Special Committee met regularly with its own independent legal and financial advisors.
- *Ability to Respond to Superior Proposals.* Notwithstanding the limitations contained in the Arrangement Agreement on TMIC and TSMIC's ability to solicit interest from third parties, the Arrangement Agreement allows each of the parties to engage in discussions or negotiations with respect to an unsolicited written bona fide Acquisition Proposal at any time: (i) in the case of TMIC, prior to the approval of the TMIC Arrangement Resolution by the TMIC Shareholders and after the TMIC Board determines, in good faith, after consultation with its financial advisors and outside legal counsel, that such Acquisition Proposal could reasonably be expected to lead to a Superior Proposal; or, (ii) in the case of TSMIC, prior to the approval of the TSMIC Arrangement Resolution by the TSMIC Shareholders and after the TSMIC Board determines, in good faith, after consultation with its financial advisors and outside legal counsel, that such Acquisition Proposal could reasonably be expected to lead to a Superior Proposal.
- *Reasonable Termination Fee.* The amount of the reciprocal Termination Fee, being \$9 million, is reasonable in the circumstances.
- *Protection for TMIC Shareholders.* The Arrangement and the Management Agreement Transactions are subject to the following securityholder and Court approvals, which protect TMIC Shareholders:
  - the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution must each be approved, with or without variation, by the affirmative vote of at least two-thirds of the votes cast on such resolutions by TMIC Shareholders present in person or represented by proxy and entitled to vote at the TMIC Meeting, as well as a majority of the votes cast by TMIC Shareholders present in person or represented by proxy and entitled to vote at the TMIC Meeting, excluding for this purpose votes attached to any TMIC Shares held by persons whose vote are required to be excluded in accordance with the policies of the TSX and MI 61-101, being TAMI and its related parties;



- the Arrangement must be approved by the Court, which will consider, among other things, the fairness and reasonableness of the Arrangement to TMIC Shareholders; and
- any registered TMIC Shareholder who opposes the Arrangement may, on strict compliance with certain conditions, exercise its Dissent Rights and receive the fair value of the Dissent Shares in accordance with the section 185 of the OBCA, as modified by the Interim Order and the Plan of Arrangement.
- *Protection for TSMIC Shareholders.* The Continuance, the Arrangement and the Management Agreement Transactions are subject to the following securityholder and Court approvals, which protect TSMIC Shareholders:
  - the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution must each be approved, with or without variation, by the affirmative vote of at least two-thirds of the votes cast on such resolution by TSMIC Shareholders present in person or represented by proxy and entitled to vote at the TSMIC Meeting. The TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution must also be approved by a majority of the votes cast by TSMIC Shareholders present in person or represented by proxy and entitled to vote at the TSMIC Meeting, excluding for this purpose votes attached to any TSMIC Shares held by persons whose vote are required to be excluded in accordance with the policies of the TSX and MI 61-101, being TAMI and its related parties;
  - the Arrangement must be approved by the Court, which will consider, among other things, the fairness and reasonableness of the Arrangement to TSMIC Shareholders; and
  - any registered TSMIC Shareholder who opposes the Continuance Resolution may, on strict compliance with certain conditions, exercise its Dissent Rights and receive the fair value of the Dissent Shares in accordance with section 190 of the CBCA. In addition, any registered TSMIC Shareholder who opposes the Arrangement and who does not exercise Dissent Rights in respect of the Continuance Resolution may, on strict compliance with certain conditions, exercise its Dissent Rights and receive the fair value of the Dissent Shares in accordance with section 185 of the OBCA, as modified by the Interim Order and the Plan of Arrangement;
- *TAMI and all of the Directors and Officers of TMIC will be voting FOR the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution.* As of the TMIC Record Date, TAMI, its directors and officers and the directors and officers of TMIC collectively own, directly or indirectly, or exercise control or direction over an aggregate of 418,691 TMIC Shares, representing approximately 1.03% of the outstanding TMIC Shares.
- *TAMI and all of the Directors and Officers of TSMIC will be voting FOR the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution.* As of the TSMIC Record Date, TAMI and the Directors and Officers of TSMIC collectively own, directly or indirectly, or exercise control or direction over an aggregate of 334,263 TSMIC Shares, representing approximately 1.06% of the outstanding TSMIC Shares.

## **Description of the Arrangement**

***The following description of the Arrangement is qualified in its entirety by reference to the full text of the Plan of Arrangement which is attached as Appendix H to this Circular.***

If the TMIC Arrangement Resolution and the TSMIC Arrangement Resolution are passed, the Arrangement is approved by the Court and all of the other conditions to closing set out in the Arrangement Agreement are satisfied or waived (including, for greater certainty, the approval of the TMIC Management Agreement Resolution, the Continuance Resolution and the TSMIC Management Agreement Resolution and the completion of the Management

Agreement Transactions), TMIC and TSMIC will be amalgamated and TMIC Shareholders and TSMIC Shareholders (other than TMIC Shareholders and TSMIC Shareholders that validly exercise Dissent Rights) will be entitled to receive one (1) and 1.035 TF Shares, respectively, in exchange for each TMIC Share or TSMIC Share held.

If approved, the Arrangement will become effective at the Effective Time, which is expected to be 12:01 a.m. (Toronto time) on June 30, 2016, or such later date as may be agreed to in writing by TMIC and TSMIC.

At the Effective Time, the following will be deemed to occur, without any further authorization, act or formality:

- (a) TMIC and TSMIC will be amalgamated and continued as one corporation under the OBCA in accordance with the following:

- (i) Name. The name of the amalgamated corporation will be “Timbercreek Financial Corp.”.
- (ii) Registered Office. The registered office of Timbercreek Financial will be located at 25 Price Street, Toronto, Ontario, M4W 1Z1.
- (iii) Share Provisions. Timbercreek Financial will be authorized to issue an unlimited number of TF Shares. The rights, privileges, restrictions and conditions attaching to the TF Shares will be as set forth in Appendix A to the Plan of Arrangement.
- (iv) Other Provisions. The other provisions forming part of the Articles of Timbercreek Financial, including restrictions on the business Timbercreek Financial may carry on and restrictions on ownership of TF Shares, will be as set forth in Appendix B to the Plan of Arrangement.
- (v) Directors and Officers.

- (A) Minimum and Maximum. The directors of Timbercreek Financial will, until otherwise changed in accordance with the OBCA, consist of a minimum number of three (3) directors and a maximum number of ten (10) directors. The actual number of directors between the minimum and maximum will be determined by the TF Board from time to time and, subject to the provisions of the OBCA, the TF Board may appoint additional directors between meetings of shareholders provided that the total number of directors after such appointment would not be greater than one and one-third times the number of directors required to have been elected at the last annual meeting of shareholders.
- (B) Initial Directors. The number of directors on the TF Board will initially be set at seven (7). The initial directors of Timbercreek Financial immediately following the amalgamation will be:

R. Blair Tamblyn	Ugo Bizzarri
Andrew Jones	Glenn Shyba
Steven Scott	Derek Watchorn
Zelick Altman	

- (C) Initial Officers. The initial officers of Timbercreek Financial will be as follows:

<u>Name</u>	<u>Title</u>
Andrew Jones	Chief Executive Officer
Carrie Morris	Vice-President
Peter Hawkings	Vice-President & Corporate Secretary

- (vi) Stated Capital. For the purposes of the OBCA, the aggregate stated capital attributable to the TF Shares issued pursuant to the Arrangement will be the aggregate of the stated capital attributable to the TMIC Shares and the TSMIC Shares immediately before the amalgamation, less the amount of any stated capital attributable to the TMIC Shares or TSMIC Shares that are cancelled on the amalgamation pursuant to Sections 2.4(a)(x)(A) (*TMIC Shares held by Dissenting TMIC Shareholders*), 2.4(a)(x)(B) (*TSMIC Shares held by Dissenting TSMIC Shareholders*) or 2.4(a)(x)(E) (*TMIC Shares held by TSMIC and TSMIC Shares held by TMIC*) of the Plan of Arrangement;
- (vii) By-laws. The by-laws of Timbercreek Financial will be substantially in the form attached as Appendix C to the Plan of Arrangement;
- (viii) Effect of Amalgamation. The provisions of subsections 179(a), (a.1), (b), (c) and (e) of the OBCA will apply to the amalgamation with the result that:
  - (A) TMIC and TSMIC will be amalgamated and continue as one corporation under the terms and conditions contained in the Plan of Arrangement;
  - (B) TMIC and TSMIC will cease to exist as entities separate from Timbercreek Financial;
  - (C) Timbercreek Financial will possess all the property, rights, privileges and franchises and will be subject to all liabilities, including civil, criminal and quasi-criminal, and all contracts, disabilities and debts of each of TMIC and TSMIC;
  - (D) a conviction against, or ruling, order or judgment in favour or against TMIC or TSMIC may be enforced by or against Timbercreek Financial; and
  - (E) Timbercreek Financial will be deemed to be the party plaintiff or the party defendant, as the case may be, in any civil action commenced by or against TMIC or TSMIC before the amalgamation has become effective;
- (ix) Articles. The Articles of Arrangement filed to give effect to the Arrangement will be deemed to be the articles of amalgamation of Timbercreek Financial and the Certificate issued in respect of such Articles of Arrangement by the Director under the OBCA will be deemed to be the certificate of amalgamation of Timbercreek Financial;
- (x) Effect of Amalgamation on Securities. On the amalgamation:
  - (A) each TMIC Share held by a Dissenting TMIC Shareholder who has validly exercised their rights of dissent pursuant to Section 4.1 of the Plan of Arrangement and which rights of dissent remain valid immediately prior to the Effective Time will be cancelled and become an entitlement to be paid the fair value of such TMIC Share by Timbercreek Financial and the Dissenting TMIC Shareholder will cease to have any rights as a holder of such TMIC Share other than the right to be paid the fair value of such TMIC Share by Timbercreek Financial in accordance with Section 4.1 of the Plan of Arrangement;
  - (B) each TSMIC Share held by a Dissenting TSMIC Shareholder who has validly exercised their rights of dissent pursuant to Section 4.2 of the Plan of Arrangement and which rights of dissent remain valid immediately prior to the Effective Time will be cancelled and become an entitlement to be paid the fair value of such TSMIC Share by Timbercreek Financial and the Dissenting TSMIC Shareholder will cease to have any rights as a holder of such TSMIC

Share other than the right to be paid the fair value of such TSMIC Share by Timbercreek Financial in accordance with Section 4.2 of the Plan of Arrangement;

- (C) each TMIC Share (other than TMIC Shares held by TSMIC or Dissenting TMIC Shareholders) will be exchanged, without any further act or formality on the part of the holder thereof, for one (1) fully paid and non-assessable TF Share, subject to rounding in accordance with Section 3.3 of the Plan of Arrangement and that each former TMIC Shareholder will thereby be entitled to no less than one (1) TF Share, and the name of such TMIC Shareholder will be entered into the register of holders of TF Shares;
- (D) each TSMIC Share (other than TSMIC Shares held by TMIC or Dissenting TSMIC Shareholders) will be exchanged, without any further act or formality on the part of the holder thereof, with Timbercreek Financial for 1.035 fully paid and non-assessable TF Shares, subject to rounding in accordance with Section 3.3 of the Plan of Arrangement and that each former TSMIC Shareholder will thereby be entitled to no less than one (1) TF Share, and the name of such TSMIC Shareholder will be added to the register of holders of TF Shares;
- (E) any TMIC Share held by TSMIC and any TSMIC Share held by TMIC will be cancelled without any payment in respect thereof;
- (F) any right exercisable or exchangeable for, convertible into, or to otherwise receive TMIC Shares existing (whether contingent or otherwise) at the Effective Time will, from the Effective Time, entitle the holder thereof, in lieu of receiving TMIC Shares, to the number of TF Shares that the holder would have been entitled to receive if such holder were the holder of that number of TMIC Shares immediately prior to the Effective Time and participated in the Arrangement, and will cease to provide the holder any right, title or interest in any TMIC Shares, in accordance with their terms;

The Arrangement is proposed to be carried out pursuant to the provisions of Section 182 of the OBCA. The following procedural steps must be taken in order for the Arrangement to become effective:

- the Continuance Resolution must be approved and the Continuance must have been completed;
- the TMIC Arrangement Resolution and the TSMIC Arrangement Resolution must each be approved;
- the TMIC Management Agreement Resolution and the TSMIC Management Agreement Resolution must each be approved, and the Management Agreement Transactions must have been completed (except for such transactions which, pursuant to the terms of the Management Fee Agreements, cannot be completed until after the Effective Time);
- the Court must grant the Final Order approving the Arrangement;
- all conditions precedent to the Arrangement (as further described in the Arrangement Agreement) must be satisfied or waived by the appropriate Party; and
- the Articles of Arrangement and related documents, in the form prescribed by the OBCA, must be filed with the Director pursuant to Section 183 of the OBCA.

## Description of the Management Agreement Transactions

*The following description of the Management Agreement Transactions is qualified in its entirety by reference to the full text of the Contribution and Termination Agreement and the Escrow Agreement attached as Schedule “J” and Schedule “K”, respectively, to the Arrangement Agreement, a copy of which has been filed on SEDAR by TMIC and TSMIC.*

If the TMIC Management Agreement Resolution and the TSMIC Management Agreement Resolution are passed and all of the other conditions to closing set out in the Escrow Agreement are satisfied or waived, the following transactions will occur:

- at the Escrow Release Time, and without any further action on the part of either TAMI or TSMIC, the TSMIC Management Agreement shall be terminated and will cease to have any force or effect from that time;
- at the Escrow Release Time, and without any further action on the part of either TAMI or TMIC, TAMI will transfer, convey and assign to TMIC and TMIC will thereby acquire all of TAMI’s right, title and interest in the TMIC Management Agreement, free and clear of all liens, charges and encumbrances, in consideration for a payment of \$6,997,048 (the “**Transfer Payment**”), plus applicable taxes, which will be satisfied by the issuance of the Consideration Shares, plus a payment by cheque for the amount of applicable taxes; and
- immediately following the Effective Time, the New Management Agreement will be released from escrow pursuant to the Escrow Agreement and will become a valid and binding agreement between TAMI and Timbercreek Financial, enforceable against each of them in accordance with its terms.

The parties have determined that the amount of the Transfer Payment is equal to the fair market value of the rights under the TMIC Management Agreement that will be transferred by TAMI to TMIC. The number of Consideration Shares issued in satisfaction of the Transfer Payment was calculated based on the book value of the TMIC Shares as at the end of the last quarter preceding the date of the Escrow Agreement and represents a premium of approximately 6% to the closing price of TMIC Shares as of May 5, 2016.

Pursuant to the Escrow Agreement, the parties have agreed that the Consideration Shares (and TF Shares issued in exchange therefor pursuant to the Arrangement) will be subject to escrow, with one-third of the Consideration Shares being released 6 months following the Effective Date, one-third of the Consideration Shares being released 12 months following the Effective Date, and the remaining one-third of the Consideration Shares being released 18 months following the Effective Date; however, TAMI intends to be a long-term investor in Timbercreek Financial.

## TMIC Shareholder Approval

To be effective, the TMIC Arrangement Resolution must be approved, with or without variation, by the affirmative vote of at least 66 2/3% of the votes cast by TMIC Shareholders present in person or represented by proxy and entitled to vote at the TMIC Meeting as well as a majority of the votes cast by TMIC Shareholders present in person or represented by proxy and entitled to vote at the TMIC Meeting, excluding for this purpose votes attached to any TMIC Shares held by persons whose vote are required to be excluded in accordance with the policies of the TSX and MI 61-101, being TAMI and its related parties.

To be effective, the TMIC Management Agreement Resolution must be approved, with or without variation, by the affirmative vote of at least 66 2/3% of the votes cast by TMIC Shareholders present in person or represented by proxy and entitled to vote at the TMIC Meeting as well as a majority of the votes cast by TMIC Shareholders present in person or represented by proxy and entitled to vote at the TMIC Meeting, excluding for this purpose votes attached to any TMIC Shares held by persons whose vote are required to be excluded in accordance with the policies of the TSX and MI 61-101, being TAMI and its related parties.

It is a condition to the completion of the Contemplated Transactions that both the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution are approved by TMIC Shareholders. If either resolution is not approved, the Management Agreement Transactions and the Arrangement will not be completed and TMIC and TSMIC will continue to operate as separate entities.

### **TSMIC Shareholder Approval**

To be effective, the Continuance Resolution must be approved, with or without variation, by the affirmative vote of at least 66 2/3% of the votes cast by TSMIC Shareholders present in person or represented by proxy and entitled to vote at the TSMIC Meeting.

To be effective, the TSMIC Arrangement Resolution must be approved, with or without variation, by the affirmative vote of at least 66 2/3% of the votes cast by TSMIC Shareholders present in person or represented by proxy and entitled to vote at the TSMIC Meeting as well as a majority of the votes cast by TSMIC Shareholders present in person or represented by proxy and entitled to vote at the TSMIC Meeting, excluding for this purpose votes attached to any TSMIC Shares held by persons whose vote are required to be excluded in accordance with the policies of the TSX and MI 61-101, being TAMI and its related parties.

To be effective, the TSMIC Management Agreement Resolution must be approved, with or without variation, by the affirmative vote of at least 66 2/3% of the votes cast by TSMIC Shareholders present in person or represented by proxy and entitled to vote at the TSMIC Meeting as well as a majority of the votes cast by TSMIC Shareholders present in person or represented by proxy and entitled to vote at the TSMIC Meeting, excluding for this purpose votes attached to any TSMIC Shares held by persons whose vote are required to be excluded in accordance with the policies of the TSX and MI 61-101, being TAMI and its related parties.

It is a condition to the completion of the Contemplated Transactions that each of the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution are approved by TSMIC Shareholders. If any of these resolutions are not approved, the Continuance, the Management Agreement Transactions and the Arrangement will not be completed and TSMIC and TMIC will continue to operate as separate entities.

### **Court Approval and Completion of the Arrangement**

A Plan of Arrangement under the OBCA requires court approval. Prior to the mailing of this Circular, TMIC and TSMIC obtained the Interim Order providing for the calling and holding of the TMIC Meeting and the TSMIC Meeting and other procedural matters. A copy of the Interim Order is attached hereto as Appendix I. The Interim Order, among other things, provides for the calling and holding of the TMIC Meeting and TSMIC Meeting and causes to be issued the notice of application for the Final Order of the Court. The Interim Order does not constitute approval of the Plan of Arrangement or the contents of this Circular by the Court.

Subject to the terms of the Arrangement Agreement, and if the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution are approved at the TMIC Meeting and the Continuance Resolution, the TSMIC Arrangement Resolution and TSMIC Management Agreement Resolution are approved at the TSMIC Meeting, TMIC and TSMIC will make an application to the Court for the Final Order.

The application for the Final Order approving the Arrangement is scheduled for June 29, 2016 at 10:00 a.m. (Toronto time), or as soon thereafter as counsel may be heard, at 330 University Avenue, Toronto, Ontario, M5G 1R7. At the hearing in connection with the Final Order, any TMIC Shareholder or TSMIC Shareholder and any other interested party who wishes to participate or to be represented or to present evidence or argument may do so, subject to filing with the Court and serving upon TMIC or TSMIC, as the case may be, on or before noon (Toronto time) on June 28, 2016, a Notice of Appearance indicating whether such shareholder or other interested party intends to support or oppose the application or make submissions thereat, together with a summary of the position such shareholder or other interested party intends to advocate before the Court and any evidence or materials which such party intends to present to the Court. Service of such notice will be effected by service upon the solicitors for TMIC: McCarthy Tétrault LLP, Suite 6300, 66 Wellington Street West, Toronto, Ontario M5K 1E6, Attention:

Shane D'Souza or by facsimile at 416-868-0673, or the solicitors for TSMIC: Goodmans LLP, Suite 3400, 333 Bay Street, Toronto, Ontario M5H 2S7, Attention: Peter Kolla or by facsimile at 416-979-1234.

The TF Shares to be issued pursuant to the Arrangement will be issued in reliance upon the exemption from registration under the U.S. Securities Act provided by Section 3(a)(10) thereof. The Court has been advised that if the terms and conditions of the Arrangement are approved by the Court, TMIC and TSMIC intend to use the Final Order of the Court approving the Arrangement as the basis for the exemption from registration under the U.S. Securities Act of the TF Shares to be issued pursuant to the Arrangement. Therefore, should the Court make a Final Order approving the Arrangement, TF Shares and any other securities to be issued pursuant to the Arrangement will be exempt from registration under the U.S. Securities Act.

Each of TMIC and TSMIC has been advised by its counsel that the Court has broad discretion under the OBCA when making orders with respect to the Arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Arrangement, either as proposed or as amended, in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks fit. Depending upon the nature of any required amendments, TMIC and TSMIC may determine not to proceed with the Arrangement.

For further information regarding the Court hearing in connection with the Final Order and the rights of shareholders in connection with the Court hearing, see the Interim Order attached at Appendix I to this Circular and the issued Notice of Application attached at Appendix J to this Circular. The Notice of Application constitutes notice of the Court hearing of the application for the Final Order and is the only such notice of that proceeding.

#### **Treatment of the TMIC Debentures**

In connection with the Arrangement, Timbercreek Financial and the Debenture Trustee will execute the Supplemental TMIC Debenture Indenture and such other instruments as contemplated and required by the TMIC Debenture Indenture, in order to provide for the assumption, by Timbercreek Financial pursuant to and in accordance with Section 2.4(a)(x)(G) of the Plan of Arrangement, of all of the obligations of TMIC under the TMIC Debenture Indenture, such that, following the completion of the steps contemplated by Section 2.4(a)(x) of the Plan of Arrangement, the TMIC Debentures continue as valid and binding obligations of Timbercreek Financial entitling the holders thereof, as against Timbercreek Financial, to all of the rights of holders of TMIC Debentures under the TMIC Debenture Indenture, as supplemented and amended by the Supplemental TMIC Debenture Indenture. Upon such assumption, the conversion price in respect of the TF Debentures will be \$11.25 such that approximately 88.8889 TF Shares shall be issued for each \$1,000 principal amount of TF Debentures so converted.

#### **Treatment of TMIC Deferred Share Units and TSMIC Deferred Share Units**

Pursuant to the Arrangement Agreement, the parties have agreed that all TMIC DSUs and TSMIC DSUs outstanding as at the Effective Date will be settled by TMIC or TSMIC, as applicable, in accordance with the terms and subject to the conditions of the TMIC DSU Plan or the TSMIC DSU Plan, as applicable. Following the settlement of all outstanding TMIC DSUs and TSMIC DSUs, both the TMIC DSU Plan and the TSMIC DSU Plan will be terminated in accordance with their respective terms.

The independent directors of each of TMIC and TSMIC who will continue as directors of Timbercreek Financial have agreed to invest all of the net proceeds of such settlement in TF Shares through market purchases as permitted by applicable laws. Such acquisition will contribute to the satisfaction of the share ownership requirements for all directors pursuant to the share ownership guidelines of TMIC and of TSMIC, which guidelines will continue as share ownership guidelines applicable to Timbercreek Financial, with effect from their time of adoption by each of TMIC and TSMIC.

The Parties expect that Timbercreek Financial will adopt the New DSU Plan, which will be substantially similar to the TMIC DSU Plan and the TSMIC DSU Plan currently in effect.

## Dividend Reinvestment Plans of TMIC and TSMIC

Pursuant to the Arrangement Agreement, conditional on the approval of the TMIC Arrangement Resolution and the TSMIC Arrangement Resolution, the TMIC DRIP and the TSMIC DRIP will each be terminated in accordance with their terms, with an effective date of termination of June 22, 2016. A notice of termination will be mailed by TMIC to participants of the TMIC DRIP and by TSMIC to participants in the TSMIC DRIP, in each case on or before May 20, 2016.

The Parties have agreed that from and after the Effective Time, Timbercreek Financial will adopt the New DRIP, which will have terms and conditions substantially similar to the TMIC DRIP and the TSMIC DRIP currently in effect, subject to any required changes resulting from the adoption by the TSX of new regulations for dividend reinvestment plans. Pursuant to the New DRIP, and as more fully described in the notice of termination referred to above, TMIC Shareholders who currently participate in the TMIC DRIP and TSMIC Shareholders who currently participate in the TSMIC DRIP will be required to subscribe following completion of the Arrangement for rights under the New DRIP in order to participate in the New DRIP.

## Interests of Certain Persons in the Arrangement and Management Agreement Transactions

Other than as set forth below, to the knowledge of TMIC and TSMIC, no person who has been a director or officer of TMIC, TSMIC or TAMI at any time since January 1, 2015, or any associate thereof, has any interest, direct or indirect, by way of beneficial ownership or securities or otherwise, in the Arrangement. To the knowledge of TMIC and TSMIC, none of TMIC, TSMIC, TAMI, their respective directors and officers, or any of their respective associates or affiliates or any person acting jointly or in concert with TMIC, TSMIC or TAMI, will receive any direct or indirect benefit from voting for or against the Arrangement, other than the benefits received by other TMIC Shareholders or TSMIC Shareholders, as applicable, and except for the benefit to be received by TAMI pursuant to the Contribution and Termination Agreement, as described under “The Management Fee Agreements – Contribution and Termination Agreement”, and for the cash payments to be received by the directors of TMIC and TSMIC in connection with the settlement of outstanding TMIC DSUs and TSMIC DSUs, as described above under “Treatment of TMIC Deferred Share Units and TSMIC Deferred Share Units” and as set out in the following table.

Insider	Relationship	Number of TMIC Shares and/or TSMIC Shares beneficially owned, controlled or directed prior to the Arrangement	Number of TF Shares beneficially owned, controlled or directed after the Arrangement	Number of TMIC DSUs and TSMIC held <sup>(2)</sup>	Fair Market Value of TMIC DSUs or TSMIC DSUs as at May 10, 2016 <sup>(3)</sup>
Andrew Jones	Managing Director, Debt Investments of TAMI  CEO and Director of TMIC and TSMIC	16,100 TMIC Shares  5,000 TSMIC Shares	21,275 TF Shares	–	–
Carrie Morris	Managing Director, Capital Markets & Corporate Communications of TAMI	3,400 TMIC Shares  1,900 TSMIC Shares	5,366 TF Shares	–	–



<b>Insider</b>	<b>Relationship</b>	<b>Number of TMIC Shares and/or TSMIC Shares beneficially owned, controlled or directed prior to the Arrangement</b>	<b>Number of TF Shares beneficially owned, controlled or directed after the Arrangement</b>	<b>Number of TMIC DSUs and TSMIC held<sup>(2)</sup></b>	<b>Fair Market Value of TMIC DSUs or TSMIC DSUs as at May 10, 2016<sup>(3)</sup></b>
Craig Geier	Director of TMIC	3,876 TMIC Shares	3,876 TF Shares	4,922.78 TMIC DSUs	\$41,351
David Melo	Managing Director, Finance of TAMI	6,705 TMIC Shares	9,189 TF Shares	—	—
	CFO of TMIC and TSMIC	2,400 TSMIC Shares			
Derek Watchorn	Director of TMIC	32,590 TMIC Shares	32,590 TF Shares	6,529.66 TMIC DSUs	\$54,849 <sup>(4)</sup>
Edward Boomer	Director of TSMIC	Nil	Nil	3,754.78 TSMIC DSUs	\$31,165
Peter Hawkings	General Counsel & Chief Compliance Officer of TAMI	1,000 TMIC Shares 500 TSMIC Shares	1,517 TF Shares	—	—
R. Blair Tamblyn	Managing Director & CEO of TAMI	21,657 TMIC Shares	32,628 TF Shares	—	—
	Chairman of TMIC and TSMIC	10,600 TSMIC Shares			
Robert Douglas	Director of TSMIC	Nil	Nil	6,600.24 TSMIC DSUs	\$54,782
Steven Scott	Director of TSMIC	6,386 TSMIC Shares	6,609 TF Shares	6,702.38 TSMIC DSUs	\$55,630 <sup>(4)</sup>
Timbercreek Asset Management Inc.	Manager of TMIC and TSMIC	276,518 TMIC Shares  246,276 TSMIC Shares	1,314,243 TF Shares <sup>(1)</sup>	—	—

<b>Insider</b>	<b>Relationship</b>	<b>Number of TMIC Shares and/or TSMIC Shares beneficially owned, controlled or directed prior to the Arrangement</b>	<b>Number of TF Shares beneficially owned, controlled or directed after the Arrangement</b>	<b>Number of TMIC DSUs and TSMIC held<sup>(2)</sup></b>	<b>Fair Market Value of TMIC DSUs or TSMIC DSUs as at May 10, 2016<sup>(3)</sup></b>
Ugo Bizzarri	Managing Director, Portfolio Management & Investments of TAMI  Director of TMIC and TSMIC	38,120 TMIC Shares  55,701 TSMIC Shares	95,770 TF Shares	—	—
W. Glenn Shyba	Director of TMIC	5,100 TMIC Shares  5,500 TSMIC Shares	10,792 TF Shares	6,629.97 TMIC DSUs  6,397.17 TSMIC DSUs	\$108,789 <sup>(4)</sup>
Zelick Altman	Director of TMIC	13,625 TMIC Shares	13,625 TF Shares	6,529.66 TMIC DSUs	\$45,213 <sup>(4)</sup>

Notes:

- (1) In addition to the TMIC Shares and TSMIC Shares currently held by TAMI, immediately prior to the Effective Time of the Arrangement, TAMI will be issued the Consideration Shares pursuant to the Contribution and Termination Agreement, which shares will also be exchanged for TF Shares pursuant to the Arrangement.
- (2) Additional TMIC DSUs and TSMIC DSUs will be issued to the independent directors of TMIC and TSMIC in lieu of cash fees and retainers payable (at the election of such directors) in respect of Q1 2016, following the release of TMIC's and TSMIC's, as applicable, interim quarterly financial statements.
- (3) The TMIC DSU Plan and the TSMIC DSU Plan each provide that on the settlement date, the director will receive a cash payment in respect of the TMIC DSUs or TSMIC DSUs, as applicable, net of applicable withholding taxes. As such withholding taxes are not yet known and cannot be calculated at this time, this table indicates, for illustrative purposes, the gross amount of the payment that the independent directors would be expected to receive if the settlement of the TMIC DSUs and TSMIC DSUs, as applicable, occurred on May 10, 2016.
- (4) The independent directors of each of TMIC and TSMIC who will continue as directors of Timbercreek Financial have agreed to invest all of the net proceeds of such settlement in TF Shares through market purchases as permitted by applicable laws.

Other than as set forth above, TAMI, the directors and officers of TMIC, TSMIC and TAMI and their respective associates or affiliates, or any persons acting jointly or in concert with them, do not beneficially own, directly or indirectly, or exercise control or direction over, any TMIC Shares or TSMIC Shares. TAMI and the directors and officers of TMIC and TAMI, in the aggregate, hold 418,691 TMIC Shares, representing approximately 1.03% of the TMIC Shares issued and outstanding as of the date hereof. All of the TMIC Shares held by TAMI and the directors and officers of TMIC and TAMI will be treated in the same fashion under the Arrangement as TMIC Shares held by every other TMIC Shareholder. TAMI and the directors and officers of TSMIC and TAMI, in the aggregate, hold approximately 334,263 TSMIC Shares, representing approximately 1.06% of the TSMIC Shares issued and outstanding as of the date hereof. All of the TSMIC Shares held by TAMI and the directors and officers of TSMIC and TAMI will be treated in the same fashion under the Arrangement as TSMIC Shares held by every other TSMIC Shareholder.

## **Stock Exchange Listing**

The TMIC Shares currently trade on the TSX under the symbol “TMC” and the TSMIC Shares currently trade on the TSX under the symbol “MTG”. If the Arrangement is completed, it is expected that the amalgamated corporation will be named “Timbercreek Financial Corp.”. The TF Shares will trade on the TSX under the symbol “TF” and the TF Debentures will trade on the TSX under the symbol “TF.DB”. TSMIC and TMIC have received conditional approval of the TSX to list the TF Shares and TF Debentures (and the TF Shares issuable upon conversion, redemption or maturity of such TF Debentures) on the TSX. Such listing will be subject to Timbercreek Financial fulfilling all of the listing requirements of the TSX. Following completion of the Arrangement, the TMIC Shares and TSMIC Shares will be delisted from the TSX. See “Regulatory Matters – Stock Exchange Approvals”.

## **Procedure for Receiving TF Shares**

### *Letter of Transmittal*

A Letter of Transmittal (printed on yellow (for TMIC Shareholder) or blue (for TSMIC Shareholders) paper) is being mailed, together with this Circular, to each person who was a registered TMIC Shareholder on the TMIC Record Date or a registered TSMIC Shareholder on the TSMIC Record Date. Each TMIC Shareholder and TSMIC Shareholder must forward a properly completed and signed Letter of Transmittal, with accompanying share certificates (if applicable), in order to receive the TF Shares to which such TMIC Shareholder or TSMIC Shareholder is entitled under the Arrangement. The instructions for exchanging certificates representing TMIC Shares or TSMIC Shares and depositing such certificates with the Depositary are set out in the Letter of Transmittal. The Letter of Transmittal also provides instructions with regard to lost, stolen or destroyed certificates.

The Letter of Transmittal is available on SEDAR at [www.sedar.com](http://www.sedar.com). Additional copies of the Letter of Transmittal may also be obtained by contacting the Depositary. It is recommended that TMIC Shareholders and TSMIC Shareholders complete, sign and return the Letter of Transmittal with accompanying share certificates (if applicable) to the Depositary as soon as possible.

TMIC and TSMIC reserve the right to waive or not to waive any and all errors or other deficiencies in any Letter of Transmittal or other document and any such waiver or non-waiver will be binding upon the affected TMIC Shareholder or TSMIC Shareholder, as the case may be. The granting of a waiver to one or more TMIC Shareholder or TSMIC Shareholder does not constitute a waiver for any other shareholder, and TMIC and TSMIC reserve the right to demand strict compliance with the terms of the Letter of Transmittal.

Any use of the mail to transmit a share certificate and a related letter of transmittal is at the risk of the shareholder. It is recommended that the necessary documentation be hand delivered to the Depositary, and a receipt obtained therefore. If these documents are mailed, it is recommended that registered mail, with return receipt requested, properly insured, be used.

TMIC Shareholders and TSMIC Shareholders whose TMIC Shares or TSMIC Shares are registered in the name of a broker, investment dealer, bank, trust company, trustee or other intermediary should contact that nominee for assistance in depositing their TMIC Shares or TSMIC Shares, as applicable, and should follow the instructions of such intermediary in order to deposit their respective shares.

### *Exchange Procedure*

Whether or not the TMIC Shareholders forward the certificates representing their TMIC Shares, upon completion of the Arrangement on the Effective Date, the TMIC Shareholders will cease to be TMIC Shareholders as of the Effective Time and will only be entitled to receive the TF Shares to which they are entitled under the Arrangement or, in the case of TMIC Shareholders who properly exercised the Dissent Rights, the right to receive fair value for their TMIC Shares in accordance with the dissent procedures.

Whether or not TSMIC Shareholders forward the certificates representing their TSMIC Shares, upon completion of the Arrangement on the Effective Date, TSMIC Shareholders will cease to be TSMIC Shareholders as of the

Effective Time and will only be entitled to receive the TF Shares to which they are entitled under the Arrangement or, in the case of TSMIC Shareholders who properly exercised the Dissent Rights, the right to receive fair value for their TSMIC Shares in accordance with the dissent procedures.

On the Effective Date: (i) each former TMIC Shareholder (other than a Dissenting Shareholder) who has surrendered to the Depositary for cancellation a certificate(s) representing one or more issued and outstanding TMIC Shares shall be entitled to receive, and the Depositary shall deliver to such former TMIC Shareholder following the Effective Time, a certificate representing TF Shares that such former TMIC Shareholder is entitled to receive in accordance with the terms of the Arrangement; and (ii) each former TSMIC Shareholder (other than a Dissenting Shareholder) who has surrendered to the Depositary for cancellation one or more certificates representing one or more issued and outstanding TSMIC Shares shall be entitled to receive, and the Depositary shall deliver to such former TMIC Shareholder following the Effective Time, one or more certificates representing the TF Shares that such former TMIC Shareholder is entitled to receive in accordance with the terms of the Arrangement.

Upon surrender to the Depositary for cancellation of a certificate that immediately before the Effective Time represented one or more issued and outstanding TMIC Shares that were exchanged for TF Shares or TSMIC Shares that were exchange for TF Shares in accordance with the terms of the Arrangement, together with such other documents and instruments as would have been required to effect the transfer of the TMIC Shares or TSMIC Shares formerly represented by such certificate under the terms of such certificate, the OBCA or the by-laws or Articles of Arrangement, as applicable, and such additional documents and instruments as the Depositary may reasonably require, the holder of such surrendered certificate(s) will be entitled to receive in exchange therefor, and the Depositary will deliver to such holder following the Effective Time, one or more certificates representing the aggregate TF Shares, as applicable, that such holder is entitled to receive in accordance with the terms of the Arrangement.

After the Effective Time and until surrendered for cancellation, each certificate that immediately prior to the Effective Time represented one or more TMIC Shares or TSMIC Shares, shall be deemed at all times to represent only the right to receive in exchange therefor certificate(s) representing the TF Share(s) that the holder of such certificate(s) is entitled to receive in accordance with the terms of the Arrangement.

No dividends or other distributions declared or made after the Effective Time with respect to TF Shares with a record date after the Effective Time shall be paid to the holder of any unsurrendered certificate which immediately prior to the Effective Time represented issued and outstanding TMIC Shares or TSMIC Shares that were exchanged for TF Shares in accordance with the terms of the Arrangement, unless and until the holder of record of such certificate(s) shall surrender such certificate in accordance with the procedures described in the foregoing paragraphs under the heading “The Arrangement and Management Agreement Transactions – Procedure for Receiving TF Shares – Exchange Procedure” or under the heading “The Arrangement and Management Agreement Transactions – Procedure for Receiving TF Shares – Lost Certificates”. Subject to applicable Law, at the time of such surrender of any such certificate, there shall be paid to the holder of record of the certificate(s) representing whole TMIC Shares or TSMIC Shares, without interest, (i) the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such whole TF Share, and (ii) on the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but prior to surrender and a payment date subsequent to surrender payable with respect to such whole TF Share, as the case may be.

#### *Lost Certificates*

In the event any certificate(s) which immediately prior to the Effective Time represented one or more issued and outstanding TMIC Shares or TSMIC Shares that were exchanged for TF Shares pursuant to the Arrangement Agreement shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate(s) to be lost, stolen or destroyed, the Depositary will issue, in exchange for such lost, stolen or destroyed certificate(s), one or more certificates representing one or more TF Shares (and any dividends or distributions with respect thereto pursuant to the Arrangement Agreement) deliverable in accordance with such holder’s Letter of Transmittal. When authorizing such payment in exchange for any lost, stolen or destroyed certificate(s), the person to whom certificate(s) representing TF Shares are to be issued shall, as a condition precedent to the issuance thereof, give a bond satisfactory to Timbercreek Financial and its transfer agents in such

sum as Timbercreek Financial and the Depositary may direct or otherwise indemnify Timbercreek Financial and the Depositary in a manner satisfactory to Timbercreek Financial and the Depositary against any claim that may be made against Timbercreek Financial or the Depositary with respect to the certificate(s) alleged to have been lost, stolen or destroyed.

#### *Fractional Interest*

No fractional TF Shares will be issued to TMIC Shareholders or TSMIC Shareholders. If the aggregate number of TF Shares payable to any TMIC Shareholder or TSMIC Shareholder includes a fraction of an TF Share, such fraction will be rounded down to the nearest whole TF Share, with no consideration being paid for the fractional unit, provided that every former TMIC Shareholder or TSMIC Shareholder will be entitled to not less than one TF Share.

#### *Withholding Rights*

Pursuant to the terms of the Plan of Arrangement, TMIC, TSMIC, Timbercreek Financial and the Depositary are entitled to deduct and withhold from any dividend or consideration otherwise payable to any TMIC Shareholders or TSMIC Shareholders, such amounts as TMIC, TSMIC, Timbercreek Financial or the Depositary are required or permitted to deduct and withhold with respect to such payment under the Tax Act, the United States Internal Revenue Code of 1986, or any provision of provincial, state, local or foreign tax Law, in each case as amended. To the extent that amounts are so withheld, such withheld amounts will be treated for all purposes as having been paid to the former holder of the TMIC Shares or TSMIC Shares, as the case may be, in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. TMIC, TSMIC, Timbercreek Financial and the Depositary are authorized to sell or otherwise dispose of such portion of the TF Shares otherwise issuable to the holder as is necessary to provide sufficient funds to TMIC, TSMIC, Timbercreek Financial or the Depositary, as the case may be, to enable it to comply with such deduction or withholding requirement and TMIC, TSMIC, Timbercreek Financial or the Depositary will notify the shareholder thereof and remit the applicable portion of the net proceeds of such sale to the appropriate taxing authority.

#### *Return of TMIC Shares and TSMIC Shares Should Arrangement not be Completed*

If the Arrangement is not completed, any deposited TMIC Shares or TSMIC Shares will be returned to the depositing TMIC Shareholder or TSMIC Shareholder at TMIC's or TSMIC's expense, as applicable, upon written notice to the Depositary from TMIC or TSMIC, as applicable, by returning the deposited TMIC Shares or TSMIC Shares (and any other relevant documents) by first class insured mail in the name of and to the address specified by the TMIC Shareholder or TSMIC Shareholder in the applicable Letter of Transmittal or, if such name and address is not so specified, in such name and to such address as shown on the share register maintained by TMIC's or TSMIC's transfer agent, as applicable.

#### **Dissent Rights**

Section 185 of the OBCA provides registered shareholders of a corporation with the right to dissent from certain resolutions that effect extraordinary corporate transactions or fundamental corporate changes. The Interim Order expressly provides registered TMIC Shareholders with Dissent Rights with respect to the TMIC Arrangement Resolution and registered TSMIC Shareholders with Dissent Rights with respect to the TSMIC Arrangement Resolution (provided such registered TSMIC Shareholders have not exercised Dissent Rights in respect of the Continuance), in each case pursuant to Section 185 of the OBCA, with modifications to the provisions of Section 185 as provided in the Plan of Arrangement and the Interim Order. See Appendix H for the full text of the Plan of Arrangement, Appendix I for the full text of the Interim Order and Appendix O for the full text of Section 185 of the OBCA.

In addition to Dissent Rights under the OBCA with respect to the TSMIC Arrangement Resolution, TSMIC Shareholders also have Dissent Rights with respect to the TSMIC Continuance pursuant to Section 190 of the CBCA. See "The TSMIC Continuance – CBCA Dissent Rights in respect of the Continuance Resolution".

A registered TMIC Shareholder who wishes to dissent must provide a dissent notice to TMIC at 25 Price Street, Toronto, Ontario, Canada M4W 1Z1; Attention: General Counsel or by facsimile at 416-848-9494 by 5:00 p.m. (Toronto time) on the second last business day prior to the date of the TMIC Meeting. The OBCA requires strict adherence to the procedures established therein and failure to do so may result in the loss of all dissenters' rights. Accordingly, each TMIC Shareholder who might desire to exercise the Dissent Rights should carefully consider and comply with the provisions of the OBCA, the Plan of Arrangement and Interim Order and consult such TMIC Shareholder's legal advisor.

A registered TSMIC Shareholder who wishes to dissent must provide a dissent notice to TSMIC at 25 Price Street, Toronto, Ontario, Canada M4W 1Z1; Attention: General Counsel or by facsimile at 416-848-9494 by 5:00 p.m. (Toronto time) on the second last business day prior to the date of the TSMIC Meeting. The OBCA requires strict adherence to the procedures established therein and failure to do so may result in the loss of all dissenters' rights. Accordingly, each TSMIC Shareholder who might desire to exercise their Dissent Rights in respect of the TSMIC Arrangement Resolution should carefully consider and comply with the provisions of the OBCA, the Plan of Arrangement and Interim Order and consult such TSMIC Shareholder's legal advisor.

Each of TMIC and TSMIC may elect not to proceed with the Arrangement if holders of such number of TMIC Shares and TSMIC Shares that, in the aggregate, would constitute greater than 3% of the number of TF Shares that would be outstanding following completion of the Arrangement (assuming for purposes of calculating the outstanding number of TF Shares that there are no holders of TMIC Shares or TSMIC Shares that have exercised Dissent Rights) validly exercise their Dissent rights.

Any registered TMIC Shareholder who dissents from the TMIC Arrangement Resolution ("**Dissenting TMIC Shareholder**") in compliance with Section 185 of the OBCA, as modified by the Plan of Arrangement and the Interim Order, will, at the time of the step set out in Section 2.4(a)(x)(A) of the Plan of Arrangement, cease to have any rights as a holder of TMIC Shares and shall only be entitled to be paid the fair value of the TMIC Shares held by such Dissenting TMIC Shareholder, determined as of the close of business on the last business day before the TMIC Arrangement Resolution is approved by TMIC Shareholders at the TMIC Meeting. TMIC Shares held by a Dissenting TMIC Shareholder shall, in accordance with the Plan of Arrangement, be deemed to be cancelled and shall be deemed to no longer be issued and outstanding as of the Effective Time.

Any registered TSMIC Shareholder who dissents from the TSMIC Arrangement Resolution ("**Dissenting TSMIC Shareholder**") in compliance with Section 185 of the OBCA (as modified by the Plan of Arrangement and the Interim Order), as the case maybe, will, at the time of the step set out in Section 2.4(a)(x)(B) of the Plan of Arrangement, cease to have any rights as a holder of TSMIC Shares and shall only be entitled to be paid the fair value of TSMIC Shares held by such Dissenting TSMIC Shareholder, determined as of the close of business on the last business day before the TSMIC Arrangement Resolution is approved by the TSMIC Shareholders at the TSMIC Meeting. TSMIC Shares held by a Dissenting TSMIC Shareholder shall, in accordance with the Plan of Arrangement, be deemed to be cancelled and shall be deemed to no longer be issued and outstanding as of the Effective Time.

Persons who are Beneficial Shareholders who wish to dissent should be aware that only the registered holders of the TMIC Shares or TSMIC Shares are entitled to dissent. Accordingly, a Beneficial Shareholder desiring to exercise their Dissent Rights must make arrangements for the registered holder of their TMIC Shares or TSMIC Shares to dissent on his or her behalf. See "Joint Information Circular – Information to Beneficial Shareholders."

In no circumstances shall TMIC or TSMIC or any other person be required to recognize a person exercising Dissent Rights unless such person is the registered holder of TMIC Shares or TSMIC Shares in respect of which such rights are sought to be exercised. For greater certainty, in no case shall TMIC or TSMIC or any other person be required to recognize a dissenting shareholder as a holder of TMIC Shares or TSMIC Shares in respect of which Dissent Rights have been validly exercised after the completion of the transfer under section 2.4(a)(x)(A) and 2.4(a)(x)(B), as the case may be, of the Plan of Arrangement. In addition to any other restrictions in section 185 of the OBCA, no person who has voted in favour of the Arrangement shall be entitled to dissent with respect to the Arrangement.

A Dissenting TMIC Shareholder who for any reason is not entitled to be paid the fair value of the holder's TMIC Shares shall be treated as if the TMIC Shareholder had participated in the Arrangement on the same basis as a non-dissenting TMIC Shareholder notwithstanding the provisions of section 185 of the OBCA.

A Dissenting TSMIC Shareholder with respect to the Arrangement who for any reason is not entitled to be paid the fair value of the holder's TSMIC Shares shall be treated as if the TSMIC Shareholder had participated in the Arrangement on the same basis as a non-dissenting TSMIC Shareholder notwithstanding the provisions of section 185 of the OBCA.

**The foregoing is only a summary of the dissenting shareholder provisions of the OBCA (as modified by the Plan of Arrangement and the Interim Order), which are technical and complex. It is recommended that any registered TMIC Shareholder or TSMIC Shareholder wishing to avail himself, herself or itself of their Dissent Rights under those provisions seek legal advice, as failure to comply strictly with the provisions of the OBCA (as modified by the Plan of Arrangement and the Interim Order) may prejudice their Dissent Rights.**

### **Expenses of the Arrangement**

TMIC and TSMIC have agreed in the Arrangement Agreement that each party will pay all fees, costs and expenses incurred by such party with respect to the Arrangement; however, they will share in the payment of, among other things, any filing fees, proxy solicitation services, and applicable taxes payable in respect of any application, notification or other filing made in respect of any regulatory process contemplated by the Arrangement on the basis of 50% payable by TMIC and 50% payable by TSMIC. Notwithstanding the foregoing, in order to give effect to equitable sharing of fees, costs and expenses related to the Arrangement and the related transactions, pursuant to the Arrangement Agreement, TSMIC has agreed to reimburse TMIC for documented expenses related to the Contemplated Transactions paid or incurred by TMIC to third parties in the event that the Arrangement is not completed in circumstances where a Termination Fee would be payable by TSMIC to TMIC or where TSMIC Shareholder approval for the Continuance, the Arrangement or the Management Agreement Transactions is not obtained. The maximum amount that TSMIC is required to reimburse TMIC pursuant to this provision of the Arrangement Agreement will not exceed \$200,000 in aggregate.

The estimated costs to be incurred by TMIC and TSMIC with respect to the Arrangement and related matters including, without limitation, financial advisory, proxy solicitation, accounting and legal fees, the costs of preparation, printing and mailing of this Circular and other related documents and agreements, are expected to aggregate approximately \$2.2 million.

### **THE ARRANGEMENT AGREEMENT**

The Arrangement will be carried out pursuant to the Arrangement Agreement and the Plan of Arrangement. The following is a summary of the principal terms of the Arrangement Agreement and Plan of Arrangement. This summary does not purport to be complete and is qualified in its entirety by reference to the Arrangement Agreement, which is incorporated by reference herein and has been filed by TMIC and TSMIC on SEDAR at [www.sedar.com](http://www.sedar.com), and to the Plan of Arrangement, which is appended hereto as Appendix H.

On May 5, 2016, TSMIC, TMIC and TAMI entered into the Arrangement Agreement, pursuant to which TSMIC and TMIC agreed that, subject to the terms and conditions set forth in the Arrangement Agreement, TMIC and TSMIC will amalgamate to form a single entity. Each TMIC Shareholder will receive, in exchange for each TSMIC Share, one (1) TF Share and each TSMIC Shareholder will receive, in exchange for each TSMIC Share, 1.035 TF Shares. The terms of the Arrangement Agreement are the result of arm's length negotiations conducted among TMIC, TSMIC and representatives of the TMIC Special Committee and the TSMIC Special Committee and their respective advisors.

### **Representations and Warranties**

The Arrangement Agreement contains customary representations and warranties made by TSMIC to TMIC and customary representations and warranties made by TMIC to TSMIC, as well as certain representations and

warranties made by TAMI to TMIC and TSMIC. Those representations and warranties were made solely for the purposes of the Arrangement Agreement and are subject to important qualifications and limitations agreed to by the parties in connection with negotiating its terms. Moreover, the representations and warranties contained in the Arrangement Agreement were made as of specified dates, may be subject to a contractual standard of materiality (including a Material Adverse Effect) that is different from that generally applicable to the public disclosure to TSMIC Shareholders or TMIC Shareholders or what may be viewed as material to TSMIC Shareholders or TMIC Shareholders, as the case may be, or may have been used for the purpose of allocating risk between the parties rather than for the purpose of establishing facts. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the Arrangement Agreement. For the foregoing reasons, you should not rely on the representations and warranties contained in the Arrangement Agreement as statements of factual information at the time they were made or otherwise.

The representations and warranties provided by TMIC in favour of TSMIC relate to: organization of TMIC; authority of TMIC relative to the Arrangement Agreement; compliance with Laws; TMIC material contracts; public filings; TMIC Subsidiaries; reporting issuer status; capitalization and listing; no conflict; financial statements; employment matters; assets; contingent liabilities; proceedings; records; taxes; absence of certain changes or events; insurance; environmental diligence policies and compliance with same; TMIC's mortgage loan portfolio; and fees and commissions.

The representations and warranties provided by TSMIC in favour of TMIC relate to: organization of TSMIC; authority of TSMIC relative to the Arrangement Agreement; compliance with Laws; TSMIC material contracts; public filings; TSMIC Subsidiaries; reporting issuer status; capitalization and listing; no conflict; financial statements; employment matters; assets; contingent liabilities; proceedings; records; taxes; absence of certain changes or events; insurance; environmental diligence policies and compliance with same; TSMIC's mortgage loan portfolio; and fees and commissions.

The representations and warranties provided by TAMI in favour of TMIC and TSMIC relate to: organization of TAMI; authority of TAMI relative to the Arrangement Agreement; TMIC Management Agreement and TSMIC Management Agreement; no conflict; and no knowledge of inaccuracy in representations and warranties of TMIC and TSMIC. The parties have agreed that the representations and warranties provided by TAMI will survive the completion of the Arrangement and remain in full force and effect for a period of 24 months following the Effective Date. TAMI has agreed to indemnify TMIC and TSMIC and, after the Effective Time, Timbercreek Financial, from any loss arising out of a breach or inaccuracy of TAMI's representations and warranties, provided that the liability of TAMI will not exceed \$7 million.

## **Conditions Precedent to the Arrangement**

### *Mutual Conditions*

The obligations of the Parties to complete the Arrangement are subject to the fulfillment, on or before the Outside Date or the Effective Time, of each of the following conditions precedent, each of which may only be waived in whole or in part with the mutual written consent of TSMIC and TMIC:

- the Interim Order and the Final Order shall each have been obtained on terms consistent with the Arrangement Agreement, and shall not have been set aside or modified in a manner unacceptable to TSMIC or TMIC, acting reasonably, on appeal or otherwise;
- the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution shall have been approved and adopted by the TSMIC Shareholders at the TSMIC Meeting in accordance with applicable Laws and/or the Interim Order, as the case may be;
- the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution shall have been approved and adopted by the TMIC Shareholders at the TMIC Meeting in accordance with the Interim Order;



- the articles of arrangement to be filed with the Registrar in accordance with the Arrangement, including the Plan of Arrangement appended thereto, shall be in form and substance satisfactory to TMIC and TSMIC, each acting reasonably;
- no person shall have filed any notice of appeal of the Final Order, and no person shall have communicated to TMIC or TSMIC any intention to appeal the Final Order which would, in the judgment of the Parties, acting reasonably, make it inadvisable to proceed with the implementation of the Arrangement;
- no Governmental Entity shall have enacted, issued, promulgated, made any order or enforced or entered any Law (whether temporary, preliminary or permanent) that enjoins or otherwise prohibits consummation of, or dissolves, the Contemplated Transactions;
- the Required Regulatory Approvals shall have been obtained;
- the TSX shall have conditionally approved (subject only to customary conditions) the listing on the TSX of the TF Shares issuable or to be made issuable pursuant to the Arrangement, and the post-Arrangement TF Debentures;
- TMIC and TSMIC shall have executed such instruments, and the Debenture Trustee shall have received such opinions, as contemplated and required by the TMIC Debenture Indenture, in order to provide for the assumption, as of the Effective Time, by Timbercreek Financial of all of the obligations of TMIC under the TMIC Debenture Indenture in respect of the TMIC Debentures, such that, as of the Effective Time, the TMIC Debentures become valid and binding obligations of Timbercreek Financial entitling the holders thereof, as against Timbercreek Financial, to all of the rights of holders of TMIC Debentures under the TMIC Debenture Indenture;
- the Parties shall have executed such instruments, and the lenders shall have received such opinions, as contemplated and required by the New Credit Facility, in order to provide that the TMIC Credit Facility and the TSMIC Credit Facility shall be amended and restated in their entirety under the New Credit Facility and the New Credit Facility will become effective immediately following the Effective Time upon satisfaction of the conditions precedents set forth in the New Credit Facility;
- the Management Agreement Transactions shall have been completed in accordance with the terms and conditions of the Management Fee Agreements (except for such transactions that, pursuant to the terms of the Management Fee Agreements, can only be completed following the Effective Time);
- all TMIC DSUs and TSMIC DSUs outstanding as at the Effective Date shall have been settled and paid out by TMIC or TSMIC, as applicable, in accordance with the terms of the TMIC DSU Plan or the TSMIC DSU Plan, as applicable, and the TMIC DSU Plan and the TSMIC DSU Plan shall each have been terminated in accordance with their respective terms;
- holders of such number of TMIC Shares and TSMIC Shares that, in the aggregate, would constitute not greater than 3% of the number of TF Shares that would be outstanding following completion of the Arrangement (assuming for the purposes of calculating the outstanding number of TF Shares that there are no holders of TMIC Shares or TSMIC Shares who have exercised Dissent Rights) shall have validly exercised Dissent Rights in respect of the Continuance (in the case of TSMIC) or the Arrangement that have not been withdrawn as of the Effective Time; and
- the Arrangement Agreement shall not have been terminated in accordance with its terms.

#### *Additional Conditions in Favour of TMIC*

The obligations of TMIC to complete the Arrangement are subject to the fulfillment of each of the following additional conditions precedent at or before the Effective Time (each of which is for the exclusive benefit of TMIC

and may be waived by TMIC in whole or in part at any time in its sole discretion without prejudice to any other right TMIC may have under the Arrangement Agreement):

- all covenants of TSMIC under the Arrangement Agreement to be performed on or before the Outside Date or the Effective Time, as applicable, that have not been waived by TMIC will have been duly performed by TSMIC in all material respects and TMIC will have received a certificate of TSMIC addressed to TMIC and dated the Effective Date, signed on behalf of TSMIC by two senior executive officers of TSMIC (on TSMIC's behalf and without personal liability), confirming the same as at the Effective Time;
- (i) each fundamental representation and warranty of TSMIC identified in the Arrangement Agreement will be true and correct in all respects (other than for *de minimis* inaccuracies) as of the Effective Time as though made on and as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which will be determined as of that specified date); (ii) all other representations and warranties of TSMIC will be true and correct as of the Effective Time as though made on and as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which will be determined as of that specified date), except where any failure or failures of any such other representations and warranties to be so true and correct in all respects would not, individually or in the aggregate, have a Material Adverse Effect in respect of TSMIC (and, for this purpose, any reference to "material", "material adverse effect" or any other concept of materiality in such representations and warranties will be ignored); and (iii) TMIC will have received a certificate of TSMIC addressed to TMIC and dated the Effective Date, signed on behalf of TSMIC by two senior executive officers of TSMIC (on TSMIC's behalf and without personal liability), confirming the same as at the Effective Time;
- there shall not be pending or threatened in writing any suit, action or proceeding (other than a suit, action or proceeding that is considered by TMIC, acting reasonably and in good faith, to be frivolous or vexatious) that is reasonably likely to result in a: (i) restriction or prohibition of the consummation of the Contemplated Transactions or a person obtaining from TSMIC or TMIC any material damages directly or indirectly in connection with the Contemplated Transactions; or (ii) Material Adverse Effect in respect of TSMIC; and
- since the date of the Arrangement Agreement there shall not have occurred a Material Adverse Effect in respect of TSMIC, and TMIC shall have received a certificate signed on behalf of TSMIC by the chief executive officer and the chief financial officer of TSMIC (on TSMIC's behalf and without personal liability) to such effect.

#### *Additional Conditions in Favour of TSMIC*

The obligations of TSMIC to complete the Arrangement are subject to the fulfillment of each of the following additional conditions precedent at or before the Effective Time (each of which is for the exclusive benefit of TSMIC and may be waived by TSMIC in whole or in part at any time in its sole discretion without prejudice to any other right TSMIC may have under the Arrangement Agreement):

- all covenants of TMIC under the Arrangement Agreement to be performed on or before the Effective Date will have been duly performed by TMIC in all material respects, and TSMIC will have received a certificate of TMIC, addressed to TSMIC and dated the Effective Date, signed on behalf of TMIC by two senior executive officers (on TMIC's behalf and without personal liability), confirming the same as at the Effective Date;
- (i) each fundamental representation and warranty of TMIC identified in the Arrangement Agreement will be true and correct in all respects (other than for *de minimis* inaccuracies) as of the Effective Time as though made on and as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which will be determined as of that specified date), (ii) all other representations and warranties of TMIC will be true and correct as of the Effective Time as though

made on and as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which will be determined as of that specified date), except where any failure or failures of any such other representations and warranties to be so true and correct in all respects would not, individually or in the aggregate, have a Material Adverse Effect in respect of TMIC (and, for this purpose, any reference to “material”, “material adverse effect” or any other concept of materiality in such representations and warranties will be ignored); and (iii) TSMIC will have received a certificate of TMIC addressed to TSMIC and dated the Effective Date, signed on behalf of TMIC by two senior executive officers of TMIC (on TMIC’s behalf and without personal liability), confirming the same as at the Effective Time;

- there shall not be pending or threatened in writing any suit, action or proceeding (other than a suit, action or proceeding that is considered by TSMIC, acting reasonably and in good faith, to be frivolous or vexatious) that is reasonably likely to result in a: (i) restriction or prohibition of the consummation of the Contemplated Transactions or a person obtaining from TSMIC or TMIC any material damages directly or indirectly in connection with the Contemplated Transactions; or (ii) Material Adverse Effect in respect of TMIC; and
- since the date of the Arrangement Agreement there shall not have occurred a Material Adverse Effect in respect of TMIC, and TSMIC shall have received a certificate signed on behalf of TMIC by the chief executive officer and the chief financial officer of TMIC (on TMIC’s behalf and without personal liability) to such effect.

#### **Covenants**

In the Arrangement Agreement, each of TSMIC, TMIC and TAMI, where applicable, has agreed to certain covenants, including customary affirmative and negative covenants relating to the operation of the respective businesses of TMIC and TSMIC, using commercially reasonable efforts to satisfy the conditions precedent to their respective obligations under the Arrangement Agreement.

#### *Dividends*

Other than Permitted TMIC Distributions and any interest and principal payments required to be made on the TMIC Debentures, TMIC has agreed not to declare, set aside or pay any dividend (whether in cash, securities or property or any combination thereof) or other payment in respect of any TMIC Shares, other securities of TMIC or any securities of any TMIC Subsidiary except, in the case of any of the TMIC Subsidiaries wholly-owned by TMIC, for dividends payable to TMIC or another TMIC Subsidiary wholly-owned by TMIC.

Other than Permitted TSMIC Distributions, TSMIC has agreed not to declare, set aside or pay any dividend (whether in cash, securities or property or any combination thereof) or other payment in respect of any TSMIC Shares, other securities of TSMIC or any securities of the TSMIC Subsidiary except, in the case of the TSMIC Subsidiary, for dividends payable to TSMIC.

#### *Approvals and Consents*

Each of TSMIC and TMIC has agreed use its commercially reasonable efforts to obtain, or assist with the obtaining of, all Required Regulatory Approvals, as well as all third party consents, waivers, permits, exemptions, orders, approvals, agreements, amendments and modifications necessary to consummate the Contemplated Transactions.

#### *Mutual Covenant Regarding Non-Solicitation*

Except as expressly provided in the Arrangement Agreement, neither Party will, directly or indirectly, through any of its representatives or Subsidiaries, or otherwise, and will not authorize any such person to do so on its behalf:

- solicit, assist, initiate, encourage or otherwise facilitate (including by way of furnishing or providing copies of, access to, or disclosure of, any confidential information, properties, facilities, books or

records of a Party or any Subsidiary or entering into any form of agreement, arrangement or understanding) any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to, an Acquisition Proposal;

- enter into or otherwise engage or participate in any discussions or negotiations with any person (other than the other Party) regarding any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to, an Acquisition Proposal;
- in the case of TSMIC, make a TSMIC Change in Recommendation other than following the occurrence of any Material Adverse Effect in respect of TMIC, and in the case of TMIC, make a TMIC Change in Recommendation, other than following the occurrence of any Material Adverse Effect in respect of TSMIC;
- accept, approve, endorse or recommend, or publicly propose to accept, approve, endorse or recommend, or take no position or remain neutral with respect to, any Acquisition Proposal (it being understood that publicly taking no position or a neutral position with respect to a publicly announced, or otherwise publicly disclosed, Acquisition Proposal for a period of no more than five business days will not be considered to be in violation of this covenant, provided the TSMIC Board or the TMIC Board, as the case may be, has rejected such Acquisition Proposal and affirmed the TSMIC Board Recommendation or the TMIC Board Recommendation, as the case may be, before the end of such five business day period (or in the event that the TSMIC Meeting or TMIC Meeting, as the case may be, is scheduled to occur within such five business day period, prior to the third business day prior to the date of the TSMIC Meeting or TMIC Meeting, as the case may be); or
- accept or enter into or publicly propose to accept or enter into any agreement, understanding or arrangements in respect of an Acquisition Proposal.

Pursuant to the Arrangement Agreement, each Party has confirmed that it has not waived any confidentiality, standstill or similar agreement or restriction to which it or any of its Subsidiaries is a party, and each Party has further agreed (i) that, except in respect of an unsolicited Acquisition Proposal made to such Party as contemplated by sections 7.4 (*Responding to Acquisition Proposals and Superior Proposals by TSMIC*), 7.5 (*Responding to Acquisition Proposals and Superior Proposals by TMIC*) or 7.6 (*Right to Match*) of the Arrangement Agreement, such Party will take all necessary action to enforce each confidentiality, standstill, non-disclosure, non-solicitation, use, business purpose or similar agreement, restriction or covenant to which such Party or any of its Subsidiaries is a party, and (ii) that neither such Party, nor any of its Subsidiaries or any of their respective representatives will, without the prior written consent of the other Party (which may be withheld or delayed in the other Party's sole and absolute discretion), release any person from, or waive, amend, suspend or otherwise modify such person's obligations respecting such Party, or any of its Subsidiaries, under any confidentiality, standstill, nondisclosure, non-solicitation, use, business purpose or similar agreement, restriction or covenant to which such Party or any of its Subsidiaries is a party; provided, however, that each Party has acknowledged and agreed that the automatic termination or release of any such agreement, restriction or covenant in accordance with their terms will not be a violation of section 7.2(c) of the Arrangement Agreement.

#### *Notification of Acquisition Proposals*

If a Party or any of its Subsidiaries or any of their respective representatives receives an Acquisition Proposal after the date of the Arrangement Agreement, or any request for copies of, access to, or disclosure of, confidential information relating to such Party or any Subsidiary in connection with such an Acquisition Proposal, such Party will as soon as practicable and in any event within 24 hours of the receipt thereof notify the other Party (at first orally and then in writing) of such Acquisition Proposal or request. Such notice will include a description of its material terms and conditions of such Acquisition Proposal or request and the identity of all persons making the Acquisition Proposal or request and will provide the other Party with copies of all written documents, correspondence or other material received in respect of, from or on behalf of any such person. The Party receiving the Acquisition Proposal will keep the other Party fully informed of the status of material or substantive developments and (to the extent such Party is permitted by section 7.4 or 7.5 of the Arrangement Agreement, as

applicable, to enter into discussions or negotiations), the status of discussions and negotiations with respect to any such Acquisition Proposal and will provide the other Party with copies of all material or substantive correspondence if in writing or electronic form, and if not in writing or electronic form, a description of the material terms of such correspondence sent or communicated to such Party by or on behalf of any person making any such Acquisition Proposal.

*Responding to Acquisition Proposals and Superior Proposals by TSMIC*

If at any time prior to obtaining the TSMIC Shareholder Approval of the Arrangement Resolution, TSMIC receives a bona fide written Acquisition Proposal (that was not solicited after the date of the Arrangement Agreement), TSMIC may engage in or participate in discussions or negotiations regarding such Acquisition Proposal, and may provide copies of, access to or disclosure of information, properties, facilities, books or records of TSMIC or its Subsidiaries to the person making such Acquisition Proposal, if and only if:

- the TSMIC Board first determines in good faith, after consultation with its financial advisors and its outside legal counsel, that such Acquisition Proposal (disregarding any financing, due diligence or access conditions) constitutes or could reasonably be expected to constitute or lead to a Superior Proposal;
- TSMIC has been, and continues to be, in compliance, with its non-solicitation restrictions in the Arrangement Agreement;
- prior to providing any such copies, access, or disclosure, TSMIC enters into a confidentiality and standstill agreement with such person on customary terms and any such copies, access or disclosure provided to such person have already been (or will simultaneously be) provided to TMIC; and
- TSMIC promptly provides TMIC with: (i) written notice stating TSMIC's intention to participate in such discussions or negotiations and to provide such copies, access or disclosure; and (ii) prior to providing any such copies, access or disclosure, a true, complete and final executed copy of the confidentiality and standstill agreement referred to in the immediately above bullet.

*Responding to Acquisition Proposals and Superior Proposals by TMIC*

If at any time prior to obtaining the TMIC Shareholder Approval of the TMIC Arrangement Resolution, TMIC receives a bona fide written Acquisition Proposal (that was not solicited after the date of the Arrangement Agreement), TMIC may engage in or participate in discussions or negotiations regarding such Acquisition Proposal, and may provide copies of, access to or disclosure of information, properties, facilities, books or records of TMIC or its Subsidiaries to the person making such Acquisition Proposal, if and only if:

- the TMIC Board first determines in good faith, after consultation with its financial advisors and its outside legal counsel, that such Acquisition Proposal (disregarding any financing, due diligence or access conditions) constitutes or could reasonably be expected to constitute or lead to a Superior Proposal;
- TMIC has been, and continues to be, in compliance, with its non-solicitation restrictions in the Arrangement Agreement;
- prior to providing any such copies, access, or disclosure, TMIC enters into a confidentiality and standstill agreement with such person on customary terms and any such copies, access or disclosure provided to such person have already been (or will simultaneously be) provided to TSMIC; and
- TMIC promptly provides TSMIC with: (i) written notice stating TMIC's intention to participate in such discussions or negotiations and to provide such copies, access or disclosure; and (ii) prior to providing any such copies, access or disclosure, a true, complete and final executed copy of the confidentiality and standstill agreement referred to in the immediately above bullet.

### *Right to Match*

If a Party (the “**Receiving Party**”) receives an Acquisition Proposal that constitutes a Superior Proposal prior to, in the case of TSMIC being the Receiving Party, the approval of the TSMIC Arrangement Resolution by the TSMIC Shareholders, and in the case of TMIC being the Receiving Party, the approval of the TMIC Arrangement Resolution by the TMIC Shareholders, the Receiving Party may enter into a definitive agreement with respect to such Superior Proposal, if and only if:

- the Receiving Party that has received the Acquisition Proposal that constitutes a Superior Proposal has been, and continues to be, in compliance with its non-solicitation restrictions in the Arrangement Agreement;
- the Receiving Party has delivered to the other Party a Superior Proposal Notice;
- the Receiving Party has provided the other Party a copy of the proposed definitive agreement for the Superior Proposal and all supporting materials, including any financing documents supplied to the Receiving Party in connection therewith;
- at least five business days (the “**Matching Period**”) have elapsed from the date that is the later of the date on which the other Party received the Superior Proposal Notice and the date on which such other Party received all of the materials set forth in the immediately above bullet;
- during any Matching Period, such other Party has had the opportunity (but not the obligation) to offer to amend the Arrangement Agreement and the Arrangement in order for such Acquisition Proposal to cease to be a Superior Proposal;
- after the Matching Period, the Receiving Party’s board of directors has determined in good faith, after consultation with its outside legal counsel and financial advisors, that such Acquisition Proposal continues to constitute a Superior Proposal (if applicable, compared to the terms of the Arrangement as proposed to be amended by the other Party); and
- prior to or concurrently with entering into such definitive agreement the Receiving Party terminates the Arrangement Agreement and pays the Termination Fee.

During the Matching Period, or such longer period as the Receiving Party may approve in writing for such purpose: (a) the Receiving Party’s board of directors shall review any offer made by the other Party to amend the terms of the Arrangement Agreement and the Arrangement in good faith in order to determine whether such proposal would, upon acceptance, result in the Acquisition Proposal previously constituting a Superior Proposal ceasing to be a Superior Proposal; and (b) the Receiving Party shall negotiate in good faith with the other Party to make such amendments to the terms of the Arrangement Agreement and the Arrangement as would enable the other Party to proceed with the transactions contemplated by the Arrangement Agreement on such amended terms. If the Receiving Party’s board of directors determines that such Acquisition Proposal would cease to be a Superior Proposal, the Receiving Party shall promptly so advise the other Party and the Parties shall amend the Arrangement Agreement to reflect such offer made by the other Party, and shall take and cause to be taken all such actions as are necessary to give effect to the foregoing.

### **Termination of the Arrangement Agreement**

The Arrangement Agreement may be terminated and the Arrangement may be abandoned at any time prior to the Effective Time in certain circumstances, including, as follows:

- by mutual written agreement of TSMIC and TMIC;
- by either TSMIC or TMIC, if:

- the Effective Time shall not have occurred on or before the Outside Date, except that the right to terminate the Arrangement Agreement in this manner is not available to a Party whose failure to fulfill any of its obligations or breach of any of its representations and warranties under the Arrangement Agreement has been the principal cause of, or resulted in, the failure of the Effective Time to occur by such date;
- there shall be enacted or made any applicable Law (or any such applicable Law shall have been amended) that makes consummation of the Arrangement illegal or otherwise prohibited or enjoins the parties from consummating the Arrangement and such applicable Law (if applicable) or injunction shall have become final and non-appealable, provided that the party seeking to terminate the Arrangement Agreement shall have used its commercially reasonable efforts to prevent the entry of or remove or lift such prohibition or injunction;
- TSMIC Shareholder Approval shall not have been obtained at the TSMIC Meeting (including any adjournment or postponement thereof) in accordance with the Interim Order and/or applicable Laws, as the case may be; or
- TMIC Shareholder Approval shall not have been obtained at the TMIC Meeting (including any adjournment or postponement thereof) in accordance with the Interim Order; or
- by TMIC, if:
  - the TSMIC Board (or any committee thereof) makes a TSMIC Change in Recommendation or accepts, approves, endorses or recommends, or publicly proposes to accept, approve, endorse or recommend any Acquisition Proposal;
  - prior to obtaining TMIC Shareholder Approval, subject to TMIC having complied with the terms of the Arrangement Agreement, the TMIC Board authorizes TMIC to enter into an agreement (other than a confidentiality agreement) with respect to a Superior Proposal, provided that concurrently with such termination, TMIC pays the Termination Fee;
  - any of the conditions set forth in section 6.1 (*Mutual Conditions Precedent*) or section 6.2 (*Additional Conditions Precedent to the Obligations of TMIC*) of the Arrangement Agreement is incapable of being satisfied by the Outside Date; provided that TMIC is not then in breach of the Arrangement Agreement so as to cause any of the conditions set forth in section 6.1 (*Mutual Conditions Precedent*) or section 6.3 (*Additional Conditions Precedent to the Obligations of TSMIC*) of the Arrangement Agreement not to be satisfied;
  - TSMIC breaches any representation or warranty of TSMIC set forth in the Arrangement Agreement, which breach would cause the condition in section 6.2(b) (*all Representations and Warranties of TSMIC are true and correct*) of the Arrangement Agreement not to be satisfied, or TSMIC fails to perform any covenant (with the exception of the covenants contained in sections 7.2 (*Mutual Covenant Regarding Non-Solicitation*), 7.3 (*Notification of Acquisition Proposals*), 7.4 (*Responding to Acquisition Proposals and Superior Proposals by TSMIC*) and 7.6 (*Right to Match*) of the Arrangement Agreement or material obligation made in the Arrangement Agreement, in each case, in any material respect, and such breach or failure is incapable of being cured or is not cured in accordance with the terms of section 7.1 (*Notice and Cure Provisions*) of the Arrangement Agreement; provided that any willful breach shall be deemed incapable of being cured and TMIC is not then in breach of the Arrangement Agreement so as to cause any condition in section 6.3(a) (*Covenants of TSMIC have been duly*

*performed*) or 6.3(b) (*all Representations and Warranties of TMIC are true and correct*) of the Arrangement Agreement not to be satisfied;

- TSMIC is in breach or in default of any of its obligations or covenants set forth in sections 7.2, (*Mutual Covenant Regarding Non-Solicitation*), 7.3 (*Notification of Acquisition Proposals*), 7.4 (*Responding to Acquisition Proposals and Superior Proposals by TSMIC*) and 7.6 (*Right to Match*) of the Arrangement Agreement;
- the TSMIC Meeting has not occurred on or before September 15, 2016; provided that the right to terminate the Arrangement Agreement pursuant to the termination provisions shall not be available to TMIC if (A) the failure by TMIC to fulfil any obligation hereunder is the cause of, or results in, the failure of the TSMIC Meeting to occur on or before such date, or (B) the TMIC Arrangement Resolution has not been passed at the TMIC Meeting;
- TSMIC provides TMIC with a Superior Proposal Notice; or
- there shall occur after the date hereof any Material Adverse Effect in respect of TSMIC;
- by TSMIC, if:
  - the TMIC Board (or any committee thereof) makes a TMIC Change in Recommendation or accepts, approves, endorses or recommends or publicly proposes to accept, approve, endorse or recommend any Acquisition Proposal;
  - prior to obtaining TSMIC Shareholder Approval, subject to TSMIC having complied with the terms of the Arrangement Agreement, the TSMIC Board authorizes TSMIC to enter into an agreement (other than a confidentiality agreement) with respect to a Superior Proposal; provided that concurrently with such termination, TSMIC pays the Termination Fee;
  - any of the conditions set forth in section 6.1 (*Mutual Conditions Precedent*) or section 6.3 (*Additional Conditions Precedent to the Obligations of TSMIC*) of the Arrangement Agreement is incapable of being satisfied by the Outside Date; provided that TSMIC is not then in breach of the Arrangement Agreement so as to cause any of the conditions set forth in section 6.1 (*Mutual Conditions Precedent*) or section 6.3 (*Additional Conditions Precedent to the Obligations of TSMIC*) of the Arrangement Agreement not to be satisfied;
  - TMIC breaches any representation or warranty of TMIC set forth in the Arrangement Agreement which breach would cause the condition in section 6.3(b) (*all Representations and Warranties of TMIC are true and correct*) of the Arrangement Agreement not to be satisfied or TMIC fails to perform any covenant (with the exception of the covenants contained in sections 7.2 (*Mutual Covenant Regarding Non-Solicitation*), 7.3 (*Notification of Acquisition Proposals*), 7.5 (*Responding to Acquisition Proposals and Superior Proposals by TMIC*) and 7.6 (*Right to Match*) of the Arrangement Agreement or material obligation made in the Arrangement Agreement, in each case, in any material respect, and such breach or failure is incapable of being cured or is not cured in accordance with the terms of section 7.1 (*Notice and Cure Provisions*) of the Arrangement Agreement; provided that any willful breach shall be deemed incapable of being cured and TSMIC is not then in breach of the Arrangement Agreement so as to cause any condition in section 6.2(a) (*Covenants of TSMIC have been duly performed*) or 6.2(b) (*all Representations and Warranties of TSMIC are true and correct*) of the Arrangement Agreement not to be satisfied;



- TMIC is in breach or in default of any of its obligations or covenants set forth in sections 7.2 (*Mutual Covenant Regarding Non-Solicitation*), 7.3 (*Notification of Acquisition Proposals*), 7.5 (*Responding to Acquisition Proposals and Superior Proposals by TMIC*) and 7.6 (*Right to Match*) of the Arrangement Agreement;
- the TMIC Meeting has not occurred on or before September 15, 2016; provided that the right to terminate the Arrangement Agreement pursuant to the termination provisions shall not be available to TSMIC if (A) the failure by TSMIC to fulfil any obligation hereunder is the cause of, or results in, the failure of the TMIC Meeting to occur on or before such date; or (B) the Continuance Resolution or the TSMIC Arrangement Resolution has not been passed at the TSMIC Meeting;
- TMIC provides TSMIC with a Superior Proposal Notice; or
- there shall occur after the date hereof any Material Adverse Effect in respect of TMIC.

#### *Termination Payments*

#### TSMIC Termination Fee

The Arrangement Agreement provides that TMIC will be entitled to the Termination Fee upon the occurrence of any of the following events (each a “**TSMIC Termination Fee Event**”) and the Arrangement Agreement is terminated:

- by TMIC pursuant to section 7.1(c)(i) (*TSMIC Change in Recommendation*) (but not including a termination by TMIC in circumstances where the TSMIC Change in Recommendation resulted from the occurrence of a Material Adverse Effect in respect of TMIC) or section 7.1(c)(vii) (*TSMIC Superior Proposal Notice*) of the Arrangement Agreement, in which case the Termination Fee will be paid on the first business day following such termination;
- by TSMIC pursuant to section 7.1(d)(ii) (*to enter into a Superior Proposal*) of the Arrangement Agreement, in which case the Termination Fee will be paid concurrent with such termination; or
- by TMIC pursuant to section 7.1(c)(v) (*Breach of Covenant by TSMIC*) or section 7.1(c)(vi) (*TSMIC Meeting has not occurred*), or by either Party pursuant to section 7.1(b)(i) (*Outside Date*) or section 7.1(b)(iii) (*No TSMIC Shareholder Approval*) or by TSMIC pursuant to section 7.1(d)(vi) (*TMIC Meeting has not occurred*) (in circumstances where TMIC would also be entitled to terminate the Arrangement Agreement pursuant to section 7.1(c)(iii) (*Conditions precedent not satisfied by the Outside Date*), section 7.1(c)(vi) (*TSMIC Meeting has not occurred*) or section 7.1(b)(i) (*Outside Date*) of the Arrangement Agreement but only if, in the case of this TSMIC Termination Event, prior to the termination of the Arrangement Agreement, an Acquisition Proposal shall have been made to TSMIC, or an Acquisition Proposal with respect to TSMIC is publicly announced or any person (other than TMIC) shall have publicly announced the intention to make an Acquisition Proposal with respect to TSMIC, and if within 12 months following the date of such termination:
- an Acquisition Proposal (whether or not it is the Acquisition Proposal referred to above) is consummated by TSMIC; or
- TSMIC and/or one or more of its Subsidiaries enters into a definitive agreement in respect of, or the TSMIC Board approves or recommends, an Acquisition Proposal and at any time thereafter (whether or not within 12 months following the date of termination of the Arrangement Agreement), such Acquisition Proposal is consummated;

then an amount equal to the Termination Fee will be payable within two business days following the closing of the applicable transaction referred to therein. For purposes of this TSMIC Termination Fee

Event, the term “**Acquisition Proposal**” shall have the meaning ascribed thereto in Appendix A, except that references to “**20%**” will be deemed to be references to “**50%**”.

#### TMIC Termination Fee

The Arrangement Agreement provides that TSMIC will be entitled to the Termination Fee upon the occurrence of any of the following events (each a “**TMIC Termination Fee Event**”) and the Arrangement Agreement is terminated:

- by TSMIC pursuant to section 7.1(d)(i) (*TMIC Change in Recommendation*) (but not including a termination by TSMIC pursuant to section 7.1(d)(i) in circumstances where the TMIC Change in Recommendation resulted from the occurrence of a Material Adverse Effect in respect of TSMIC) or section 7.1(d)(vii) (*Superior Proposal Notice*) of the Arrangement Agreement in which case the Termination Fee shall be paid on the first business day following such termination;
- by TMIC pursuant to section 7.1(c)(ii) (*to enter into a Superior Proposal*) of the Arrangement Agreement, in which case the Termination Fee will be paid concurrent with such termination; or
- by TSMIC pursuant to section 7.1(d)(v) (*Breach of covenants by TMIC*) or section 7.1(d)(vi) (*TMIC Meeting has not occurred*), or by either Party pursuant to section 7.1(b)(i) (*Outside Date*) or section 7.1(b)(iv) (*No TMIC Shareholder Approval*) or by TMIC pursuant to section 8.1(c)(vi) (*TSMIC Meeting has not occurred*) (in circumstances where TSMIC would also be entitled to terminate the Arrangement Agreement pursuant to section 7.1(d)(iii) (*Conditions precedent cannot be satisfied prior to the Outside Date*), section 7.1(d)(vi) (*TMIC Meeting has not occurred*), section 7.1(b)(i) (*Outside Date*) of the Arrangement Agreement, but only if, in the case of this TMIC Termination Fee Event, prior to the termination of the Arrangement Agreement, an Acquisition Proposal will have been made to TMIC, or an Acquisition Proposal with respect to TMIC is publicly announced or any person shall have publicly announced the intention to make an Acquisition Proposal with respect to TMIC (other than by TSMIC), and if within 12 months following the date of such termination:
  - an Acquisition Proposal (whether or not it is the Acquisition Proposal referred to above) is consummated by TMIC; or
  - TMIC and/or one or more of its Subsidiaries enters into a definitive agreement in respect of, or the TMIC Board approves or recommends, an Acquisition Proposal and at any time thereafter (whether or not within 12 months following the date of termination of the Arrangement Agreement), such Acquisition Proposal is consummated;

then an amount equal to the Termination Fee, will be payable within two business days following the closing of the applicable transaction referred to therein. For purposes of this TMIC Termination Fee Event, the term “**Acquisition Proposal**” shall have the meaning ascribed thereto in Appendix A, except that references to “**20%**” will be deemed to be references to “**50%**”.

#### **Amendment**

The Plan of Arrangement and the Arrangement Agreement may, at any time before or after the TMIC Meeting and the TSMIC Meeting, but not later than the Effective Time, be amended by mutual written agreement of the Parties and any such amendment may, subject to the Interim Order and the Final Order and applicable Law, without limitation:

- change the time for performance of any of the obligations or acts of the Parties;
- modify any representation or warranty contained in the Arrangement Agreement or in any document delivered pursuant to the Arrangement Agreement;

- modify any of the covenants in the Arrangement Agreement and waive or modify the performance of any of the obligations of the Parties; and/or
- modify any mutual conditions precedent in the Arrangement Agreement.

## **THE MANAGEMENT FEE AGREEMENTS**

The Management Agreement Transactions will be carried out pursuant to the Escrow Agreement, the Contribution and Termination Agreement and the New Management Agreement. The following is a summary of the principal terms of the Escrow Agreement and the Contribution and Termination Agreement. This summary does not purport to be complete and is qualified in its entirety by reference to the Escrow Agreement and Contribution and Termination Agreement, each of which is incorporated by reference herein and is attached as Schedules “K” and “J”, respectively, to the Arrangement Agreement, which has been filed by TMIC and TSMIC on SEDAR at [www.sedar.com](http://www.sedar.com).

The terms of the Escrow Agreement and the Contribution and Termination Agreement are the result of arm’s length negotiations conducted among TAMI, TMIC, TSMIC and representatives of the TMIC Special Committee and the TSMIC Special Committee and their respective advisors.

### **Escrow Agreement**

On May 5, 2016, TSMIC, TMIC and TAMI entered into the Escrow Agreement, which sets out the arrangements whereby the Management Agreement Transactions will be implemented. In connection with the Escrow Agreement, the parties have executed the Contribution and Termination Agreement, which will be held in escrow pending delivery of a written notice (“**Written Confirmation**”) from TAMI and TSMIC to TMIC (which notice will be acknowledged and countersigned by TMIC) that all conditions precedent as set out in the Arrangement Agreement have been satisfied or waived and confirming the Effective Date of the Arrangement.

### *Release Procedure*

On or before the day prior to the Effective Date, TMIC has agreed to prepare share certificates representing the Consideration Shares to be issued to TAMI pursuant to the Contribution and Termination Agreement and to hold such certificates in escrow pursuant to the terms of the Escrow Agreement. At the Escrow Release Time, the Contribution and Termination Agreement will become effective and binding on the parties. Immediately following the release from escrow of the Contribution and Termination Agreement, a cheque representing the applicable taxes payable on the Transfer Payment will be released from escrow and be deemed to have been delivered to TAMI. The Consideration Shares will be exchanged for TF Shares pursuant to the Arrangement and will be released in accordance with the lock-up provision described below under “Lock-up of Consideration Shares”.

Immediately following the Effective Time of the Arrangement, the New Management Agreement will be released from escrow and become effective and binding on Timbercreek Financial and TAMI and will be deemed to have been delivered to the parties thereto. For a summary of the New Management Agreement, see “Information Relating to Timbercreek Financial – New Management Agreement”.

### *Termination*

If the Arrangement Agreement is terminated pursuant to the terms thereof and the Arrangement has not become effective, or if Written Confirmation is not delivered by the Outside Date, the parties have agreed that the executed copies of the Contribution and Termination Agreement and the New Management Agreement will not be released from escrow, the executed copies of such agreements will be destroyed and, following such destruction, such agreements will be deemed to have never been executed. In addition, the cheque in respect of the applicable taxes payable on the Transfer Payment and the certificates representing the Consideration Shares will be returned to TMIC to be cancelled and will be deemed to have never been issued.

## **Contribution and Termination Agreement**

### *Summary*

The Contribution and Termination Agreement has been executed by the parties and will be released from escrow and become effective at the Escrow Release Time. Pursuant to the Contribution and Termination Agreement, at the Escrow Release Time, and without any further action on the part of any party, the TSMIC Management Agreement will be terminated and TAMI will transfer its right, title and interest in the TMIC Management Agreement to TMIC in consideration for the Transfer Payment, and, immediately following the Effective Time, the New Management Agreement will be released from escrow and will become effective.

### *Transfer Payment and Tax Election*

The amount of the Transfer Payment has been determined by TMIC and TAMI to be the fair market value of the rights under the TMIC Management Agreement that will be transferred by TAMI to TMIC. An aggregate of 782,830 Consideration Shares will be issued by TMIC in satisfaction of the Transfer Payment at a price of \$8.93814 per share, such amount being the book value of the TMIC Shares as of the last fiscal quarter end preceding the execution of the Contribution and Termination Agreement.

The parties have agreed that TAMI and TMIC will jointly elect in prescribed form and within the prescribed time under subsection 85(1) of the Tax Act and the corresponding provisions of applicable provincial income tax statutes with respect to the amount which will be deemed to be TAMI's proceeds of disposition for the rights under the TMIC Management Agreement that were transferred to TMIC pursuant to the Contribution and Termination Agreement. The agreed amount for the purposes of such election(s) will be determined by TAMI within the limits set out in the Tax Act and the corresponding provisions of applicable provincial income tax statutes. TAMI and TMIC have agreed to execute and file all necessary documents and instruments to give effect to the tax election(s) referred to in this paragraph.

### *Lock-up of Consideration Shares*

Pursuant to the Escrow Agreement, the parties have agreed that the TF Shares issued in exchange for the Consideration Shares will be subject to a lock-up, with one-third of the TF Shares being released to TAMI on the date that is 6 months following the Effective Date, one-third of the TF Shares being released on the date that is 12 months following the Effective Date, and the remaining TF Shares being released on the date that is 18 months following the Effective Date; however, TAMI intends to be a long-term investor in Timbercreek Financial.

### *Representations and Warranties*

The Contribution and Termination Agreement contains representations and warranties made by each of TAMI, TMIC and TSMIC. Those representations and warranties were made solely for the purposes of the Contribution and Termination Agreement and are subject to important qualifications and limitations agreed to by the parties in connection with negotiating its terms. Moreover, the representations and warranties contained in the Contribution and Termination Agreement were made as of specified dates, may be subject to a contractual standard of materiality that is different from that which may be viewed as material to TSMIC Shareholders or TMIC Shareholders, as the case may be, or may have been used for the purpose of allocating risk between the parties rather than for the purpose of establishing facts. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the Contribution and Termination Agreement. For the foregoing reasons, you should not rely on the representations and warranties contained in the Contribution and Termination Agreement as statements of factual information at the time they were made or otherwise.

The representations and warranties provided by TAMI in favour of TMIC and TSMIC relate to: ownership of the rights in the TMIC Management Agreement to be transferred to TMIC; qualification to own and sell same; authority of TAMI relative to the Contribution and Termination Agreement; proceedings; no conflict, breach or default; and residence for income tax purposes.

The representations and warranties provided by TMIC in favour of TAMI and TSMIC relate to: authority of TMIC; no conflict, breach or default; income tax status; and issuance of Consideration Shares.

The representations and warranties provided by TSMIC in favour of TAMI and TMIC relate to authority of TMIC and no conflict, breach or default.

#### *Termination*

The Contribution and Termination Agreement may be terminated at any time prior to the Escrow Release Time by mutual agreement of TAMI, TMIC and TSMIC, and will be automatically terminated in the event that the Arrangement Agreement is terminated in accordance with its terms.

### **THE TSMIC CONTINUANCE**

#### **Approval of the TSMIC Continuance**

At the TSMIC Meeting, TSMIC Shareholders will be asked to consider, and if thought advisable, to pass, the Continuance Resolution to approve the TSMIC Continuance, which is required to become effective prior to the Arrangement proceeding.

To be effective, the Continuance Resolution must be approved, with or without variation, by the affirmative vote of at least 66 2/3% of the votes cast by TSMIC Shareholders present in person or represented by proxy and entitled to vote at the TSMIC Meeting. Should TSMIC Shareholders fail to approve the Continuance Resolution by the requisite margin, the TSMIC Continuance will not be completed and the Arrangement will not proceed.

The TSMIC Board has unanimously approved the Continuance and recommends that the TSMIC Shareholders vote FOR the Continuance Resolution.

#### **General**

In connection with the completion of the Arrangement, TSMIC intends to apply for discontinuance from the federal jurisdiction under the CBCA and to continue its corporate existence under the OBCA. TSMIC Shareholders will be asked to consider, and if deemed appropriate, to pass, with or without variation, the Continuance Resolution authorizing the TSMIC Board, in its sole discretion, to file a discontinuance application with Corporations Canada under the CBCA as required in connection with the Continuance and a form of Articles of Continuance of TSMIC which comply with the provisions of the OBCA. The Continuance will affect certain of the rights of TSMIC Shareholders as they currently exist under the CBCA and TSMIC Shareholders should consult their legal advisors regarding the implications of the Continuance which may be of a particular importance to them. In order to effect the Continuance, the following steps must be taken:

- The TSMIC Shareholders must approve the Continuance by special resolution at the TSMIC Meeting, authorizing TSMIC to, among other things, file a Continuance application with the Director under the OBCA;
- TSMIC must send a written request to Corporations Canada in order to obtain a letter of satisfaction issued by Corporations Canada, upon being satisfied that the Continuance will not adversely affect creditors of TSMIC or TSMIC Shareholders;
- TSMIC must apply to the Director under the OBCA for a Certificate of Continuance; and
- TSMIC must send the Certificate of Continuance to Corporations Canada, who will then issue a Certificate of Discontinuance.

On the date shown on the Certificate of Continuance, TSMIC becomes a corporation under the laws of the Province of Ontario as if it had been incorporated under the OBCA. The Continuance will not result in any change of the

operations of TSMIC or its assets, liabilities or net worth, nor in the persons who constitute the TSMIC Board and management. The Continuance is not a reorganization, an amalgamation or a merger.

If (i) the Continuance Resolution is approved by the TSMIC Shareholders in accordance with the description above and (ii) the TSMIC Arrangement Resolution and TSMIC Management Agreement Resolution are approved by the TSMIC Shareholders and the TMIC Arrangement Resolution and TMIC Management Agreement Resolution are approved by the TMIC Shareholders in accordance with the Interim Order (see “The Arrangement and Management Agreement Transactions — Court Approval and Completion of the Arrangement”), then TSMIC shall complete the Continuance as reasonably practical thereafter, and in any event prior to the Effective Date.

### **Certain Differences Between the OBCA and the CBCA**

The provisions of the OBCA dealing with shareholder rights and protections are generally comparable to those contained in the CBCA. TSMIC Shareholders will not lose or gain any significant rights or protections as a result of the Continuance.

The following is a summary comparison of the provisions of the OBCA and the CBCA which pertain to the rights of TSMIC Shareholders. This summary is not intended to be exhaustive and does not cover all of the differences between the OBCA and the CBCA affecting corporations and their shareholders and is qualified in its entirety by the complete text of the relevant provisions of the CBCA and the OBCA.

Upon completion of the Continuance, the rights of TSMIC Shareholders will also be subject to the Articles of Arrangement and by-laws of Timbercreek Financial, as set forth in further detail below. TSMIC Shareholders should consult their legal advisors regarding all of the implications of the Continuance.

Notwithstanding the alteration of TSMIC Shareholders’ rights and obligations under the OBCA and the articles of incorporation and by-laws for TSMIC, TSMIC will still be bound by the rules and policies of the TSX as well as the applicable securities legislation.

### **Charter Documents**

There are no significant differences between the CBCA and the OBCA with respect to the charter documents for companies governed by those statutes.

### *Registered Office*

Under the OBCA, the registered office must be in Ontario and may be relocated to a different municipality within Ontario by special resolution of the shareholders or relocated within the same municipality by resolution of the directors.

Under the CBCA, the registered office must be in the province specified in the articles and may be relocated to a different province by special resolution of the shareholders or relocated within the same province by resolution of the directors.

### *Directors*

Both the CBCA and the OBCA require that at least 25% of the directors be resident Canadians. Each statute provides that a public company must have at least 3 directors.

The CBCA also requires that a majority of the directors must be Canadian residents for certain prescribed business sectors, though this provision does not currently apply to TSMIC.

### *Independent Directors*

Under the OBCA, at least 1/3 of the members of the board of directors cannot be officers or employees of the company or its affiliates. Under the CBCA, the requirement is that at least 2 of the directors cannot be officers or employees of the company or its affiliates.

### *Quorum of Directors' Meetings*

Both the OBCA and CBCA state that, subject to the articles and by-laws of a corporation, quorum at meetings of directors consists of a majority of directors or the minimum number of directors required by the articles, although the OBCA also stipulates that a quorum may not be less than 2/5 of the directors or the minimum number of directors. Further, the CBCA requires that 25% of the directors present at the meeting (or at least one if less than four directors are appointed) be resident Canadians.

### *Form of Proxy and Information Circular*

Each of the CBCA and the OBCA contains provisions which require the mandatory solicitation of proxies and delivery of a management proxy circular.

### *Shareholder Proposals*

Under the OBCA, proposals may be submitted by both registered and beneficial shareholders who are entitled to vote at a meeting of shareholders. Under the CBCA, shareholder proposals may be submitted by both registered and beneficial shareholders who are entitled to vote at a meeting of shareholders, provided that (a) the shareholder was a registered or beneficial owner, for at least 6 months prior to the submission of the proposal, of voting shares at least equal to 1% of the total number of outstanding voting shares of the company or whose fair market value is at least \$2,000, or (b) the proposal has the support of persons who in the aggregate have been the registered or beneficial owner of such number of voting shares for such period.

### *Requisition of Meetings*

Both the CBCA and the OBCA permit the holders of not less than 5% of the issued shares that carry the right to vote at a meeting sought to be held to require the directors to call and hold a meeting of the shareholders of the corporation for the purposes stated in the requisition. If the directors do not call a meeting within 21 days of receiving the requisition, any shareholder who signed the requisition may call the meeting.

### *Place of Meetings*

Under the OBCA, subject to the articles of the corporation, and any unanimous shareholders agreement, a shareholders' meeting may be held in or outside Ontario (including outside Canada) as determined by the directors, or in the absence of such a determination, at the place where the registered office of the corporation is located. Under the CBCA, a shareholders' meeting may be held any place in Canada provided in the by-laws or, in the absence of such by-law, at a place in Canada determined by the directors, or it may be held at a place outside Canada if such place is specified in the articles of the company or all the shareholders entitled to vote at the meeting agree that the meeting is to be held at that place.

### *Sale of a Corporation's Undertaking*

There are no significant differences between the CBCA and the OBCA with respect to the sale of a corporation's undertaking. Both the CBCA and the OBCA require approval of the holders of two-thirds of the shares of a corporation represented at a duly called meeting to approve a sale, lease or exchange of all or substantially all of the property of a corporation. Each share of the corporation carries the right to vote in respect of a sale, lease or exchange of all or substantially all of the property of a corporation whether or not it otherwise carries the right to vote. Holders of shares of a class or series can vote separately only if that class or series is affected by the sale, lease or exchange in a manner different from the shares of another class or series.

### *Amendment to Charter Documents of a Corporation*

Under both the CBCA and the OBCA substantive changes to the charter documents of a corporation require a resolution passed by not less than two-thirds of the votes cast by the shareholders voting on the resolution authorizing the alteration and, where certain specified rights of the holders of a class of shares are affected differently by the alteration than the rights of the holders of other classes of shares, a resolution passed by not less than two-thirds of the votes cast by the holders of all of the shares of a corporation, whether or not they carry the right to vote, and a special resolution of each class, or series, as the case may be, even if such class or series is not otherwise entitled to vote. A resolution to amalgamate a CBCA corporation or an OBCA corporation requires a special resolution passed by the holders of each class of shares or series of shares, whether or not such shares otherwise carry the right to vote, if such class or series of shares are affected differently.

### *Rights of Dissent and Appraisal*

The OBCA provides that shareholders, including beneficial holders, who dissent from certain actions being taken by a corporation, may exercise a right of dissent and require the company to purchase the shares held by such shareholders at the fair value of such shares. The dissent right is applicable where the company proposes to, among other things:

- amend the articles to alter the restrictions on the issue, transfer or ownership of shares;
- amend the articles to alter restrictions on the powers of the corporation or on the business it is permitted to carry on;
- amalgamate with another corporation;
- authorize or ratify the sale, lease or other disposition of all or substantially all of the corporation's undertaking; and
- authorize the continuation of the corporation into a jurisdiction other than Ontario.

In addition to the foregoing, the CBCA expressly provides for dissent rights with respect to a going-private transaction or a squeeze-out transaction.

### *Oppression Remedies*

Under both the CBCA and the OBCA, a shareholder, beneficial shareholder, former shareholder or beneficial shareholder, director, former director, officer or former officer of a corporation or any of its affiliates, or any other person who, in the discretion of a court, is a proper person to seek an oppression remedy, and in the case of an offering corporation the Ontario Securities Commission, may apply to a court for an order to rectify the matters complained of where, in respect of a corporation or any of its affiliates, any act or omission of a corporation or its affiliates effects a result, the business or affairs of a corporation or its affiliates are or have been exercised in a manner that is oppressive or unfairly prejudicial to, or that unfairly disregards the interest of, any security holder, creditor, director or officer.

The OBCA allows a court to grant relief where a prejudicial effect to the shareholder is merely threatened, whereas the CBCA only allows a court to grant relief if the effect actually exists (that is, it must be more than merely threatened). Under the CBCA, such remedy is also available to the director appointed under Section 260 of CBCA.

### *Shareholder Derivative Actions*

A broad right to bring a derivative action is contained in each of the CBCA and the OBCA and this right extends to officers, former shareholders, directors or officers of a corporation or its affiliates, and any person who, in the discretion of the court, is a proper person to make an application to court to bring a derivative action. In addition,



both statutes permit derivative actions to be commenced in the name and on behalf of a corporation or any of its subsidiaries.

Under the OBCA, a complainant is not required to give notice to the directors of the corporation of the complainant's intention to make an application to the court to bring a derivative action if all of the directors of the corporation are defendants in the action. Under the CBCA, a condition precedent to a complainant bringing a derivative action is that the complainant has given at least 14 days' notice to the directors of the corporation of the complainant's intention to make an application to the court to bring such a derivative action.

Under the CBCA, the director appointed under Section 260 of CBCA may also commence a derivative action.

#### *Short Selling*

Under the CBCA, insiders of a company are prohibited from short selling any securities of the company unless the insider selling the securities owns or has fully paid for the securities being sold. The OBCA contains no such prohibition.

#### **CBCA Dissent Rights in respect of the Continuance Resolution**

The following description of the rights of Dissenting TSMIC Shareholders in connection with the Continuance is not a comprehensive statement of the procedures to be followed by a Dissenting TSMIC Shareholder who seeks payment of the fair value of such TSMIC Shares and is qualified in its entirety by the full text of Section 190 of the CBCA.

Registered TSMIC Shareholders may exercise rights of dissent with respect to the Continuance Resolution pursuant to and in the manner set forth in Section 190 of the CBCA. Dissenting TSMIC Shareholders must provide a written objection to the Continuance Resolution to TSMIC at 25 Price Street, Toronto, Ontario, Canada, M4W 1Z1, Attention: General Counsel, by 5:00p.m. (Toronto time), on the second last Business Day prior to the date of the TSMIC Meeting. A TSMIC Shareholder who exercises rights of dissent with respect to the Continuance Resolution may not also exercise rights of dissent with respect to the Arrangement Resolution.

Any Dissenting TSMIC Shareholder in compliance with Section 190 of the CBCA will, in the event the Continuance becomes effective, be deemed to have transferred the holder's TSMIC Shares to TSMIC as of the effective date of the Continuance, pursuant to section 190 of the CBCA, and such TSMIC Shares shall thereupon be cancelled.

The Dissenting Shareholder shall, at the effective time of the Continuance, cease to have any rights as a TSMIC Shareholder and shall only be entitled to be paid by TSMIC the fair value of the TSMIC Shares that were held by such Dissenting Shareholder immediately prior to the effective time of the Continuance, and will be entitled to be paid the fair value of TSMIC Shares held by such Dissenting TSMIC Shareholder, determined as of the close of business on the last business day before the Continuance Resolution is approved by TSMIC Shareholders at the TSMIC Meeting.

Beneficial holders of TSMIC Shares who wish to dissent should be aware that only the registered holders of the TSMIC Shares are entitled to dissent. Accordingly, a Beneficial Shareholder desiring to exercise their Dissent Rights must make arrangements for the registered holder of their TSMIC Shares to dissent on his or her behalf. See "Joint Management Information Circular – Information for Beneficial Shareholders."

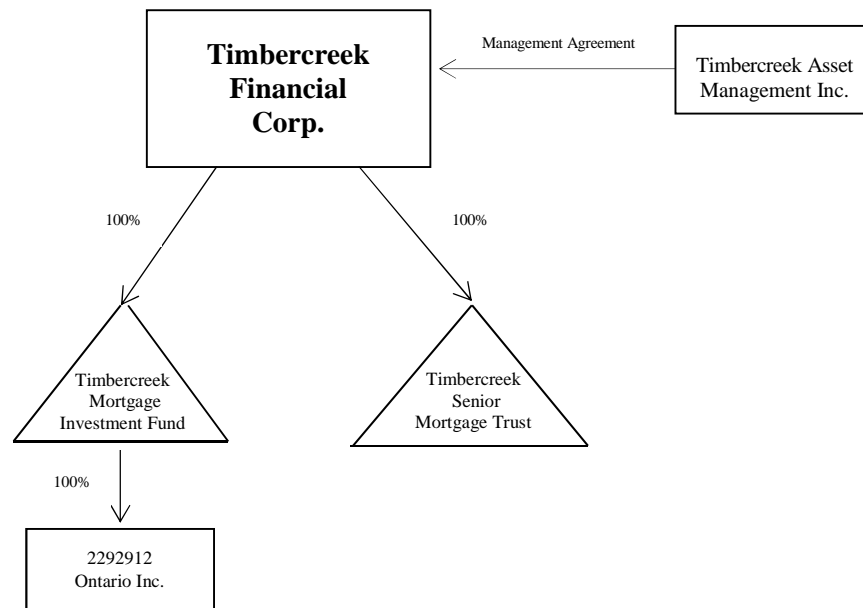
The text of Section 190 of the CBCA is set out in Appendix O to this Circular. TSMIC Shareholders who wish to exercise Dissent Rights in respect of the Continuance should seek legal advice, as failure to adhere strictly to the requirements set out in Section 190 of the CBCA may result in the loss or unavailability of any Dissent Rights.

## INFORMATION RELATING TO TIMBERCREEK FINANCIAL

The following section of this Circular contains significant amounts of forward-looking information. Readers are cautioned that, unless otherwise noted, the disclosure in this section has been prepared assuming that the Arrangement has been completed and that actual results may vary. See “Joint Management Information Circular – Forward Looking Information”.

### Overview

Pursuant to the Arrangement, TSMIC and TMIC will amalgamate under the OBCA to form a single entity which will be named Timbercreek Financial Corp. (“**Timbercreek Financial**”). Following the completion of the Arrangement, the head office of Timbercreek Financial will be located at 25 Price Street, Toronto, Ontario M4W 1Z1. The following diagram illustrates the organizational structure of Timbercreek Financial following the completion of the Arrangement:



Timbercreek Financial will be a leading non-bank commercial real estate lender. Timbercreek Financial will provide investors direct access to a diversified portfolio of institutional-quality mortgage investments that are expected to generate a strong risk-adjusted yield.

Timbercreek Financial will be an amalgamated corporation existing under the OBCA and intends to qualify as a MIC as defined under Section 130.1(6) of the Tax Act.

The business objectives of Timbercreek Financial will be, with a primary focus on capital preservation, to place and maintain a diversified portfolio of mortgages that generates attractive, stable returns in order to permit Timbercreek Financial to pay monthly dividends to its shareholders.

### Transaction Rationale

The Arrangement has many attractive features for TMIC Shareholders and TSMIC Shareholders, including that the Arrangement is expected to enhance scale and liquidity, increase portfolio diversification, increase institutional investors' interest, cost savings and enhance financial flexibility to support improved portfolio characteristics and drive growth in cash flow and dividends. See “The Arrangement and Management Agreement Transactions – Reasons for Recommendations of the TMIC Special Committee and TMIC Board” and “The Arrangement and

Management Agreement Transactions – Reasons for recommendations of the TSMIC Special Committee and TSMIC Board”.

Pursuant to the Arrangement, TMIC and TSMIC will come together to create Timbercreek Financial, a leading non-bank commercial real estate lender which will provide investors direct access to a diversified portfolio of institutional-quality mortgage investments that are expected to generate a strong risk-adjusted yield.

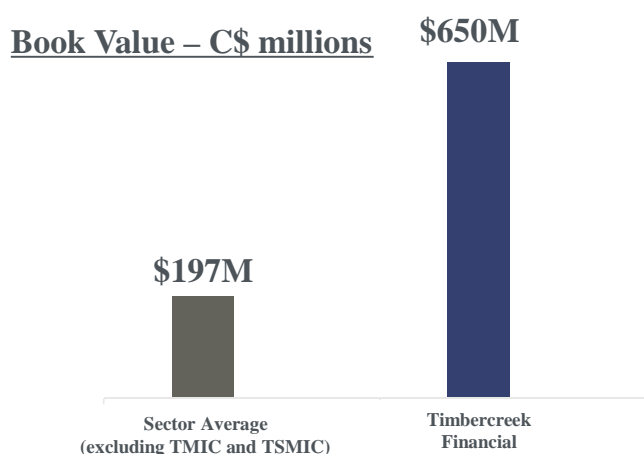
Timbercreek Financial will continue to leverage TAMI’s extensive experience in originating, underwriting and managing mortgage debt. TAMI has demonstrated its commitment to the business by offering a very competitive management fee without any performance based compensation and without maintaining any of the lender fee revenue as compensation. Unlike all other public MICs, Timbercreek Financial will receive all revenue generated through lender fees which better aligns TAMI’s interest with shareholders and also enhances revenue in order to generate superior risk adjusted returns for shareholders.

Specific benefits to TF Shareholders include:

*Enhanced capital markets profile*

The amalgamation of TMIC and TSMIC will result in a combined book value of approximately \$650 million, more than double the size of any other publicly traded MIC. The resulting growth in market capitalization, as a function of the greater book value, is expected to materially improve liquidity for investors. Market capitalization and trading volumes are factors that institutional investors consider prior to investment and thus the Arrangement improves TMIC and TSMIC’s ability to attract such investment. A higher profile is also expected to enhance access to sources of capital, facilitating growth and acquisitions and is also expected to provide a greater ability to attract research coverage.

*Exhibit 1*



*Book Value and Earnings Per Share (EPS) Accretion Opportunities*

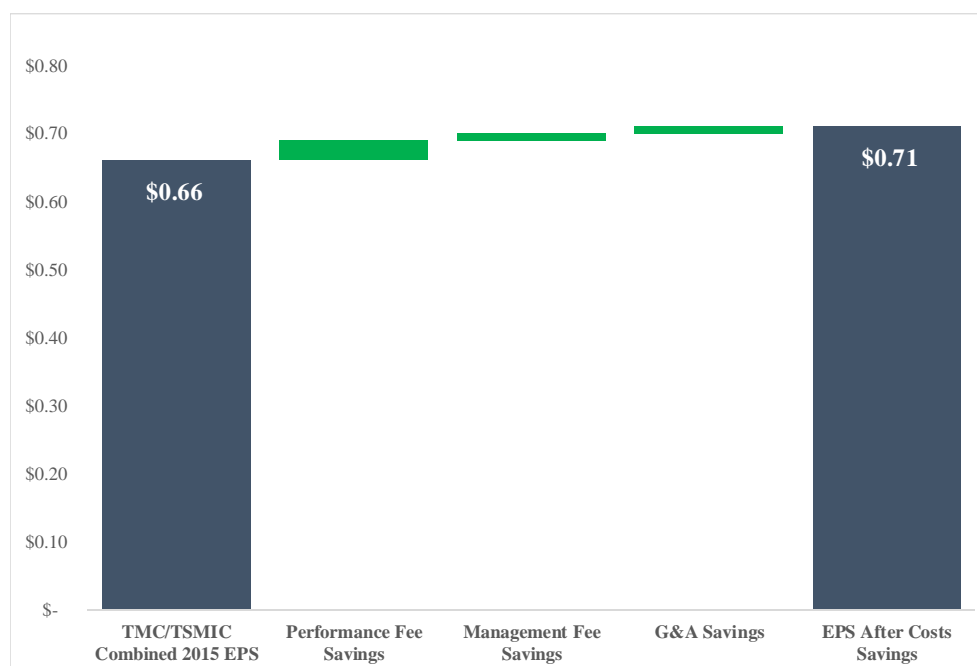
One of the key benefits of the Arrangement is the ability of Timbercreek Financial to increase its book value and EPS over time. Timbercreek Financial will target a pay-out ratio of 95% of its earnings with the goal of using the retained capital to grow book value in a tax efficient manner. This pay-out ratio is expected to improve market confidence and better position Timbercreek Financial in order to facilitate growth opportunities in the future, while maintaining almost the same high level of dividends that investors have been receiving. TAMI believes that this payout ratio will also strengthen Timbercreek Financial’s ability to maintain, and potentially grow, its dividend over the long-term.

TMIC and TSMIC believe that the combination of an enhanced credit facility and reduced costs due to a lower management fee and synergies will allow Timbercreek Financial to generate EPS<sup>12</sup> of approximately \$0.72 on a stabilized basis over the next 12 months (the “**Target EPS**”) while at the same time reducing the overall risk in the portfolio. The Target EPS is a significantly higher EPS than that which was earned in the last two fiscal years for each of TMIC and TSMIC.

	Earnings Per Share		
	2014	2015	Average
TMIC	\$0.63	\$0.69	\$0.66
TSMIC	\$0.59	\$0.61	\$0.60

As indicated in the illustration below, on a combined basis, TMIC and TSMIC generated EPS of \$0.66 in 2015 using combined leverage of 25%. Estimated cost savings resulting from merging the two entities, including a reduction in the overall fees paid to TAMI as well as general and administrative synergies, are estimated to be approximately \$0.05 per share, compared to expenses paid by TMIC and TSMIC on a combined basis in 2015. This demonstrates that by simply combining TMIC and TSMIC using the same level of leverage, Timbercreek Financial could generate EPS of \$0.71 through cost savings alone.

*Exhibit 2*

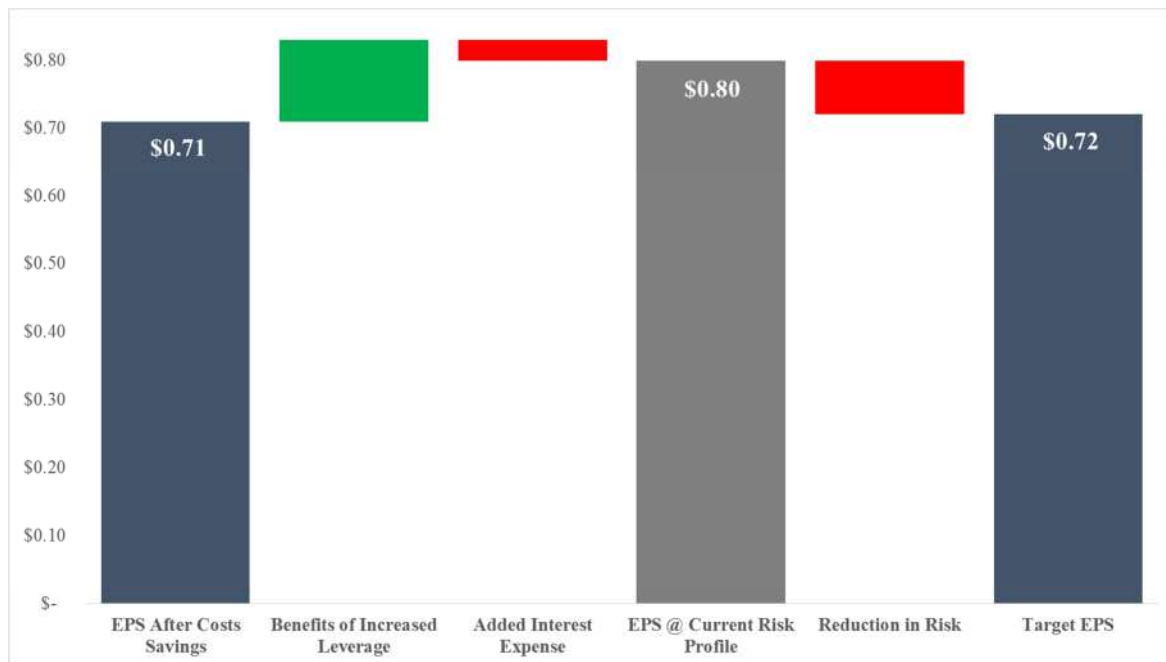


The New Credit Facility increases Timbercreek Financial’s access to credit by \$100 million, to a total of \$350 million. Timbercreek Financial will target 85% utilization of the facility equating to a debt-to-equity ratio of approximately 37%. If such increased leverage of 12% (from the current 25%) is deployed on additional mortgages that are of quality and blended interest rate similar to the current combined mortgage portfolio of TMIC and TSMIC,

<sup>12</sup> The EPS estimate assumes market fundamentals are consistent with those present at the time of this Circular, and that targeted rates and fees are achieved and additional credit is deployed within 12 months of the effective date of the combination. The estimated EPS is approved by the Manager as of the date of the Circular and it is for the purpose of showing potential accretion to the combined entity compared to the pre-amalgamation entities. This information may not be appropriate and should not be used for other purposes. Please also see the other assumptions and risk factors set out under “Joint Management Information Circular – Forward Looking Information”.

the EPS would be substantially increased to approximately \$0.80.<sup>13</sup> Certain investors may be concerned regarding certain risks associated with a more highly leveraged portfolio. In response to such concerns, Timbercreek Financial will adopt a strategy that will achieve on a sustainable basis the targeted \$0.72 EPS but at the same time reduce the asset level risk in the portfolio by using the additional capital to target higher quality, lower interest rate loans. Having ability to lend on mortgage products that carry a lower interest rate, but also, correspondingly, a lower risk, will also significantly improve the universe of lending opportunities for Timbercreek Financial and provide greater opportunities to grow the business in the future.

*Exhibit 3*

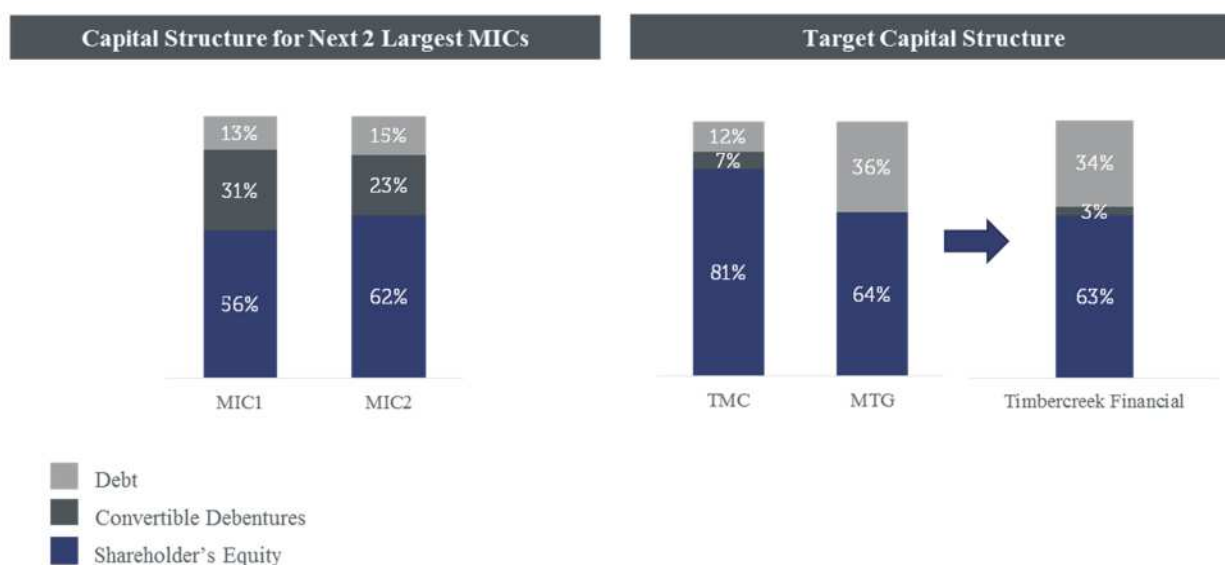


#### *Enhanced Access to Credit*

Timbercreek Financial has secured a \$350M credit facility carefully designed to maximize flexibility under the borrowing base capacity structure. The facility has been syndicated amongst ten Canadian financial institutions and is expected to improve the opportunity to expand credit capacity in order to support future portfolio growth of the company. Timbercreek Financial is expected to maintain approximately 85% utilization of the facility resulting in a debt/equity target ratio of approximately 37%, in-line with peers.

<sup>13</sup> The EPS estimate assumes market fundamentals are consistent with those present at the time of this Circular, and that targeted rates and fees are achieved and additional credit is deployed within 12 months of the effective date of the combination. The estimated EPS is approved by the Manager as of the date of the Circular and it is for the purpose of showing potential accretion to the combined entity compared to the pre-amalgamation entities. This information may not be appropriate and should not be used for other purposes. Please also see the other assumptions and risk factors set out under "Joint Management Information Circular – Forward Looking Information"

Exhibit 4



*Superior Diversified Portfolio Delivering a Strong Risk-Adjusted Yield*

Timbercreek Financial will have a combined portfolio of more than \$1.0 billion, which will provide substantially better diversification for investors. Timbercreek Financial will continue to focus on lending against income-producing assets as well as towards maintaining strong diversification by geography, borrower and asset type (see “Investment Portfolio of Timbercreek Financial” below).

The combined portfolio along with the improved credit facility will result in a reduction in the overall cost of capital for Timbercreek Financial’s customized financing solutions. The Canadian real estate lending market is an efficient market and lending rates directly reflect the inherent risk of the loan. Timbercreek Financial will be targeting a significantly lower average loan rate relative to other public MICs which illustrates the lower risk profile of the company’s portfolio relative to its peers. This reduction in the average lending rate will open up access to higher quality investment opportunities resulting in further improvements to the credit quality of the portfolio.

*Reduced Management Fee and Improved Alignment of Interest*

Timbercreek Financial will have a simple and competitive fee structure. The New Management Agreement contemplates a single management fee of 0.85% per annum on assets, a significant reduction from the 1.2% per annum on assets paid previously by TMIC. In addition, no performance fee will be payable to TAMI by Timbercreek Financial. In return for the long-term reduction in fees, TAMI will receive the Consideration Shares from TMIC (issued at book value, which represents a premium of approximately 6% to the closing price of TMIC Shares as of May 5, 2016), which will be exchanged for TF Shares pursuant to the Arrangement, substantially increasing TAMI’s ownership of Timbercreek Financial and its alignment of interest with all shareholders. Unlike all other MICs in the market, all income generated through the origination of loans will be passed through to TF Shareholders and TAMI will not retain any portion of that income as compensation. There will also be a small servicing fee on any senior tranche of a mortgage syndicated by TAMI to a third party.

*Simplified Structure with Cost Synergies*

The Arrangement will provide access to Timbercreek’s mortgage investment strategies in a more simplified manner, reducing market confusion over differences between TMIC and TSMIC and eliminating the potential perceived conflict around related-party mortgage splitting and the relative risk/return between TMIC and TSMIC. The new structure will remove some of the legacy investment restrictions, which will increase the universe of potential

investments available to TAMI and further enhance the ability to create value for shareholders. The new structure will compare more closely with other publicly traded peers that have historically attained higher relative valuations. By eliminating the duplication of certain costs, including board of directors costs, audit reporting costs and listing fees, Timbercreek Financial will also benefit from operational synergies and costs savings.

### **Business of Timbercreek Financial**

Timbercreek Financial will be focused on providing financing solutions to qualified real estate investors who require funding, and who are generally in a “transitional phase” of the investment process (such as redevelopment of a property). Timbercreek Financial will fulfill a financing requirement for real estate investors that is not well serviced by the commercial banks: primarily shorter duration, structured financing. Real estate investors typically use short-term loans to bridge a period (generally one to five years) during which they conduct property repairs, redevelop the property, or purchase another investment. These short-term “bridge” loans are typically repaid with traditional bank mortgages (lower cost and longer-term debt) once the transitional period is over or a restructuring is complete or from proceeds generated on the sale of assets.

Timbercreek Financial will be party to the New Management Agreement as more fully described under “Information Relating to Timbercreek Financial – New Management Agreement”. TAMI will be responsible for the day-to-day operations and providing all general management, mortgage servicing and administrative services to Timbercreek Financial.

Timbercreek Financial will benefit from TAMI’s extensive experience in originating, underwriting and investing in real estate both as a lender and an equity participant. TAMI currently manages approximately \$5 billion in assets and has conducted over \$8 billion in private equity real estate transactions and private debt originations since its inception in 1999. This platform will provide substantial market knowledge, underwriting support and asset management expertise.

The TF Board oversees investment guidelines established to provide the overriding risk parameters for the company. These guidelines are described in more detail under “Information Relating to Timbercreek Financial – Investment Guidelines”, and include the following:

- not more than 20% of the Aggregate Funded and Committed Assets shall be secured by non-first mortgages;
- the loan-to-value ratio of any one Mortgage Investment shall not exceed 85%;
- not more than 10% of the Aggregate Funded and Committed Assets can be allocated to an investment in any one real property; and
- not more than 20% of the Aggregate Funded and Committed Assets can be allocated to an investment with any one borrower.

### **Investment Portfolio of Timbercreek Financial**

The portfolio of Timbercreek Financial will consist of a diversified pool of mortgages, or interests therein, including meeting the criteria established in the investment guidelines (see “Information relating to Timbercreek Financial - Investment Strategy and Process”). The pro forma portfolio of Timbercreek Financial (based on the investment portfolios of TMIC and TSMIC as at March 31, 2016) will be allocated as follows:

(a) Region

March 31, 2016		
	# of Net Mortgage Investments	% of Net Mortgage Investments
ON	42	38.03%
QC	22	26.34%
AB	8	9.67%
BC	10	6.46%
SK	11	9.59%
NS	2	1.34%
OT	5	5.66%
MB	7	2.92%
	<b>107</b>	<b>100.0%</b>

(b) Maturity

March 31, 2016		
	# of Net Mortgage Investments	% of Net Mortgage Investments
Maturing 2015	8	5.05%
Maturing 2016	30	35.51%
Maturing 2017	52	42.41%
Maturing 2018	11	10.18%
Maturing 2019	4	2.08%
Maturing 2020	1	1.77%
Maturing 2021	1	3.00%
	<b>107</b>	<b>100.0%</b>

(c) Asset Type

March 31, 2016		
	# of Net Mortgage Investments	% of Net Mortgage Investments
Multi-residential	63	50.59%
Office	9	7.73%
Retail	13	22.43%
Retirement	5	4.07%



March 31, 2016		
	# of Net Mortgage Investments	% of Net Mortgage Investments
Industrial	5	2.55%
Other-residential	3	3.10%
Hotels	2	4.67%
Single-residential	1	0.33%
Unimproved land	4	3.93%
Self-storage	2	0.60%
	<b>107</b>	<b>100.0%</b>

**(d) Interest Rate**

March 31, 2016		
	# of Net Mortgage Investments	% of Net Mortgage Investments
5.00% or lower	9	4.46%
5.01%–5.99%	5	8.96%
6.00%–6.99%	28	31.18%
7.00% or greater	65	55.40%
	<b>107</b>	<b>100.0%</b>

**(e) Loan-to-value**

March 31, 2016		
	# of Net Mortgage Investments	% of Net Mortgage Investments
55% or less	19	8.19%
55%–60%	10	10.55%
61%–65%	9	10.08%
66%–70%	19	26.19%
71%–75%	15	10.49%
76%–80%	17	17.36%
Over 80%	18	17.14%
	<b>107</b>	<b>100.0%</b>

## Unaudited Pro Forma Financial Profile

### *Pro Forma and Adjusted Pro Forma Consolidated Capitalization*

The following table sets forth the consolidated statement of financial position of Timbercreek Financial as at December 31, 2015 after giving effect to the Arrangement. For detailed information on the financial position of TMIC and TSMIC as at December 31, 2015, see TMIC's audited annual financial statements for the year ended December 31, 2015 and TSMIC's audited annual financial statements for the year ended December 31, 2015. See also the unaudited pro forma condensed combined financial statements of Timbercreek Financial following completion of the Plan of Arrangement set forth in Appendix B to this Circular.

	TMIC	TSMIC	Pro Forma adjustments	Notes	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 139,871	—	—		139,871
Other assets	3,054,095	662,405	—		3,716,500
Mortgage investments, including mortgage syndication	750,703,077	481,261,784	—		1,231,964,861
Foreclosed properties held for sale	12,836,466	—	—		12,836,466
<b>Total assets</b>	<b>\$ 766,733,509</b>	<b>\$ —</b>	<b>\$ —</b>		<b>\$ 1,248,657,698</b>
<b>LIABILITIES AND EQUITIES</b>					
Accounts payable and accrued expenses	\$ 1,103,565	\$ 496,292	\$ 1,150,000	(1)	\$ 6,859,473
			1,150,000	(4)	
			2,050,000	(2)	
			909,616	(3)	
Dividends payable	2,431,424	1,572,558	—		4,003,982
Due to TAMI	2,425,700	40,848	—		2,466,548
Mortgage funding holdbacks	821,876	250,000	—		1,071,876
Prepaid mortgage interest	1,169,805	232,673	—		1,402,478
Credit facility	53,624,816	164,096,651	269,844	(2)	216,128,970
			187,659	(2)	
			(2,050,000)	(2)	
Convertible debentures	32,778,187	—	—		32,778,187
Mortgage syndication liabilities	310,048,650	27,107,802	—		337,156,452
<b>Total liabilities</b>	<b>\$ 404,404,023</b>	<b>\$ 193,796,824</b>	<b>\$ 3,667,119</b>		<b>\$ 601,867,966</b>
<b>Shareholders' equity</b>	<b>362,329,486</b>	<b>288,127,365</b>	<b>(288,127,365)</b>	<b>(1)</b>	<b>646,789,732</b>
			276,040,488	(1)	
			10,667,034	(1)	
			(1,150,000)	(4)	
			(187,659)	(2)	
			6,638,399	(3)	
			(7,548,015)	(3)	
<b>Total liabilities and equity</b>	<b>\$ 766,733,509</b>	<b>\$ 481,924,189</b>	<b>\$ —</b>		<b>\$ 1,248,657,698</b>

Notes:

- (1) On the effective date of the Arrangement, TMIC will be considered to have acquired all of the issued and outstanding TSMIC Shares. The total purchase price paid by TMIC consists of 32,551,944 TMIC Shares (representing 31,451,154 TSMIC shares at an exchange ratio of 1.035). The 32,551,944 TMIC Shares were valued using a price of \$8.48 per share,

representing TMIC's closing share price as of May 4, 2016. Under IFRS 3 - Business Combinations ("IFRS 3"), the share consideration is required to be measured based on the trading price of TMIC Shares on the closing date of the business combination; whereas, the actual consideration pursuant to the Arrangement is based on an exchange ratio of 1.035 which was determined based on a book value per share of both TMIC and TSMIC as at March 31, 2016. As a result, shareholders' equity of TSMIC totalling \$288,127,365 as at December 31, 2015 has been reversed in the pro forma statement of financial position to reflect the above noted transaction. For financial reporting purposes, the amalgamation is considered a business combination in accordance with IFRS 3 with TMIC considered to be the "acquirer" and TSMIC the "acquiree". Timbercreek Financial has recorded the identifiable assets and liabilities of TSMIC at fair value, including the recognition of a bargain purchase gain of \$10,667,034, representing an excess in the fair value of net assets acquired over the consideration transferred for TSMIC.

- (2) The estimated costs of obtaining the New Credit Facility is \$2,050,000, relating to upfront fees, arrangement fees and legal costs and are netted against the outstanding balance of the credit facility. These costs are amortized over the term of the New Credit Facility. As a result, the following adjustments have been made: (i) In the statement of financial position, the existing credit facility unamortized financing costs for TMIC of \$187,659 have been written-off; (ii) in the statement of income and comprehensive income, interest on the New Credit Facility is reduced by \$221,172 and \$579,563 for amortization of financing costs relating to the TMIC Credit Facility and TSMIC Credit Facility, respectively; (iii) in the statement of income and comprehensive income, interest on the New Credit Facility is increased by \$1,025,000 for amortization of financing costs relating to the New Credit Facility; and (iv) in the statement of income and comprehensive income, interest on the New Credit Facility has been increased by \$922,825 to reflect new interest rates and higher standby fees on additional capacity available under the New Credit Facility. Of note, the utilization of the additional available credit under the New Credit Facility is not reflected in these pro forma consolidated financial statements.
- (3) Under IFRS 2 – Share-based Payment, the value of the Consideration Shares issued to TAMI pursuant to the Contribution and Termination Agreement is required to be measured based on the trading price of TMIC Shares on the settlement date, whereas, the actual consideration will be based on a book value of \$8.938 of TMIC at March 31, 2016.
- (4) Costs relating to the Arrangement of \$1,150,000 representing TMIC's 50% share of costs are recorded as a transaction costs and mainly include legal fees, advisory, fairness opinion, listing fees and other administrative costs. As a result of the terms of the New Management Agreement, the management fees have been reduced by \$1,737,146 for the year ended December 31, 2015. In addition, the performance fee of \$2,430,086 has been removed for the year ended December 31, 2015.

#### *Selected Unaudited Pro Forma Financial Information*

The following table sets out selected unaudited pro forma financial information for Timbercreek Financial that assumes the completion of the Arrangement as if effective on January 1, 2015, as presented in the unaudited pro-forma condensed combined financial statements of Timbercreek Financial in Appendix B of this Circular. The pro forma financial statements were based on, and should be read in conjunction with, the historical consolidated financial statements and related notes of both TMIC and TSMIC for the applicable periods, which are incorporated by reference in this Circular.

Certain of the adjustments in the table below may be considered to be forward-looking in nature. As a result, the discussion in this section is qualified in its entirety by the cautionary language regarding forward-looking statements set out under "Joint Management Information Circular – Forward-Looking Information".

The following selected unaudited adjusted pro forma information is not necessarily indicative of what Timbercreek Financial's financial position or results of operations actually would have been had the Arrangement been completed as of January 1, 2015, nor does it purport to project the future financial position or operating results of Timbercreek Financial.

	TMIC	TSMIC	Pro Forma adjustments	Notes	Total
<b>Interest income:</b>					
Interest, including mortgage syndications	\$ 49,292,049	\$ 29,939,142	\$ –	\$	79,231,191
Fees and other income, including mortgage syndications	5,901,313	2,666,158	–		8,567,471
Gross interest income	55,193,362	32,605,300	–		87,798,662
Interest and fees expense on mortgage syndications	(12,189,740)	(2,286,411)	–		(14,476,151)
Net interest income	43,003,622	30,318,889	–		73,322,511
<b>Expenses:</b>					
Management fees	5,955,934	4,428,225	(1,737,146)	(3)	8,647,013
Performance fees	2,430,086	–	(2,430,086)	(3)	–
Provision for mortgage investment loss	900,000	–	–		900,000
General and administrative	967,314	939,058	(710,000)	(4)	1,196,372
Total expenses	10,253,334	5,367,283	(4,877,232)		10,743,385
Income from operations	32,750,288	24,951,606	4,877,232		62,579,126
Net operating loss from foreclosed properties held for sale	114,345	–	–		114,345
Fair value adjustment on foreclosed properties held for sale	523,944	–	–		523,944
Termination of management contracts	–	–	7,548,015	(3)	7,548,015
Transaction costs	–	–	1,150,000	(5)	1,150,000
Bargain purchase gain	–	–	(10,667,034)	(1)	(10,667,034)
<b>Financing costs:</b>					
Interest on credit facility	1,519,579	5,655,355	(221,172)	(2)	8,322,024
			(579,563)	(2)	
			1,025,000	(2)	
			922,825	(2)	
Interest on convertible debentures	2,570,977	–	–		2,570,977
Total financing costs	4,090,556	5,655,355	1,147,090		10,893,001
Net income and comprehensive income	\$ 28,021,443	\$ 19,296,251	\$ 5,699,161	\$	53,016,855
Earnings per share (basic and diluted)	\$ 0.69	0.61		\$	0.72

Notes:

- (1) On the effective date of the Arrangement, TMIC will be considered to have acquired all of the issued and outstanding TSMIC Shares. The total purchase price paid by TMIC consists of 32,551,944 TMIC Shares (representing 31,451,154 TSMIC shares at an exchange ratio of 1.035). The 32,551,944 TMIC Shares were valued using a price of \$8.48 per share, representing TMIC's closing share price as of May 4, 2016. Under IFRS 3 - Business Combinations ("IFRS 3"), the share consideration is required to be measured based on the trading price of TMIC Shares on the closing date of the business combination; whereas, the actual consideration pursuant to the Arrangement is based on an exchange ratio of 1.035 which was determined based on a book value per share of both TMIC and TSMIC as at March 31, 2016. As a result, shareholders' equity of TSMIC totalling \$288,127,365 as at December 31, 2015 has been reversed in the pro forma statement of financial position to reflect the above noted transaction. For financial reporting purposes, the amalgamation is considered a business combination in accordance with IFRS 3 with TMIC considered to be the "acquirer" and TSMIC the "acquiree". Timbercreek Financial has recorded the identifiable assets and liabilities of TSMIC at fair value, including the recognition of a bargain purchase gain of \$10,667,034, representing an excess in the fair value of net assets acquired over the consideration transferred for TSMIC.

- (2) The estimated costs of obtaining the New Credit Facility is \$2,050,000, relating to upfront fees, arrangement fees and legal costs and are netted against the outstanding balance of the credit facility. These costs are amortized over the term of the New Credit Facility. As a result, the following adjustments have been made: (i) In the statement of financial position, the existing credit facility unamortized financing costs for TMIC of \$187,659 have been written-off; (ii) in the statement of income and comprehensive income, interest on the New Credit Facility is reduced by \$221,172 and \$579,563 for amortization of financing costs relating to the TMIC Credit Facility and TSMIC Credit Facility, respectively; (iii) in the statement of income and comprehensive income, interest on the New Credit Facility is increased by \$1,025,000 for amortization of financing costs relating to the New Credit Facility; and (iv) in the statement of income and comprehensive income, interest on the New Credit Facility has been increased by \$922,825 to reflect new interest rates and higher standby fees on additional capacity available under the New Credit Facility. Of note, the utilization of the additional available credit under the New Credit Facility is not reflected in these pro forma consolidated financial statements.
- (3) Under IFRS 2 – Share-based Payment, the value of the Consideration Shares issued to TAMI pursuant to the Contribution and Termination Agreement is required to be measured based on the trading price of TMIC Shares on the settlement date, whereas, the actual consideration will be based on a book value of \$8.938 of TMIC at March 31, 2016.
- (4) General and administrative expenses have been decreased by \$710,000 for the year ended December 31, 2015, to reflect TAMI's best estimate of cost savings that would be achieved from the amalgamation of TMIC and TSMIC. The cost savings would result from reduced shareholder reporting, audit fees, filing fees, directors' compensation and other costs, as these services would be required only for one company.
- (5) Costs relating to the Arrangement of \$1,150,000 representing TMIC's 50% share of costs are recorded as a transaction costs and mainly include legal fees, advisory, fairness opinion, listing fees and other administrative costs. As a result of the terms of the New Management Agreement, the management fees have been reduced by \$1,737,146 for the year ended December 31, 2015. In addition, the performance fee of \$2,430,086 has been removed for the year ended December 31, 2015.

### **Investment Strategy and Process**

Timbercreek Financial will seek to generate attractive, risk-adjusted returns for investors by providing financing solutions to qualified real estate investors who require funding, and who are generally in a transitional phase of the investment process (such as redevelopment of a property). Timbercreek Financial will primarily focus on lending against properties where there is existing rental income as these assets are typically more liquid, provide less volatile security for mortgage loans and have a lower probability of default.

These strategies combine to provide Timbercreek Financial 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 Timbercreek Financial's quick access to capital through efficient processing and management of opportunities;
- take advantage of yield benefits which arise from the Timbercreek Financial'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.

### **Investment Guidelines**

As a general rule, the assets of Timbercreek Financial will be invested in accordance with its business objectives. However, Timbercreek Financial intends to qualify as a MIC and intends to invest its assets according to the following investment guidelines:

1. Timbercreek Financial will not make any investment or conduct any activity that would result in it failing to qualify as a “mortgage investment corporation” within the meaning of the Tax Act;
2. Timbercreek Financial will invest its assets primarily in Mortgage Investments, subject to the following limitations:
  - (a) Not more than 10% of the Aggregate Funded and Committed Assets can be allocated to an investment in any one real property
  - (b) Not more than 20% of the Aggregate Funded and Committed Assets can be allocated to an investment with any one borrower;
  - (c) Not more than 30% of the Aggregate Funded and Committed Assets can be allocated to Investments 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;
  - (d) Not more than 50% of the Aggregate Funded and Committed Assets can be Investments in B-Notes;
  - (e) Not more than 20% of the Aggregate Funded and Committed Assets shall be secured by Mortgages that are not first Mortgages;
  - (f) Not more than the percentages set out below of the Aggregate Funded and Committed Assets can be invested in the corresponding regions:

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

- (g) 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	40%
Industrial Buildings	40%
Office Buildings	50%
Self-Storage Buildings	35%
Hotels	35%
Unimproved Lands	12%
Other	10%

- (h) On the date of funding, the maximum loan-to-value ratio of any one Mortgage Investment shall not exceed 85%; and
- (i) The total value of the liabilities associated with the Aggregate Funded and Committed Mortgage Investments will not exceed 75% of the total market value of the properties comprising the security of the Aggregate Funded and Committed Mortgage Investments.
3. Timbercreek Financial will be permitted to invest up to 10% of its Aggregate Funded and Committed Assets in other Investments.
4. Timbercreek Financial may not make any loans to TAMI or its affiliates.

### **Borrowing Strategy**

Timbercreek Financial will utilize leverage at the discretion of TAMI through a credit facility arranged by TAMI 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 Timbercreek Financial to provide a security interest in the assets of Timbercreek Financial 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 Timbercreek Financial may borrow from time to time. See "Information Relating to Timbercreek Financial – New Credit Facility".

### **Management of Timbercreek Financial**

#### *Board of Directors*

Following completion of the Arrangement and in accordance with the Arrangement Agreement, the TF Board will initially be comprised of the following seven individuals: R. Blair Tamblyn, Ugo Bizzarri, Andrew Jones, W. Glenn Shyba, Steven Scott, Derek Watchorn and Zelick Altman. The TF Board will be highly experienced and will be comprised of a majority of independent directors.

The TF Board will be responsible for oversight of Timbercreek Financial's business and affairs. The TF Board will discharge its responsibilities directly and through two committees – the audit committee and the corporate governance committee. Both committees will operate under mandates that are reviewed, and if necessary, updated annually. In fulfilling its responsibilities, the TF Board will delegate day-to-day authority to TAMI, while reserving the right to review decisions of TAMI and exercise final judgment on any matter. TAMI will review with the TF Board on a periodic basis its strategic plan for Timbercreek Financial and deliver to the TF Board ongoing reports on the status of Timbercreek Financial's business and operations. In addition, in accordance with applicable legal requirements and historical practice, all matters of a material nature will be presented to the TF Board for approval.

The following table sets forth certain information regarding the individuals who will serve as directors of Timbercreek Financial, including their place of residence, status as independent or non-independent, the period of time for which each director has served as a director of TMIC or TSMIC, as applicable, each director's principal occupation, business or employment for the past five years, and the number of TMIC Shares and TSMIC Shares beneficially owned by such director, directly or indirectly, or over which each director exercises control or direction over, in each case, as at May 11, 2016, and the number of TF Shares that such director is expected to beneficially own, directly or indirectly, or over which such director will exercise control or direction, assuming completion of the Arrangement.

<b>Name and Province of Principal Residence</b>	<b>Position with TMIC or TSMIC</b>	<b>Principal Occupation</b>	<b>Number of TMIC/TSMIC Shares Beneficially Owned, Controlled or Directed</b>	<b>Number of TF Shares Beneficially Owned, Controlled or Directed</b>
R. Blair Tamblyn <sup>(2)</sup> <i>Ontario, Canada</i>	Director (Chairman) of TMIC and TSMIC (appointed April 30, 2008)	Director, President, CEO and Managing Director of TAMI	21,657 TMIC Shares 10,600 TSMIC Shares	32, 628 TF Shares
Ugo Bizzarri <i>Ontario, Canada</i>	Director of TMIC and TSMIC (appointed September 12, 2013)	Director and Managing Director, Portfolio Management and Investments of TAMI	38,120 TMIC Shares 55,701 TSMIC Shares	95,770 TF Shares
Andrew Jones <i>Ontario, Canada</i>	Director (appointed September 12, 2013) and CEO of TMIC and TSMIC	Managing Director, Debt Investments of TAMI	16,100 TMIC Shares 5,000 TSMIC Shares	21,275 TF Shares
W. Glenn Shyba <sup>(1)(2)</sup> <i>Ontario, Canada</i>	Independent Director of TMIC (appointed April 30, 2008)	Principal, Origin Merchant Partners	5,100 TMIC Shares 5,500 TSMIC Shares	10,792 TF Shares <sup>(3)</sup>
Steven Scott <sup>(1)</sup> <i>Ontario, Canada</i>	Independent Director of TSMIC (appointed December 1, 2011)	Chairman and Chief Executive Officer of Storage Vault Canada Inc.	6,386 TSMIC Shares	6,609 TF Shares <sup>(3)</sup>
Derek J. Watchorn <sup>(1)(2)</sup> <i>Ontario, Canada</i>	Independent Director of TMIC (appointed November 25, 2010)	Consultant	32,590 TMIC Shares	32,590 TF Shares <sup>(3)</sup>
Zelick L. Altman <i>Ontario, Canada</i>	Independent Director of TMIC (appointed April 30, 2008)	Managing Director of LaSalle Investment Management (Canada)	13,625 TMIC Shares	13,625 TF Shares <sup>(3)</sup>

**Notes:**

- (1) Proposed member of the Audit committee.
- (2) Proposed member of the Corporate Governance Committee.
- (3) Prior to the completion of the Arrangement, the TMIC DSUs and TSMIC DSUs will be settled and paid out by TMIC or TSMIC, as applicable, and the TMIC DSU Plan and TSMIC DSU Plan will each be terminated in accordance with its terms. The proposed independent directors of Timbercreek Financial have agreed to invest the net proceeds received from such settlement in TF Shares through market purchases as permitted by applicable laws.



The following are biographies of the proposed members of the TF Board:

**R. Blair Tamblyn** – Mr. Tamblyn is the Chairman of the TMIC Board, Chairman of the TSMIC Board and also a Co-Founder, Director and Managing Director/CEO of TAMI. Mr. Tamblyn has over 20 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 currently manage an aggregate of approximately \$4.8 billion in assets. Prior to founding TAMI in 1999, Mr. Tamblyn worked with Connor, Clark & Company where he was licensed as a Securities Trader. Mr. Tamblyn is a graduate of the University of Western Ontario, and is a graduate of the Rotman School of Management – Institute of Corporate Directors Board Effectiveness Program. Mr. Tamblyn is also a director of StorageVault Canada Inc. and GreenSpace Brands Inc.

**Ugo Bizzarri** – Mr. Bizzarri is a Director of TMIC and TSMIC. Mr. Bizzarri is also a Co-Founder, Director and Managing Director, Portfolio Management and Investments of TAMI. Mr. Bizzarri has over 20 years of 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, Mr. Bizzarri and his team have constructed and managed a diversified debt portfolio of over \$1.3 billion in Timbercreek-sponsored commercial mortgage investments and have been responsible for underwriting, financing and acquiring approximately \$4.0 billion worth of multi-residential real estate on behalf of Timbercreek and its partners. Prior to co-founding TAMI, 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. Mr. Bizzarri is also a director of Cymbria Corporation.

**Andrew Jones** – Mr. Jones is the CEO and a Director of TMIC and TSMIC and also the Managing Director, Debt Investments of TAMI. 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 TMIC and TSMIC. Mr. Jones has been a registered mortgage broker for over 15 years, carries a mortgage broker licence in three provinces and is the broker of record on behalf of TAMI. Prior to joining TAMI, 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.

**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 \$2.0 billion 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 also serves on the Board of Directors, audit committee and corporate governance committee of TSMIC. Mr. Shyba holds a Bachelor of Commerce degree from the University of British Columbia.

**Steven Scott** – Mr. Scott is the Chairman and Chief Executive Officer of Storage Vault Canada Inc. (TSXV: SVI) and The Access Group of Companies. Storage Vault is a publicly listed storage company on the TSX Venture Exchange that owns and operates 30 storage properties (over 1.5 million square feet on 90+ acres) throughout

Canada as well as the second largest portable storage business in Canada (under the Cubeit and PUPS brands). Storage Vault is focused on acquiring mature storage assets in major markets throughout Canada as well as expanding its existing locations to meet existing demand (over 17 acres of developable land in the portfolio). The Access Group of Companies is comprised of: (i) Access Self Storage Inc., which is the largest self-storage company in Canada with over 70 stores representing more than 4 million square feet of storage space; (ii) AMR Homes, which specializes in in-fill and high rise housing developments in the GTA; and (iii) Access Commercial, which owns and manages industrial, retail and commercial real estate in Canada. Mr. Scott serves on the following boards: Director and Treasurer of the Canadian Self Storage Association (CSSA) and Director and Audit Committee Chair of each of the following: Timbercreek Senior Mortgage Investment Corporation (TSX: MTG), Timbercreek U.S. Multi-Residential Opportunity Fund #1 and Park Lawn Corporation (TSXV: PLC). Mr. Scott worked in public accounting prior to joining ASSI and is a Chartered Accountant having articulated with Deloitte & Touche. Mr. Scott holds a Bachelor of Commerce Degree from Dalhousie University.

**Derek J. Watchorn** - For the past six 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 until recently 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 CEO 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 of Olympia & York Canary Wharf plc. Mr. Watchorn was previously a director of Patheon Inc. (TSX:PTI)

**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 Ltd. Mr. Altman is a graduate of the Faculty of Applied Sciences at the University of Toronto and is registered as a Professional Engineer.

#### *Cease Trade Orders, Bankruptcies, Penalties or Sanctions*

No proposed director of Timbercreek Financial is, as at the date of this Circular, or has been, within ten (10) years before the date of this Circular, a director, chief executive officer or chief financial officer of any company that:

- (a) 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 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 proposed director of Timbercreek Financial:

- (a) is, as at the date of this Circular, or has been within the ten (10) years before the date of this Circular, a director or executive officer of any company that (including TMIC and TSMIC), 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 Circular, 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 proposed director of Timbercreek Financial 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.

#### *TAMI and TAML*

Pursuant to the terms of the New Management Agreement, TAMI will act as the manager of Timbercreek Financial and provide or arrange for the provision of all administrative services required by Timbercreek Financial. For more details on the New Management Agreement, see “Information Relating to Timbercreek Financial – New Management Agreement”.

TAMI has entered into the Mortgage Services Agreement with TAML pursuant to which TAML will provide the Licensed Services to Timbercreek Financial. 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.

TAMI is an investment management company that employs a conservative and risk-averse approach to real estate-based investments. Timbercreek has over sixteen years of real estate investment management expertise and as of December 31, 2015, managed approximately \$5.0 billion in real estate assets and employ over 500 professionals in 18 offices across Canada and in the United States, the United Kingdom, Europe, Hong Kong 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 Timbercreek Financial. TAMI’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.

TAMI is also dedicated to seeking to ensure that there is a robust platform in place to support the ongoing 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.

TMIC, TSMIC and TAMI believe that the current operating platform of Timbercreek, coupled with the expertise that TAMI and its affiliates as real estate investors and asset managers have developed over many years with respect to real estate and mortgage investments, will provide Timbercreek Financial with a major competitive advantage.

### *Duties and Services to be Provided by TAMI*

Pursuant to the New Management Agreement, TAMI will be the manager of Timbercreek Financial and, as such, will be responsible for making all investment decisions of Timbercreek Financial in accordance with its business objectives, strategy and restrictions and for arranging for the execution of all Timbercreek Financial portfolio transactions. TAMI may delegate certain of its powers to third parties, where, in the discretion of TAMI, it would be in the best interests of Timbercreek Financial to do so. Without limiting the generality of the foregoing, TAMI is required to engage a licensed mortgage broker to provide the Licensed Services to Timbercreek Financial.

TAMI's duties will include, without limitation: (i) authorizing the payment of operating expenses incurred on behalf of Timbercreek Financial; (ii) preparing the annual operating budget of Timbercreek Financial; (iii) coordinating the preparation and delivery to the TF Board and the TF 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 Timbercreek Financial's compliance with regulatory requirements; (v) preparing Timbercreek Financial's reports to shareholders and the Canadian securities regulatory authorities; (vi) recommending to the TF Board the amount of dividends to be made by Timbercreek Financial to its shareholders; and (vii) appointing third-party service providers for Timbercreek Financial, including registrars, transfer agents and auditors.

### *Details of the Mortgage Services Agreement*

The Mortgage Services Agreement between TAMI and TAML will be amended to reflect the amalgamation of TMIC and TSMIC and will provide for:

- (i) TAML to provide, or arrange for the provision of, the Licensed Services to Timbercreek Financial, including without limitation, presenting to Timbercreek Financial through the Investment Committee any available loan that meets the investment guidelines of Timbercreek Financial, and overseeing the servicing of the mortgages in the investments of Timbercreek Financial and the enforcement of all loans;
- (ii) the Investment Committee to approve all mortgage investments by Timbercreek Financial;
- (iii) TAML to remit to Timbercreek Financial 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 Timbercreek Financial other than any servicing fee earned in respect of the syndication of senior tranches; and
- (iv) TAML to conduct its activities in accordance with the Investment Guidelines to manage the risk profile of Timbercreek Financial's portfolio of investments.

### **Principal Shareholders**

To the knowledge of TMIC and TSMIC, no other person will beneficially own, directly or indirectly, or exercise control or direction over, 10% or more of the outstanding TF Shares upon completion of the Arrangement.

### **Dividend Policy**

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

Notwithstanding the above, Timbercreek Financial will have the right to determine a record date that is other than the last business day of each month.

## **Dividend Reinvestment Plan**

Timbercreek Financial is expected to have a dividend reinvestment plan (“**New DRIP**”), substantially similar to the TMIC DRIP and TSMIC DRIP in place as of the date hereof, which will provide eligible holders of TF Shares a means to purchase additional TF 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 New DRIP, TAMI will have the right to require the plan agent to acquire TF Shares in the open market at prevailing prices or issued from treasury at 95% of the average market price. The average market price will be defined in the New DRIP as the volume weighted average trading price of the TF 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 TF Shares is traded. If the New DRIP is adopted, registered TF Shareholders will be able to enrol in the New DRIP by either completing a Dividend Reinvestment Plan Enrollment Form and delivering the completed form to the plan agent or submitting an online application at [www.canstockta.com](http://www.canstockta.com) through the plan agent’s secure online service Answerline<sup>TM</sup>, in either case by no later than 5 Business Days before the record date for the determination of TF Shareholders entitled to receive dividends on their TF Shares. TF Shareholders who will hold their TF Shares through a broker, financial institution or their nominee, must enrol for dividend reinvestment through their nominee broker.

## **New Management Agreement**

Pursuant to the Contribution and Termination Agreement, the New Management Agreement will be released from escrow and become effective immediately following the Effective Time and will be a valid and binding obligation of each of Timbercreek Financial and TAMI.

A summary of the key terms of the New Management Agreement and a description of the key differences between the New Management Agreement and the existing TMIC Management Agreement and TSMIC Management Agreement is set out below.

### *Summary of Management Agreement*

Under the New Management Agreement, TAMI will manage the day-to-day activities of Timbercreek Financial and will be responsible for making all investment decisions of Timbercreek Financial in accordance with the investment guidelines. TAMI is required to engage licensed service providers to provide the Licensed Services to Timbercreek Financial.

Under the New Management Agreement, Timbercreek Financial will pay TAMI an annual management fee of 0.85% per annum of the gross assets of Timbercreek Financial, calculated and paid monthly in arrears, plus applicable taxes, plus a servicing fee on any senior tranche of a mortgage syndicated by TAMI to a third party. The gross assets are calculated as the total amount of assets of Timbercreek Financial before deducting any liabilities, but less any mortgage syndication liabilities. There is no performance fee payable to TAMI under the New Management Agreement.

TAMI will be required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of Timbercreek Financial and to exercise the care, diligence and skill that TAMI possesses or ought to possess as a prudent asset manager. TAMI will not be liable in any way for any default, failure or defect in the portfolio of mortgages held by Timbercreek Financial or for any act performed, or failure to act by TAMI within the scope of TAMI’s authority under the New Management Agreement. TAMI will incur liability, however, in cases of wilful misconduct, bad faith, gross negligence, or breach of TAMI’s standard of care or by any material breach or default by it of its obligations under the New Management Agreement.

The term of the New Management Agreement will be for a period of 10 years commencing on the Effective Date (which is expected to be June 30, 2016), and will be automatically renewed for successive 5-year terms thereafter, unless:

1. terminated by Timbercreek Financial upon approval of a 2/3 majority of the votes cast by the independent directors of Timbercreek Financial:
  - (a) at the conclusion of the initial term or any renewal term, upon 12 months' prior written notice to TAMI;
  - (b) on the date upon which Timbercreek Financial 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 or dissolution of Timbercreek Financial;
  - (c) at any time in the event that (i) there is a material breach of the New Management Agreement by TAMI that is not remedied within 60 days of written notice to TAMI (or such longer period as may be reasonably required to remedy such breach, provided such longer period does not exceed 120 days), (ii) TAMI 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 TAMI or if TAMI makes an assignment for the benefit of its creditors, commits any act of bankruptcy or declares itself or is declared to be insolvent; and
  - (d) upon 12 months' written notice delivered to TAMI at any time after the fourth anniversary of the commencement of the initial term, and upon payment of an amount equal to (i) three times the "Annual Fee Basis", which means all management fees earned by TAMI in the previous twelve months; and (ii) all fees and expenses due and owing to TAMI 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 shall be an amount equal to (A) the number of days in the period between the date of termination and the last day of the initial term or renewal term, as applicable, multiplied by the quotient of the Annual Fee Basis divided by 365; and (B) all expenses due and owing to TAMI up to and including the date of termination;
2. terminated by TAMI:
  - (a) in the event that there is a material breach of the New Management Agreement by Timbercreek Financial that is not remedied within 60 days of written notice to Timbercreek Financial (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 Timbercreek Financial or if Timbercreek Financial 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 Timbercreek Financial.

TAMI will be subject to certain non-competition restrictions in respect of its activities outside of the business of Timbercreek Financial. Although TAMI will be permitted to provide similar management services to other investment funds and other clients, even though such activities may be in competition with Timbercreek Financial, the non-competition restrictions will provide, among other things, that TAMI shall not create or act as manager for a mortgage investment entity with substantially similar investment objectives and policies as Timbercreek Financial.

*Key Differences between New Management Agreement and TMIC Management Agreement and TSMIC Management Agreement*

Under the TMIC Management Agreement, TAMI is paid a management fee equal to 1.20% per annum of the gross assets of TMIC. In addition, in any calendar year where TMIC has net earnings available for dividend to TMIC Shareholders in excess of the hurdle rate (being the average 2-year Government of Canada bond yield for the 12-month period then ended plus 450 basis points), TAMI is entitled to receive a performance fee equal to 20% of

the amount by which the net earnings available for dividend divided by the outstanding share capital of TMIC exceeds such hurdle rate.

The management fee payable under the TSMIC Management Agreement is the same as the management fee payable under the New Management Agreement.

The TMIC Management Agreement and the TSMIC Management Agreement each provide for an independent mortgage advisory committee of TAMI, whereas as the investment committee to be appointed under the New Management Agreement will be an internal committee of Timbercreek Financial and its members may, but need not, be independent. The investment guidelines in the New Management Agreement also explicitly prohibit Timbercreek Financial from making any investment or conducting any activity that would result in Timbercreek Financial failing to qualify as a “mortgage investment corporation” within the meaning of the Tax Act, and have removed the authority of TAMI to deviate from the investment guidelines.

### **New Credit Facility**

In connection with the Arrangement, TMIC, the lenders under the TMIC Credit Facility, TSMIC and the lenders under the TSMIC Credit Facility have agreed that each of the TMIC Credit Facility and the TSMIC Credit Facility will be amended and restated in their entirety under the New Credit Facility and the New Credit Facility will become effective immediately following the Effective Time upon satisfaction of the conditions precedent set forth in the New Credit Facility. A summary of the key terms of the New Credit Facility is set out below.

Under the terms of the New Credit Facility, Timbercreek Financial will be permitted to borrow up to \$350 million on a revolving basis, subject to its borrowing base as set out in the New Credit Facility. The calculation of the borrowing base differs from that provided in the TMIC Credit Facility and the TSMIC Credit Facility. The commitments of the lenders under the New Credit Facility may be increased by \$50 million by way of an accordion feature, subject to satisfaction of certain conditions set forth in the New Credit Facility.

Advances under the New Credit Facility will be used to finance (i) costs directly associated with the Arrangement, including any redemption costs of the Dissent Shares, (ii) the day to day working capital requirements of Timbercreek Financial and its Subsidiaries arising in the ordinary course of their operations, and (iii) other general corporate purposes (including the purchase of TF Shares pursuant to a normal course issuer bid), but excluding (unless the requisite lenders’ consent has been obtained in accordance with the New Credit Facility) (A) the financing of any investments, other than the permitted investments as set out in the New Credit Facility, or (B) the financing of any hostile take-over-bid by Timbercreek Financial.

The New Credit Facility will take effect upon the satisfaction of certain conditions set forth therein, including the consummation of the Arrangement. The term of the New Credit Facility will mature on May 6, 2018 and the New Credit Facility will be secured by a general security agreement over all of Timbercreek Financial’s present and after-acquired assets and Timbercreek Financial’s indebtedness under the New Credit Facility will be guaranteed by TMIF and each Subsidiary of Timbercreek Financial required to provide a guarantee in accordance with the New Credit Facility.

### **Auditors of Timbercreek Financial**

KPMG LLP, Chartered Accountants, will be appointed as auditors of Timbercreek Financial for the year ending December 31, 2016 and that the audit committee be authorized to fix their remuneration. KPMG LLP has been the auditors of TMIC since June 25, 2009 and the auditors of TSMIC since January 17, 2012.

### **Other Agreements**

Except for contracts entered into in the ordinary course of business, Timbercreek Financial will be party to the following agreements:

1. New Management Agreement (see “Information Relating to Timbercreek Financial – New Management Agreement”);
2. Custodian agreement with TAML and Computershare Trust Company of Canada;
3. New Credit Facility (see “Information Relating to Timbercreek Financial – New Credit Facility”); and
4. TMIC Debenture Indenture, as amended by the Supplemental TMIC Debenture Indenture.

## REGULATORY MATTERS

### Canadian Securities Law Matters

#### *Qualification and Resale of TF Shares*

The TF Shares to be issued as consideration to TMIC Shareholders and TSMIC Shareholders pursuant to the Arrangement will be issued in reliance upon exemptions from the prospectus requirements of securities legislation in each province and territory of Canada. Subject to certain disclosure and regulatory requirements and to customary restrictions applicable to distributions of shares that constitute “**control distributions**”, TF Shares issued under the Arrangement may be resold in each province and territory in Canada, subject in certain circumstances, to the usual conditions that no unusual effort, or no effort, has been made to prepare the market or create demand.

#### *MI 61-101*

MI 61-101 regulates certain types of related party transactions to ensure equality of treatment among security holders and may require enhanced disclosure, approval by a majority of security holders (excluding “**interested parties**” under applicable law), independent valuations and, in certain instances, approval and oversight of certain transactions by a special committee of independent directors. As reporting issuers or the equivalent in Ontario and provinces and territories of Canada, TMIC and TSMIC are, among other things, subject to MI 61-101.

Each of Zelig L. Altman, Craig A. Geier, W. Glenn Shyba and Derek J. Watchorn, being the independent directors of TMIC, currently holds TMIC DSUs and is also a TMIC Shareholder. Each of Edward Boomer, Robert Douglas and Steven Scott, being the independent directors of TSMIC, currently holds TSMIC DSUs and Mr. Scott is also a TSMIC Shareholder. As discussed under “The Arrangement and Management Agreement Transactions –Treatment of TMIC Deferred Share Units and TSMIC Deferred Share Units”, all outstanding TMIC DSUs and TSMIC DSUs will be settled and paid out immediately prior to the Effective Time and the TMIC DSU Plan and the TSMIC DSU Plan will each be terminated in accordance with the terms thereof. The receipt of a cash payment in settlement of TMIC DSUs or TSMIC DSUs, as the case may be, may be considered a “collateral benefit” received by the applicable directors for the purposes of MI 61-101. MI 61-101 expressly excludes benefits from being collateral benefits if such benefits are received solely in connection with the related party’s services as an employee, director or consultant under certain circumstances, the benefits are disclosed in the disclosure document for the transaction, and either (a) at the time the transaction is agreed to, the related party and its associated entities (as defined in MI 61-101) beneficially own, or exercise control or direction over, less than 1% of the outstanding equity securities (being, in the case of TMIC, the TMIC Shares, and in the case of TSMIC, the TSMIC Shares); or (b) an independent committee of directors determines, acting in good faith, that the value of the benefits received by a related party, net of any offsetting costs to the related party, is less than 5% of the value the related party expects to receive pursuant to the transaction, provided the independent committee’s determination is disclosed in the disclosure document for the transaction.

Each of Messrs. Altman, Geier, Shyba and Watchorn (including their associated entities) beneficially owns, or exercises control or direction over, less than 1% of the outstanding TMIC Shares. Each of Messrs. Boomer, Douglas and Scott (including their associated entities) beneficially owns, or exercises control or direction over, less than 1% of the outstanding TSMIC Shares. Accordingly, none of the foregoing persons will be considered to have received a



“collateral benefit” under MI 61-101 as a result of the cash payment received in settlement of their TMIC DSUs or TSMIC DSUs, as the case may be.

Pursuant to MI 61-101, TAMI is considered to be a “related party” and an “interested party” of both TMIC and TSMIC by virtue of the fact that it manages the operations (i) of TMIC pursuant to the TMIC Management Agreement and (ii) of TSMIC pursuant to the TSMIC Management Agreement. In addition, the issuance of TMIC Shares pursuant to the Contribution and Termination Agreement is considered to be a “connected transaction” and a “related party transaction”, and also a “collateral benefit” that TAMI is entitled to receive in connection with the Arrangement. As a result of the foregoing, the Arrangement constitutes a “business combination” for purposes of MI 61-101.

MI 61-101 requires that a formal valuation be obtained for the business combination if the connected transaction is a related party transaction for which a formal valuation is required under MI 61-101. MI 61-101 provides that a related party transaction is exempt from the formal valuation requirement if at the time the transaction is agreed to, neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the transaction, insofar as it involves interested parties, exceeds 25% of the market capitalization of TMIC. TMIC, TSMIC and TAMI have determined that the fair market value of the Consideration Shares to be issued to TAMI pursuant to the Contribution and Termination Agreement is less than 25% of the market capitalization of TMIC as at the time that the transaction was agreed to. As a result, the Arrangement is exempt from the requirement to obtain a formal valuation.

MI 61-101 also requires that TMIC obtain minority approval of the TMIC Arrangement Resolution and that TSMIC obtain minority approval of the TSMIC Arrangement Resolution. Minority approval of the TMIC Arrangement Resolution will be obtained for the purposes of MI 61-101 if a majority of the votes cast by TMIC Shareholders at the TMIC Meeting are in favour of the TMIC Arrangement Resolution, excluding from such determination the votes attaching to TMIC Shares owned or controlled by such persons whose votes must be excluded in determining minority approval pursuant to MI 61-101. To the knowledge of TAMI and TMIC, the TMIC Shareholders whose votes will be excluded for the purposes of obtaining minority approval under MI 61-101 are TAMI and the directors and officers of TAMI, who own, or exercise control or direction over, directly or indirectly, an aggregate of 418,691 TMIC Shares representing approximately 1.03% of the outstanding TMIC Shares. The “minority approval” requirement is in addition to the requirement that the TMIC Arrangement Resolution be approved by not less than two-thirds of the votes cast by the TMIC Shareholders present in person or represented by proxy at the TMIC Meeting.

Minority approval of the TSMIC Arrangement Resolution will be obtained for the purposes of MI 61-101 if a majority of the votes cast by TSMIC Shareholders at the TSMIC Meeting are in favour of the TSMIC Arrangement Resolution, excluding from such determination the votes attaching to TSMIC Shares owned or controlled by such persons whose votes must be excluded in determining minority approval pursuant to MI 61-101. To the knowledge of TAMI and TSMIC, the TSMIC Shareholders whose votes will be excluded for the purposes of obtaining minority approval under MI 61-101 are TAMI and the directors and officers of TAMI, who own, or exercise control or direction over, directly or indirectly, an aggregate of 334,263 TSMIC Shares representing approximately 1.06% of the outstanding TSMIC Shares. The “minority approval” requirement is in addition to the requirement that the TSMIC Arrangement Resolution be approved by not less than two-thirds of the votes cast by the TSMIC Shareholders present in person or represented by proxy at the TSMIC Meeting.

#### **United States Securities Law Matters**

**The following discussion is only a general overview of certain requirements of U.S. federal securities laws that may be applicable to the holders of TF Shares. All holders of such securities are urged to obtain legal advice to ensure that the resale of such securities complies with applicable U.S. federal and state securities laws.**

The TF Shares issuable to TMIC Shareholders and TSMIC Shareholders in exchange for their TMIC Shares or TSMIC Shares under the Arrangement have not been and will not be registered under the U.S. Securities Act or any state securities laws, and such securities will be issued in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by section 3(a)(10) thereof and similar applicable exemptions from registration under applicable state securities laws. Section 3(a)(10) of the U.S. Securities Act exempts the issuance

of securities issued in exchange for one or more bona fide outstanding securities from the general requirement of registration where the terms and conditions of such issuance and exchange of such securities have been approved by a court of competent jurisdiction, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all persons to whom the securities will be issued have the right to appear and receive timely notice thereof. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. The Court granted the Interim Order on May 9, 2016 and, subject to the approval of the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution by TMIC Shareholders, and the approval of the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution by the TSMIC Shareholders, a hearing for a final order approving the Arrangement is expected to take place on June 29, 2016 at 10:00 a.m. (Toronto time), or as soon thereafter as is reasonably practicable. See “The Arrangement and Management Agreement Transactions – Court Approval and Completion of the Arrangement”.

All TMIC Shareholders and TSMIC Shareholders are entitled to appear and be heard at this hearing, provided that they satisfy the applicable conditions set forth in the Interim Order. The Final Order of the Court will, if granted, constitute a basis for the exemption from the registration requirements of the U.S. Securities Act with respect to the TF Shares issued under the Arrangement.

The TF Shares to be received by TMIC Shareholders and TSMIC Shareholders upon completion of the Arrangement may be resold without restriction under the U.S. Securities Act, except in respect of resales by persons who are “affiliates” of Timbercreek Financial at the time of such resale or who have been affiliates of Timbercreek Financial within 90 days before such resale. Persons who may be deemed to be “affiliates” of an issuer generally include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether through the ownership of voting securities, by contract or otherwise, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer. Any resale of the TF Shares by such an affiliate (or, if applicable, former affiliate) may be subject to the registration requirements of the U.S. Securities Act and applicable state securities laws, absent an exemption therefrom. Subject to certain limitations, such affiliates (and former affiliates) may immediately resell the TF Shares outside the United States without registration under the U.S. Securities Act pursuant to Regulation S under the U.S. Securities Act. The TF Shares may also be resold in transactions completed in accordance with Rule 144 under the U.S. Securities Act, if available.

The foregoing discussion is only a general overview of certain requirements of U.S. securities laws applicable to the TF Shares received upon completion of the Arrangement. TMIC Shareholders and TSMIC Shareholders who receive TF Shares in the Arrangement may be subject to additional restrictions, including, but not limited to, restrictions under written contracts, agreements or instruments to which they are parties or are otherwise subject, and restrictions under applicable U.S. federal and state securities laws. All such persons are urged to consult with legal counsel to ensure that the resale of the securities issued pursuant to the Arrangement complies with all applicable securities laws.

### **Stock Exchange Approvals**

The TMIC Shares currently trade on the TSX under the symbol “TMC” and the TSMIC Shares currently trade on the TSX under the symbol “MTG”. If the Arrangement is completed, it is expected that the amalgamated corporation will be named “Timbercreek Financial Corp.”. The TF Shares will trade on the TSX under the symbol “TF” and the TF Debentures will trade on the TSX under the symbol “TF.DB”.

The TMIC Debentures are currently listed for trading on the TSX under the symbols “TMC.DB”. Pursuant to the Arrangement, Timbercreek Financial will assume all of the rights and obligations of TMIC relating to the TMIC Debentures, which, upon completion of the Plan of Arrangement, will be convertible into TF Shares, based on all of the rights of holders of TMIC Debentures under the TMIC Debenture Indenture. Application has been made such that, following the Effective Date, such debentures would be listed on the TSX but as obligations of Timbercreek Financial, which listing will be conditional on the satisfaction of certain standard conditions.

TSMIC and TMIC have received conditional approval of the TSX to list the TF Shares and TF Debentures (and the TF Shares issuable upon conversion, redemption or maturity of such TF Debentures) on the TSX. Such listing will be subject to Timbercreek Financial fulfilling all of the listing requirements of the TSX. There can be no assurance

that the TSX will list the TF Shares and TF Debentures. If listing approval is ultimately obtained prior to the Effective Time, trading in the TF Shares and TF Debentures is expected to commence shortly following the completion of the Arrangement.

Pursuant to Section 611(c) of the TSX Company Manual, a listed company is generally required to obtain shareholder approval in connection with an acquisition transaction where the number of securities issued or issuable in payment of the purchase price for the acquisition exceeds 25% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the transaction. In order for the Arrangement to be completed, TMIC Shareholders must approve the TMIC Arrangement Resolution as set out under “Matters to be Considered at the TMIC Meeting – Special Business – The Arrangement” and TSMIC Shareholders must approve the TSMIC Arrangement Resolution as set out under “Matters to be Considered at the TSMIC Meeting – Special Business – The Arrangement”. If the Arrangement were to be completed on the date of this Circular, approximately 40,523,728 TF Shares would be issued to TMIC Shareholders and 32,551,944 TF Shares would be issued to TSMIC Shareholders. 3,066,667 TF Shares would be reserved for issuance upon the conversion of the TF Debentures. An additional 782,830 TF Shares will be issuable to TAMI in exchange for the TMIC Shares issued as consideration pursuant to the Contribution and Termination Agreement. The exact number of TF Shares to be issued upon closing of the Arrangement will depend on the number of TMIC and TSMIC securities outstanding on such date.

Based on the TMIC and TSMIC securities outstanding on May 11, 2016, following completion of the Arrangement (and assuming that the Consideration Shares are exchanged for TF Shares and the obligations in respect of the TMIC Debentures are assumed by Timbercreek Financial), former TMIC Shareholders immediately following the Effective Time (excluding the TF Shares to be issued to TAMI in exchange for the Consideration Shares,) will hold approximately 55.5% of the TF Shares issued and outstanding immediately following the Effective Time, while former TSMIC Shareholders immediately following the Effective Time will hold approximately 44.5% of the TF Shares outstanding immediately after the Effective Time. As such, the Arrangement will not materially affect control of TMIC or TSMIC on a combined basis.

### **Competition Act Approval**

Part IX of the *Competition Act* requires that, subject to certain limited exceptions, the Commissioner be notified of certain classes of transactions that exceed the thresholds set out in Sections 109 and 110 of the *Competition Act* (“**Notifiable Transactions**”) by the parties to the transaction.

Subject to certain limited exceptions, the parties to a Notifiable Transaction cannot complete the transaction until they have submitted the information prescribed pursuant to Subsection 114(1) of the *Competition Act* to the Commissioner and the applicable waiting period has expired or been terminated or waived by the Commissioner, provided that there is no order in effect prohibiting completion at the relevant time. The waiting period is 30 calendar days after the day on which the parties to the transaction submit the prescribed information, provided that, before the expiry of this period, the Commissioner has not, pursuant to Subsection 114(2) of the *Competition Act*, notified the parties that he or she requires additional information that is relevant to the Commissioner’s assessment of the transaction (a “**Supplementary Information Request**”). In the event that the Commissioner provides the parties with a Supplementary Information Request, the parties cannot complete their transaction until 30 calendar days after compliance with such Supplementary Information Request, provided that there is no order in effect prohibiting completion at the relevant time. A transaction may be completed before the end of the applicable waiting period if the Commissioner notifies the parties that he or she does not, at such time, intend to challenge the transaction by making an application under Section 92 of the *Competition Act*.

Alternatively, or in addition to filing the prescribed information, a party to a Notifiable Transaction may apply to the Commissioner for an advance ruling certificate (an “**ARC**”) or a No Action Letter (and a waiver by the Commissioner of the applicable waiting period), which may be issued by the Commissioner in respect of a proposed transaction if he or she is satisfied that there are not sufficient grounds on which to apply to the Competition Tribunal for an order challenging the transaction under Section 92 of the *Competition Act*.

At any time before a “merger” (as such term is defined under the *Competition Act*) is completed, even where the Commissioner has been notified under Subsection 114(1) of the *Competition Act* and the applicable waiting period

has expired, the Commissioner may apply to the Competition Tribunal for an interim order under Subsection 100(1) of the *Competition Act* forbidding any person named in the application from doing any act or thing where it appears to the Competition Tribunal that such act or thing may constitute or be directed toward the completion or implementation of a proposed merger.

Whether or not a merger is subject to notification under Part IX of the *Competition Act*, the Commissioner can apply to the Competition Tribunal for a remedial order under Section 92 of the *Competition Act* at any time before the merger has been completed or, if completed, within one year after it was substantially completed, provided that (except in limited circumstances) the Commissioner did not issue an ARC in respect of the merger. On application by the Commissioner under Section 92 of the *Competition Act*, but subject to an efficiencies defence, the Competition Tribunal may, where it finds that the merger prevents or lessens, or is likely to prevent or lessen competition substantially, order that the merger not proceed or, if completed, order its dissolution or the disposition of some of the assets or shares involved in such merger; in addition to, or in lieu thereof, with the consent of the person against whom the order is directed and the Commissioner, the Competition Tribunal can order a person to take any other action.

The Arrangement Agreement provides that compliance with the obligations of TMIC and TSMIC under Part IX of *Competition Act* may be effected in any one of the following manners:

- (a) the issuance of an ARC;
- (b) TMIC and TSMIC giving the notice required under Section 114 of the *Competition Act* and the applicable waiting period under Section 123 of the *Competition Act* expiring or being waived in accordance with the *Competition Act*; or
- (c) the receipt of a waiver under Subsection 113(c) of the *Competition Act* from the obligation to give the notice required under Section 114 of the *Competition Act*, and, in the case of (b) or (c), TMIC and TSMIC having been advised in writing by the Commissioner, or a person authorized by the Commissioner, that such person is of the view, at that time, that, in effect, grounds do not exist to initiate proceedings before the Competition Tribunal under the merger provisions of the *Competition Act* with respect to the transactions contemplated by the Arrangement Agreement (“**No Action Letter**”), and the form of and any material terms and conditions attached to any such advice not adversely affecting TMIC and TSMIC, in their discretion, acting reasonably, and such advice not having been rescinded or amended at the time of closing.

TMIC and TSMIC intend to jointly apply to the Commissioner for an ARC in respect of the Arrangement and, in connection with such application, will also request that, if the Commissioner should decide not to issue an ARC in respect of the Arrangement, the Commissioner waive under Subsection 113(c) of the *Competition Act* the obligation of TMIC and TSMIC to give the notice required under Section 114 of the *Competition Act* and provide the No Action Letter.

## **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

The following is a summary of the material Canadian federal income tax considerations under the Tax Act in respect of the Arrangement generally applicable to a TMIC Shareholder and a TSMIC Shareholder. This summary is only applicable to such a shareholder who, for purposes of the Tax Act and at all relevant times, is or is deemed to be resident in Canada, holds his, her or its TMIC Shares or TSMIC Shares, as applicable, and will hold his, her or its TF Shares to be received under the Arrangement, as capital property, deals at arm’s length with TMIC, TSMIC and Timbercreek Financial, and is not affiliated with TMIC, TSMIC or Timbercreek Financial (a “**Holder**”).

TMIC Shares, TSMIC Shares and TF Shares will generally be considered to be capital property to a Holder unless they are held in the course of carrying on a business of buying and selling securities or are acquired in a transaction or transactions which may be considered to be an adventure or concern in the nature of trade. Certain Holders whose TMIC Shares, TSMIC Shares or TF Shares, as applicable, might not otherwise qualify as capital property may be entitled to have them, and all other “Canadian securities” (as defined in the Tax Act) owned or subsequently

acquired by such Holders, deemed to be capital property by making an irrevocable election in accordance with subsection 39(4) of the Tax Act. Such Holders should consult their own tax advisors as to whether such election is available and advisable, having regard to their own particular circumstances.

This summary is not applicable to a Holder: (i) that is a “financial institution” for purposes of the mark-to-market rules, (ii) an interest in which would be a “tax shelter investment”, (iii) that is a “specified financial institution”, (iv) that has made a “functional currency” election under section 261 of the Tax Act, (v) that has acquired, or will acquire, TMIC Shares, TSMIC Shares or TF Shares upon the exercise of a stock option, or (vi) that has entered, or will enter, into a “derivative forward agreement” with respect to his, her or its TMIC Shares, TSMIC Shares or TF Shares (in each case as such terms are defined for purposes of the Tax Act). Any such Holders should consult their own tax advisors having regard to their own particular circumstances.

This summary is based upon the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”), and the current administrative and assessing practices and policies of the Canada Revenue Agency (the “**CRA**”) published in writing by it prior to the date hereof. This summary assumes the Proposed Amendments will be enacted in the form currently proposed, however, no assurance can be given that the Proposed Amendments will be enacted in the form currently proposed, if at all. Except for the Proposed Amendments, this summary does not otherwise take into account or anticipate any changes in the law, whether by legislative, governmental or judicial action or interpretation, nor does it address any other federal, provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein or take into account any changes in the administrative or assessing practices or policies of the CRA.

This summary does not address the tax consequences applicable to a TMIC Shareholder or a TSMIC Shareholder who exercises Dissent Rights in respect of the Arrangement (a “**Dissenting Holder**”) or who is not resident in Canada. All such shareholders should consult their own tax advisors.

This summary assumes that at all material times each of TMIC, TSMIC, and Timbercreek Financial qualifies, and will qualify, as a “mortgage investment corporation” for purposes of the Tax Act. If any of TMIC, TSMIC or Timbercreek Financial were not to so qualify, the income tax considerations described below would, in some respects, be materially and adversely different. This summary also assumes that the implementation of the Arrangement will occur as described in this Circular.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to a Holder in respect of the transactions described herein. The income or other tax consequences will vary depending on the particular circumstances of the Holder, including the province or provinces in which the Holder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice or representations to any particular Holder. Holders should consult their own legal and tax advisors for advice with respect to the tax consequences of the transactions described in this Circular, having regard to their own particular circumstances.

### **Amalgamation – Exchange of TMIC Shares and TSMIC Shares for TF Shares**

Under the Arrangement, a Holder, other than a Dissenting Holder, generally will be deemed to have disposed of the Holder’s TMIC Shares and/or TSMIC Shares, as the case may be, for proceeds of disposition equal to the Holder’s adjusted cost base thereof immediately prior to the amalgamation and to have acquired the TF Shares at a cost equal to the same amount. In such circumstances, the Holder will not realize a capital gain (or a capital loss) as a result of the disposition of the Holder’s TMIC Shares and/or TSMIC Shares, as the case may be, upon the amalgamation.

For purposes of determining the adjusted cost base to a Holder of TF Shares, the cost of the newly-acquired TF Shares will be averaged with the cost of all of the TF Shares acquired by the Holder as capital property on the amalgamation.

## **Dividends on TF Shares**

TF may pay taxable dividends and/or capital gains dividends to Holders of TF Shares.

Taxable dividends, other than capital gains dividends, received by a Holder of TF Shares (whether paid in cash or reinvested in TF Shares) must be included in the Holder's income as interest payable on a bond issued by Timbercreek Financial. Capital gains dividends received by a Holder (whether paid in cash or reinvested in TF Shares) will be treated as a capital gain of the Holder from a disposition in the year of capital property for the year in which the dividend is received. Refer to "Taxation of Capital Gains or Capital Losses" below.

The provisions of the Tax Act providing for interest accrual, the gross-up and dividend tax credit in respect of taxable dividends received by individuals from taxable Canadian corporations, and for the deduction generally available to corporations for inter-corporate dividends received, will not apply in respect of taxable dividends on the TF Shares. Similarly, the provisions of Part IV of the Tax Act will not apply to the receipt of taxable dividends on the TF Shares by a corporate Holder.

## **Disposition of TF Shares**

On the disposition or deemed disposition of a TF Share by a Holder, the Holder will generally realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition in respect of such TF Share, net of any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base of the TF Share to the Holder. Refer to "Taxation of Capital Gains or Capital Losses" below. A Holder's proceeds of disposition will not include an amount payable by Timbercreek Financial on the TF Share that is otherwise required to be included in the Holder's income.

## **Taxation of Capital Gains or Capital Losses**

Generally, one half of any capital gain (a "**taxable capital gain**") realized by a Holder in a taxation year must be included in the Holder's income for the year, and one half of any capital loss (an "**allowable capital loss**") realized by a Holder in a taxation year must be deducted from taxable capital gains realized by the Holder in that year (subject to and in accordance with rules contained in the Tax Act). Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

## **Minimum Tax and Refundable Tax**

In general terms, a capital gain realized by a Holder (including capital gains dividends received on TF Shares) who is an individual or trust (other than certain specified trusts) may increase the Holder's liability for alternative minimum tax.

A Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional tax, a portion of which is refundable, on certain investment income for the year, including amounts in respect of interest and taxable capital gains.

## **Eligibility for Investment**

The TF Shares will be "qualified investments" under the Tax Act for a trust governed by a registered retirement savings plan ("**RRSP**"), registered retirement income fund ("**RRIF**"), deferred profit sharing plan, a registered education savings plan, a registered disability savings plan and a tax free savings account ("**TFSA**"), each as defined in the Tax Act (collectively, the "**Plans**"), provided that, at the time of acquisition by the Plan, the TF Shares are listed on a "designated stock exchange" as defined in the Tax Act (which currently includes the TSX).

Notwithstanding the foregoing, if the TF Shares held by a TFSA, RRSP or RRIF are a "prohibited investment" under the Tax Act, the holder of the TFSA or the annuitant of the RRSP or RRIF, as the case may be, will be subject

to a penalty tax as set out in the Tax Act. Generally, the TF Shares would be considered a “prohibited investment” if the holder of a TFSA or the annuitant of a RRSP or RRIF, as the case may be: (i) does not deal at arm’s length with Timbercreek Financial for purposes of the Tax Act, or (ii) has a “significant interest”, as defined in the Tax Act, in Timbercreek Financial. Holders who hold their TMIC Shares or TSMIC Shares, or who will hold their TF Shares, in a RRSP, RRIF or TFSA should consult their own tax advisors as to whether TF Shares will be a prohibited investment in their particular circumstances.

## **RISK FACTORS RELATING TO TIMBERCREEK FINANCIAL**

There are certain risks inherent in an investment in the TF Shares, 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 Circular.** These risks and uncertainties are not the only ones that could affect Timbercreek Financial and additional risks and uncertainties not currently known to Timbercreek Financial or TAMI, or that they currently deem immaterial, may also impair the returns, financial condition and results of operations of Timbercreek Financial. If any such risks actually occur, the returns, financial condition and results of operations of Timbercreek Financial could be materially adversely affected and the financial performance of Timbercreek Financial and the ability of Timbercreek Financial to make cash dividends could be materially adversely affected.

### *Changes in Real Estate Values*

Timbercreek Financial’s investments in mortgage loans will be secured by real estate, the value of which can fluctuate. The value of real estate could be 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 Timbercreek Financial’s business and the value of the TF 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 Timbercreek Financial on any such mortgage loan generally would not provide Timbercreek Financial with proceeds sufficient to satisfy the outstanding principal amount of the mortgage loan.

While independent appraisals are required before Timbercreek Financial 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.

### *No Guarantees or Insurance*

There can be no assurance that mortgage loans of Timbercreek Financial will result in a guaranteed rate of return or any return to the TF 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 Timbercreek Financial or any other person will not be guaranteed by the Government of Canada, the government of any province or any agency thereof nor will they be insured under the *National Housing Act* (Canada). In the event that additional security will be given by the borrower or a third party or that a private guarantor will guarantee the mortgage borrower's obligations, there can be no assurance that such additional security or guarantee will be sufficient to make Timbercreek Financial whole if and when resort is to be had thereto. Further, TF Shares will not be "deposits" within the meaning of the *Canadian Deposit Insurance Corporation Act* (Canada) and will not be insured under the provisions of that act or any other legislation.

### *Competition*

The performance of Timbercreek Financial depends, in large part, on Timbercreek Financial's ability to invest in mortgage loans at favourable yields. While TAMI does not anticipate significant competition in the areas in which Timbercreek Financial 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 Timbercreek Financial and may therefore operate with greater flexibility. As a result, Timbercreek Financial 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 TF Shares and the value of the portfolio at any given time may be affected by the level of interest rates prevailing at such time. Timbercreek Financial's income will consist primarily of interest payments on the mortgages comprising its mortgage portfolio. If there is a decline in interest rates (as measured by the indices upon which the interest rates of Timbercreek Financial's mortgages are based), Timbercreek Financial may find it difficult to source additional mortgages bearing interest rates sufficient to achieve the targeted payment of dividends on the TF 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 Timbercreek Financial's ability to maintain dividends on the TF Shares at a consistent level. As well, if interest rates increase, the value of Timbercreek Financial's mortgage portfolio will be negatively impacted.

### *Availability of Investments*

As Timbercreek Financial's ability to make investments will rely on TAML to source the mortgages it invests in, Timbercreek Financial will be 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 Timbercreek Financial to make investments in accordance with its business objectives and strategies will depend upon the availability of suitable investments and the amount of funds available to make such investments. Additionally, Timbercreek Financial may occasionally hold excess cash pending investments being made in additional mortgages, which may negatively impact returns. There can be no assurance that the yields on the mortgages in the mortgage portfolio will be representative of yields to be obtained on future mortgage investments. Timbercreek Financial may not be able to source suitable mortgages in which to reinvest funds as mortgages are repaid, in which case the funds will be invested in interim investments. The rates of return on interim investments will be lower than the rates of return on the mortgages. An inability to find suitable investments may have an adverse effect on Timbercreek Financial's ability to sustain the level of dividends paid. If the directors of Timbercreek Financial, on the advice of TAMI, determine that it would be in the best interests of Timbercreek Financial, they may reduce or suspend for any period, or altogether cease indefinitely, the dividends to be made on the TF Shares.

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



### *Risks Related to Mortgage Defaults*

As part of Timbercreek's active management of the mortgage 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 Timbercreek Financial of not being repaid the full principal and interest owing on the mortgage loan. In these circumstances, however, Timbercreek Financial 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 Timbercreek Financial 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 Timbercreek Financial may not recover all or substantially all of the principal and interest owed to Timbercreek Financial 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 Timbercreek Financial 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 Timbercreek Financial will be able to recover all or substantially all of the outstanding principal and interest owed to Timbercreek Financial in respect of such mortgages by exercising its mortgage enforcement remedies. Should Timbercreek Financial be unable to recover all or substantially all of the principal and interest owed to Timbercreek Financial in respect of such mortgage loans, the returns, financial condition and results of operations of Timbercreek Financial 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 Timbercreek Financial could therefore be forced to exercise its rights as mortgagee. The recovery of a portion of Timbercreek Financial'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 Timbercreek Financial's rights as mortgagee. Legal fees and expenses and other costs incurred by Timbercreek Financial 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 Timbercreek Financial.

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

### *Subordinated Loans and Mortgages*

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

extent of such deficiency unless the holder can otherwise recover such deficiency from other property owned by the debtor.

#### *Litigation Risks*

Timbercreek Financial 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, Timbercreek Financial will not be 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 Timbercreek Financial and its financial position and results of operations that could be material.

#### *Qualification as a MIC*

Although Timbercreek Financial intends to qualify at all times as a MIC, no assurance can be provided in this regard. Since Timbercreek Financial must meet certain requirements throughout the year to qualify as a MIC, it is only possible to determine whether Timbercreek Financial qualifies as a MIC for a particular taxation year at or after the end of such year. If for any reason Timbercreek Financial does not qualify as a MIC under the Tax Act, dividends paid by Timbercreek Financial on the TF Shares will not be deductible by Timbercreek Financial in computing its income and will not be deemed to have been received by TF Shareholders as interest or a capital gain, as the case may be. In consequence, as long as the TF 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 TF Shares are listed on a designated stock exchange, the TF Shares may not constitute qualified investments for a RRSP and other Plans.

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

In the event that any repurchase of TF Shares by Timbercreek Financial, or as determined by its board of directors in its sole discretion, any other transaction affecting any TF Shares (each a “**Triggering Transaction**”), if completed, would cause any holder(s) of such TF Shares (each an “**Automatic Repurchase Shareholder**”), together with Related Persons, to hold more than 25% of any class of TF Shares, that portion of such class of TF Shares held by each Automatic Repurchase Shareholder which constitutes in excess of 24.9% of the issued shares of any class of TF Shares (the “**Repurchased Shares**”) will, simultaneously with the completion of a Triggering Transaction, automatically be deemed to have been repurchased by Timbercreek Financial (an “**Automatic Repurchase**”) without any further action by Timbercreek Financial 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 TF 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.

#### *Reliance on TAMI, TAML and the Investment Committee*

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

There is no certainty that the persons who are currently officers and directors of TAMI and TAML will continue to act in such capacity. TF Shareholders will be required to rely on the good faith, expertise and judgment of the individuals comprising the management of TAMI and TAML from time to time. TF Shareholders do not have the right to direct or influence in any manner the business or affairs of TAMI or TAML.

In addition, there is no certainty that the persons who are currently members of the Mortgage Advisory Committee will become members of the Investment Committee. TF Shareholders will be required to rely on the good faith, expertise and judgment of the individuals comprising the Investment Committee from time to time.

#### *Timbercreek Financial may be Unable to fund Investments*

Timbercreek Financial 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, Timbercreek Financial 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*

Timbercreek Financial intends to borrow funds using its mortgages as security in order to maximize the amount of capital deployed. In this respect, Timbercreek Financial has entered into the New Credit Facility.

Subject to complying with rules to qualify as a MIC and the covenants set forth in the New Credit Facility, there is no restriction on the amount of funds which Timbercreek Financial may borrow from time to time. In the event that Timbercreek Financial could not meet the obligations of such loans (including under the New Credit Facility) pertaining to the payment of interest or the repayment of principal, Timbercreek Financial could incur substantial costs if it is forced to sell assets to repay the loan or to otherwise protect the investments of Timbercreek Financial while managing the repayment of such loan. In addition, Timbercreek Financial 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 security granted to the lenders under the New Credit Facility.

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

#### *Conflicts of Interest*

Timbercreek Financial will be subject to a number of actual and potential conflicts of interest involving TAMI, TAML and their respective affiliates because TAMI and TAML provide discretionary investment management services and licensed services to other investment entities, and TAMI, TAML and their affiliates may also invest for their own accounts. Accordingly, the services that are provided by TAMI pursuant to the New Management Agreement or by TAML through the Mortgage Services Agreement are not exclusive to Timbercreek Financial, and the New Management Agreement and the Mortgage Services Agreement do not restrict TAMI, 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 Timbercreek Financial and/or involve substantial time and resources of TAMI.

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

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

The directors and officers of Timbercreek Financial are required by law to act in the best interests of Timbercreek Financial. Discharge by the directors and officers of their obligations to Timbercreek Financial may result in a breach of their obligations to the other companies, and in certain circumstances could expose Timbercreek Financial 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 Timbercreek Financial.

Directors of Timbercreek Financial may from time to time deal with parties with whom Timbercreek Financial is dealing, or may be seeking investments similar to those desired by Timbercreek Financial. Timbercreek Financial's conflict of interest policies require directors to disclose material interests in material contracts and transactions and to refrain from voting thereon.

#### *Fair Allocation*

TAML maintains a fair allocation policy providing for the fair allocation of all investment opportunities. As such, a portion of the assets of Timbercreek Financial may be co-invested, either directly or indirectly, in mortgage loans that have been syndicated by Timbercreek among Timbercreek Financial and one or more other managed accounts. 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 Timbercreek Financial, 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 factors outlined above, and at all times in accordance with the principles of fairness.

#### *Restrictions on Ownership and Repurchase of TF Shares*

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

#### *Change in Legislation*

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

### *Ability to Manage Growth*

Timbercreek Financial intends to grow the portfolio. In order to effectively deploy its capital and monitor its loans and investments in the future, Timbercreek Financial 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 Timbercreek Financial will be able to effectively manage its growth and, if it is unable to do so, the portfolio, and the market price of the TF Shares, may be materially adversely affected.

### *Environmental Matters*

Timbercreek Financial 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, Timbercreek Financial 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 Timbercreek Financial'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 Timbercreek Financial from potential liability for a materially adverse environmental condition at any mortgaged property. If hazardous substances are discovered on a property of which Timbercreek Financial has taken possession, Timbercreek Financial may be required to remove such substances and clean up the property. Timbercreek Financial 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.

## **RISK FACTORS RELATING TO THE ARRANGEMENT**

In addition to the risk factors described above under "Risk Factors Relating to Timbercreek Financial", the following are additional and supplemental risk factors which TMIC Shareholders should carefully consider before making a decision regarding approval of the TMIC Arrangement Resolution and which TSMIC Shareholders should carefully consider before making a decision regarding approval of the TSMIC Arrangement Resolution.

*Benefits from the Arrangement may not be achieved to the extent, or within the time period currently expected, which could eliminate, reduce or delay the achievement of synergies expected to be generated by the Arrangement*

As part of its strategy, Timbercreek Financial will continue the efforts of its predecessors to advance their mortgage investment strategies and will have an expanded portfolio of such mortgage loans as a result of the Arrangement. A number of risks and uncertainties are associated with the mortgage investment business, including risk relating to change in real estate values; portfolio concentration and composition; risks relating to mortgage defaults or foreclosure of mortgage loans; financing credit risk; interest rate, leverage and other debt-related risks; liquidity; currency; and political, regulatory, labour, operating and technical risks and uncertainties.

The ability to realize the benefits of the Arrangement including, among other things, those set forth in this Circular under the heading "Information Relating to Timbercreek Financial", will depend in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, as well as on Timbercreek Financial's ability to realize the anticipated growth opportunities and synergies, efficiencies and cost savings from integrating TMIC and TSMIC's businesses following completion of the Arrangement. This integration will require the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities following completion of the Arrangement and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect the ability of Timbercreek Financial to achieve the anticipated benefits of the Arrangement.

*The Arrangement may not maximize the growth potential of, or deliver greater value for, Timbercreek Financial beyond the level that either TMIC or TSMIC could have achieved on its own*

One of the principal reasons for the Arrangement is to maximize the growth potential of Timbercreek Financial beyond the level that either TMIC or TSMIC could have achieved on its own. Achieving this growth potential is dependent on a number of factors, many of which will be beyond the control of Timbercreek Financial. The inability to realize the full extent of the anticipated growth opportunities from the Arrangement, as well as any delays encountered in the integration process, could have an adverse effect upon the revenues, operating results and financial strength of Timbercreek Financial. As a result, TMIC Shareholders and TSMIC Shareholders might achieve more value over the long-term if TMIC and TSMIC were to pursue their existing stand-alone business strategies or a transaction other than the Arrangement.

*The value of the TF Shares that TMIC Shareholders and TSMIC Shareholders will receive under the Arrangement following the Arrangement, may be less than the value of the TMIC Shares or TSMIC Shares, as applicable, as of the date of the Arrangement Agreement or the dates of the respective shareholder meetings*

The consideration payable to TMIC Shareholders and TSMIC Shareholders pursuant to the Arrangement is based on a fixed exchange ratio and there will be no adjustment for changes in the market price of TMIC Shares and TSMIC Shares prior to the consummation of the Arrangement. None of the Parties are permitted to terminate the Arrangement Agreement and abandon the Arrangement solely because of changes in the market price of the TMIC Shares or TSMIC Shares.

There may be a significant amount of time between the date when TMIC Shareholders and TSMIC Shareholders vote at their respective shareholder meetings and the date on which the Arrangement is completed. As a result, the relative or absolute prices of the TMIC Shares or TSMIC Shares may fluctuate significantly between the dates of the Arrangement Agreement, this Circular, the shareholder meetings and completion of the Arrangement.

These fluctuations may be caused by, among other factors, changes in the businesses, operations, results and prospects of the companies, market expectations of the likelihood that the Arrangement will be completed and the timing of its completion, the prospects for Timbercreek Financial's operations, the effect of any conditions or restrictions imposed on or proposed with respect to Timbercreek Financial by governmental authorities, currency fluctuations and general market and economic conditions.

As a result of such fluctuations, historical market prices are not indicative of future market prices or the market value of the TF Shares that TMIC Shareholders and TSMIC Shareholders will receive on completion of the Arrangement. There can be no assurance that the market value of the TF Shares that TMIC Shareholders and TSMIC Shareholders will receive on completion of the Arrangement will equal or exceed the market value of the TMIC Share or TSMIC Shares held by such TMIC Shareholders or TSMIC Shareholders prior to such time. In addition, there can be no assurance that the trading price of the TF Shares will not decline following completion of the Arrangement.

*There can be no certainty that the Arrangement will be completed*

Completion of the Arrangement is subject to certain conditions that may be outside the control of both TMIC and TSMIC, including, without limitation, the requisite approvals of the TMIC Shareholders and TSMIC Shareholders, holders of no more than 3% of the outstanding TMIC Shares and TSMIC Shares, in the aggregate, having validly exercised Dissent Rights, the receipt of the Required Regulatory Approvals and the receipt of the Final Order. There can be no assurance that these conditions will be satisfied or that the Arrangement will be completed as currently contemplated or at all.

In addition, it is a condition to the completion of the Arrangement that the Continuance and the Management Agreement Transactions will have been completed (except for such transactions which, pursuant to the terms of the Management Fee Agreements, cannot be completed until after the Effective Time). As discussed elsewhere in this Circular, if (i) TMIC Shareholders do not approve the TMIC Arrangement Resolution and the TMIC Management

Agreement Resolution or (ii) TSMIC Shareholders do not approve the Continuance Resolution, the TSMIC Arrangement Resolution and TSMIC Management Agreement Resolution, the Arrangement will not be completed.

There is also no certainty, nor can either Party provide any assurance, that the Arrangement Agreement will not be terminated by either Party before completion of the Arrangement.

If the Arrangement is not completed, the market price of the TMIC Shares and TSMIC Shares may decline and their respective businesses may suffer. In addition, TMIC and TSMIC will each remain liable for significant consulting, depositary, accounting and legal costs relating to the Arrangement and will not realize anticipated synergies, growth opportunities and other benefits of the Arrangement. If the Arrangement is delayed, the achievement of synergies and the realization of growth opportunities could be delayed and may not be available to the same extent.

*The Termination Fee provided under the Arrangement Agreement may discourage other parties from attempting to acquire TMIC or TSMIC*

Under the Arrangement Agreement, either TMIC or TSMIC may be required to pay the Termination Fee in the event the Arrangement Agreement is terminated in certain circumstances. This Termination Fee may discourage other parties from attempting to acquire either TMIC or TSMIC or otherwise making an Acquisition Proposal to either TMIC or TSMIC, even if those parties would otherwise be willing to offer greater value than that offered under the Arrangement.

*A Party may become liable to pay the Termination Fee which could have an adverse effect on its financial condition*

Under the Arrangement Agreement, a Party may be required to pay the Termination Fee in certain circumstances. Payment of this amount could have an adverse effect on the Party's financial condition following any such termination of the Arrangement Agreement.

*The Arrangement may face regulatory scrutiny, which could delay or prevent completion of the Arrangement*

Pursuant to the Arrangement Agreement, the respective obligations of the Parties to complete the Contemplated Transactions, are subject to the obtaining of all required regulatory approvals on or before the Outside Date or the Effective Time, as applicable. There can be no assurance that such required regulatory approvals will be received within the prescribed timelines.

*Following the Arrangement the trading price of the TF Shares may be volatile*

The trading prices of the TMIC Shares and TSMIC Shares have been and may continue to be subject to and, following completion of the Arrangement, the TF Shares issued under the Arrangement may be subject to material fluctuations and may increase or decrease in response to a number of events and factors, including:

- changes in the market price of the real property investments of TMIC and TSMIC, and following completion of the Arrangement, Timbercreek Financial;
- current events affecting the economic situation in Canada, the United States and elsewhere;
- trends in the mortgage investment industry and other related industries impeaching on the business of Timbercreek Financial;
- regulatory and/or government actions;
- changes in financial estimates and recommendations by securities analysts;
- the fact that the risks and uncertainties facing Timbercreek Financial following completion of the Arrangement may be different from those currently affecting each of TMIC and TSMIC on a stand-alone basis;

- the economics of current and future investment strategies of TMIC, TSMIC or, following completion of the Arrangement, Timbercreek Financial;
- variations in operating results or in Timbercreek Financial's dividend policy;
- the operating and share price performance of other companies, including those that investors may deem comparable; and
- the issuance of additional shares by Timbercreek Financial following completion of the Arrangement.

Part of this volatility may also be attributable to the current state of the stock market, in which wide price swings are common. This volatility may adversely affect the price of TMIC Shares, TSMIC Shares and, following completion of the Arrangement, the TF Shares, regardless of the relative operating performance and could cause the market price of such shares to decline.

*The unaudited pro forma condensed combined financial statements are presented for illustrative purposes only and may not be an indication of Timbercreek Financial's financial condition or results of operations following the Arrangement*

Timbercreek Financial's actual financial positions and results of operations may differ materially from the unaudited adjusted pro forma financial information included in this Circular.

The unaudited adjusted pro forma financial information is based on, and should be read in conjunction with, the historical consolidated financial statements and related notes of both TMIC and TSMIC for the applicable periods, which have been incorporated in this Circular by reference. The unaudited adjusted pro forma financial information is based on certain assumptions, including those relating to future revenues, expenses, and cash flows. Such assumptions may not prove to be accurate, and this and other factors may adversely affect Timbercreek Financial's financial condition or results of operations following the Arrangement.

Differences between assumptions in the unaudited adjusted pro forma financial information, the final acquisition accounting and future results will occur and could have a material impact on the pro forma financial information and Timbercreek Financial's financial position and future results of operations.

The price of TF Shares may be adversely affected if the actual results of Timbercreek Financial fall short of the unaudited adjusted pro forma financial information contained in this Circular.

See "Information Relating to Timbercreek Financial - Unaudited Pro Forma Financial Profile", the unaudited pro forma condensed combined financial statements of Timbercreek Financial attached as Appendix B to this Circular, and "Joint Management Information Circular – Forward –Looking Information".

## **INFORMATION RELATING TO TMIC**

### **Overview**

TMIC is a mortgage investment corporation domiciled in Canada, with its registered office at 25 Price Street, Toronto, Ontario M4W 1Z1. TMIC is incorporated under the laws of the Province of Ontario by articles of incorporation dated April 30, 2008. The TMIC Shares are publicly traded on the TSX under the symbol "TMC".

On February 25, 2014, TMIC completed an offering of 6.35% unsecured subordinated convertible debentures which mature on September 30, 2019 (the "**TMIC 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, TMIC completed an offering of an additional \$4,500,000 aggregate principal amount of the TMIC Debentures. As of May 11, 2016, there are \$34,500,000 aggregate principal amount of TMIC Debentures issued and outstanding. The TMIC Debentures are governed by the TMIC Debenture Indenture and TMIC can issue additional convertible



debentures under the TMIC Debenture Indenture from time to time. The TMIC Debentures are publicly traded on the TSX under the symbol “TMC.DB”.

Effective as of September 13, 2013, TMIC transitioned from an investment fund reporting issuer into a non-investment fund reporting issuer, and currently files public disclosure pursuant to NI 51-102, including the preparation and filing of audited financial statements in accordance with IFRS. TMIC intends to continue to qualify as a “mortgage investment corporation” as defined under section 130.1(6) of the Tax Act and not as a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. TMIC 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.

TMIC currently has (i) one directly wholly-owned subsidiary, Timbercreek Mortgage Investment Fund, 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 OBCA.

TMIC invests in mortgage investments selected and determined to be high quality by TAMI. The fundamental investment objectives of TMIC are to (i) preserve shareholder capital and (ii) provide shareholders with a stable stream of monthly dividends. TMIC intends to meet its investment objectives by investing in a diversified portfolio of mortgage investments, consisting primarily of conventional mortgage investments secured directly by multi-residential, retirement, office, retail and industrial real property across Canada, primarily located in urban markets and surrounding areas.

TMIC has entered into a management agreement with TAMI dated September 13, 2013. TAMI is responsible for the day-to-day operations and providing all general management, mortgage servicing and administrative services to TMIC.

### Trading Price and Volume of TMIC Shares

The TMIC Shares are listed for trading on the TSX under the symbol “TMC”. The TMIC Debentures have been listed for trading on the TSX under the symbol “TMC.DB” since February 25, 2014.

The following table summarizes the high and low prices of the TMIC Shares and volume of trading on the TSX on a monthly basis for the last 12 months:

Month	High	Low	Volume
April 2015	\$8.25	\$7.91	1,152,022
May 2015	\$8.27	\$8.01	569,726
June 2015	\$8.58	\$8.02	935,448
July 2015	\$8.43	\$7.99	706,228
August 2015	\$8.23	\$7.27	549,470
September 2015	\$8.08	\$7.59	561,217
October 2015	\$7.84	\$7.43	815,024
November 2015	\$7.70	\$7.32	698,914
December 2015	\$7.62	\$6.95	1,312,682
January 2016	\$7.72	\$7.30	1,230,144
February 2016	\$7.97	\$7.53	770,237
March 2016	\$8.46	\$7.90	1,083,210
April 2016	\$8.50	\$8.20	746,663

On May 11, 2016, the closing price of the TMIC Shares on the TSX was \$8.37.

The following table summarizes the high and low prices of the TMIC Debentures and volume of trading on the TSX on a monthly basis for the last 12 months

<b>Month</b>	<b>High</b>	<b>Low</b>	<b>Volume</b>
April 2015	\$103.50	\$101.50	\$288,000
May 2015	\$103.61	\$102.15	\$265,000
June 2015	\$103.75	\$102.60	\$461,000
July 2015	\$103.26	\$102.06	\$786,000
August 2015	\$103.50	\$100.50	\$235,000
September 2015	\$102.51	\$101.00	\$299,000
October 2015	\$101.96	\$100.75	\$223,000
November 2015	\$102.10	\$101.25	\$144,000
December 2015	\$102.26	\$99.99	\$279,000
January 2016	\$101.01	\$98.00	\$662,000
February 2016	\$101.01	\$94.00	\$324,000
March 2016	\$102.90	\$100.00	\$94,000
April 2016	\$101.80	\$101.04	\$162,000

On May 11, 2016, the closing price of the TMIC Debentures on the TSX was \$102.00.

### **Dividend Policy and History**

The TMIC Shareholders are entitled to receive dividends as and when declared from time to time on that class of TMIC Shares by the directors of TMIC, acting in their sole discretion, out of the assets of the TMIC properly available for the payment of dividends. Declared dividends will be paid within 15 days following the end of each month. Notwithstanding the above, TMIC has the right to determine a record date that is other than the last business day of each month.

The historical dividends to the TMIC Shareholders in the past 12 months are shown below.

<b>Record Date</b>	<b>Payment Date</b>	<b>Dividend per TMIC Share</b>
March 31, 2015	April 15, 2015	\$0.060
April 30, 2015	May 15, 2015	\$0.060
May 29, 2015	June 15, 2015	\$0.060
June 30, 2015	July 15, 2015	\$0.060
July 31, 2015	August 14, 2015	\$0.060
August 31, 2015	September 15, 2015	\$0.060
September 30, 2015	October 15, 2015	\$0.060

<b>Record Date</b>	<b>Payment Date</b>	<b>Dividend per TMIC Share</b>
October 30, 2015	November 13, 2015	\$0.060
November 30, 2015	December 15, 2015	\$0.060
December 31, 2015	January 15, 2016	\$0.060
January 29, 2016	February 12, 2016	\$0.060
February 29, 2016	March 15, 2016	\$0.060
March 31, 2016	April 15, 2016	\$0.060
April 29, 2016	May 13, 2016	\$0.060

### **Prior Sales**

There have been no issuances of TMIC Shares or other securities of TMIC for the 12 months preceding the date of this Circular.

### **Prior Valuations**

TMIC is not aware of any “prior valuations”, as such term is defined in MI 61-101, of the TMIC Shares within the 24-month period preceding the date of this Circular.

### **Risk Factors**

The business and operations of TMIC are subject to numerous risks and uncertainties. TMIC Shareholders should carefully consider the risk factors set forth below and in the documents incorporated by reference in this Circular (including those discussed under the heading “Risk Factors” in the TMIC AIF and under the heading “Risks and Uncertainties” in TMIC’s management’s discussion and analysis for the year ended December 31, 2015 and all of the other information in this Circular (including, without limitation, the documents incorporated by reference). The risks described herein and therein are not the only risks that affect TMIC. Other risks and uncertainties that TMIC does not presently consider to be material, or of which TMIC is not currently aware, may become important factors that affect TMIC’s future financial condition and results of operations.

### **Legal Proceedings**

There are no legal proceedings to which TMIC is or was a party or which are known by TMIC to be contemplated since January 1, 2015, where such claims exceed 10% of the assets of TMIC. In addition, there are no penalties or sanctions imposed against TMIC by a court relating to Canadian securities legislation or by a securities regulatory authority as at the date of this Circular 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 as at the date of this Circular.

### **Auditors, Custodians, Transfer Agent and Registrar**

TMIC has appointed KPMG LLP, Chartered Accountants as its auditors. KPMG LLP is independent with respect to TMIC within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

TMIC has appointed Computershare Trust Company of Canada as custodian of its assets pursuant to the TMIC 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, TMIC pays a monthly fee as agreed upon between the custodian and TMIC.

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

### **Additional Information**

The information contained in this Circular is given as of May 12, 2016, except as otherwise indicated. Financial information is provided in TMIC's consolidated financial statements and management's discussion and analysis for its most recently completed financial year.

A copy of TMIC's management's discussion and analysis and the consolidated financial statements for TMIC's most recently completed financial year, including the auditor's report thereon, together with any subsequent interim financial statements, may be obtained, without charge, upon request from the head of Investor Relations of TAMI at 25 Price Street, Toronto, Ontario M4W 1Z1, Attention: Carrie Morris, Investor Relations (telephone: 416 800-1552) or by email request at [cmorris@timbercreek.com](mailto:cmorris@timbercreek.com).

Information contained in or otherwise accessible through TMIC's website does not form a part of this Circular and is not incorporated by reference into this Circular.

Interested persons may also access disclosure documents and any reports, statements or other information that TMIC files with the Canadian securities administrators under TMIC's profile on SEDAR which can be accessed at [www.sedar.com](http://www.sedar.com).

### **TMIC Documents Incorporated by Reference**

The following documents filed by TMIC with the securities commission or similar regulatory authority in each of the provinces of Canada are specifically incorporated by reference in this Circular:

1. the TMIC AIF;
2. the TMIC Annual Financial Statements;
3. the TMIC MD&A; and
4. the material change report of TMIC dated May 12, 2016 in respect of the announcement of the Arrangement.

## **INFORMATION RELATING TO TSMIC**

### **Overview**

TSMIC is a mortgage investment corporation domiciled in Canada. The registered office of TSMIC is 25 Price Street Toronto, Ontario M4W 1Z1. TSMIC is incorporated under the CBCA by articles of incorporation dated December 1, 2011. The TSMIC Shares are publicly traded on the TSX under the symbol "MTG".

Effective as of September 13, 2013, TSMIC transitioned from an investment fund reporting issuer into a noninvestment fund reporting issuer, and currently files public disclosure pursuant to NI 51-102, including the preparation and filing of audited financial statements in accordance with IFRS.

TSMIC intends to continue to qualify as a MIC and not as a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. TSMIC 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.

TSMIC currently has one wholly-owned subsidiary, Timbercreek Senior Mortgage Trust, a trust governed by the laws of the Province of Ontario.

TSMIC invests in first mortgage investments selected and determined to be high quality by TAMI. The fundamental investment objectives of TSMIC are to (i) preserve shareholder capital and (ii) provide shareholders with a stable stream of monthly dividends. TSMIC intends to meet its investment objectives by investing in a diversified portfolio of mortgage investments, consisting primarily of conventional mortgage investments secured directly by multi-residential, retirement, office, retail and industrial real property across Canada, primarily located in urban markets and surrounding areas.

TSMIC has entered into a management agreement with TAMI dated September 13, 2013. TAMI is responsible for the day-to-day operations and providing all general management, mortgage servicing and administrative services to TSMIC.

### **Trading Price and Volume of TSMIC Shares**

The TSMIC Shares are listed for trading on the TSX under the symbol “MTG”. The following table summarizes the high and low prices of the TSMIC Shares and volume of trading on the TSX on a monthly basis for the last 12 months:

<b>Month</b>	<b>High</b>	<b>Low</b>	<b>Volume</b>
April 2015	\$8.48	\$8.30	712,805
May 2015	\$8.65	\$8.35	395,708
June 2015	\$8.46	\$8.07	650,839
July 2015	\$8.47	\$7.71	474,554
August 2015	\$8.00	\$7.42	539,843
September 2015	\$7.88	\$7.42	372,506
October 2015	\$7.55	\$7.16	556,650
November 2015	\$7.63	\$7.23	660,655
December 2015	\$7.80	\$7.30	716,316
January 2016	\$7.83	\$7.42	421,721
February 2016	\$8.07	\$7.51	402,499
March 2016	\$8.35	\$7.93	448,132
April 2016	\$8.50	\$8.06	354,822

On May 11, 2016, the closing price of the TSMIC Shares on the TSX was \$8.45.

### **Dividend Policy and History**

The TSMIC Shareholders are entitled to receive dividends as and when declared from time to time on that class of TSMIC Shares by the directors of TSMIC, acting in their sole discretion, out of the assets of the TSMIC properly available for the payment of dividends. Declared dividends will be paid within 15 days following the end of each month. Notwithstanding the above, TSMIC has the right to determine a record date that is other than the last business day of each month.

The historical dividends to the TSMIC Shareholders in the past 12 months are shown below.

<b>Record Date</b>	<b>Payment Date</b>	<b>Dividend per TSMIC Share</b>
March 31, 2015	April 15, 2015	\$0.050
April 30, 2015	May 15, 2015	\$0.050
May 29, 2015	June 15, 2015	\$0.050
June 30, 2015	July 15, 2015	\$0.050
July 31, 2015	August 14, 2015	\$0.050
August 31, 2015	September 15, 2015	\$0.050
September 30, 2015	October 15, 2015	\$0.050
October 30, 2015	November 13, 2015	\$0.050
November 30, 2015	December 15, 2015	\$0.050
December 31, 2015	January 15, 2016	\$0.050
January 29, 2016	February 12, 2016	\$0.050
February 29, 2016	March 15, 2016	\$0.050
March 31, 2016	April 15, 2016	\$0.050
April 29, 2016	May 13, 2016	\$0.050

#### **Prior Sales**

There have been no issuances of TSMIC Shares or other securities of TSMIC for the 12 months preceding the date of this Circular.

#### **Prior Valuations**

TSMIC is not aware of any “prior valuations”, as such term is defined in MI 61-101, of the TSMIC Shares within the 24-month period preceding the date of this Circular.

#### **Risk Factors**

The business and operations of TSMIC are subject to numerous risks and uncertainties. TSMIC Shareholders should carefully consider the risk factors set forth below and in the documents incorporated by reference in this Circular (including those discussed under the heading “Risk Factors” in the TSMIC AIF and under the heading “Risks and Uncertainties” in TSMIC’s management’s discussion and analysis for the year ended December 31, 2015 and all of the other information in this Circular (including, without limitation, the documents incorporated by reference). The risks described herein and therein are not the only risks that affect TSMIC. Other risks and uncertainties that TSMIC does not presently consider to be material, or of which TSMIC is not currently aware, may become important factors that affect TSMIC’s future financial condition and results of operations.

#### **Legal Proceedings**

There are no legal proceedings to which TSMIC is or was a party or which are known by TSMIC to be contemplated since January 1, 2015, where such claims exceed 10% of the assets of TSMIC. In addition, there are no penalties or sanctions imposed against TSMIC by a court relating to Canadian securities legislation or by a securities regulatory authority as at the date of this Circular 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 as at the date of this Circular.

## **Auditors, Custodian, Transfer Agent and Registrar**

TSMIC has appointed KPMG LLP, Chartered Accountants as its auditors. KPMG LLP is independent with respect to TSMIC within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

TSMIC has appointed Computershare Trust Company of Canada as custodian of its assets pursuant to the TSMIC 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, TSMIC pays a monthly fee as agreed upon between the custodian and TSMIC.

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

## **Additional Information**

The information contained in this Circular is given as of May 12, 2016, except as otherwise indicated. Financial information is provided in TSMIC's consolidated financial statements and management's discussion and analysis for its most recently completed financial year.

A copy of TSMIC's management's discussion and analysis and the consolidated financial statements for TSMIC's most recently completed financial year, including the auditor's report thereon, together with any subsequent interim financial statements, may be obtained, without charge, upon request from the Corporate Secretary of TSMIC at 25 Price Street, Toronto, Ontario M4W 1Z1, Attention: Corporate Secretary (telephone: 416 800-1552) or by email request at [cmorris@timbercreek.com](mailto:cmorris@timbercreek.com).

Information contained in or otherwise accessible through TSMIC's website does not form a part of this Circular and is not incorporated by reference into this Circular.

Interested persons may also access disclosure documents and any reports, statements or other information that TSMIC files with the Canadian securities administrators under TSMIC's profile on SEDAR which can be accessed at [www.sedar.com](http://www.sedar.com).

## **TSMIC Documents Incorporated by Reference**

The following documents filed by TSMIC with the securities commission or similar regulatory authority in each of the provinces of Canada are specifically incorporated by reference in this Circular:

1. the TSMIC AIF;
2. the TSMIC Annual Financial Statements;
3. the TSMIC MD&A; and
4. the material change report of TSMIC dated May 12, 2016 in respect of the announcement of the Arrangement.

## **GENERAL INFORMATION CONCERNING THE TMIC MEETING AND VOTING**

### **Time, Date and Place**

The TMIC Meeting will be held at the office of McCarthy Tétrault LLP, Suite 5300, TD Bank Tower, 66 Wellington Street West, Toronto, Ontario, on June 22, 2016 at 9:00 a.m. (Toronto time).

## TMIC Record Date

The record date for determining the TMIC Shareholders entitled to receive notice of and to vote at the TMIC Meeting is May 11, 2016 (“**TMIC Record Date**”). Only TMIC Shareholders of record as of the close of business (Toronto time) on the TMIC Record Date are entitled to receive notice of and to vote at the TMIC Meeting.

## Solicitation of Proxies

**This Circular is furnished in connection with the solicitation of proxies by the management of TMIC for use at the TMIC Meeting and for any postponement or adjournment thereof for the purposes set forth in the accompanying notice of meeting (“TMIC Notice of Meeting”).** It is expected that the solicitation will be primarily by mail; however, proxies may also be solicited personally, by advertisement or by telephone by directors, officers or employees of TMIC or of TAMI, to whom no additional compensation will be paid. In addition, TMIC has, jointly with TSMIC, retained Shorecrest Group to solicit proxies for a fee of approximately \$40,000, plus a per call fee for retail shareholder calls and Shorecrest Group will be reimbursed for its reasonable out-of-pocket expenses. All costs of solicitation will be shared equally between TMIC and TSMIC.

TMIC may utilize the Broadridge QuickVote<sup>TM</sup> service to assist non-objecting beneficial owners with voting their TMIC Shares. Non-objecting beneficial holders of TMIC Shares may be contacted by Shorecrest Group to conveniently vote such TMIC Shares over the telephone.

## Voting of Shares

The form of proxy accompanying this Circular confers discretionary authority upon the proxy nominee with respect to any amendments or variations to matters identified in the TMIC Notice of Meeting and any other matters that may properly come before the TMIC Meeting or any postponement or adjournment thereof. As at the date of this Circular, TMIC’s management is not aware of any such amendments or variations, or of other matters to be presented for action at the TMIC Meeting. However, if any amendments to matters identified in the accompanying TMIC Notice of Meeting or any other matters which are not now known to management should properly come before the TMIC Meeting or any postponement or adjournment thereof, the TMIC Shares represented by properly executed proxies given in favour of the person(s) designated by management of TMIC in the enclosed form of proxy will be voted on such matters pursuant to such discretionary authority.

If the instructions in a proxy given to TMIC’s management are specified, the TMIC Shares represented by such proxy will be voted FOR or AGAINST (or withheld from voting, as the case may be) in accordance with your instructions on any poll that may be called for. If a choice is not specified, the TMIC Shares represented by a proxy given to TMIC’s management will be voted FOR the resolutions described in this Circular. **A TMIC Shareholder has the right to appoint a person or company (who need not be a TMIC Shareholder to attend and act for him, her or it and on his, her or its behalf at the TMIC Meeting other than the persons designated in the form of proxy and may exercise such right by inserting the name in full of the desired person in the blank space provided in the form of proxy and striking out the names now designated.**

TMIC Shareholders are invited to attend the TMIC Meeting. Registered shareholders who are unable to attend the TMIC Meeting or any postponement or adjournment thereof in person are requested to complete, date, sign and return the enclosed form of proxy or, alternatively, to vote by telephone, or over the internet, in each case in accordance with the enclosed instructions. To be used at the TMIC Meeting, the completed proxy form must be deposited at the office of CST Trust Company, Proxy Department, P.O. Box 721, Agincourt, Ontario, M1S 0A1. You may alternatively fax your proxy to 416-368-2502 or toll free within Canada and the United States to 1-866-781-3111, or scan and email your proxy to [proxy@canstockta.com](mailto:proxy@canstockta.com). Alternatively, you may vote via the internet at [www.cstvotemyproxy.com](http://www.cstvotemyproxy.com) or by touch tone phone by calling 1-888-489-5760 (toll free in Canada and the United States) and following the instructions provided. Non-registered shareholders who receive these materials through their intermediary should complete and send the form of proxy or Voting Instruction Form in accordance with the instructions provided by their intermediary. To be effective, a proxy must be received by CST not later than 9:00 a.m. (Toronto time) on June 20, 2016, or in the case of any postponement or adjournment of the TMIC Meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the postponed or adjourned



meeting. Late proxies may be accepted or rejected by the chair of the TMIC Meeting in his discretion and without notice, and the chair is under no obligation to accept or reject any particular late proxy.

### **Revocability of Proxies**

A proxy given pursuant to this solicitation may be revoked by an instrument in writing executed by the TMIC Shareholder or his or her legal representative authorized in writing or, where the TMIC Shareholder is a corporation, by a duly authorized officer or attorney. To be valid, an instrument of revocation must be received at the registered office of TMIC (25 Price Street, Toronto, Ontario, Canada M4W 1Z1; Attention: Secretary) at any time up to and including the last business day preceding the day of the TMIC Meeting, or in the case of any postponement or adjournment of the TMIC Meeting, the last business day preceding the day of the postponed or adjourned TMIC Meeting, or delivered to the chair of the TMIC Meeting on the day of the TMIC Meeting, and prior to the start of the TMIC Meeting or any postponement or adjournment thereof.

Only registered shareholders may revoke a proxy. Beneficial shareholders will need to contact their financial intermediary and follow their instructions to revoke their proxy. A TMIC Shareholder may also submit a later dated proxy to revoke any prior proxy.

### **Voting of TMIC Shares owned by Beneficial Shareholders**

A significant number of TMIC Shareholders and TSMIC Shareholders are Beneficial Shareholders and do not hold their TMIC Shares or TSMIC Shares in their own name. If you are a Beneficial Shareholder, you should carefully read the information under the heading “Joint Management Information Circular – Information for Beneficial Shareholders” for information on how to vote your TMIC Shares or TSMIC Shares at the TMIC Meeting of TSMIC Meeting.

### **Quorum**

For the TMIC Meeting, a quorum will be present if 25% of the outstanding TMIC Shares are represented in person or by proxy at the TMIC Meeting. In accordance with the by-laws of TMIC, if the TMIC Meeting is adjourned for lack of a quorum, at the adjourned TMIC Meeting, the TMIC Shareholders present in person or represented by proxy shall form the quorum whatever the number of TMIC Shares represented.

### **Voting Securities of TMIC**

#### *Authorized and Outstanding Securities*

The authorized capital of TMIC consists of an unlimited number of Common shares, an unlimited number of Class A shares, an unlimited number of Class B shares and an unlimited number of Voting shares. As of the TMIC Record Date, there were 40,523,728 issued and outstanding Common shares, and there were no issued and outstanding Class A shares, Class B shares, or Voting shares.

#### *Principal Holders of TMIC Shares*

To the knowledge of TMIC, no person, firm or corporation beneficially owns, directly or indirectly, or exercises control or direction over 10% or more of the voting rights attached to the TMIC Shares.

## **GENERAL INFORMATION CONCERNING THE TSMIC MEETING AND VOTING**

### **Time, Date and Place**

The TSMIC Meeting will be held at the office of McCarthy Tétrault LLP, Suite 5300, TD Bank Tower, 66 Wellington Street West, Toronto, Ontario, on June 22, 2016 at 10:00 a.m. (Toronto time).

## **TSMIC Record Date**

The record date for determining the TSMIC Shareholders entitled to receive notice of and to vote at the TSMIC Meeting is May 11, 2016 (“**TSMIC Record Date**”). Only TSMIC Shareholders of record as of the close of business (Toronto time) on the TSMIC Record Date are entitled to receive notice of and to vote at the TSMIC Meeting.

## **Solicitation of Proxies**

**This Circular is furnished in connection with the solicitation of proxies by the management of TSMIC for use at the TSMIC Meeting and for any postponement or adjournment thereof for the purposes set forth in the accompanying notice of meeting (“TSMIC Notice of Meeting”).** It is expected that the solicitation will be primarily by mail; however, proxies may also be solicited personally, by advertisement or by telephone by directors, officers or employees of TSMIC or of TAMI, to whom no additional compensation will be paid. In addition, TSMIC has, jointly with TMIC, retained Shorecrest Group to solicit proxies for a fee of approximately \$40,000 plus a per call fee for retail shareholder calls and Shorecrest Group will be reimbursed for its reasonable out-of-pocket expenses. All costs of solicitation will be shared equally between TSMIC and TMIC.

TSMIC may utilize the Broadridge QuickVote<sup>TM</sup> service to assist non-objecting beneficial owners with voting their TSMIC Shares. Non-objecting beneficial holders of TSMIC Shares may be contacted by Shorecrest Group to conveniently vote such TSMIC Shares over the telephone.

## **Voting of Shares**

The form of proxy accompanying this Circular confers discretionary authority upon the proxy nominee with respect to any amendments or variations to matters identified in the TSMIC Notice of Meeting and any other matters that may properly come before the TSMIC Meeting or any postponement or adjournment thereof. As at the date of this Circular, TSMIC’s management is not aware of any such amendments or variations, or of other matters to be presented for action at the TSMIC Meeting. However, if any amendments to matters identified in the accompanying TSMIC Notice of Meeting or any other matters which are not now known to management should properly come before the TSMIC Meeting or any postponement or adjournment thereof, the TSMIC Shares represented by properly executed proxies given in favour of the person(s) designated by management of TSMIC in the enclosed form of proxy will be voted on such matters pursuant to such discretionary authority.

If the instructions in a proxy given to TSMIC’s management are specified, the TSMIC Shares represented by such proxy will be voted FOR or AGAINST (or withheld from voting, as the case may be) in accordance with your instructions on any poll that may be called for. If a choice is not specified, the TSMIC Shares represented by a proxy given to TSMIC’s management will be voted FOR the resolutions described in this Circular. **A TSMIC Shareholder has the right to appoint a person or company (who need not be a TSMIC Shareholder to attend and act for him, her or it and on his, her or its behalf at the TSMIC Meeting other than the persons designated in the form of proxy and may exercise such right by inserting the name in full of the desired person in the blank space provided in the form of proxy and striking out the names now designated.**

TSMIC Shareholders are invited to attend the TSMIC Meeting. Registered shareholders who are unable to attend the TSMIC Meeting or any postponement or adjournment thereof in person are requested to complete, date, sign and return the enclosed form of proxy or, alternatively, to vote by telephone, or over the internet, in each case in accordance with the enclosed instructions. To be used at the TSMIC Meeting, the completed proxy form must be deposited at the office of CST Trust Company, P.O. Box 721, Agincourt, Ontario, M1S 0A1. You may alternatively fax your proxy to 416-368-2502 or toll free within Canada and the United States to 1-866-781-3111, or scan and email your proxy to [proxy@canstockta.com](mailto:proxy@canstockta.com). Alternatively, you may vote via the internet at [www.cstvotemyproxy.com](http://www.cstvotemyproxy.com) or by touch tone phone by calling 1-888-489-5760 (toll free in Canada and the United States) and following the instructions provided. Non-registered shareholders who receive these materials through their intermediary should complete and send the form of proxy or Voting Instruction Form in accordance with the instructions provided by their intermediary. To be effective, a proxy must be received by CST not later than 10:00 a.m. (Toronto time) on June 20, 2016, or in the case of any postponement or adjournment of the TSMIC Meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the postponed or adjourned meeting. Late proxies may be accepted or rejected by the chair of the TSMIC Meeting in his discretion, and the

chair is under no obligation to accept or reject any particular late proxy. The deadline for the deposit of proxies may be waived or extended by the chair of the TSMIC Meeting at his discretion, without notice.

### **Revocability of Proxies**

A proxy given pursuant to this solicitation may be revoked by an instrument in writing executed by the TSMIC Shareholder or his or her legal representative authorized in writing or, where the TSMIC Shareholder is a corporation, by a duly authorized officer or attorney. To be valid, an instrument of revocation must be received at the registered office of TSMIC (25 Price Street, Toronto, Ontario, Canada M4W 1Z1; Attention: Secretary) at any time up to and including the last business day preceding the day of the TSMIC Meeting, or in the case of any postponement or adjournment of the TSMIC Meeting, the last business day preceding the day of the postponed or adjourned TSMIC Meeting, or delivered to the chair of the TSMIC Meeting on the day of the TSMIC Meeting, and prior to the start of the TSMIC Meeting or any postponement or adjournment thereof.

Only registered shareholders may revoke a proxy. Beneficial shareholders will need to contact their financial intermediary and follow their instructions to revoke their proxy. A TSMIC Shareholder may also submit a later dated proxy to revoke any prior proxy.

### **Voting of TSMIC Shares owned by Beneficial Shareholders**

A significant number of TSMIC Shareholders are Beneficial Shareholders and do not hold their TSMIC Shares in their own name. If you are a Beneficial Shareholder of TSMIC Shares, you should carefully read the information under the heading “Joint Management Information Circular – Information for Beneficial Shareholders” for information on how to vote your TSMIC Shares at the TSMIC Meeting.

### **Quorum**

For the TSMIC Meeting, a quorum will be present if 25% of the outstanding TSMIC Shares are represented in person or by proxy at the Meeting. In accordance with the by-laws of TSMIC, if the TSMIC Meeting is adjourned for lack of a quorum, at the adjourned TSMIC Meeting, the TSMIC Shareholders present in person or represented by proxy shall form the quorum whatever the number of TSMIC Shares represented,

### **Voting Securities of TSMIC**

#### *Authorized and Outstanding Securities*

The authorized capital of TSMIC consists of an unlimited number of Common shares, an unlimited number of Class A shares, an unlimited number of Class B shares and an unlimited number of Voting shares. As of the TSMIC Record Date, there were 31,451,154 issued and outstanding Common shares, and there were no issued and outstanding Class A shares, Class B shares, or Voting shares.

#### *Principal Holders of TSMIC Shares*

To the knowledge of TSMIC, no person, firm or corporation beneficially owns, directly or indirectly, or exercises control or direction over 10% or more of the voting rights attached to the TSMIC Shares.

### **INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than as disclosed in this Circular or the documents incorporated by reference herein, within the three years prior to the date of this Circular, no Informed Person (as such term is defined in NI 51-102) of TMIC or TSMIC, nor any associate or affiliate of any Informed Person of TMIC or TSMIC, has or had any material interest, direct or indirect, in any transaction or proposed transaction which has materially affected or could materially affect TMIC or TSMIC or any of their respective subsidiaries.

## INTEREST OF EXPERTS

The following persons and companies have prepared certain sections of this Circular and/or appendices attached hereto as described below, or are named as having prepared or certified a report, statement or opinion incorporated by reference in this Circular.

<b>Name of Expert</b>	<b>Nature of Relationship</b>
TD Securities Inc. <sup>(1)</sup>	Author responsible for the preparation of the TMIC Fairness Opinion
National Bank Financial <sup>(2)</sup>	Author responsible for the preparation of the TSMIC Fairness Opinion
KPMG LLP <sup>(3)</sup>	Auditors of TMIC and TSMIC

Notes:

- (1) To the knowledge of TMIC, none of the experts so named (or any of the designated professionals thereof) held securities representing more than 1% of all issued and outstanding TMIC Shares as at the date of the statement, report or valuation in question, and none of the persons above is expected to be elected, appointed or employed as a director, officer or employee of TMIC or any associate or affiliate of TMIC.
- (2) To the knowledge of TSMIC, none of the experts so named (or any of the designated professionals thereof) held securities representing more than 1% of all issued and outstanding TSMIC Shares as at the date of the statement, report or valuation in question, and none of the persons above is expected to be elected, appointed or employed as a director, officer or employee of TSMIC or any associate or affiliate of TSMIC.
- (3) KPMG LLP has advised TMIC and TSMIC that it is independent of TMIC and TSMIC in accordance with the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario.

**CONSENT OF TD SECURITIES INC.**

TO: THE BOARD OF DIRECTORS OF TIMBERCREEK MORTGAGE INVESTMENT CORPORATION

Reference is made to the fairness opinion dated May 5, 2016 (the “**TMIC Fairness Opinion**”) which TD Securities Inc. has prepared for the special committee and board of directors of Timbercreek Mortgage Investment Corporation (“**TMIC**”) in connection with the proposed plan of arrangement and related transactions involving TMIC and Timbercreek Senior Mortgage Investment Corporation (“**TSMIC**”).

We hereby consent to the filing of the TMIC Fairness Opinion in the joint management information circular of TMIC and TSMIC dated May 12, 2016 (the “**Circular**”) with the applicable securities regulatory authorities and the inclusion of the TMIC Fairness Opinion, references to our firm name and a summary of the TMIC Fairness Opinion in the Circular. In providing such consent, TD Securities Inc. does not intend that any person other than the directors of TMIC shall rely upon the TMIC Fairness Opinion.

DATED at Toronto, Ontario, Canada this 12th day of May, 2016

(signed) TD SECURITIES INC.

**CONSENT OF NATIONAL BANK FINANCIAL**

TO: THE BOARD OF DIRECTORS OF TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Reference is made to the fairness opinion dated May 5, 2016 (the “**TSMIC Fairness Opinion**”) which National Bank Financial has prepared for the board of directors of Timbercreek Senior Mortgage Investment Corporation (“**TSMIC**”) in connection with the proposed plan of arrangement and related transactions involving TSMIC and Timbercreek Mortgage Investment Corporation (“**TMIC**”).

We hereby consent to the filing of the TSMIC Fairness Opinion in the joint management information circular of TMIC and TSMIC dated May 12, 2016 (the “**Circular**”) with the applicable securities regulatory authorities and the inclusion of the TSMIC Fairness Opinion, references to our firm name and a summary of the TSMIC Fairness Opinion in the Circular. In providing such consent, National Bank Financial does not intend that any person other than the directors of TSMIC shall rely upon the TSMIC Fairness Opinion.

DATED at Toronto, Ontario, Canada this 12th day of May, 2016

(signed) NATIONAL BANK FINANCIAL

### **TMIC BOARD APPROVAL**

The contents of this Circular and the sending thereof to the TMIC Shareholders have been approved by the TMIC Board.

DATED this 12th day of May, 2016.

### **BY ORDER OF THE BOARD OF DIRECTORS**

*(signed) "R. Blair Tamblyn"*

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R. Blair Tamblyn  
Chairman

### **TSMIC BOARD APPROVAL**

The contents of this Circular and the sending thereof to the TSMIC Shareholders have been approved by the TSMIC Board.

DATED this 12th day of May, 2016.

### **BY ORDER OF THE BOARD OF DIRECTORS**

*(signed) "R. Blair Tamblyn"*

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R. Blair Tamblyn  
Chairman



## APPENDIX A GLOSSARY OF TERMS

Unless the context indicates otherwise, the terms set forth below shall have the meanings set forth below when used in this Circular and the Schedules attached thereto.

**“Acquisition Proposal”** relating to TMIC or TSMIC, means, as applicable, other than the Contemplated Transactions and other than any transaction involving only TMIC or TSMIC and/or one or more of their respective wholly-owned Subsidiaries, any offer, proposal, expression of interest or inquiry, whether written or oral, from any person or group of persons acting jointly or in concert relating to (in each case whether in a single transaction or a series of related transactions):

- (i) any take-over bid, tender offer or exchange offer that, if consummated, would result in a person or group of persons beneficially owning 20% or more of any class of voting or equity securities of TMIC or TSMIC and/or one or more of such Party’s Subsidiaries whose assets, revenues or earnings constitute, individually or in the aggregate, 20% or more of the consolidated assets, revenues or earnings of such Party;
- (ii) any amalgamation, plan of arrangement, share exchange, business combination, merger, consolidation, recapitalization, reorganization or other similar transaction involving TMIC or TSMIC and/or one or more of such Party’s Subsidiaries whose assets, revenues or earnings constitute, individually or in the aggregate, 20% or more of the consolidated assets, revenues or earnings of such Party, or any liquidation, dissolution or winding-up of TMIC or TSMIC and/or one or more of such Party’s Subsidiaries whose assets, revenues or earnings constitute, individually or in the aggregate, 20% or more of the consolidated assets, revenues or earnings of such Party;
- (iii) any direct or indirect acquisition or sale of assets (or any lease, long-term supply arrangement, licence, or other arrangement having the same economic effect as a sale of assets) of TMIC or TSMIC and/or one or more such Party’s Subsidiaries that represents, individually or in the aggregate, 20% or more of the consolidated assets or contributed 20% or more of the consolidated revenues or earnings of such Party;
- (iv) any direct or indirect sale, issuance or acquisition of the TMIC Shares or TSMIC Shares, any other voting or equity interests (or securities convertible into or exercisable for such Party’s Shares or other voting or equity interests) of TMIC or TSMIC representing 20% or more of the issued and outstanding voting or equity interests (or rights or interests therein or thereto) of such Party, or any voting or equity securities of one or more of such Party’s Subsidiaries whose assets, revenues or earnings constitute, individually or in the aggregate, 20% or more of the consolidated assets, revenues or earnings of such Party; or
- (v) any proposal or offer to do, proposed amendment of, or public announcement of an intention to do, any of the foregoing.

**“affiliate”** means an “affiliate” as defined in National Instrument 45-106 – Prospectus Exemptions.

**“Aggregate Funded and Committed Assets”** means the aggregate of (a) the Aggregate Funded and Committed Mortgage Investments; plus (b) all Mortgage Investments previously approved and committed by Timbercreek Financial, including any Mortgage Investments held in or committed to be funded with any credit facility; plus (c) in the context of a mortgage loan approval review, the proposed mortgage investment being considered for approval; plus (d) all other Investments; plus (e) Cash and Cash Equivalents.

**“Aggregate Funded and Committed Mortgage Investments”** at any time means the total sum of all Funded and Committed Mortgage Investments of Timbercreek Financial at that time.

**“allowable capital loss”** has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations – Taxation of Capital Gains or Capital Losses”.

**“ARC”** means one or more advance ruling certificates issued by the Commissioner under subsection 102(1) of the *Competition Act* in respect of the transactions contemplated by this Agreement.

**“Arrangement”** means the arrangement under the provisions of Section 182 of the OBCA, on the terms and conditions set forth in the Plan of Arrangement, as supplemented, modified or amended (provided that any such supplement, modification or amendment is acceptable to both TSMIC and TMIC, acting reasonably).

**“Arrangement Agreement”** means the arrangement agreement dated as of May 5, 2016 between TMIC, TSMIC and TAMI, as may be amended, supplemented or otherwise modified from time to time.

**“Articles of Arrangement”** means the articles of arrangement in respect of the Arrangement required to be filed under Section 183(1) of the OBCA to be sent to the Director after the Final Order has been granted giving effect to the Arrangement.

**“Automatic Repurchase”** has the meaning ascribed thereto under “Risk Factors Relating to Timbercreek Financial – Qualification as a MIC”.

**“Automatic Repurchase Shareholder”** has the meaning ascribed thereto under “Risk Factors Relating to Timbercreek Financial – Qualification as a MIC”.

**“Beneficial Shareholder”** means a person holding the TMIC Shares or TSMIC Shares through a securities dealer, broker, bank, trust corporation or other nominee.

**“B-Notes”** means a Mortgage Investment that is a participation or interest in a syndicated mortgage and which is subordinated to a senior participant in the same whole loan;

**“Broadridge”** means Broadridge Financial Solutions, Inc..

**“Business Day”** means any day, other than a Saturday, Sunday or statutory or civic holiday in Toronto, Ontario.

**“Cash”** means (i) Canadian dollars, (ii) U.S. dollars and (iii) deposits with the Custodian or any bank or trust company denominated in Canadian or U.S. dollars.

**“Cash Equivalents”** means (i) short-term obligations of, or fully guaranteed by, the government of the United States of America or Canada, or of a State of the United States of America or of a Province of Canada, in each case having an approved credit rating, (ii) demand or current deposit accounts maintained in the ordinary course of business with a Lender or with a financial institution having an approved credit rating, (iii) certificates of deposit issued by and term deposits with a Lender or any commercial bank or trust company (whether domestic or foreign) having an approved credit rating; provided in each case that the same has a term not exceeding six (6) months, provides for payment of both principal and interest (and not principal alone or interest alone) and is not subject to any contingency regarding the payment of principal or interest (and for certainty, the mere passage of time is not a contingency), (iv) commercial paper having an approved credit rating and maturing within six (6) months from the date of acquisition, and (v) units in a public mutual fund whose investments are restricted to Investments described in Clauses (i) to (iv) inclusive. For the purposes of this definition, an “approved credit rating” means a rating at or above the following rating categories issued by at least two (2) of the following credit rating organizations (or their respective successors) for the category of commercial paper/short term debt (or any replacement such rating category), namely (a) R-1 (low) issued by DBRS Limited, (b) F1 issued by Fitch Ratings, Inc. (c) P-1 issued by Moodys Investors Service, Inc. or (d) A-1 (Low) issued by Standard & Poor’s Ratings Services.

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

**“Certificate of Continuance”** means the certificate of continuance issued by the Director upon the Continuance of TSMIC under the OBCA.

**“Certificate of Discontinuance”** means the certificate of discontinuance issued by Corporations Canada upon the Continuance of TSMIC under the OBCA.

**“CBCA”** means the *Canada Business Corporations Act*.

**“Circular”** means this joint management information circular, including the TMIC Notice of Meeting and the TSMIC Notice of Meeting and all schedules, appendices and exhibits hereto, and information incorporated by reference therein, as amended, supplemented or otherwise modified from time to time.

**“Commissioner”** means the Commissioner of Competition appointed under the *Competition Act*, and any person delegated to perform the Commissioner of Competition’s duties.

**“Competition Act”** means the *Competition Act* (Canada).

**“Competition Act Approval”** means that in respect of the Arrangement: (a) the Commissioner shall have issued an ARC, or (b) the applicable waiting period under section 123 of the *Competition Act* shall have expired or been terminated by the Commissioner, or (c) the obligation to submit a notification under Part IX of the *Competition Act* shall have been waived under paragraph 113(c) of the *Competition Act* and, in the case of clause (b) or (c), the Commissioner shall have issued a No-Action Letter on terms and conditions, if any, acceptable to TMIC and TSMIC, each acting reasonably.

**“Competition Tribunal”** means the Competition Tribunal established by subsection 3(1) of the *Competition Tribunal Act*.

**“Consideration Shares”** means the 782,830 TMIC Shares to be issued to TAMI pursuant to and in accordance with the terms of the Contribution and Termination Agreement.

**“Contemplated Transactions”** means the Continuance, the Plan of Arrangement, the Management Agreement Transactions and such other transactions as are agreed to by the Parties as being necessary or desirable in connection with the Arrangement.

**“Continuance”** means the continuance of TSMIC from the CBCA to the OBCA.

**“Continuance Resolution”** means the special resolution approving the Continuance to be considered at the TSMIC Shareholder Meeting, in the form set out in Appendix E.

**“Contribution and Termination Agreement”** means the contribution and termination agreement between TAMI, TMIC and TSMIC, to become effective as of the Escrow Release Time.

**“Corporations Canada”** means the federal corporate regulator under the CBCA.

**“Court”** means the Ontario Superior Court of Justice (Commercial List).

**“CRA”** has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations”.

**“CST”** means CST Trust Company.

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

**“Depository”** means CST Trust Company of Canada.

**“Director”** means the Director appointed under section 278 of the OBCA.

**“Dissenting Holder”** has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations”.

**“Dissent Rights”** means (i) the rights of dissent provided for in Article 4 of the Plan of Arrangement, and (ii) the rights of dissent granted to the TSMIC Shareholders in respect of the Continuance Resolution.

**“Dissent Shares”** means the TMIC Shares held by TMIC Shareholders or the TSMIC Shares held by TSMIC Shareholders in respect of which Dissent Rights have been and remain validly exercised at the Effective Time.

**“Dissenting TMIC Shareholder”** has the meaning ascribed thereto under “The Arrangement and Management Agreement Transactions – Dissent Rights”.

**“Dissenting TSMIC Shareholder”** has the meaning ascribed thereto under “The Arrangement and Management Agreement Transactions – Dissent Rights”.

**“Early Termination Fee”** has the meaning ascribed thereto under “Information Relating to Timbercreek Financial – New Management Agreement”.

**“Effective Date”** means June 30 2016, or such later date as TMIC and TSMIC agree in writing.

**“Effective Time”** means 12:01 a.m. (Toronto time) on the Effective Date, or such other time as TMIC and TSMIC agree to in writing before the Effective Date.

**“EPS”** means earnings per share.

**“Escrow Agreement”** means the escrow agreement dated May 5, 2016 between TMIC, TSMIC and TAMI.

**“Escrow Release Time”** means 11:30 p.m. (Toronto time) on the day immediately preceding the Effective Date.

**“Final Order”** means the order of the Court approving the Arrangement pursuant to Section 182(5) of the OBCA, in a form acceptable to TMIC and TSMIC, each acting reasonably, as such order may be amended by the Court (with the consent of both TMIC and TSMIC, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both TMIC and TSMIC, each acting reasonably) on appeal.

**“Funded and Committed Mortgage Investment”** of any Mortgage Investment at any time means the total sum of all Mortgage loan advances made and committed to be made by Timbercreek Financial under that Mortgage at that time.

**“Governmental Entity”** means: (i) any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government; (ii) any multinational or supranational body or organization, nation, government, state, province, country, territory, municipality, quasi-government, administrative, judicial or regulatory authority, agency, board, body, bureau, commission, instrumentality, court or tribunal or any political subdivision thereof, or any central bank (or similar monetary or regulatory authority) or taxing authority thereof, or any ministry or department or agency of any of the foregoing; and (iii) any self-regulatory organization or stock exchange.

**“Holder”** has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations”.

**“IFRS”** means International Financial Reporting Standards issued by the International Accounting Standards Board, and as adopted by the Canadian Institute of Chartered Accountants, as amended from time to time.

**“Interim Order”** means the interim order of the Court concerning the Arrangement contemplated by Section 2.2 of the Arrangement Agreement and made pursuant to subsection 182(5) of the OBCA, in a form acceptable to TMIC and TSMIC, each acting reasonably, providing for, among other things, the calling and holding of the TMIC

Meeting and the TSMIC Meeting, as such order may be amended by the Court (with the consent of both TMIC and TSMIC, each acting reasonably).

**“Investment”** means any loan, advance (other than commission, travel and similar advances to officers and employees made in the ordinary course of business), extension of credit (other than accounts receivable on customary or usual terms arising in the ordinary course of business) or contribution of capital to or acquisition of shares of any other person, deposit accounts, certificates of deposit, mutual funds, bonds, notes, debentures or other securities of any other person or any structured notes or derivatives.

**“Laws”** means any international, national, provincial, state, municipal and local laws, treaties, statutes, ordinances, judgments, decrees, injunctions, writs, certificates and orders, notices, by-laws, rules, regulations, ordinances, policies, directives or other requirements of any Governmental Entity and the term “applicable” with respect to such Laws and in a context that refers to one or more persons, means such Laws as are applicable to such person or its business, undertaking, property or securities and emanate from a person having jurisdiction over the person or persons or its or their business, undertaking, property or securities.

**“Letter of Transmittal”** means the letter of transmittal that accompanies this Circular for use by registered TMIC Shareholders and TSMIC Shareholders.

**“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 license or a mortgage administration license.

**“Management Agreement Transactions”** means the transactions contemplated by the Management Fee Agreements, as described under “The Arrangement and Management Agreement Transactions – Description of the Management Agreement Transactions”.

**“Management Fee Agreements”** means the Contribution and Termination Agreement, the Escrow Agreement and the New Management Agreement.

**“Matching Period”** has the meaning ascribed thereto under “The Arrangement Agreement – Covenants – Right to Match”.

**“Material Adverse Effect”** means, when used in connection with a person, any one or more changes, effects, events, occurrences or states of fact, either individually or in the aggregate, that has, or would reasonably be expected to have, a material adverse effect on the financial condition, businesses, operations or results of operations of that person and its Subsidiaries taken as a whole, other than, individually or in the aggregate, any change, effect, event, occurrence or state of facts:

- (i) resulting from the announcement of the Arrangement Agreement or the Contemplated Transactions;
- (ii) relating to general economic conditions or securities, financing, banking or capital markets generally in Canada, the United States or worldwide;
- (iii) relating to any changes in currency exchange rates, interest rates or inflation;
- (iv) relating to a change in the market trading price or trading volume of securities of that person;
- (v) relating to any change in applicable generally accepted accounting principles, including IFRS;
- (vi) relating to any adoption, proposal, implementation or change in Laws or any interpretation thereof by any Governmental Entity;

- (vii) relating to any change in global, national or regional political conditions (including the commencement, occurrence or continuation of any strike, riot, lockout, outbreak of illness, war, armed hostilities, act of terrorism or facility takeover for emergency purposes);
- (viii) relating to any natural disaster or act of God;
- (ix) relating to failure in and of itself to meet any internal or public projections, forecasts, or estimates of revenue or earnings; or
- (x) resulting from compliance with the terms of this Agreement (other than any obligation to act in the ordinary course of business), including any change in the relationship of such person and its Subsidiaries with its employees, lenders or contractual counter parties.

provided that the causes underlying such effect referred to in clause (iv) and (ix) may be taken into account when determining whether a Material Adverse Effect has occurred and provided further, however, that such effect referred to in clause (ii), (vi) or (vii) above does not have a materially disproportionate adverse effect on that person and its Subsidiaries, taken as a whole, compared to other entities of similar size operating in the industry in which that person and its Subsidiaries operate.

“**MIC**” means a mortgage investment corporation as defined under Section 130.1(6) of the Tax Act.

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

“**Mortgage**” means any charge and/or mortgage of land or hypothec of an immovable underwritten and funded (in whole or part) by Timbercreek Financial.

“**Mortgage Investment**” means an Investment in a Mortgage.

“**Mortgage Services Agreement**” means the mortgage services agreement dated September 13, 2013 between TAMI and TAML pursuant to which TAML provides Licensed Services to TMIC and TSMIC.

“**National Bank**” means National Bank Financial, financial advisor to the TSMIC Special Committee.

“**National Bank Engagement Agreement**” has the ascribed thereto under “TSMIC Fairness Opinion”.

“**NBC**” means National Bank of Canada.

“**New Credit Facility**” means the amended and restated credit agreement, dated as of May 6, 2016, between TSMIC and TMIC (and after the Effective Time, Timbercreek Financial), as borrower, TD Bank, as sole lead arranger, sole bookrunner and administration agent, and the financial institutions named therein, as lenders.

“**New DRIP**” means the dividend reinvestment plan of Timbercreek Financial to be adopted upon completion of the Arrangement.

“**New DSU Plan**” means the deferred share unit plan of Timbercreek Financial to be adopted upon completion of the Arrangement.

“**New Management Agreement**” means the management agreement between Timbercreek Financial and TAMI to be entered into immediately upon completion of the Arrangement.

“**NI 51-102**” means National Instrument 51-102 - Continuous Disclosure Obligations.

**“No-Action Letter”** means one or more written letters from the Commissioner advising that he does not, at such time, intend to make an application under section 92 of the *Competition Act* in respect of the transactions contemplated by the Arrangement Agreement.

**“Notice of Appearance”** means a notice of appearance as described in paragraphs 44 and 45 of Appendix I – Interim Order.

**“Notifiable Transactions”** has the meaning ascribed thereto under “Regulatory Matters – *Competition Act* Approval”.

**“OBCA”** means the *Business Corporations Act* (Ontario).

**“Outside Date”** means September 30, 2016 or such later date as TMIC and TSMIC may agree in writing.

**“Parties”** means TSMIC and TMIC collectively, and **“Party”** means either of them.

**“Permitted TMIC Distributions”** means (i) regular monthly dividends to TMIC Shareholders made in conformity and consistency in all respects with TMIC’s monthly dividend policies in effect as at March 31, 2016, including declaration, record and payment dates for determination of TMIC Shareholders entitled to such dividends, made in respect of all months ending prior to the month in which the Effective Date occurs, but, without the prior written consent of TSMIC, not to exceed \$0.06 per TMIC Share per month; and (ii) a portion of such regular monthly dividend described as aforesaid pro rata in respect of the number of days that have elapsed in the month in which the Effective Date occurs, but, without the prior written consent of TSMIC, not to exceed \$0.06 per TMIC Share per month.

**“Permitted TSMIC Distributions”** means (i) regular monthly dividends to TSMIC Shareholders made in conformity and consistency in all respects with TSMIC’s monthly dividend policies in effect as at March 31, 2016, including declaration, record and payment dates for determination of TSMIC Shareholders entitled to such dividends, made in respect of all months ending prior to the month in which the Effective Date occurs, but, without the prior written consent of TMIC, not to exceed \$0.05 per TSMIC Share per month; and (ii) a portion of such regular monthly dividend described as aforesaid pro rata in respect of the number of days that have elapsed in the month in which the Effective Date occurs, but, without the prior written consent of TMIC, not to exceed \$0.05 per TSMIC Share per month.

**“Plan of Arrangement”** means the plan of arrangement, substantially in the form of Appendix H, and any amendments or variations thereto made in accordance with the Arrangement Agreement or the Plan of Arrangement or made at the direction of the Court in the Final Order (provided that any such amendment or variation is acceptable to TSMIC and TMIC, each acting reasonably).

**“Plans”** has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations – Eligibility for Investment”.

**“Proposed Amendments”** has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations”.

**“Receiving Party”** has the meaning ascribed thereto under “The Arrangement Agreement – Covenants – Right to Match”.

**“Related Person”** 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 Timbercreek Financial, has the meaning contemplated by section 130.1(6)(d) of the Tax Act.

**“Repurchased Shares”** has the meaning ascribed thereto under “Risk Factors Relating to Timbercreek Financial – Qualification as a MIC”.

**“Required Regulatory Approval”** means any clearance, approval, authorization, exemption or waiver from or by any Governmental Entity of any Contemplated Transaction that is required or, in the reasonable opinion of TMIC and TSMIC, desirable, including *Competition Act* Approval.

**“RRIF”** has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations – Eligibility for Investment”.

**“RRSP”** has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations – Eligibility for Investment”.

**“SEC”** means the United States Securities and Exchange Commission.

**“SEDAR”** means the System for Electronic Document Analysis and Retrieval.

**“Shorecrest Group”** means Shorecrest Group Ltd., the proxy solicitation agent retained by TMIC and TSMIC in connection with the TMIC Meeting and the TSMIC Meeting.

**“Subsidiary”** means, with respect to a person, any body corporate of which more than 50% of the outstanding shares or units ordinarily entitled to elect a majority of the board of directors or trustees thereof (whether or not units or shares of any other class or classes shall or might be entitled to vote upon the happening of any event or contingency) are at the time owned or over which voting control or direction is exercised, directly or indirectly, by such person and shall include any body corporate, partnership, trust, joint venture or other entity over which such person exercises direction or control or which is in a like relation to a Subsidiary.

**“Superior Proposal”** means, as applicable, a bona fide unsolicited Acquisition Proposal that:

- (i) did not result from a breach of any agreement between any one or more of the persons making such Acquisition Proposal and its affiliates and TMIC or TSMIC, or a breach of Sections 7.2, 7.3, 7.4, 7.5 or 7.6 of the Arrangement Agreement;
- (ii) is made in writing after the date of the Arrangement Agreement (and may not include any variation or other amendment of any Acquisition Proposal made prior to the date hereof);
- (iii) relates to an acquisition of 100% of the TMIC Shares or TSMIC Shares or substantially all of the consolidated assets of TMIC or TSMIC and their respective Subsidiaries;
- (iv) if it relates to the acquisition of outstanding shares, is made available to all holders of such shares on the same terms and conditions, provided that employees may enter into new employment arrangements or hold securities of the person making the Acquisition Proposal, conditional on such acquisition;
- (v) is not subject to any due diligence condition, access condition or financing condition; and
- (vi) the applicable board and independent directors have determined in good faith (after consultation with its financial advisors and outside legal counsel) (i) is reasonably capable of being completed in accordance with its terms without undue delay taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal, (ii) would, if consummated in accordance with its terms (but not assuming away any risk of non-completion), result in a transaction more favourable from a financial point of view to TMIC Shareholders or TSMIC Shareholders than the Arrangement taking into consideration any adjustment to the terms and conditions of the Arrangement proposed by TSMIC or TMIC pursuant to Section 7.6 of the Arrangement Agreement), (iii) in respect of which any required financing to complete such Acquisition Proposal has been demonstrated to be available, and (iv) the failure by the board to recommend the Acquisition Proposal would be inconsistent with such board’s duties under applicable Law.



**“Superior Proposal Notice”** means a written notice of the determination of the Receiving Party’s board of directors that an Acquisition Proposal constitutes a Superior Proposal and of the intention of the Receiving Party’s board to enter into a definitive agreement with respect to such Superior Proposal, together with a written notice from the Receiving Party’s board of directors regarding the value and financial terms that the board of directors, in consultation with its financial advisors, has determined should be ascribed to any non-cash consideration offered under such Acquisition Proposal.

**“Supplemental TMIC Debenture Indenture”** means a supplemental indenture, in form and content satisfactory to TMIC, TSMIC and the Debenture Trustee, acting reasonably, to be entered into by Timbercreek Financial and the Debenture Trustee to evidence the succession of Timbercreek Financial as the successor pursuant to and in accordance with the terms of the TMIC Debenture Indenture.

**“Supplementary Information Request”** has the meaning ascribed thereto under “Regulatory Matters – Competition Act Approval”.

**“TAMI”** means Timbercreek Asset Management Inc., and where appropriate, includes its affiliates such as Timbercreek Asset Management Ltd.

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

**“taxable capital gain”** has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations – Taxation of Capital Gains or Capital Losses”.

**“TD Bank”** means The Toronto-Dominion Bank.

**“TD Engagement Agreement”** has the meaning ascribed thereto under “TMIC Fairness Opinion”.

**“TD Securities”** means TD Securities Inc., financial advisor to the TMIC Special Committee.

**“Termination Fee”** means the termination fee of \$9 million provided under the Arrangement Agreement.

**“TF Board”** means the board of directors of Timbercreek Financial.

**“TF Debentures”** means the \$34.5 million aggregate principal amount of 6.35% unsecured subordinated convertible debentures of TMIC to be assumed by Timbercreek Financial pursuant to the Plan of Arrangement and due on September 30, 2019.

**“TF Shares”** means the common shares in the capital of Timbercreek Financial.

**“TF Shareholder”** means a holder of the TF Shares.

**“TFSA”** has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations – Eligibility for Investment”.

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

**“Timbercreek Financial”** means the corporation continuing as the successor of TMIC and TSMIC under the OBCA, following the effectiveness of the Arrangement.

**“TMIC”** means Timbercreek Mortgage Investment Corporation, a corporation incorporated under the laws of the Province of Ontario.

**“TMIC Arrangement Resolution”** means the special resolution approving the Plan of Arrangement to be considered at the TMIC Shareholder Meeting, in the form set out in Appendix C.

“**TMIC AIF**” means the Annual Information Form filed by TMIC on February 24, 2016.

“**TMIC Annual Financial Statements**” means the audited annual financial statements of TMIC for the years ended December 31, 2015 and 2014, together with the notes thereto and the auditor’s report thereon.

“**TMIC Articles**” means the articles of incorporation of TMIC.

“**TMIC Board**” means the board of directors of TMIC.

“**TMIC Board Recommendation**” means the determination of the TMIC Board, after consultation with its legal and financial advisors and following the receipt and review of a recommendation from the TMIC Special Committee, that the Arrangement and the Management Agreement Transactions are in the best interests of TMIC and the recommendation of the TMIC Board to TMIC Shareholders that they vote in favour of the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution.

“**TMIC Change in Recommendation**” means if (i) the TMIC Board (or any committee thereof) fails to recommend or withdraws, amends, modifies or qualifies (or proposes publicly to withdraw, amend, modify or qualify), in a manner adverse to TSMIC, the TMIC Board Recommendation, or fails to reaffirm the TMIC Board Recommendation within five Business Days (and in any case prior to the TMIC Meeting) after having been requested in writing by TSMIC (acting reasonably) to do so, including for greater certainty in the circumstances described in Section 6.2(a)(iii) of the Arrangement Agreement, or (ii) the TMIC Board (or any committee thereof) accepts, approves, endorses or recommends, or publicly proposes to accept, approve, endorse or recommend any Acquisition Proposal.

“**TMIC Credit Facility**” means the second amended and restated credit agreement, dated as of January 30, 2015, between TD Bank, as administrative agent, sole lead arranger and sole bookrunner, the financial institutions named therein, as lenders, TMIC, as borrower, and TMIF, as guarantor.

“**TMIC Debenture Indenture**” means the trust indenture dated February 24, 2014 between TMIC and Computershare Trust Company of Canada governing the terms and conditions of the TMIC Debentures.

“**TMIC Debentures**” has the meaning ascribed thereto under “Information Relating to TMIC – Overview”.

“**TMIC DRIP**” means the shareholder dividend reinvestment plan of TMIC and as may be amended, supplemented or amended and restated from time to time and includes any document, instrument or agreement in substitution or replacement thereof.

“**TMIC DSU Plan**” means the deferred share unit plan of TMIC.

“**TMIC DSUs**” means the deferred share units issued under and subject to the TMIC DSU Plan.

“**TMIC Fairness Opinion**” means the opinion of TD Securities provided to the TMIC Board and TMIC Special Committee, dated May 5, 2016, a copy of which is attached as Appendix K.

“**TMIC MD&A**” means the management’s discussion and analysis of financial condition and results of operations for the years ended December 31, 2015 and 2014.

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

“**TMIC Management Agreement Resolution**” means the special resolution approving the transactions contemplated by the Contribution and Termination Agreement to be considered at the TMIC Meeting, in the form set out in Appendix D.

**“TMIC Meeting”** means the annual and special meeting of TMIC Shareholders, including any adjournment or postponement of such special meeting in accordance with the terms of this Agreement, to be called to, among other things, consider the TMIC Arrangement Resolution and the TMIC Management Agreement Resolution and for any other purpose as may be set out in this Circular and agreed to in writing by TSMIC and TMIC, acting reasonably.

**“TMIC Nominees”** has the meaning ascribed thereto under “Matters to be Considered at the TMIC Meeting – Annual Business – Annual Business – Election of TMIC Directors”.

**“TMIC Notice of Meeting”** has the meaning ascribed thereto under “General Information Concerning the TMIC Meeting and Voting – Solicitation of Proxies”.

**“TMIC Record Date”** has the meaning ascribed thereto in the TSMIC Notice of Meeting.

**“TMIC Shares”** means the common shares in the capital of TMIC.

**“TMIC Shareholder”** means a holder of TMIC Shares from time to time.

**“TMIC Special Committee”** means the special committee of the TMIC Board.

**“TMIC Subsidiaries”** means, collectively, TMIF and 2292912 Ontario Inc., and **“TMIC Subsidiary”** means either one of them.

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

**“Transfer Payment”** has the meaning ascribed thereto under “The Arrangement and Management Agreement Transactions – Description of the Management Agreement Transactions”.

**“Triggering Transaction”** has the meaning ascribed thereto under “Risk Factors Relating to Timbercreek Financial – Qualification as a MIC”.

**“TSMIC”** means Timbercreek Senior Mortgage Investment Corporation, a corporation incorporated under the laws of Canada.

**“TSMIC AIF”** means the Annual Information Form filed by TSMIC on February 23, 2016.

**“TSMIC Annual Financial Statements”** means the audited annual financial statements of TSMIC for the years ended December 31, 2015 and 2014, together with the notes thereto and the auditor’s report thereon.

**“TSMIC Arrangement Resolution”** means the special resolution approving the Plan of Arrangement to be considered at the TSMIC Meeting, in the form set out in Appendix F.

**“TSMIC Articles”** means the articles of incorporation of TSMIC.

**“TSMIC Board”** means the board of directors of TSMIC.

**“TSMIC Board Recommendation”** means the determination of the TSMIC Board, after consultation with its legal and financial advisors and following the receipt and review of a recommendation from the TSMIC Special Committee, that the Continuance, the Arrangement and the Management Agreement Transactions are in the best interests of TSMIC and the recommendation of the TSMIC Board to TSMIC Shareholders that they vote in favour of the Continuance Resolution, the TSMIC Arrangement Resolution and the TSMIC Management Agreement Resolution.

**“TSMIC Change in Recommendation”** means if (i) the TSMIC Board (or any committee thereof) fails to recommend or withdraws, amends, modifies or qualifies (or proposes publicly to withdraw, amend, modify or

qualify), in a manner adverse to TMIC, the TSMIC Board Recommendation, or fails to reaffirm the TSMIC Board Recommendation within five Business Days (and in any case prior to the TSMIC Meeting) after having been requested in writing by TMIC (acting reasonably) to do so, including for greater certainty in the circumstances described in Section 6.2(a)(iii) of the Arrangement Agreement, or (ii) the TSMIC Board (or any committee thereof) accepts, approves, endorses or recommends, or publicly proposes to accept, approve, endorse or recommend any Acquisition Proposal.

“**TSMIC Credit Facility**” means the first amended and restated credit agreement, dated as of June 18, 2014, between TSMIC, as borrower, TD Bank, as sole lead arranger, sole bookrunner and administration agent, and the financial institutions named therein, as lenders.

“**TSMIC DSU Plan**” means deferred share unit plan of TSMIC.

“**TSMIC DSUs**” means the deferred units issued under and subject to the TSMIC DSU Plan.

“**TSMIC DRIP**” means the shareholder dividend reinvestment plan of TSMIC and as may be amended, supplemented or amended and restated from time to time and includes any document, instrument or agreement in substitution or replacement thereof.

“**TSMIC Fairness Opinion**” means the opinion of National Bank provided to the TSMIC Board and TSMIC Special Committee, dated May 5, 2016, a copy of which is attached as Appendix L.

“**TSMIC Management Agreement**” means the management agreement dated September 13, 2013 between TSMIC and TAMI.

“**TSMIC Management Agreement Resolution**” means the special resolution approving the transactions contemplated by the Contribution and Termination Agreement to be considered at the TSMIC Meeting, in the form set out in Appendix G.

“**TSMIC MD&A**” means the management’s discussion and analysis of financial condition and results of operations for the years ended December 31, 2015 and 2014.

“**TSMIC Nominees**” has the meaning ascribed thereto under “Matters to be Considered at the TSMIC Meeting – Annual Business – Election of TSMIC Directors”.

“**TSMIC Notice of Meeting**” has the meaning ascribed thereto under “General Information Concerning the TSMIC Meeting and Voting – Solicitation of Proxies”.

“**TSMIC Record Date**” has the meaning ascribed thereto in the TSMIC Notice of Meeting.

“**TSMIC Shares**” means the common shares of TSMIC.

“**TSMIC Shareholder**” means a holder of TSMIC Shares from time to time.

“**TSMIC Special Committee**” means the special committee of the TSMIC Board.

“**TSMIC Subsidiary**” means Timbercreek Senior Mortgage Trust, a trust formed under and governed by the laws of the Province of Ontario.

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

“**U.S. Securities Act**” means the United States Securities Act of 1933, as amended.

“**Written Confirmation**” has the meaning ascribed thereto under “The Management Fee Agreements – Escrow Agreement”.

**APPENDIX B**  
**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**  
**OF TIMBERCREEK FINANCIAL**

See attached.

Pro Forma Consolidated Financial Statements of

## **TIMBERCREEK FINANCIAL CORP.**

For the year ended December 31, 2015  
(Unaudited)

# TIMBERCREEK FINANCIAL CORP.

## Pro Forma Consolidated Statements of Financial Position (Unaudited)

As at December 31, 2015

	TFC	TMIC	TSMIC	Pro - Forma adjustments	Notes	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 139,871	\$ -	\$ -		\$ 139,871
Other assets	-	3,054,095	662,405	-		3,716,500
Mortgage investments, including mortgage syndications	-	750,703,077	481,261,784	-		1,231,964,861
Foreclosed properties held for sale	-	12,836,466	-	-		12,836,466
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 766,733,509</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ 1,248,657,698</b>
<b>LIABILITIES AND EQUITY</b>						
Accounts payable and accrued expenses	\$ -	\$ 1,103,565	\$ 496,292	\$ 1,150,000	5(a)	\$ 6,859,473
				1,150,000	5(e)	
				2,050,000	5(b)	
				909,616	5(c)	
Dividends payable	-	2,431,424	1,572,558	-		4,003,982
Due to Manager	-	2,425,700	40,848	-		2,466,548
Mortgage funding holdbacks	-	821,876	250,000	-		1,071,876
Prepaid mortgage interest	-	1,169,805	232,673	-		1,402,478
Credit facility	-	53,624,816	164,096,651	269,844	5(b)	216,128,970
				187,659	5(b)	
				(2,050,000)	5(b)	
Convertible debentures	-	32,778,187	-	-		32,778,187
Mortgage syndication liabilities	-	310,048,650	27,107,802	-		337,156,452
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 404,404,023</b>	<b>\$ 193,796,824</b>	<b>\$ 3,667,119</b>		<b>\$ 601,867,966</b>
<b>Shareholders' equity</b>	-	362,329,486	288,127,365	(288,127,365)	5(a)	646,789,732
				276,040,488	5(a)	
				10,667,034	5(a)	
				(1,150,000)	5(e)	
				(187,659)	5(b)	
				6,638,399	5(c)	
				(7,548,015)	5(c)	
<b>Total liabilities and equity</b>	<b>\$ -</b>	<b>\$ 766,733,509</b>	<b>\$ 481,924,189</b>	<b>\$ -</b>		<b>\$ 1,248,657,698</b>

See accompanying notes to the pro forma consolidated financial statements.

# TIMBERCREEK FINANCIAL CORP.

## Pro Forma Consolidated Statement of Net Income and Comprehensive Income (Unaudited)

For the year ended December 31, 2015

	TFC	TMIC	TSMIC	Pro - Forma adjustments	Notes	Total
Interest income:						
Interest, including mortgage syndications	\$ —	\$ 49,292,049	\$ 29,939,142	\$ —		\$ 79,231,191
Fees and other income, including mortgage syndications	—	5,901,313	2,666,158	—		8,567,471
Gross interest income	—	55,193,362	32,605,300	—		87,798,662
Interest and fees expense on mortgage syndications	—	(12,189,740)	(2,286,411)	—		(14,476,151)
Net interest income	—	43,003,622	30,318,889	—		73,322,511
Expenses:						
Management fees	—	5,955,934	4,428,225	(1,737,146)	5(c)	8,647,013
Performance fees	—	2,430,086	—	(2,430,086)	5(c)	—
Provision for mortgage investments loss	—	900,000	—	—		900,000
General and administrative	—	967,314	939,058	(710,000)	5(d)	1,196,372
Total expenses	—	10,253,334	5,367,283	(4,877,232)		10,743,385
Income from operations	—	32,750,288	24,951,606	4,877,232		62,579,126
Net operating loss from foreclosed properties held for sale	—	114,345	—	—		114,345
Fair value adjustment on foreclosed properties held for sale	—	523,944	—	—		523,944
Termination of management contracts	—	—	—	7,548,015	5(c)	7,548,015
Transaction costs	—	—	—	1,150,000	5(e)	1,150,000
Bargain purchase gain	—	—	—	(10,667,034)	5(a)	(10,667,034)
Financing costs:						
Interest on credit facility	—	1,519,579	5,655,355	(221,172)	5(b)	8,322,024
				(579,563)	5(b)	
				1,025,000	5(b)	
				922,825	5(b)	
Interest on convertible debentures	—	2,570,977	—	—		2,570,977
Total financing costs	—	4,090,556	5,655,355	1,147,090		10,893,001
<b>Net income and comprehensive income</b>	<b>\$ —</b>	<b>\$ 28,021,443</b>	<b>\$ 19,296,251</b>	<b>\$ 5,699,161</b>		<b>\$ 53,016,855</b>
Earnings per share (basic and diluted)	\$	0.69	\$0.61			\$ 0.72

See accompanying notes to the pro forma consolidated financial statement.



# TIMBERCREEK FINANCIAL CORP.

Notes to Pro Forma Consolidated Financial Statements  
(Unaudited)

Year ended December 31, 2015

## **1. CORPORATE INFORMATION**

Timbercreek Financial Corp. is amalgamated under the laws of the Province of Ontario by Articles of Amalgamation effective June 30, 2016. The registered office of the Company is 25 Price Street, Toronto, Ontario M4W 1Z1. The Company intends to qualify as a mortgage investment corporation as defined under Section 130.1 of the Canadian Income Tax Act.

The Company is subject to and files all continuous disclosure materials in compliance with the Public Company Regime requirements, which includes preparation of its financial statements in accordance with International Financial Reporting Standards ("IFRS"), along with a Management's Discussion and Analysis.

## **2. PROPOSED PLAN OF ARRANGEMENT (THE "ARRANGEMENT")**

The following is a brief summary of the Arrangement, and is qualified entirely by the details set out in the joint management information circular dated May 11, 2016 (the "Circular") delivered to each of the shareholders of Timbercreek Mortgage Investment Corporation ("TMIC") and Timbercreek Senior Mortgage Investment Corporation ("TSMIC"), and available at [www.sedar.com](http://www.sedar.com) in respect of the Arrangement.

On May 5, 2016, TMIC, TSMIC and the Manager entered into the Arrangement, pursuant to which the parties agreed that, subject to the terms and conditions set forth in the Arrangement, TMIC and TSMIC will amalgamate to form a single entity, to be named Timbercreek Financial Corp. (the "Company" or "TFC") with each TMIC Shareholder receiving one TFC share for each TMIC share held and each TSMIC shareholder receiving 1.035 TFC shares for each TSMIC share held.

Under the Arrangement, TMIC has agreed to, among other things, call a special meeting of shareholders (the "Meeting"). At the Meeting, shareholders will be asked to consider, and if thought fit, to pass the following resolutions:

- (i) a resolution to approve the combination of TMIC and TSMIC by way of an Arrangement; and
- (ii) a resolution to approve, among other things, the acquisition by TMIC of the rights of the Manager in the TMIC Management Agreement and the entering into of a new management agreement between TFC and the Manager. The new management agreement would result in a reduction of the management fee payable by TMIC, the elimination of the performance fee, and would also provide for a one-time termination fee reflective of the elimination of the performance fee.

TSMIC has also agreed to, among other things, call a special meeting of shareholders to seek the approval of the TSMIC shareholders of the transaction. Specifically, shareholders will be asked to consider, and if thought fit, to pass the following:

# **TIMBERCREEK FINANCIAL CORP.**

Notes to Pro Forma Consolidated Financial Statements  
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- (i) a resolution to approve the continuance of TSMIC as an Ontario corporation, bringing the entity into the same corporate jurisdiction as TMIC.
- (ii) a resolution to approve the combination of TMIC and TSMIC by way of a Plan of Arrangement; and
- (iii) a resolution to approve the termination of the TSMIC Management Agreement and the entering into of a new management agreement between TFC and the Manager.

Both special meetings will be held in conjunction with the annual general meeting of each company. If such resolutions are approved by both the TMIC shareholders and the TSMIC shareholders, the companies will jointly apply to the Ontario Superior Court of Justice for the final order approving the Arrangement. If successful, it is anticipated that the Arrangement will be completed with an effective date of June 30, 2016.

### **3. BASIS OF PRESENTATION**

The unaudited pro forma consolidated financial statements have been prepared by management of TMIC for inclusion in the Circular. These unaudited pro forma consolidated financial statements have been prepared based on the recognition and measurement principles of IFRS and from the audited financial statements of TMIC and TSMIC as at December 31, 2015 for the year then ended. These unaudited pro forma consolidated financial statements do not contain all of the disclosure principles and presentation requirements of IFRS for a complete set of financial statements.

The pro forma consolidated statement of financial position gives effect to the acquisition outlined in note 4 as if it had occurred on December 31, 2015. The pro forma consolidated statement of income and comprehensive income for the year ended December 31, 2015 gives effect to the acquisition discussed in note 4 as if it had occurred on January 1, 2015.

The pro forma consolidated financial statements are not necessarily indicative of the results that would have actually occurred had the Arrangement been completed at the dates indicated, nor are they necessarily indicative of the future operating results or financial position of the Company.

### **4. SIGNIFICANT ACCOUNTING POLICIES**

#### **Functional and presentation currency**

These pro forma consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company.

# **TIMBERCREEK FINANCIAL CORP.**

Notes to Pro Forma Consolidated Financial Statements  
(Unaudited)

Year ended December 31, 2015

## **Basis of measurement**

These pro forma consolidated financial statements have been prepared on the historical cost basis except for foreclosed properties held for sale, which are measured at fair value on each reporting date.

## **Principles of consolidation**

These pro forma consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, including Timbercreek Mortgage Investment Fund and Timbercreek Senior Mortgage Trust. All intercompany transactions and balances are eliminated upon consolidation.

## **Use of estimates and judgments**

In the preparation of these consolidated financial statements, the Manager has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In making estimates, the Manager relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with the prior period and there are no known trends, commitments, events or uncertainties that the Manager believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these consolidated financial statements. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the consolidated financial statements are as follows:

## **Mortgage investments**

The Company is required to make an assessment of the impairment of mortgage investments. Mortgage investments are considered to be impaired only if objective evidence indicates that one or more events ("loss events") have occurred after its initial recognition, that have a negative effect on the estimated future cash flows of that asset. The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary materially.

# TIMBERCREEK FINANCIAL CORP.

Notes to Pro Forma Consolidated Financial Statements  
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Year ended December 31, 2015

The Company applies judgment in assessing the relationship between parties with which it enters into participation agreements in order to assess the derecognition of transfers relating to mortgage investments.

## Measurement of fair values

The Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Company uses market observable data where possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Manager reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or appraisals are used to measure fair values, the Manager will assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

## Cash and cash equivalents

The Company considers highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value to be cash equivalents. Cash and cash equivalents are classified as loans and receivables and carried at amortized cost.

## Mortgage investments

Mortgage investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the mortgage investments are measured at amortized cost using the effective interest method, less any impairment losses. Mortgage investments are assessed on each reporting date to determine whether there is objective evidence of impairment. A financial asset is

# TIMBERCREEK FINANCIAL CORP.

Notes to Pro Forma Consolidated Financial Statements  
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Year ended December 31, 2015

considered to be impaired only if objective evidence indicates that one or more loss events have occurred after its initial recognition that have a negative effect on the estimated future cash flows of that asset.

The Company considers evidence of impairment for mortgage investments at both a specific asset and collective level. All individually significant mortgage investments are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but is not yet identifiable at an individual mortgage level. Mortgage investments that are not individually significant are collectively assessed for impairment by grouping together mortgage investments with similar risk characteristics.

In assessing collective impairment, the Company reviews historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgments as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of specific mortgage investments is calculated as the difference between its carrying amount including accrued interest and the present value of the estimated future cash flows discounted at the investment's original effective interest rate. Losses are recognized in profit and loss and reflected in an allowance account against the mortgage investments. When a subsequent event causes the amount of an impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

## **Foreclosed properties held for sale**

When the Company obtains legal title of the underlying security of an impaired mortgage investment, the carrying value of the mortgage investment, which comprises of principal, costs incurred, accrued interest and the related provision for mortgage investment loss, if any, is reclassified from mortgage investments to foreclosed properties held for sale ("FPHFS"). At each reporting date, FPHFS are measured at fair value, with changes in fair value recorded in profit or loss in the period they arise. The Company uses management's best estimate to determine fair value of the properties, which may involve frequent inspections, engaging realtors to assess market conditions based on previous property transactions or retaining professional appraisers to provide independent valuations.

Contractual interest on the mortgage investment is discontinued from the date of transfer from mortgage investments to FPHFS. Net income or loss generated from FPHFS, if any, is recorded as net operating (gain) loss from FPHFS, while fair value adjustments on FPHFS are recorded separately.

## **Convertible debentures**

The convertible debentures are a compound financial instrument as they contain both a liability and an equity component.

# **TIMBERCREEK FINANCIAL CORP.**

Notes to Pro Forma Consolidated Financial Statements  
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At the date of issuance, the liability component of the convertible debentures is recognized at its estimated fair value of a similar liability that does not have an equity conversion option and the residual is allocated to the equity component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a convertible debenture is measured at amortized cost using the effective interest rate method. The equity component is not re-measured subsequent to initial recognition and will be transferred to share capital when the conversion option is exercised, or, if unexercised at maturity.

Interest, losses and gains relating to the financial liability are recognized in profit or loss.

## **Income taxes**

It is the intention of the Company to qualify as a mortgage investment corporation ("MIC") for Canadian income tax purposes. As such, the Company is able to deduct, in computing its income for a taxation year, dividends paid to its shareholders during the year or within 90 days of the end of the year. The Company intends to maintain its status as a MIC and pay dividends to its shareholders in the year and in future years to ensure that it will not be subject to income taxes. Accordingly, for financial statement reporting purposes, the tax deductibility of the Company's dividends results in the Company being effectively exempt from taxation and no provision for current or deferred taxes is required for the Company and its subsidiaries.

## **Financial instruments**

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"), (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale, or (v) other liabilities. Financial instruments are recognized initially at fair value, plus, in the case of financial instruments not classified as FVTPL, any incremental direct transaction costs. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income.

## **De-recognition of financial assets and liabilities**

### **Financial assets**

The Company de-recognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such transferred financial assets that qualify

# **TIMBERCREEK FINANCIAL CORP.**

Notes to Pro Forma Consolidated Financial Statements  
(Unaudited)

Year ended December 31, 2015

for de-recognition that is created or retained by the Company is recognized as a separate asset or liability. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Company enters into transactions whereby it transfers mortgage investments recognized on its statement of financial position, but retains either all, substantially all, or a portion of the risks and rewards of the transferred mortgage investments. If all or substantially all risks and rewards are retained, then the transferred mortgage or loan investments are not de-recognized.

In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

## **Financial liabilities**

The Company de-recognizes a financial liability when the obligation under the liability is discharged, cancelled or expires.

## **Interest and fee income**

Interest income includes interest earned on the Company's mortgage investments and interest earned on cash and cash equivalents. Interest income earned on the mortgage investments is accounted for using the effective interest method. Lender fees received are an integral part of the yield on the mortgage investments and are amortized to profit and loss over the expected life of the specific mortgage investment using the effective interest rate method. Forfeited lender fees are taken to profit and loss at the time a borrower has not fulfilled the terms and conditions of a lending commitment and payment has been received.

## **Future accounting changes**

The following new standards and amendments to existing standards issued by the International Accounting Standards Board may be relevant to the Company in preparing its financial statements in future years:

# TIMBERCREEK FINANCIAL CORP.

Notes to Pro Forma Consolidated Financial Statements  
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Standards	Effective date
Annual Improvements to IFRS (2012-2014 cycle)	Annual period beginning on or after January 1, 2016
Disclosure Initiative: Amendments to IAS 1	Annual period beginning on or after January 1, 2016
IFRS 9, Financial Instruments ("IFRS 9")	Annual period beginning on or after January 1, 2018
IFRS 15, Revenue from Contracts with Customers ("IFRS 15")	Annual period beginning on or after January 1, 2018

The Company intends to adopt these standards on their respective effective dates. The extent of the impact of adoption of these standards on the Company has not yet been determined.

## 5. PRO FORMA ADJUSTMENTS

The pro forma adjustments to the pro forma consolidated financial statements have been prepared to reflect the Arrangement as described below:

### (a) Acquisition of TSMIC

On the effective date of the Arrangement, TMIC will be considered to have acquired all of the issued and outstanding common shares of TSMIC. The total purchase price paid by TMIC consists of 32,551,944 common shares of TMIC (representing 31,451,154 TSMIC shares at an exchange ratio of 1.035). The 32,551,944 common shares of TMIC were valued using a price of \$8.48 per share, representing TMIC's closing share price as of May 4, 2016. Under IFRS 3 - Business Combinations ("IFRS 3"), the share consideration is required to be measured based on the trading price of TMIC common shares on the closing date of the business combination; whereas, the actual consideration pursuant to the Arrangement is based on an exchange ratio of 1.035 which was determined based on a book value per share of both TMIC and TSMIC as at March 31, 2016. As a result, shareholders' equity of TSMIC totalling \$288,127,365 as at December 31, 2015 has been reversed in the pro forma statement of financial position to reflect the above noted transaction.

For financial reporting purposes, the amalgamation is considered a business combination in accordance with IFRS 3 with TMIC considered to be the "acquirer" and TSMIC the "acquiree". The Company has recorded the identifiable assets and liabilities of TSMIC at fair value, including the recognition of a bargain purchase gain of \$10,667,034, representing an excess in the fair value of net assets acquired over the consideration transferred for TSMIC.



# TIMBERCREEK FINANCIAL CORP.

Notes to Pro Forma Consolidated Financial Statements  
(Unaudited)

Year ended December 31, 2015

	<b>Total</b>
<b>Fair value of net assets acquired</b>	
Mortgage investments, including mortgage syndications	\$ 481,261,784
Other assets	662,405
Accounts payable and accrued expenses	(1,646,292)
Dividends payable	(1,572,558)
Due to Manager	(40,848)
Mortgage funding holdbacks	(250,000)
Prepaid mortgage interest	(232,673)
Credit facility (note 4(b))	(164,366,495)
Mortgage syndication liabilities	(27,107,802)
<b>Total net assets acquired</b>	<b>\$ 286,707,522</b>
<b>Consideration transferred</b>	
<b>Shares issued</b>	<b>\$ 276,040,488</b>
<b>Excess of net assets acquired over consideration transferred (bargain purchase gain)</b>	<b>\$ 10,667,034</b>

In the determination of the fair value of net assets acquired above, the credit facility balance has been adjusted to write-off unamortized financing costs of \$269,844 (note 5(b)) and increase accounts payable and accrued expenses by \$1,150,000 for costs associated with the Arrangement. Pursuant to the Arrangement Agreement, TMIC and TSMIC have agreed that each party will pay all fees, costs and expenses incurred by such party with respect to the Arrangement; however, they will share in the payment of, among other things, any filing fees, proxy solicitation services, and applicable taxes payable in respect of any application, notification or other filing made in respect of any regulatory process contemplated by the Arrangement on the basis of 50% payable by TMIC and 50% payable by TSMIC.

## **(b) Credit facility**

As part of the Arrangement, the Company will enter into an amended and restated credit facility agreement effective immediately following the effective date. The credit facility will have an available credit limit of \$350,000,000 with interest at either the prime rate of interest plus 1.25% per annum, or bankers' acceptances with a stamping fee of 2.25% and a standby fee of 0.5625% per annum on the unutilized credit facility balance. The credit facility also includes an accordion feature that allows the available limit to be increased by up to a further \$50,000,000, subject to certain conditions. The Company's maximum credit facility limit will be subject to a borrowing base as defined in the credit agreement. The credit facility will mature in May 2018. The estimated costs of obtaining the credit facility is \$2,050,000, relating to upfront fees, arrangement fees and legal costs and are netted against the outstanding balance of the credit facility. These costs are amortized over the term of the credit facility agreement.

As a result, the following adjustments have been made:

# TIMBERCREEK FINANCIAL CORP.

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Year ended December 31, 2015

- In the statement of financial position, the existing credit facility unamortized financing costs for TMIC of \$187,659 have been written-off.
- In the statement of income and comprehensive income, interest on the credit facility is reduced by \$221,172 and \$579,563 for amortization of financing costs relating to the existing TMIC and TSMIC credit facilities, respectively.
- In the statement of income and comprehensive income, interest on the credit facility is increased by \$1,025,000 for amortization of financing costs relating to the new credit facility.
- In the statement of income and comprehensive income, interest on the credit facility has been increased by \$922,825 to reflect new interest rates and higher standby fees on additional capacity available under the new credit facility. Of note, the utilization of the additional available credit under the new credit facility is not reflected in these pro forma consolidated financial statements.

## **(c) Management fees**

Concurrently with the Arrangement, TMIC and TSMIC management agreements with the Manager will be terminated. Prior to the effective date, TMIC has agreed to pay the Manager a termination fee of \$7,548,015 as compensation for the removal of the “performance fee” previously incurred by TMIC annually. The termination fee is to be settled in cash of \$909,616 for HST payable and the balance payable to TAMI of 782,830 TMIC shares valued using a price of \$8.48 per share, representing TMIC’s closing share price as of May 4, 2016. Under IFRS 2 – Share-based Payment, the share consideration is required to be measured based on the trading price of TMIC common shares on the settlement date, whereas, the actual consideration will be based on a book value of \$8.938 of TMIC at March 31, 2016.

TFC and the Manager will enter into a new management agreement effective the date of the Arrangement. The new management agreement will have a term of 10 years and pay a management fee equal to (i) 0.85% per annum of the gross assets, less syndicated loans of the Company, calculated and paid monthly in arrears, plus applicable taxes, and (ii) a service fee equal to 0.10% of the amount of any senior tranche of a mortgage asset that is syndicated by the Manager to a third party investor on behalf of TFC, where TFC retains the subordinated B-note.

As a result of the changes to the management agreement, the management fees have been reduced by \$1,737,146 for the year ended December 31, 2015. In addition, the performance fee of \$2,430,086 has been removed for the year ended December 31, 2015.

# TIMBERCREEK FINANCIAL CORP.

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(Unaudited)

Year ended December 31, 2015

## (d) General and administrative

General and administrative expenses have been decreased by \$710,000 for the year ended December 31, 2015, to reflect the Manager's best estimate of cost savings that would be achieved from the amalgamation of TMIC and TSMIC. The cost savings would result from reduced shareholder reporting, audit fees, filing fees, directors' compensation and other costs, as these services would be required only for one company.

## (e) Costs relating to the Arrangement

Costs relating to the Arrangement of \$1,150,000 representing TMIC's 50% share of costs are recorded as a transaction costs and mainly include legal fees, advisory, fairness opinion, listing fees and other administrative costs.

## 6. PRO FORMA TFC SHARES OUTSTANDING

The weighted average number of shares used in the computation of pro forma basic and diluted earnings per share has been determined as follows:

	<u>2015</u>
Weighted average number of TMIC common shares	40,631,219
TFC common shares issued as a result of the acquisition*	32,551,944
Common shares issued to the Manager for the termination of management contracts*	<u>782,830</u>
	<u>73,965,993</u>

\*Assuming that the shares are issued on January 1, 2015 as a result of the acquisition defined in note 5(a).

**APPENDIX C**  
**TMIC ARRANGEMENT RESOLUTION**

**BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:**

1. The arrangement (the “**Arrangement**”) under section 182 of the *Business Corporations Act* (Ontario) (the “**OBCA**”) involving Timbercreek Mortgage Investment Corporation (“**TMIC**”) and Timbercreek Senior Mortgage Investment Corporation (“**TSMIC**”), all as more particularly described and set forth in the joint management information circular of TMIC and TSMIC (the “**Circular**”) accompanying the notice of meeting (including as more particularly described and set forth in the Circular under the heading “Matters to be Considered at the TMIC Meeting – Special Business”), as the Arrangement may be modified or amended in accordance with its terms, is hereby authorized, approved and adopted.
2. The plan of arrangement (the “**Plan of Arrangement**”) involving TMIC and TSMIC, the full text of which is set out as Schedule “**A**” to the arrangement agreement dated May 5, 2016 between TMIC, TSMIC and Timbercreek Asset Management Inc. (the “**Arrangement Agreement**”), as the Plan of Arrangement may be modified or amended in accordance with its terms, is hereby authorized, approved and adopted.
3. The Arrangement Agreement, as it may be amended from time to time, the actions of the directors of TMIC in approving the Arrangement Agreement and the actions of the directors and officers of TMIC in executing and delivering the Arrangement Agreement and causing the performance by TMIC of its obligations thereunder, be and are hereby confirmed, ratified, authorized and approved.
4. Notwithstanding that these resolutions have been duly passed (and the Plan of Arrangement adopted) by the shareholders of TMIC or that the Arrangement has been approved by the Ontario Superior Court of Justice (Commercial List), the directors of TMIC be and are hereby authorized and empowered, without further notice to or approval of the shareholders of TMIC (i) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement or the Plan of Arrangement, and/or (ii) not to proceed with the Arrangement and not to act on these resolutions at any time prior to the Effective Time (as defined in the Arrangement Agreement).
5. Any director or officer of TMIC be and is hereby authorized and directed for and on behalf of TMIC to execute, under the corporate seal of TMIC or otherwise, and to deliver to the Director under the OBCA for filing articles of arrangement and such other documents as are necessary or desirable to give effect to the Arrangement and the Plan of Arrangement in accordance with the Arrangement Agreement.
6. Any director or officer of TMIC be and is hereby authorized and directed for and on behalf of TMIC to execute or cause to be executed, under the corporate seal of TMIC or otherwise, and to deliver or cause to be delivered, all such other documents, agreements and instruments and to perform or caused to be perform all such other acts and things as in such person’s opinion may be necessary or desirable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

**APPENDIX D**  
**TMIC MANAGEMENT AGREEMENT RESOLUTION**

**BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:**

1. The transactions (the “**Management Agreement Transactions**”) contemplated by the Contribution and Termination Agreement dated May 5, 2016 between Timbercreek Mortgage Investment Corporation (“**TMIC**”), Timbercreek Senior Mortgage Investment Corporation (“**TSMIC**”) and Timbercreek Asset Management Inc. (“**TAMI**”) (the “**Contribution and Termination Agreement**”) to be released from escrow on the day immediately preceding the Effective Date of the Arrangement combining TSMIC and TMIC pursuant to the Escrow Agreement (as defined below) and the Escrow Agreement dated May 5, 2016 between TMIC, TSMIC and TAMI (the “**Escrow Agreement**”), including (i) the acquisition by TMIC of the right, title and interest of TAMI in the management agreement dated effective September 13, 2013 between TMIC and TAMI in consideration for a payment of \$6,997,047.57, plus applicable taxes, such payment to be satisfied by the issuance of 782,830 common shares of TMIC to TAMI at an issue price of \$8.93814 per share and by payment by a cheque in respect of applicable taxes, and (ii) the entering into of a new management agreement (the “**New Management Agreement**”) between TAMI and Timbercreek Financial Inc. (“**Timbercreek Financial**”), the corporation resulting from the proposed amalgamation of TMIC and TSMIC pursuant to a plan of arrangement under the *Business Corporations Act* (Ontario), all as more particularly described and set forth in the joint management information circular of TMIC and TSMIC (the “**Circular**”) accompanying the notice of meeting, be and are hereby authorized and approved.
2. The Contribution and Termination Agreement, as it may be amended from time to time, and the actions of the directors and officers of TMIC in executing and delivering the Contribution and Termination Agreement and causing the performance by TMIC of its obligations thereunder, be and are hereby confirmed, ratified, authorized and approved.
3. The New Management Agreement, as it may be amended from time to time, and the actions of the directors and officers of TMIC (as predecessor of Timbercreek Financial) in executing and delivering the New Management Agreement on behalf of Timbercreek Financial in accordance with the terms of the Escrow Agreement and the New Management Agreement, be and are hereby confirmed, ratified, authorized and approved.
4. Notwithstanding that these resolutions have been duly passed by the shareholders of TMIC, the directors of TMIC be and are hereby authorized and empowered, without further notice to or approval of the shareholders of TMIC (i) to amend the Contribution and Termination Agreement, the Escrow Agreement or the New Management Agreement to the extent permitted by the Contribution and Termination Agreement, Escrow Agreement or the New Management Agreement, as applicable, and/or (ii) not to proceed with the Management Agreement Transactions and not to act on these resolutions at any time prior to the Effective Time.
5. Any director or officer of TMIC be and is hereby authorized and directed for and on behalf of TMIC to execute or cause to be executed, under the corporate seal of TMIC or otherwise, and to deliver or cause to be delivered, all such other documents, agreements and instruments and to perform or caused to be perform all such other acts and things as in such person’s opinion may be necessary or desirable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

**APPENDIX E**  
**CONTINUANCE RESOLUTION**

**BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:**

1. The continuance of Timbercreek Senior Mortgage Investment Corporation (“**TSMIC**”), a corporation existing under the laws of Canada, to the Province of Ontario (the “**Continuance**”), all as more particularly described and set forth in the joint management information circular of TSMIC and Timbercreek Mortgage Investment Corporation (the “**Circular**”) accompanying the notice of meeting, is hereby authorized, approved and adopted.
2. TSMIC is hereby authorized to apply pursuant to section 188 of the *Canada Business Corporations Act* (the “**CBCA**”) for authorization to be continued as if it had been incorporated under the *Business Corporations Act* (Ontario) (the “**OBCA**”).
3. The form of articles of continuance, the full text of which is attached as Exhibit A to this Appendix E, be and are hereby approved, and following receipt of authorization to continue pursuant to the CBCA, TSMIC is hereby authorized to apply for a certificate of continuance pursuant to section 180 of the OBCA and to file the articles of continuance with the Director appointed under the OBCA, together with any notices and other documents prescribed by the OBCA necessary to continue TSMIC as if it had been incorporated under the laws of Ontario.
4. Notwithstanding that these resolutions have been passed (and the Continuance adopted) by the shareholders of TSMIC, the directors of TSMIC are hereby authorized and empowered, without further notice to or approval of the shareholders of TMIC, to (i) amend the articles of continuance to the extent permitted by law, and/or (ii) not to proceed with the Continuance and not to act on these resolutions at any time prior to the effective time of the Continuance.
5. Any director or officer of TSMIC be and is hereby authorized and directed for and on behalf of TSMIC to execute or cause to be executed, under the corporate seal of TSMIC or otherwise, and to deliver or cause to be delivered, all such other documents, agreements and instruments and to perform or caused to be perform all such other acts and things as in such person’s opinion may be necessary or desirable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

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Form 6  
Business  
Corporations  
Act

Formule 6  
Loi sur les  
sociétés par  
actions

**ARTICLES OF CONTINUANCE  
STATUTS DE MAINTIEN**

1. The name of the corporation is: (Set out in BLOCK CAPITAL LETTERS)  
Dénomination sociale de la société : (Écrire en LETTRES MAJUSCULES SEULEMENT) :

T	I	M	B	E	R	C	R	E	E	K		S	E	N	I	O	R		M	O	R	T	G	A	G	E		I	N
V	E	S	T	M	E	N	T					C	O	R	P	O	R	A	T	I	O	N							

2. The corporation is to be continued under the name (if different from 1) :  
Nouvelle dénomination sociale de la société (si elle diffère de celle inscrite ci-dessus) :


3. Name of jurisdiction the corporation is leaving: / Nom du territoire (province ou territoire, État ou pays) que quitte la société :

Canada

Name of jurisdiction / Nom du territoire

4. Date of incorporation/amalgamation: / Date de la constitution ou de la fusion :

2011/12/01

Year, Month, Day / année, mois, jour

5. The address of the registered office is: / Adresse du siège social en :

25 Price Street

Street & Number or R.R. Number & if Multi-Office Building give Room No.  
Rue et numéro ou numéro de la R.R. et, s'il s'agit d'un édifice à bureaux, numéro du bureau

Toronto

Name of Municipality or Post Office / Nom de la municipalité ou du bureau de poste

ONTARIO

M 4 W 1 Z 1

Postal Code/Code postal

6. Number of directors is/are:  
Nombre d'administrateurs :

Fixed number  
Nombre fixe

OR minimum and maximum  
OU minimum et maximum

3

10

7. The director(s) is/are: / Administrateur(s)  
First name, middle names and sur-  
name  
Prénom, autres prénoms et nom de  
famille

Address for service, giving Street & No. or R.R. No.,  
Municipality, Province, Country and Postal Code  
Domicile élu, y compris la rue et le numéro ou le numéro de  
la R.R., le nom de la municipalité, la province, le pays et le  
code postal

Resident Canadian  
State 'Yes' or 'No'  
Résident canadien  
Oui/Non

R. Blair Tamblyn

40 Sherbourne Street N, Toronto, Ontario,  
Canada M4W 2T4

Yes

Robert Douglas

90 Snowdon Aveue, Toronto, Ontario,  
Canada M4N 2A9

Yes

Steven Scott

153 Forest Hill Road, Toronto, Ontario,  
Canada M5P 2N1

Yes

Edward W. Boomer

98 Rykert Crescent, Toronto, Ontario,  
Canada M4G 2S9

Yes

Ugo Bizzarri

73 Glengrove Avenue West, Toronto,  
Ontario, Canada M4R 1N8

Yes

Andrew Jones

Yes

8. Restrictions, if any, on business the corporation may carry on or on powers the corporation may exercise.  
Limites, s'il y a lieu, imposées aux activités commerciales ou aux pouvoirs de la société.

None.



9. The classes and any maximum number of shares that the corporation is authorized to issue:  
Catégories et nombre maximal, s'il y a lieu, d'actions que la société est autorisée à émettre :

The corporation is authorized to issue an unlimited number of Voting Shares, an unlimited number of Common Shares, an unlimited number of Class A Shares, an unlimited number of Class B Shares, an unlimited number of Class I Shares and an unlimited number of Class J Shares.

10. Rights, privileges, restrictions and conditions (if any) attaching to each class of shares and directors authority with respect to any class of shares which may be issued in series:  
Droits, privilèges, restrictions et conditions, s'il y a lieu, rattachés à chaque catégorie d'actions et pouvoirs des administrateurs relatifs à chaque catégorie d'actions qui peut être émise en série :

See Pages 4A to and including 4P.

## A. INTERPRETATION

- (a) Unless otherwise provided herein, in the event that any day on or by which any action is required to be taken hereunder is not a Business Day, then such action shall be required to be taken on the next succeeding day that is a Business Day.
- (b) Unless otherwise provided herein, the term "close of business" means 4:00 p.m. (Toronto time) or such other time as may be established by the Manager.
- (c) As used herein:
  - (i) "**Act**" means the *Business Corporations Act* (Ontario), as amended from time to time;
  - (ii) "**Business Day**" means any day on which the TSX is open for business;
  - (iii) "**Class A Exchange Ratio**" has the meaning set forth in Section E2;
  - (iv) "**Class B Exchange Ratio**" has the meaning set forth in Section E2;
  - (v) "**Class I Exchange Ratio**" has the meaning set forth in Section E2;
  - (vi) "**Class J Exchange Ratio**" has the meaning set forth in Section E2;
  - (vii) "**Class Net Redemption Value**" means, in respect of a class of Class Shares, the net redemption value for that class of Class Shares calculated as:
    - (A) the Class Net Redemption Value last calculated for that class of Class Shares (except for the first calculation, in respect of which this value will be the NAV applicable to that class of Class Shares); plus
    - (B) the increase in assets attributable to that class of Class Shares as a result of the issuance of additional Class Shares of that class since the last calculation; minus
    - (C) the decrease in the assets attributable to that class of Class Shares as a result of the redemption or exchange of Class Shares out of that class since the last calculation; plus or minus

- (D) the Proportionate Share of the Net Change in Corporation Assets attributable to that class of Class Shares since the last calculation; minus
  - (E) any Share Class Expenses attributable to that class since the last calculation; plus
  - (F) the costs associated with the establishment, structuring and periodic offering of securities of the Corporation attributable to that class of Class Shares, amortized monthly over a period of five years. These expenses (which include Class Share issue but not selling expenses) will be included in the calculation of Class Net Redemption Value until the Corporation reaches total assets sufficient to achieve its long term investment strategies;
- (viii) **"Class Shares"** means any or all of the Class A Shares, Class B Shares, Class I Shares and Class J Shares, as the context may require;
  - (ix) **"Distributions"** means any distributions paid in any form by the Corporation on any class of Shares, including without limitation (a) dividends, (b) payments made on a reduction of stated capital, or (c) any combination of any such distributions;
  - (x) **"Exchange Features"** means, collectively, the Class A Exchange Feature, Class B Exchange Feature, the Class I Exchange Feature and the Class J Exchange Feature as such terms are defined in Section E(1) below, and **"Exchange Feature"** means any of the Class A Exchange Feature, Class B Exchange Feature, the Class I Exchange Feature and the Class J Exchange Feature, as the context may require;
  - (xi) **"Exchange Ratio"** means, as applicable, the Class A Exchange Ratio, the Class B Exchange Ratio, the Class I Exchange Ratio or the Class J Exchange Ratio;
  - (xii) **"Investment Objectives"** means the investment objectives of the Corporation as defined and set forth in paragraph 7 (Other Provisions) of the articles of the Corporation;
  - (xiii) **"Investment Restrictions"** means the investment restrictions of the Corporation as defined and set forth in paragraph 7 (Other Provisions) of the articles of the Corporation;
  - (xiv) **"Lender Fees"** means all mortgage origination and placement fees generated in connection with mortgage loans funded by the Corporation;

- (xv) **“Management Agreement”** means the management agreement to be entered into between the Manager and the Corporation, as it may be supplemented, amended and/or restated from time to time in accordance with its terms;
- (xvi) **“Management Fee”** means the management fee payable to the Manager equal to 0.85% per annum of the gross assets of the Corporation (without deduction of any liabilities, but less any amounts reflected as assets that are held by third parties pursuant to a syndicated mortgage loan), calculated, aggregated and paid monthly in arrears, plus applicable taxes;
- (xvii) **“Manager”** means Timbercreek Asset Management Inc., its successors or assigns, or such other manager appointed by the Corporation from time to time;
- (xviii) **“NAV”** means the net asset value of the Corporation, being the value of the consolidated assets of the Corporation less (1) the consolidated liabilities of the Corporation and (2) the stated capital of the Voting Shares of the Corporation;
- (xix) **“Net Change in Corporation Assets”** means all mortgage interest, Lender Fees plus other income accrued by the Corporation as of the relevant date of calculation or Valuation Date less the Shared Expenses of the Corporation to be accrued by the Corporation as of such relevant date of calculation or Valuation Date;
- (xx) **“NRV”** means the net redemption value of the Corporation, which is equal to the sum of the Class Net Redemption Value for each class of Class Shares;
- (xxi) **“NRV per Class A Share”** means the quotient obtained by dividing the Class Net Redemption Value of the Class A Shares by the total number of Class A Shares (immediately before any applicable Share redemption or subscription) then outstanding at the close of business on the relevant date of calculation or the Valuation Date;
- (xxii) **“NRV per Class B Share”** means the quotient obtained by dividing the Class Net Redemption Value of the Class B Shares by the total number of Class B Shares (immediately before any applicable Share redemption or subscription) then outstanding at the close of business on the relevant date of calculation or the Valuation Date;
- (xxiii) **“NRV per Class I Share”** means the quotient obtained by dividing the Class Net Redemption Value of the Class I Shares by the total number of Class I Shares (immediately before any applicable

Share redemption or subscription) then outstanding at the close of business on the relevant date of calculation or the Valuation Date;

- (xxiv) **"NRV per Class J Share"** means the quotient obtained by dividing the Class Net Redemption Value of the Class J Shares by the total number of Class J Shares (immediately before any applicable Share redemption or subscription) then outstanding at the close of business on the relevant date of calculation or the Valuation Date;
- (xxv) **"NRV per Share"** means, as applicable, NRV per Class A Share, NRV per Class B Share, NRV per Class I Share or NRV per Class J Share;
- (xxvi) **"Portfolio"** means the portfolio of first mortgage loan investments of the Corporation;
- (xxvii) **"Proportionate Share"** means, for a class of Class Shares, the amount calculated by multiplying the Net Change in Corporation Assets by a fraction, the numerator of which is the Class Net Redemption Value for that class of Class Shares on the day immediately preceding relevant date of calculation or Valuation Date and the denominator of which is the NRV on the day immediately preceding relevant date of calculation or Valuation Date;
- (xxviii) **"Redemption Date"** means October 31, 2013 or such later date as may be specified by the Corporation by written notice to the holders of the Class A Shares, Class B Shares, Class I Shares and Class J Shares;
- (xxix) **"Redemption Notice Deadline"** means October 1, 2013 or such later date as may be specified by the Corporation by written notice to the holders of the Class A Shares, Class B Shares, Class I Shares and Class J Shares;
- (xxx) **"Redemption Payment Date"** means on or before November 30, 2013;
- (xxxi) **"Redemption Price"** means (i) for Class A Shares, the price per Class A Share equal to 100% of the NRV per Class A Share on the Redemption Date; (ii) for Class B Shares, the price per Class B Share equal to 100% of the NRV per Class B Share on the Redemption Date; (iii) for Class I Shares, the price per Class I Share equal to 100% of the NRV per Class I Share on the Redemption Date; (iv) for Class J Shares, the price per Class J Share equal to 100% of the NRV per Class J Share on the Redemption Date;



- (xxxii) **“Related Persons”** has the meaning ascribed to that term in the Tax Act as it relates to the description of the number of shares that may be held by shareholders of a “mortgage investment corporation”, as such term is defined in the Tax Act;
- (xxxiii) **“Share Class Expenses”** are the expenses of the Corporation allocable to a specific class of Class Shares. Specifically, for Class A Shares, these Share Class Expenses include any trailer fee paid to registered dealers, designees of the registered dealers or other persons that the Corporation may deem appropriate in respect of Class A Shares and, for Class J Shares, the trailer fee that the Manager may arrange for the Corporation to pay to registered dealers whose clients hold Class J Shares, designees of the registered dealers or other persons that the Corporation may deem appropriate;
- (xxxiv) **“Shared Expenses”** are expenses of the Corporation which are not Share Class Expenses, including but not limited to audit, taxation, legal, transfer agent, director, Independent Review Committee and other costs associated with operating the Corporation;
- (xxxv) **“Shares”** means any or all of the Common Shares, Class A Shares, Class B Shares, Class I Shares and Class J Shares, as the context may require;
- (xxxvi) **“Tax Act”** means the *Income Tax Act* (Canada);
- (xxxvii) **“TSX”** means the Toronto Stock Exchange or any successor thereto; and
- (xxxviii) **“Valuation Date”** means, for the purposes of calculating NAV and NRV, the last business day of each calendar month.

## B. VOTING SHARES

The rights, privileges, restrictions and conditions attaching to the Voting Shares are as follows:

### 1. Priority

In the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or on the occurrence of any other event as a result of which holders of Voting Shares are entitled to a distribution of assets of the Corporation for the purpose of winding-up its affairs, Voting Shares shall rank equally with each other, subsequent to the Common Shares, Class A Shares, Class B Shares, Class I Shares and Class J Shares, but in priority to any other shares of the Corporation ranking junior to the Voting Shares.

2. Voting Rights

The holders of the Voting Shares shall be entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Corporation (except where the holders of a specified class or classes of Shares, other than Voting Shares, are entitled to vote separately or collectively as a class in the Act) and each Voting Share shall confer the right to one vote in person or by proxy at all such meetings of shareholders of the Corporation.

3. Distributions

The holders of the Voting Shares shall not be entitled to any Distributions.

4. Retraction

(a) The Corporation may, at its option, retract all or, from time to time, any part of the outstanding Voting Shares on payment to the holders thereof, for each share to be retracted, of the sum that is one-twelfth( $1/12$ ) of the NRV per Class A Share. Before retracting any Voting Shares, the Corporation shall provide to each person who is a registered holder of Voting Shares to be retracted, notice of the intention of the Corporation to retract such shares. On or after the date so specified for retraction, the Corporation shall pay the retraction price to the registered holders of the Voting Shares to be retracted in such manner as may be determined by the Corporation. In case the outstanding Voting Shares are to be retracted only in part at any time, the shares to be retracted shall be selected by the directors of the Corporation in their sole discretion. From and after the date specified for retraction in such notice, the applicable Voting Shares shall be retracted and cancelled and the holders of the Voting Shares called for retraction shall not be entitled to any rights in respect thereof, except to receive the retraction price, subject to any applicable restrictions in the Act and the prior rights of the holders of any other shares of the Corporation.

(b) If the retraction of any of the Voting Shares to be retracted would be contrary to any provisions of the Act or any other applicable laws, would be contrary to the prior rights of the holders of any other shares of the Corporation or would directly or indirectly result in a breach of Section F, the Corporation shall be obligated to retract only the maximum number of Voting Shares that the Corporation determines it is then permitted to retract, such retractions to be made from the holder(s) of Voting Shares and at the time determined by the Corporation in its sole discretion.

5. Repurchase

(a) The Corporation may, at its option, repurchase all or, from time to time, any part of the outstanding Voting Shares held by one or more holders of Voting Shares on payment to the holders thereof, for each share to be repurchased, of the sum that is one-twelfth( $1/12$ ) of the NRV per Class A



Share. Before repurchasing any Voting Shares, the Corporation shall provide to each registered holder whose Voting Shares are to be repurchased (for clarification, the Corporation may select one holder to exercise this repurchase right without exercising the repurchase right in respect of another holder), notice of the intention of the Corporation to repurchase such Voting Shares. On or after the date so specified for repurchase, the Corporation shall pay the repurchase price to the registered holders of the Voting Shares to be repurchased in such manner as may be determined by the Corporation in its sole discretion. In case the outstanding Voting Shares are to be repurchased only in part at any time, the Voting Shares to be repurchased shall be selected by the directors of the Corporation in their sole discretion. From and after the date specified for repurchase in such notice, the applicable Voting Shares shall be repurchased and cancelled and the holders of the Voting Shares called for repurchase shall not be entitled to any rights in respect thereof, except to receive the repurchase price, subject to any applicable restrictions in the Act and the prior rights of the holders of any other shares of the Corporation.

- (b) If the repurchase of any of the Voting Shares to be repurchased would be contrary to any provisions of the Act or any other applicable laws, would be contrary to the prior rights of the holders of any other shares of the Corporation or would directly or indirectly result in a breach of Section F, the Corporation shall be obligated to repurchase only the maximum number of Voting Shares that the Corporation determines it is then permitted to repurchased, such repurchase to be made from the holder(s) of Voting Shares and at the time determined by the Corporation in its sole discretion.

## 6. Redemption

- (a) Subject to Section B6(b), a holder of Voting Shares shall be entitled to require the Corporation to redeem at any time and from time to time all or any number of the Voting Shares registered in the name of such holder on the books of the Corporation at a price per share that is one-twelfth(1/12) of the NRV per Class A Share. A holder of Voting Shares exercising his option to have the Corporation redeem, shall give notice to the Corporation in the form specified by the Corporation. The holder of any Voting Shares may, with the consent of the Corporation, revoke such notice prior to the date specified for retraction. Upon payment of the retraction price of the Voting Shares to be redeemed by the Corporation, the holders thereof shall cease to have any rights in respect thereof and the Voting Shares so redeemed shall be cancelled; and
- (b) If the redemption of any of the Voting Shares to be redeemed would be contrary to any provisions of the Act or any other applicable laws, would be contrary to the prior rights of the holders of any other shares of the Corporation or would directly or indirectly result in a breach of Section F, the Corporation shall be obligated to redeem only the maximum number

of Voting Shares that the Corporation determines it is then permitted to redeem, such redemptions to be made *pro rata* according to the number of Voting Shares requested by each such holder to be redeemed by the.

7. Liquidation, Dissolution or Winding-up

Subject to the prior rights of the holders of Common Shares, Class A Shares, Class B Shares, Class I Shares and Class J Shares, in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or on the occurrence of any other event as a result of which holders of Voting Shares are entitled to a distribution of assets of the Corporation for the purpose of winding-up its affairs, the holders of Voting Shares shall be entitled to receive only the amount received by the Corporation as the consideration for the issue of the Voting Shares.

C. COMMON SHARES

The rights, privileges, restrictions and conditions attaching to the Common Shares are as follows:

1. Priority

In the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or on the occurrence of any other event as a result of which holders of Shares are entitled to a distribution of assets of the Corporation for the purpose of winding-up its affairs, the Common Shares shall rank equally with each class of Class Shares and in priority to the Voting Shares and any other shares of the Corporation ranking junior to the Shares.

2. Voting Rights

- (a) The holders of the Common Shares shall be 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.
- (b) Any of the following matters shall 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, or (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 the Management Fee paid to the Manager or the rate per annum of the Management Fee; and
- (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;
- (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.

3. Distributions

- (a) Subject to Section C(3)(c) and Section C(3)(d) below, the holders of the Common Shares shall be entitled to receive and the Corporation shall pay thereon Distributions as and when declared from time to time by the board of directors of the Corporation on the Common Shares, out of the assets of the Corporation properly applicable to the payment of Distributions, in an amount determined by the directors of the Corporation in their absolute discretion. The board of directors of the Corporation may in their discretion declare Distributions on the Common Shares to the exclusion of the Class Shares.
- (b) Subject to Section C(3)(c) and Section C(3)(d) below, Distributions will be paid in cash, by cheque, money order or bank draft.
- (c) Notwithstanding the foregoing, the board of directors of the Corporation may, for fiscal planning or other tax efficiency reasons, in its discretion declare that an additional Distribution will be payable to holders of Common Shares of record on December 31. Each such additional Distribution may be satisfied by the issuance of additional Common Shares and/or cash and/or other property of the Corporation. Immediately following payment of any such additional Distribution in Common Shares, the number of Common Shares outstanding after the Distribution will be consolidated such that each shareholder will hold after the consolidation the same number of Common Shares as the shareholder held before the additional Distribution. In such case, each certificate representing one or more Common Shares prior to the Distribution of additional Common Shares shall be deemed to represent the same number of Common Shares after the Distribution of additional Common Shares and consolidation. Notwithstanding the foregoing, where tax is required to be withheld from a shareholder's participation in the additional Distribution, the consolidation will result in such shareholder holding that number of Common Shares equal to (i) the number of Common Shares held by such shareholder prior to the Distribution plus the number of Common Shares

received by such shareholder in connection with the additional Distribution (net of any taxes withheld) prior to the consolidation multiplied by (ii) the fraction obtained by dividing the aggregate number of Common Shares prior to the Distribution by the aggregate number of Common Shares that would be outstanding following the additional Distribution and before the consolidation if no withholding were made in respect of any part of the additional Distribution payable to any shareholder. Any such shareholder will be required to surrender the share certificate(s), if any, representing such shareholder's original Common Shares, in exchange for a certificate representing such shareholder's post-consolidation Common Shares.

- (d) Notwithstanding the foregoing, if the board of directors of the Corporation determine that it is in the best interests of the Corporation and the shareholders of the Corporation, the board of directors of the Corporation may declare Distributions payable in kind (including, but not limited to any assets of the Corporation) in an amount determined by the directors of the Corporation in their absolute discretion.

4. Liquidation, 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 Common Shares shall rank equally with each class of Class Shares and in priority to the Voting Shares, and 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 less any entitlement of any issued and outstanding Class Shares (as determined in accordance with Section E6) divided by the number of Common Shares issued and outstanding at the time. After payment to the holders of the Shares of the amounts so payable to them, they shall be entitled to share in any further distribution of the assets of the Corporation together with any other class or series of shares entitled to share therein

5. No Fractions

The Corporation may not issue fractions of Common Shares.

6. Termination of the Corporation

The Corporation may be terminated at any time with the approval of the shareholders of the Corporation in accordance with applicable laws.



D. CLASS A SHARES, CLASS B SHARES, CLASS I SHARES AND CLASS J SHARES

The rights, privileges, restrictions and conditions attaching to the Class A Shares, Class B Shares, Class I Shares and Class J Shares are as follows:

1. Priority

In the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or on the occurrence of any other event as a result of which holders of Class Shares are entitled to a distribution of assets of the Corporation for the purpose of winding-up its affairs, each class of Class Shares shall rank equally with each other class of Class Shares and the Common Shares and in priority to the Voting Shares and any other shares of the Corporation ranking junior to the Shares.

2. No Voting Rights

- (a) Subject to any applicable laws, the holders of the Class Shares, shall not be entitled to receive notice of, to attend or to vote at any meeting of the shareholders of the Corporation.
- (b) At any meetings of holders of Class Shares, or a class thereof, required pursuant to applicable laws, holders of Class Shares, shall have one vote for each Class Share held;
- (c) The holders of each class of Class Shares are not entitled to vote separately as a class on an amendment to the articles of the Corporation, except as required by applicable laws.

3. Distributions

- (a) Subject to Section D(3)(c) and Section D(3)(d) below, the holders of each class of Class Shares shall be entitled to receive and the Corporation shall pay thereon Distributions as and when declared from time to time by the board of directors of the Corporation on that class of Class Shares, out of the assets of the Corporation properly applicable to the payment of Distributions, in an amount determined by the directors of the Corporation in their absolute discretion. For each class of Class Shares, any Distributions declared will be payable out of that class of Class Shares *pro rata* portion of the funds available with respect to all classes of Class Shares. The board of directors of the Corporation may in their discretion declare Distributions on the Common Shares to the exclusion of the Class Shares.
- (b) Subject to Section D(3)(c) and Section D(3)(d) below, Distributions will be paid in cash, by cheque, money order or bank draft.
- (c) Notwithstanding the foregoing, the board of directors of the Corporation may, for fiscal planning or other tax efficiency reasons, in its discretion

declare that an additional Distribution will be payable to holders of Class Shares of record on December 31. Each such additional Distribution may be satisfied by the issuance of additional Class Shares and/or cash and/or other property of the Corporation. Immediately following payment of any such additional Distribution in Class Shares, the number of Class Shares of each applicable class outstanding after the Distribution will be consolidated such that each shareholder will hold after the consolidation the same number and class of Class Shares as the shareholder held before the additional Distribution. In such case, each certificate representing one or more Class Shares prior to the Distribution of additional Class Shares shall be deemed to represent the same number and class of Class Shares after the Distribution of additional Class Shares and consolidation. Notwithstanding the foregoing, where tax is required to be withheld from a shareholder's participation in the additional Distribution, the consolidation will result in such shareholder holding that number of Class Shares equal to (i) the number and class of Class Shares held by such shareholder prior to the Distribution plus the number and class of Class Shares received by such shareholder in connection with the additional Distribution (net of any taxes withheld) prior to the consolidation multiplied by (ii) the fraction obtained by dividing the aggregate number of Class Shares of the applicable class outstanding prior to the Distribution by the aggregate number of Class Shares of the applicable class that would be outstanding following the additional Distribution and before the consolidation if no withholding were made in respect of any part of the additional Distribution payable to any shareholder. Any such shareholder will be required to surrender the Class Share certificate(s), if any, representing such shareholder's original Class Shares, in exchange for a certificate representing such shareholder's post-consolidation Class Shares.

- (d) Notwithstanding the foregoing, if the board of directors of the Corporation determine that it is in the best interests of the Corporation and the shareholders of the Corporation, the board of directors of the Corporation may declare Distributions payable in kind (including, but not limited to any assets of the Corporation) in an amount determined by the directors of the Corporation in their absolute discretion.

#### 4. Redemption

- (a) Subject to Section D(5), the holders of Class A Shares, the holders of Class B Shares, the holders of Class I Shares, and the holders of the Class J Shares shall be entitled, subject to and upon compliance with the provisions hereof, to surrender all or any part of the Class A Shares, Class B Shares, Class I Shares or Class J Shares registered in the name of such holder for redemption on or before the Redemption Date, with payment to be made on or before the Redemption Payment Date at a price per Class Share equal to the Redemption Price. Any Distributions declared and unpaid to holders of Class A Shares, Class B Shares, Class I Shares or Class J Shares (as applicable) of record on or before the

Redemption Date in respect of such Class Shares tendered for redemption on such Redemption Date will also be paid to such redeeming holders on the Redemption Payment Date.

- (b) Each holder of Class A Shares, Class B Shares, Class I Shares or Class J Shares (as applicable) who elects to present and surrender to the Corporation for redemption on the Redemption Date all or any Class A Shares, Class B Shares, Class I Shares or Class J Shares (as applicable) registered in the name of that holder must, by no later than the Redemption Notice Deadline, deliver a notice of redemption in the form specified by the Corporation, at such place or places in Canada as shall be specified by the Corporation. Payment for such Class A Shares, Class B Shares, Class I Shares or Class J Share so deposited shall be calculated as of the Redemption Date and shall be made on or before the Redemption Payment Date.
- (c) Subject to Section D(5), the Corporation shall redeem on the Redemption Date all of the Class A Shares, Class B Shares, Class I Shares and Class J Shares properly surrendered pursuant to the redemption privilege in this Section D(4) at a price per Share equal to the applicable Redemption Price. On or before the Redemption Payment Date, the Corporation shall pay or cause to be paid the Redemption Price in cash, by cheque, money order or bank draft. From and after the Redemption Date, the Class A Shares, Class B Shares, Class I Shares and Class J Shares tendered for redemption shall cease to be entitled to any participation in the assets of the Corporation and the holders thereof shall not be entitled to exercise any of their other rights as shareholders in respect thereof other than the right to receive payment of the Redemption Price for each Class A Share, Class B Share, Class I Share and Class J Share so redeemed. Class A Shares, Class B Shares, Class I Shares and Class J Shares which have been surrendered to the Corporation for redemption and which have been redeemed on the Redemption Date shall be deemed to be outstanding until, but not after, the close of business on the Redemption Date.

5. Other Redemption Provisions

- (a) The Corporation will not accept for redemption on the Redemption Date more than:
  - i. 15% of the number of issued and outstanding Class A Shares immediately preceding the Redemption Date;
  - ii. 15% of the number of issued and outstanding Class B Shares immediately preceding the Redemption Date;
  - iii. 15% of the number of issued and outstanding Class I Shares immediately preceding the Redemption Date; or

- iv. 15% of the number of issued and outstanding Class J Shares immediately preceding the Redemption Date;

In the event that the number of Class A Shares, Class B Shares, Class I Shares and Class J Shares tendered for redemption pursuant to Section D(5) exceeds the limit set forth above, the Corporation will redeem such Class A Shares, Class B Shares, Class I Shares and Class J Shares tendered for redemption and not withdrawn on a pro rata basis (rounded down to the nearest whole number of Class A Shares, Class B Shares, Class I Shares and Class J Shares (as applicable)). The Corporation will notify in writing each holder of Class A Shares, Class B Shares, Class I Shares and Class J Shares (as applicable) of the number of Class Shares held by such holder of Class Shares that are entitled to be redeemed by the Corporation on such pro rata basis. The calculation and determination by the Corporation of such number as set out in such notice shall be final.

- (b) Notwithstanding the limitations on redemption set forth in Section D(5)(a), the board of directors of the Corporation may, in their sole discretion, waive the limitation in respect of the Shares tendered for redemption on the Redemption Date.

#### 6. Liquidation, 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 Class Shares shall rank equally with each other and the Common Shares and in priority to the Voting Shares, and the holders of (i) the Class A Shares shall be entitled to receive from the assets of the Corporation for each Class A Share an amount, in cash or property, equal to the pro rata portion of the NAV attributable to the Class A Shares, (ii) the Class B Shares shall be entitled to receive from the assets of the Corporation for each Class B Share an amount, in cash or property, equal to the pro rata portion of the NAV attributable to the Class B Shares, (iii) the Class I Shares shall be entitled to receive from the assets of the Corporation for each Class I Share an amount, in cash or property, equal to the pro rata portion of the NAV attributable to the Class I Shares, and (iv) the Class J Shares shall be entitled to receive from the assets of the Corporation for each Class J Share an amount, in cash or property, equal to the pro rata portion of the NAV attributable to the Class J Shares. After payment to the holders of the Shares of the amounts so payable to them, they shall be entitled to share in any further distribution of the assets of the Corporation together with any other class or series of shares entitled to share therein.



7. No Fractions

The Corporation may not issue fractions of Class A Shares, Class B Shares, Class I Shares or Class J Shares.

8. Termination of the Corporation

The Corporation may be terminated at any time with the approval of the shareholders in accordance with applicable laws.

E. ADDITIONAL PROVISIONS ATTACHING TO THE CLASS A SHARES, CLASS B SHARES, CLASS I SHARES AND CLASS J SHARES

1. Automatic Conversion Feature

(a) On November 30, 2013, or such other date that may be specified by the Corporation by way of a written notice to the holders of the Shares (the "**Exchange Date**"), (A) all Class A Shares shall, without further action by the holders of the Class A Shares, be automatically be converted into Common Shares (the "**Class A Exchange Feature**"), (B) all Class B Shares shall, without further action by the holders of the Class B Shares, be automatically be converted into Common Shares (the "**Class B Exchange Feature**"), (B) all Class I Shares shall, without further action by the holders of the Class I Shares, be automatically be converted into Common Shares (the "Class I Exchange Feature"), and (C) all Class J Shares shall, without further action by the holders of the Class J Shares, be automatically be exchanged for Common Shares (the "Class J Exchange Feature") as follows.

(b) Procedure — On the Exchange Date, each holder of Class A Shares, each holder of Class B Shares, each holder of Class I Shares and each holder of Class J Shares shall be deemed to have irrevocably surrendered the applicable Class Shares for automatic conversion. Pursuant to the Class A Exchange Feature, a holder of Class A Shares will receive that number of Common Shares as is equal to the number of Class A Shares held by such holder immediately before such conversion. Pursuant to the Class B Exchange Feature, a holder of Class B Shares will receive that number of Common Shares as is equal to the number of Class B Shares held by such holder multiplied by the applicable Class B Exchange Ratio (rounded down in accordance with Section E(3)). Pursuant to the Class I Exchange Feature, a holder of Class I Shares will receive that number of Common Shares as is equal to the number of Class I Shares held by such holder multiplied by the applicable Class I Exchange Ratio (rounded down in accordance with Section E(3)). Pursuant to the Class J Exchange Feature, a holder of Class J Shares will receive that number of Class A Shares as is equal to the number of Class J Shares held by such holder multiplied by the applicable Class J Exchange Ratio (rounded down in accordance with Section E(3)).

- (c) Holders of Class A Shares, Class B Shares, Class I Shares and Class J Shares (as applicable) who surrender such Class Shares pursuant to the respective Exchange Features will continue to be holders of record of such Class Shares up to but not including the Exchange Date and will be entitled to receive Distributions in respect of such securities up to that date.

## 2. Determination of Exchange Ratio

The exchange ratio for the Class A Shares (the “**Class A Exchange Ratio**”) shall be 1. The exchange ratio for the Class B Shares (the “**Class B Exchange Ratio**”) is determined by dividing the NRV per Class B Share on the last Business Day of the calendar month immediately preceding the Exchange Date (the “**Exchange Ratio Determination Date**”) by the NRV per Class A Share on such Exchange Ratio Determination Date. The exchange ratio for the Class I Shares (the “**Class I Exchange Ratio**”) is determined by dividing the NRV per Class I Share on the Exchange Ratio Determination Date by the NRV per Class A Share on such Exchange Ratio Determination Date. The exchange ratio for the Class J Shares (the “**Class J Exchange Ratio**”) is determined by dividing the NRV per Class J Share on the Exchange Ratio Determination Date by the NRV per Class A Share on such Exchange Ratio Determination Date. Each Exchange Ratio will be calculated to such number of decimal places as the Corporation may from time to time determine.

## 3. Fractions

The Corporation will not issue fractional Common Shares pursuant to the Class A Exchange Feature, Class B Exchange Feature, the Class I Exchange Feature or the Class J Exchange Feature, nor will it pay to the relevant shareholders any amount of cash in lieu thereof. Accordingly, Common Shares issued pursuant to the Class A Exchange Feature, Class B Exchange Feature, the Class I Exchange Feature and the Class J Exchange Feature will be rounded down to the nearest whole number of Common Shares.

## 4. Share Certificates

On and from the Exchange Date, any share certificates representing the Class A Shares, Class B Shares, Class I Shares or Class J Shares shall automatically represent such number of Common Shares that have been exchanged in accordance with the Class A Exchange Ratio, Class B Exchange Ratio, the Class I Exchange Ratio or the Class J Exchange Ratio (as applicable), and shall give the holder of such share certificates the right to exchange such share certificates for a share certificate representing such number of Common Shares that have been exchanged pursuant to this Section E. Other than the foregoing, any share certificate representing the Class A Shares, Class B Shares, Class I Shares or Class J Shares shall not give the holder of such share certificate any rights or interest in the Corporation.

11. The issue, transfer or ownership of shares is/is not restricted and the restrictions (if any) are as follows:  
L'émission, le transfert ou la propriété d'actions est/n'est pas restreint. Les restrictions, s'il y a lieu, sont les suivantes :

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

In the event that (i) the exercise by any holder of Class Shares of any redemption right associated with any class of Class Shares, or (ii) any repurchase of Shares by the Corporation, (iii) the exercise by any holder of any Exchange Feature associated with Class A Shares, Class B Shares, Class I Shares or Class J Shares, or (iv) as determined by the board of directors of the Corporation in its sole discretion, any other transaction affecting any Shares (each a "Triggering Transaction"), if completed, would cause any holder(s) of Shares (each an "Automatic Repurchase Shareholder"), together with Related Persons, to hold more than 25% of any class of the issued Shares, that portion of the Shares held by each Automatic Repurchase Shareholder which constitutes in excess of 24.9% of the issued shares of any class of Shares (the "Repurchased Shares") will, simultaneously with the completion of a Triggering Transaction, automatically be repurchased by the Corporation (an "Automatic Repurchase") without any further action by the Corporation or the Automatic Repurchase Shareholder. The purchase price for each such Repurchased Share 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 on 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.

12. Other provisions, (if any):  
Autres dispositions s'il y a lieu :

See Pages 6A to 6B

IN WHICH THE CORPORATION WILL CARRY ON ITS BUSINESS AND EXERCISE ITS POWERS

The Corporation will carry on its business and exercise its powers in accordance with its investment objectives (the "**Investment Objectives**") and investment restrictions (the "**Investment Restrictions**") set forth below.

1. Investment Objectives

The Investment Objectives of the Corporation are, with a primary focus on capital preservation, to acquire and maintain a diversified portfolio of first mortgage loan investments that generates attractive, stable returns in order to permit the Corporation to pay monthly Distributions to its shareholders.

2. Investment Restrictions

- (a) 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;
- (b) 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;
- (c) The Corporation will not invest in securities other than: (i) first mortgages secured by real property, or (ii) on a temporary basis only, interim investments consisting of cash and cash equivalents (as defined in National Instrument 81-102 - *Mutual Funds*). For greater certainty, the Corporation is not precluded from owning securities of its subsidiaries or affiliates that otherwise comply with the Investment Objectives and these Investment Restrictions;
- (d) The Corporation will not borrow money in excess of 40% of the aggregate value of the assets of the Corporation at any time;
- (e) The Corporation will not guarantee securities or obligations of any person or company;
- (f) The Corporation will not engage in securities lending;
- (g) The Corporation will not engage in derivative transactions for any purpose, other than derivative transactions to hedge interest rate risk and not for speculative purposes;

- (h) At the time of funding, the Corporation will not invest more than 10% of the aggregate of (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 (together, the "Aggregate Funded and Committed Assets") in any one real property;
- (i) At the time of funding, the maximum Loan-to-Value of any one mortgage loan comprising the Aggregate Funded and Committed Assets shall not exceed 70% , where "Loan-to-Value" means the ratio, expressed as a percentage, determined by  $A/B \times 100$  where:
 

A = the principal amount of the Corporation's interest in the mortgage, together with all other equal and prior ranking mortgages on the subject property, and

B = the appraised market value of the subject property securing such mortgage at the time of funding such mortgage or its most recent renewal, whichever occurs later;
- (j) At the time of funding, the total value of the liabilities associated with the Aggregate Funded and Committed Assets will not exceed 70% of the total market value of the Aggregate Funded and Committed Assets;
- (k) At the time of funding, not more than 30% of the Aggregate Funded and Committed Assets can be allocated to an investment with any one borrower;
- (l) At the time of funding, not more than 25% of the Aggregate Funded and Committed Assets will be invested in mortgage investments secured by non-income producing properties; and
- (m) The term to maturity on each mortgage investment comprising the Aggregate Funded and Committed Assets shall not exceed 60 months.

### 3. Exceptions

The Manager may make exceptions to the investment restrictions contained in Section 2(h), 2(i), 2(j), 2(k), 2(l) and 2(m) provided that:

- (a) each individual exception, excluding the effect of any subsequent exception, is to be remedied by the Manager within 120 days from the date of funding of the subject mortgage; and
- (b) in the aggregate, at any given time, permitted exceptions to such investment restrictions do not represent more than 15% of the gross assets of the Corporation.



13. The corporation has complied with subsection 180(3) of the *Business Corporations Act*.  
La société s'est conformée au paragraphe 180(3) de la *Loi sur les sociétés par actions*.

14. The continuation of the corporation under the laws of the Province of Ontario has been properly authorized under the laws of the jurisdiction in which the corporation was incorporated/amalgamated or previously continued on  
Le maintien de la société en vertu des lois de la province de l'Ontario a été dûment autorisé en vertu des lois de l'autorité législative sous le régime de laquelle la société a été constituée ou fusionnée ou antérieurement maintenue le

Year, Month, Day  
année, mois, jour

15. The corporation is to be continued under the *Business Corporations Act* to the same extent as if it had been incorporated thereunder.  
Le maintien de la société en vertu de la *Loi sur les sociétés par actions* a le même effet que si la société avait été constituée en vertu de cette loi.

Ontario

These articles are signed in duplicate.  
Les présents statuts sont signés en double exemplaire.

Timbercreek Senior Mortgage Investment Corporation

Name of Corporation / Dénomination sociale de la société

By / Par

Signature / Signature

Peter Hawkings

Print name of signatory / Nom du signataire en lettres moulées

Vice President and Corporate Secretary

Description of Office / Fonction

These articles **must** be signed by a director or officer of the corporation (e.g. president, secretary)  
Ces statuts doivent être signés par un administrateur ou un dirigeant de la société (p. ex. : président, secrétaire).

**APPENDIX F**  
**TSMIC ARRANGEMENT RESOLUTION**

**BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:**

1. The arrangement (the “**Arrangement**”) under section 182 of the *Business Corporations Act* (Ontario) (the “**OBCA**”) involving Timbercreek Senior Mortgage Investment Corporation (“**TSMIC**”) and Timbercreek Mortgage Investment Corporation (“**TMIC**”), all as more particularly described and set forth in the joint management information circular of TSMIC and TMIC (the “**Circular**”) accompanying the notice of meeting (including as more particularly described and set forth in the Circular under the heading “Matters to be Considered at the TSMIC Meeting – Special Business”), as the Arrangement may be modified or amended in accordance with its terms, is hereby authorized, approved and adopted.
2. The plan of arrangement (the “**Plan of Arrangement**”) involving TSMIC and TMIC, the full text of which is set out as Schedule “A” to the arrangement agreement dated May 5, 2016 between TSMIC, TMIC and Timbercreek Asset Management Inc. (the “**Arrangement Agreement**”), as the Plan of Arrangement may be modified or amended in accordance with its terms, is hereby authorized, approved and adopted.
3. The Arrangement Agreement, as it may be amended from time to time, the actions of the directors of TSMIC in approving the Arrangement Agreement and the actions of the directors and officers of TSMIC in executing and delivering the Arrangement Agreement and causing the performance by TSMIC of its obligations thereunder, be and are hereby confirmed, ratified, authorized and approved.
4. Notwithstanding that these resolutions have been duly passed (and the Plan of Arrangement adopted) by the shareholders of TSMIC or that the Arrangement has been approved by the Ontario Superior Court of Justice (Commercial List), the directors of TSMIC be and are hereby authorized and empowered, without further notice to or approval of the shareholders of TSMIC (i) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement or the Plan of Arrangement, and/or (ii) not to proceed with the Arrangement and not to act on these resolutions at any time prior to the Effective Time (as defined in the Arrangement Agreement).
5. Any director or officer of TSMIC be and is hereby authorized and directed for and on behalf of TSMIC to execute, under the corporate seal of TSMIC or otherwise, and to deliver to the Director under the OBCA for filing articles of arrangement and such other documents as are necessary or desirable to give effect to the Arrangement and the Plan of Arrangement in accordance with the Arrangement Agreement.
6. Any director or officer of TSMIC be and is hereby authorized and directed for and on behalf of TSMIC to execute or cause to be executed, under the corporate seal of TSMIC or otherwise, and to deliver or cause to be delivered, all such other documents, agreements and instruments and to perform or caused to be perform all such other acts and things as in such person’s opinion may be necessary or desirable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.



**APPENDIX G**  
**TSMIC MANAGEMENT AGREEMENT RESOLUTION**

**BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:**

1. The transactions (the “**Management Agreement Transactions**”) contemplated by the Contribution and Termination Agreement dated May 5, 2016 between Timbercreek Senior Mortgage Investment Corporation (“**TSMIC**”), Timbercreek Mortgage Investment Corporation (“**TMIC**”) and Timbercreek Asset Management Inc. (“**TAMI**”) (the “**Contribution and Termination Agreement**”) to be released from escrow on the day immediately preceding the Effective Date of the Arrangement combining TSMIC and TMIC pursuant to the Escrow Agreement (as defined below) and the Escrow Agreement dated May 5, 2016 between TMIC, TSMIC and TAMI (the “**Escrow Agreement**”), including (i) the cancellation of the management agreement dated effective September 13, 2013 between TSMIC and TAMI and (ii) the entering into of a new management agreement (the “**New Management Agreement**”) between TAMI and Timbercreek Financial Inc. (“**Timbercreek Financial**”), the corporation resulting from the proposed amalgamation of TSMIC and TMIC pursuant to a plan of arrangement under the *Business Corporations Act* (Ontario), all as more particularly described and set forth in the joint management information circular of TSMIC and TMIC (the “**Circular**”) accompanying the notice of meeting, be and are hereby authorized and approved.
2. The Contribution and Termination Agreement, as it may be amended from time to time, and the actions of the directors and officers of TSMIC in executing and delivering the Contribution and Termination Agreement and causing the performance by TSMIC of its obligations thereunder, be and are hereby confirmed, ratified, authorized and approved.
3. The New Management Agreement, as it may be amended from time to time, and the actions of the directors and officers of TSMIC (as predecessor of Timbercreek Financial) in executing and delivering the New Management Agreement on behalf of Timbercreek Financial in accordance with the terms of the Escrow Agreement and the New Management Agreement, be and are hereby confirmed, ratified, authorized and approved.
4. Notwithstanding that these resolutions have been duly passed by the shareholders of TSMIC, the directors of TSMIC be and are hereby authorized and empowered, without further notice to or approval of the shareholders of TSMIC (i) to amend the Contribution and Termination Agreement, the Escrow Agreement or the New Management Agreement to the extent permitted by the Contribution and Termination Agreement, the Escrow Agreement or the New Management Agreement, as applicable, and/or (ii) subject to the terms of the Contribution and Termination Agreement and the Escrow Agreement, not to proceed with the Management Agreement Transactions and not to act on these resolutions at the Effective Time.
5. Any director or officer of TSMIC be and is hereby authorized and directed for and on behalf of TSMIC to execute or cause to be executed, under the corporate seal of TSMIC or otherwise, and to deliver or cause to be delivered, all such other documents, agreements and instruments and to perform or caused to be perform all such other acts and things as in such person’s opinion may be necessary or desirable to give full effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

**APPENDIX H**

**PLAN OF ARRANGEMENT**

**UNDER SECTION 182**  
**OF THE**  
***BUSINESS CORPORATIONS ACT (ONTARIO)***

**ARTICLE 1**  
**INTERPRETATION**

**1.1 Definitions**

In this Plan of Agreement, the following terms shall have the following meanings, and grammatical variations shall have the respective corresponding meanings:

“**Amalco**” means the corporation continuing as the successor to TMIC and TSMIC under the OBCA following the effectiveness of the Arrangement contemplated hereby;

“**Amalco Shares**” means common shares in the capital of Amalco;

“**Arrangement**”, “**herein**”, “**hereof**”, “**hereunder**” and similar expressions mean and refer to the arrangement pursuant to section 182 of the OBCA set forth in this Plan of Arrangement as supplemented, modified or amended, and not to any particular article, section or portion hereof;

“**Arrangement Agreement**” means the arrangement agreement dated May 5, 2016 between TMIC and TSMIC including all schedules annexed thereto, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof;

“**Articles of Arrangement**” means the articles of arrangement in respect of the Arrangement, required by the OBCA to be sent to the Director after the Final Order has been granted giving effect to the Arrangement, which shall be in a form and content satisfactory to TMIC and TSMIC, each acting reasonably;

“**Business Day**” means any day, other than a Saturday, Sunday, any statutory holiday in Toronto Ontario, Canada;

“**CBCA**” means the *Canada Business Corporations Act*, as amended;

“**Certificate**” means the certificate of arrangement giving effect to the Arrangement, issued pursuant to subsection 183(2) of the OBCA after the Articles of Arrangement have been filed;

“**Continuance**” means the continuance of TSMIC from the CBCA to the OBCA on the terms and subject to the conditions set out in the Arrangement Agreement;

**“Continuance Dissent Rights”** means the rights of dissent of TSMIC Shareholders in respect of the Continuance that have been exercised in strict compliance with the relevant provisions under the CBCA;

**“Continuance Dissenting Shareholder”** means a registered holder of TSMIC Shares who has validly exercised Continuance Dissent Rights and has not withdrawn or been deemed to have withdrawn such exercise of Continuance Dissent Rights as of the effective time of the Continuance, but only in respect of the TSMIC Shares in respect of which Continuance Dissent Rights are validly exercised by such holder;

**“Contribution and Termination Agreement”** means the contribution and termination agreement dated May 5, 2016 between TMIC, TSMIC and the Manager providing for, *inter alia*, the transfer of the TMIC Management Agreement and the termination of the TSMIC Management Agreement;

**“Court”** means the Ontario Superior Court of Justice (Commercial List);

**“Depositary”** means the trust company appointed by TMIC and TSMIC for the purpose of receiving the deposit of certificates formerly representing TMIC Shares and TSMIC Shares;

**“Director”** means the Director appointed pursuant to section 278 of the OBCA;

**“Dissenting TMIC Shareholder”** means a registered holder of TMIC Shares who dissents in respect of the Arrangement in strict compliance with Section 4.1;

**“Dissenting TSMIC Shareholder”** means a registered holder of TSMIC Shares who dissents in respect of the Arrangement in strict compliance with Section 4.2;

**“Effective Date”** means June 30, 2016, or the date shown on the Certificate issued by the Director giving effect to the Arrangement, if later;

**“Effective Time”** means 12:01 a.m. (Toronto time) on the Effective Date, or such other time as TMIC and TSMIC agree in writing before the Effective Date;

**“Escrow Agreement”** means the escrow agreement dated May 5, 2016 between TMIC, TSMIC and the Manager with respect to the transactions contemplated therein;

**“Final Order”** means the order of the Court approving this Plan of Arrangement pursuant to section 182(5) of the OBCA, in a form acceptable to TMIC and TSMIC, each acting reasonably, as such order may be amended by the Court (with the consent of both TMIC and TSMIC, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or amended (provided that any such amendment is acceptable to both TMIC and TSMIC, each acting reasonably);

**“Law”** or **“Laws”** means any international, national, provincial, state, municipal and local laws, treaties, statutes, ordinances, judgments, decrees, injunctions, writs, certificates and orders, notices, by-laws, rules, regulations, ordinances, policies, directives or other requirements of any Governmental Entity, and the term “applicable”

with respect to such Laws in a context that refers to one or more persons, means such Laws as are applicable to such person or its business, undertaking, property or securities and emanate from a person having jurisdiction over the person or persons or its or their business, undertaking, property or securities;

**“Letter of Transmittal”** means the letter or letters of transmittal for use by TMIC Shareholders and TSMIC Shareholders, to be delivered to the Depositary in connection with the Arrangement;

**“Manager”** means Timbercreek Asset Management Inc., a corporation incorporated under the laws of the Province of Ontario;

**“New Management Agreement”** means the management agreement between Amalco and the Manager to be effective immediately following the Arrangement;

**“OBCA”** means the *Business Corporations Act* (Ontario), as amended;

**“person”** includes an individual, general partnership, limited partnership, corporation, company, limited liability company, body corporate, joint venture, unincorporated organization, other form of business organization, trust, trustee, executor, administrator or other legal representative, government (including any Governmental Entity) or other entity, whether or not having legal status;

**“Tax Act”** means the *Income Tax Act* (Canada) and the regulations thereunder;

**“TMIC”** means Timbercreek Mortgage Investment Corporation, a corporation incorporated under the laws of the Province of Ontario;

**“TMIC Debentures”** means the \$34.5 million aggregate principal amount of 6.35% unsecured subordinated convertible debentures of TMIC due on September 30, 2019;

**“TMIC Debentures Indenture”** means the Trust Indenture made between TMIC and Computershare Trust Company of Canada dated February 25, 2014, as supplemented from time to time;

**“TMIC DRIP”** means the shareholder distribution reinvestment plan of TMIC, as may be amended, supplemented or amended and restated from time to time and includes any document, instrument or agreement in substitution or replacement thereof;

**“TMIC DSU Plan”** means the deferred share unit plan of TMIC, as may be amended, supplemented or amended and restated from time to time and includes any document, instrument or agreement in substitution or replacement thereof;

**“TMIC DSUs”** means the deferred share units issued under and subject to the TMIC DSU Plan;

**“TMIC Management Agreement”** means the management agreement dated September 13, 2013 between TMIC and the Manager;

**“TMIC Shares”** means the common shares in the capital of TMIC;

**“TMIC Shareholders”** means beneficial holders of TMIC Shares from time to time;

**“TSMIC”** means Timbercreek Senior Mortgage Investment Corporation, a corporation incorporated under the laws of Canada;

**“TSMIC DRIP”** means the shareholder distribution reinvestment plan of TSMIC, as may be amended, supplemented or amended and restated from time to time and includes any document, instrument or agreement in substitution or replacement thereof;

**“TSMIC DSU Plan”** means the deferred share unit plan of TSMIC, as may be amended, supplemented or amended and restated from time to time and includes any document, instrument or agreement in substitution or replacement thereof;

**“TSMIC DSUs”** means the deferred share units issued under and subject to the TSMIC DSU Plan;

**“TSMIC Management Agreement”** means the management agreement dated September 13, 2013 between TSMIC and the Manager;

**“TSMIC Shares”** means common shares in the capital of TSMIC;

**“TSMIC Shareholders”** means holders of TSMIC Shares from time to time;

## **1.2 Construction and Interpretation**

- (a) Unless otherwise stated, all references in this Plan of Arrangement to sums of money are expressed in Canadian currency and “\$” refers to Canadian dollars.
- (b) The division of this Plan of Arrangement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement.
- (c) Unless reference is specifically made to some other document or instrument, all references herein to “Articles” and “Sections” are to articles and sections of this Plan of Arrangement.
- (d) Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, corporations, funds, unincorporated organizations, governments, regulatory authorities, and other entities. Wherever the term “including” or “including” is used, it shall be deemed to mean “includes, without limitation” or “including, without limitation”, respectively.
- (e) In the event that the date on which any action is required to be taken hereunder by any of the parties is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.
- (f) References to time herein or in any Letter of Transmittal are to local time in Toronto, Ontario, Canada.

- (g) References to any legislation or to any provision of any legislation shall include any legislative provision substituted therefor and all regulations, rules and interpretations issued thereunder or pursuant thereto, in each case as the same may have been or may hereafter be amended or re-enacted from time to time.
- (h) To the extent any of the provisions of this Plan of Arrangement is deemed to be inconsistent with applicable Laws, this Plan of Arrangement shall be automatically adjusted to remove such inconsistency.

## **ARTICLE 2 THE ARRANGEMENT**

### **2.1 Arrangement Agreement**

This Plan of Arrangement is made pursuant to and subject to the provisions of the Arrangement Agreement.

### **2.2 Preliminary Step**

Prior to the implementation of the Plan of Arrangement, the following preliminary steps have occurred:

- (a) the Continuance has been completed;
- (b) all outstanding TMIC DSUs have been settled and paid out by TMIC in accordance with the terms of the TMIC DSU Plan, and the TMIC DSU Plan has been terminated in accordance with its terms;
- (c) all outstanding TSMIC DSUs have been settled and paid out by TSMIC in accordance with the terms of the TSMIC DSU Plan and the TSMIC DSU Plan has been terminated in accordance with its terms;
- (d) the Contribution and Termination Agreement has become effective and the TMIC Management Agreement and the TSMIC Management Agreement have each been terminated and the transactions contemplated under the Contribution and Termination Agreement have been completed in accordance with the terms and conditions therein and the Escrow Agreement; and
- (e) the TMIC DRIP and the TSMIC DRIP have each been terminated in accordance with their respective terms.

### **2.3 Binding Effect**

- (a) This Plan of Arrangement, upon the filing of the Articles of Arrangement and the issuance of the Certificate, will become effective on, and be binding on and after, the Effective Time, on: (i) all holders of TMIC Shares and TMIC Debentures; and (ii) all holders of TSMIC Shares; (iii) TMIC; (iv) TSMIC; and (v) the Manager.
- (b) The Articles of Arrangement and Certificate shall be filed and issued, respectively, with respect to the Arrangement in its entirety. The Certificate shall

be conclusive evidence that the Arrangement has become effective and that each of the provisions of Section 2.4 has become effective in the sequence set out therein.

## 2.4 The Arrangement

The events set out below shall occur at the Effective Time and shall be deemed to occur without any further act or formality except as otherwise expressly provided herein:

- (a) TMIC and TSMIC shall be amalgamated and continued as one corporation under the OBCA in accordance with the following:
  - (i) Name. The name of Amalco shall be “Timbercreek Financial Corp.”;
  - (ii) Registered Office. The registered office of Amalco shall be located at 25 Price Street, Toronto, Ontario, M4W 1Z1;
  - (iii) Share Provisions. Amalco is authorized to issue an unlimited number of Amalco Shares. The rights, privileges, restrictions and conditions attaching to the Amalco Shares shall be as set forth in Appendix A hereto.
  - (iv) Other Provisions. The other provisions forming part of the Articles of Amalco, including restrictions on the business Amalco may carry on and restrictions on ownership of Amalco Shares, shall be as set forth in Appendix B hereto.
  - (v) Directors and Officers.
    - (A) Minimum and Maximum and Number of Directors. The directors of Amalco shall, until otherwise changed in accordance with the OBCA, consist of a minimum number of three (3) directors and a maximum number of ten (10) directors. The actual number of directors between the minimum and maximum will be determined by the board of directors from time to time and subject to the OBCA, the board of directors may appoint additional directors between meetings of shareholders provided that the total number of directors after such appointment would not be greater than one and one-third times the number of directors required to have been elected at the last annual meeting of shareholders.
    - (B) Initial Directors. The number of directors on the board of directors of Amalco shall initially be set at seven (7). The initial directors of Amalco immediately following the amalgamation shall be:

Zelick Altman	Ugo Bizzarri
Andrew Jones	Steven Scott
W. Glenn Shyba	R. Blair Tamblyn
Derek Watchorn	

(C) Initial Officers. The initial officers of Amalco shall be as follows:

<u>Name</u>	<u>Title</u>
Andrew Jones	Chief Executive Officer
Carrie Morris	Vice-President
Peter Hawkings	Vice-President & Corporate Secretary

- (vi) Stated Capital. For the purposes of the OBCA, the aggregate stated capital attributable to the Amalco Shares issued pursuant to the Arrangement shall be the aggregate of the stated capital attributable to the TMIC Shares and the TSMIC Shares immediately before the amalgamation, less the amount of any stated capital attributable to the TMIC Shares or TSMIC Shares that are cancelled on the amalgamation pursuant to Sections 2.4(a)(x)(A), 2.4(a)(x)(B) or 2.4(a)(x)(E);
- (vii) By-laws. The by-laws of Amalco shall be in the form set forth in Appendix C;
- (viii) Effect of Amalgamation. The provisions of subsections 179(a), (a.1), (b), (c) and (e) of the OBCA shall apply to the amalgamation with the result that:
- (A) TMIC and TSMIC are amalgamated and continue as one corporation under the terms and conditions contained in this Plan of Arrangement;
  - (B) TMIC and TSMIC cease to exist as entities separate from Amalco;
  - (C) Amalco possesses all the property, rights, privileges and franchises and is subject to all liabilities, including civil, criminal and quasi-criminal, and all contracts, disabilities and debts of each of TMIC and TSMIC;
  - (D) A conviction against, or ruling, order or judgment in favour or against TMIC or TSMIC may be enforced by or against Amalco; and
  - (E) Amalco shall be deemed to be the party plaintiff or the party defendant, as the case may be, in any civil action commenced by or against TMIC or TSMIC before the amalgamation has become effective;
- (ix) Articles. The Articles of Arrangement filed to give effect to the Arrangement shall be deemed to be the articles of amalgamation of Amalco and the Certificate issued in respect of such Articles of Arrangement by the Director under the OBCA shall be deemed to be the certificate of amalgamation of Amalco;



(x) Effect of Amalgamation on Securities. On the amalgamation:

- (A) each TMIC Share held by a Dissenting TMIC Shareholder who has validly exercised their rights of dissent pursuant to Section 4.1 and which rights of dissent remain valid immediately prior to the Effective Time shall be cancelled and become an entitlement to be paid the fair value of such TMIC Share and the Dissenting TMIC Shareholder shall cease to have any rights as a holder of such TMIC Share other than the right to be paid the fair value of such TMIC Share by Amalco in accordance with Section 4.1;
- (B) each TSMIC Share held by a Dissenting TSMIC Shareholder who has validly exercised their rights of dissent pursuant to Section 4.2 and which rights of dissent remain valid immediately prior to the Effective Time shall be cancelled and become an entitlement to be paid the fair value of such TSMIC Share and the Dissenting TSMIC Shareholder shall cease to have any rights as a holder of such TSMIC Share other than the right to be paid the fair value of such TSMIC Share by Amalco in accordance with Section 4.2;
- (C) each TMIC Share (other than TMIC Shares held by TSMIC or Dissenting TMIC Shareholders) will be exchanged, without any further act or formality on the part of the holder thereof, for one (1) fully paid and non-assessable Amalco Shares, subject to rounding in accordance with Section 3.3 and that each former TMIC Shareholder will thereby be entitled to no less than one (1) Amalco Share, and the name of such TMIC Shareholder will be entered into the register of holders of Amalco Shares;
- (D) each TSMIC Share (other than TSMIC Shares held by TMIC or Dissenting TSMIC Shareholders) will be exchanged, without any further act or formality on the part of the holder thereof, for 1.035 fully paid and non-assessable Amalco Shares, subject to rounding in accordance with Section 3.3 and provided that each former TSMIC Shareholder will thereby be entitled to no less than one (1) Amalco Share, and the name of such TSMIC Shareholder will be added to the register of holders of Amalco Shares;
- (E) Any TMIC Share held by TSMIC and any TSMIC Share held by TMIC will be cancelled without any payment of capital in respect thereof;
- (F) any right exercisable or exchangeable for, convertible into, or to otherwise receive TMIC Shares existing (whether contingent or otherwise) at the Effective Time shall, from the Effective Time, entitle the holder thereof, in lieu of receiving TMIC Shares, to the number of Amalco Shares that the holder would have been entitled to receive if such holder were the holder of that number of TMIC Shares immediately prior to the Effective Time and participated in

the Arrangement, and shall cease to provide the holder any right, title or interest in any TMIC Shares, in accordance with their terms; and

- (G) The TMIC Debentures will become obligations of Amalco and the TMIC Debentures Indenture will become obligations of and binding on Amalco pursuant to the terms therein and all the rights and obligations of the parties under the TMIC Debentures Indenture will remain unchanged and unaffected (except as specifically provided for in the TMIC Debentures Indenture).

### **ARTICLE 3 OUTSTANDING CERTIFICATES**

#### **3.1 Issuance of Certificates Representing Amalco Shares**

- (a) Upon surrender to the Depositary for cancellation of a certificate which immediately prior to the Effective Time represented one or more TMIC Shares or TSMIC Shares that were exchanged for Amalco Shares under the Arrangement, together with a duly completed Letter of Transmittal, Amalco shall cause the depositary to deliver to such holder at the address specified in the Letter of Transmittal (or if requested by such holder in the Letter of Transmittal, make available or cause to be made available for pickup by such holder) one or more certificates representing the number of Amalco Shares issued to such holder under the Arrangement, together with any dividends or distributions with respect thereto pursuant to Section 3.2.
- (b) Until surrendered as contemplated by this Section 3.1, each certificate which immediately prior to the Effective Time represented TMIC Shares or TSMIC Shares that were exchanged for Amalco Shares pursuant to the Arrangement shall be deemed at all times after the Effective Time to represent only the right to receive upon such surrender (i) the certificate(s) representing Amalco Shares as contemplated by this Section 3.1, and (ii) any dividends or distributions with a record date after the Effective Time theretofore paid or payable with respect to Amalco Shares as contemplated by Section 3.2.

#### **3.2 Distributions With Respect to Unsurrendered Certificates**

No dividends or other distributions declared or made after the Effective Time with respect to the Amalco Shares with a record date after the Effective Time shall be paid to the holder of any unsurrendered certificate which immediately prior to the Effective Time represented outstanding TMIC Shares or TSMIC Shares that were exchanged for Amalco Shares pursuant to Section 2.4(a)(x)(C) or 2.4(a)(x)(D), as applicable, unless and until the holder of record of such certificate shall surrender such certificate in accordance with Section 3.1. Subject to applicable Law, at the time of surrender of any such certificate, there shall be paid to the holder of record of the certificates representing TMIC Shares or TSMIC Shares, without interest, (i) the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such whole Amalco Share, and (ii) on the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time

but prior to surrender and a payment date subsequent to surrender payable with respect to such whole Amalco Share, as the case may be.

### **3.3 Fractional Shares**

No fractional Amalco Shares shall be issued upon the surrender or exchange of certificates pursuant to Section 3.1, and the aggregate entitlements of a TMIC Shareholder or TSMIC Shareholder to Amalco Shares will be rounded down to the nearest whole number of Amalco Shares without any additional compensation.

### **3.4 Lost Certificates**

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding TMIC Shares or TSMIC Shares that were exchanged for Amalco Shares pursuant to Section 2.4(a)(x)(C) or 2.4(a)(x)(D), as applicable, shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to be lost, stolen or destroyed, the Depositary will issue in exchange for such lost, stolen or destroyed certificate, cash and/or one or more certificates representing one or more Amalco Shares (and any dividends or distributions with respect thereto pursuant to Section 3.2) deliverable in accordance with such holder's Letter of Transmittal. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the person to whom certificates representing Amalco Shares are to be issued shall, as a condition precedent to the issuance thereof, give a bond satisfactory to Amalco and its transfer agents in such sum as Amalco may direct or otherwise indemnify Amalco and its transfer agent in a manner satisfactory to Amalco against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

### **3.5 Withholding Rights**

TMIC, TSMIC, Amalco and the Depositary shall be entitled to deduct and withhold from any dividend or consideration otherwise payable to any holder of TMIC Shares, TSMIC Shares or Amalco Shares such amounts as TMIC, TSMIC, Amalco or the Depositary are required or permitted to deduct and withhold with respect to such payment under the Tax Act, or any other applicable Law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the holder of the shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. TMIC, TSMIC, Amalco and the Depositary are hereby authorized to sell or otherwise dispose of such portion of the Amalco Shares otherwise issuable to the holder as is necessary to provide sufficient funds to TMIC, TSMIC, Amalco or the Depositary, as the case may be, to enable it to comply with such deduction or withholding requirement and TMIC, TSMIC, Amalco or the Depositary shall notify the holder thereof and remit the applicable portion of the net proceeds of such sale to the appropriate taxing authority.

## **ARTICLE 4 RIGHTS OF DISSENT**

### **4.1 Rights of Dissent for TMIC Shareholders**

Holders of TMIC Shares may exercise rights of dissent with respect to such shares pursuant to and in the manner set forth in section 185 of the OBCA, as modified by the Interim

Order and this Section 4.1, in connection with the Arrangement. Holders of TMIC Shares who duly exercise such rights of dissent and who:

- (a) are ultimately entitled to be paid fair value for their TMIC Shares shall be deemed not to have had their TMIC Shares exchanged for Amalco Shares pursuant to the Arrangement, and such TMIC Shares shall be cancelled in accordance with the Arrangement and will not be exchanged for Amalco Shares in accordance with the Arrangement; or
- (b) are ultimately not entitled, for any reason, to be paid fair value for their TMIC Shares shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting holder of TMIC Shares and shall have their TMIC Shares exchanged for Amalco Shares on the basis determined in accordance with Section 2.4(a)(x)(C),

but in no case shall Amalco or any other person be required to recognize such holders as holders of TMIC Shares after the Effective Time.

#### **4.2 Arrangement Rights of Dissent for TSMIC Shareholders**

Holders of TSMIC Shares (other than a Continuance Dissenting Shareholder) may exercise rights of dissent with respect to such shares pursuant to and in the manner set forth in section 185 of the OBCA, as modified by the Interim Order and this Section 4.2, in connection with the Arrangement. Holders of TSMIC Shares who duly exercise such rights of dissent and who:

- (a) are ultimately entitled to be paid fair value for their TSMIC Shares shall be deemed not to have had their TSMIC Shares exchanged for Amalco Shares pursuant to the Arrangement, and such TSMIC Shares shall be cancelled in accordance with the Arrangement and will not be exchanged for Amalco Shares in accordance with the Arrangement; or
- (b) are ultimately not entitled, for any reason, to be paid fair value for their TSMIC Shares shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting holder of TSMIC Shares and shall have their TSMIC Shares exchanged for Amalco Shares on the basis determined in accordance with Section 2.4(a)(x)(D),

but in no case shall Amalco or any other person be required to recognize such holders as holders of TSMIC Shares after the Effective Time.

#### **4.3 Continuance Dissent Rights Not Affected**

Nothing in this Plan of Arrangement or the transactions contemplated hereby shall affect, reduce or derogate from the rights of Continuance Dissenting Shareholders to be paid fair value by TSMIC (or Amalco as its successor) for their TSMIC Shares in accordance with section 190 of the CBCA. A Continuance Dissenting Shareholder will not be a TSMIC Shareholder for the purpose of the Arrangement and shall not be entitled to have their TSMIC Shares exchanged for Amalco Shares pursuant to the Arrangement nor exercise rights of dissent with respect to the Arrangement.

**ARTICLE 5**  
**AMENDMENTS AND FURTHER ASSURANCES**

**5.1 Amendments to Plan of Arrangement**

- (a) TMIC and TSMIC may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must be (i) set out in writing, (ii) approved by TMIC and TSMIC, (iii) filed with the Court and, if made following the TMIC Meeting or TSMIC Meeting, approved by the Court and (iv) communicated to holders of the TMIC Shares and TSMIC Shares if and as required by the Court.
- (b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by TMIC or TSMIC at any time prior to the TMIC Meeting or TSMIC Meeting (provided that the other Party shall have consented thereto in writing) with or without any other prior notice or communication, and if so proposed and accepted by the persons voting at the TMIC Meeting or TSMIC Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.
- (c) Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court following the TMIC Meeting or TSMIC Meeting shall be effective only if (i) it is consented to in writing by each of TMIC and TSMIC (in each case, acting reasonably), and (ii) if required by the Court, it is consented to by TMIC Shareholders or TSMIC Shareholders, as applicable, voting in the manner directed by the Court.
- (d) Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Date unilaterally by Amalco, provided that it concerns a matter which, in the reasonable opinion of Amalco, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the economic interest of any former holder of TMIC Shares or TSMIC Shares.

**5.2 Further Assurances**

Notwithstanding that the transactions and events set out herein shall occur and shall be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the Parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by either of them in order further to document or evidence any of the transactions or events set out herein.

## **APPENDIX A SHARE PROVISIONS**

- A. As used herein, the following terms shall have the meaning ascribed below:
- (i) "Act" means the Business Corporations Act (Ontario), as amended from time to time;
  - (ii) "Amalco" means Timbercreek Financial Corp. or its successor;
  - (iii) "Amalco Shares" means the common shares of Amalco;
  - (iv) "Business Day" means any day on which the TSX is open for business;
  - (v) "Distributions" means any distributions paid in any form by Amalco on any class of Shares, including without limitation (a) dividends, (b) payments made on a reduction of stated capital, or (c) any combination of any such distributions;
  - (vi) "Management Agreement" means the management agreement to be entered into between the Manager and Amalco as it may be supplemented, amended and/or restated from time to time in accordance with its terms;
  - (vii) "Management Fee" means the management fee payable to the Manager equal to 0.85% per annum of the gross assets of the Amalco (without deduction of any liabilities, but less any amounts reflected as assets that are held by third parties pursuant to a syndicated mortgage loan), calculated, aggregated and paid monthly in arrears, plus applicable taxes;
  - (viii) "Manager" means Timbercreek Asset Management Inc, its successors or assigns, or such other manager appointed by the Amalco from time to time;
  - (ix) "Tax Act" means the Income Tax Act (Canada);
  - (x) "TSX" means the Toronto Stock Exchange, or any successor thereto.
- B. The rights, privileges, restrictions and conditions attaching to the Amalco Shares shall be as follows:
- 1. Voting Rights
    - (a) The holders of the Amalco Shares shall be entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Amalco, and each Amalco Share shall confer the right to one vote in person or by proxy at all such meetings of shareholders of the Amalco.
    - (b) Any of the following matters shall require approval by a resolution passed by at least 66 2/3% of the votes cast by the holders of the Amalco Shares at a meeting called and held for the consideration of such matter:
      - (i) a change in the Manager of Amalco, other than (A) a change resulting in an affiliate of the Manager assuming such position or (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 the Management Fee paid to the Manager pursuant to the Management Agreement paid to the Manager or the rate per annum of the Management Fee; and
- (iii) a reorganization with, or transfer of assets to, another entity, if:
  - (1) Amalco ceases to continue after the reorganization or transfer of assets; and
  - (2) the transaction results in holders of Amalco Shares becoming securityholders in the other entity;
- (iv) a reorganization with, or acquisition of assets from, another entity, if:
  - (1) Amalco 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 Amalco.

## 2. Distributions

- (a) Subject to subsection (c) and subsection (d) below, the holders of the Amalco Shares shall be entitled to receive and Amalco shall pay thereon distributions as and when declared from time to time by the board of directors of Amalco on the Amalco Shares, out of the assets of Amalco properly applicable to the payment of distributions, in an amount determined by the directors of Amalco in their absolute discretion.
- (b) Subject to subsection (c) and subsection (d) below, distributions will be paid in cash, by cheque, money order, bank draft or any other means as the Manager may deem appropriate.
- (c) Notwithstanding the foregoing, the board of directors of Amalco may, for fiscal planning or other tax efficiency reasons, in its discretion declare that an additional distribution will be payable to holders of Amalco Shares of record on December 31. Each such additional distribution may be satisfied by the issuance of additional Amalco Shares and/or cash and/or other property of Amalco. Immediately following payment of any such additional distribution in Amalco Shares, the number of Amalco Shares outstanding after the distribution will be consolidated such that each shareholder will hold after the consolidation the same number of Amalco Shares as the shareholder held before the additional distribution. In such case, each certificate representing one or more Amalco Shares prior to the distribution of additional Amalco Shares shall be deemed to represent the

same number of Amalco Shares after the distribution of additional Amalco Shares and consolidation. Notwithstanding the foregoing, where tax is required to be withheld from a shareholder's participation in the additional distribution, the consolidation will result in such shareholder holding that number of Amalco Shares equal to (i) the number of Amalco Shares held by such shareholder prior to the distribution plus the number of Amalco Shares received by such shareholder in connection with the additional distribution (net of any taxes withheld) prior to the consolidation multiplied by (ii) the fraction obtained by dividing the aggregate number of Amalco Shares prior to the distribution by the aggregate number of Amalco Shares that would be outstanding following the additional distribution and before the consolidation if no withholding were made in respect of any part of the additional distribution payable to any shareholder. Any such shareholder will be required to surrender the share certificate(s), if any, representing such shareholder's original Amalco Shares, in exchange for a certificate representing such shareholder's post-consolidation Amalco Shares.

- (d) Notwithstanding the foregoing, if the board of directors of Amalco determine that it is in the best interests of Amalco and the shareholders of Amalco, the board of directors of Amalco may declare distributions payable in kind (including but not limited to any assets of Amalco) in an amount determined by the directors of Amalco in their absolute discretion.

### 3. Liquidation, Dissolution or Winding-up

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

### 4. Termination of Amalco

Amalco may be terminated at any time with the approval of the shareholders of Amalco in accordance with applicable laws.



## APPENDIX B OTHER PROVISIONS

### Restrictions on Share Ownership

No shareholder of Timbercreek Financial Corp. (“**Amalco**”) is permitted to hold at any time, directly or indirectly, together with Related Persons (as defined in the *Income Tax Act* (Canada)), more than 25% of the common shares of Amalco (“**Amalco Shares**”).

In the event that, as determined by the board of directors of the Amalco in its sole discretion, any transaction affecting any Amalco Shares (each a “**Triggering Transaction**”), if completed, would cause any holder(s) of Amalco Shares (each an “**Automatic Repurchase Shareholder**”), together with Related Persons, to hold more than 25% of the issued Amalco Shares, that portion of the Amalco Shares held by each Automatic Repurchase Shareholder which is in excess of 24.9% of the issued Amalco Shares (the “**Repurchased Shares**”) will, simultaneously with the completion of a Triggering Transaction, automatically be repurchased by Amalco (an “**Automatic Repurchase**”) without any further action by Amalco or the Automatic Repurchase Shareholder. The purchase price for each such Repurchased Share will be equal to the 10-day volume weighted average trading price of the Amalco Shares on the Toronto Stock Exchange for the 10 days prior to the date on the date of the Triggering Transaction (or at a fair market value as determined by the board of directors of Amalco if the Amalco Shares are not listed on the Toronto Stock Exchange). The proceeds of any Automatic Repurchase will be remitted to each applicable Automatic Repurchase Shareholder within 30 days of the Automatic Repurchase.

"Related Persons" has the meaning ascribed to that term in the Tax Act as it relates to the description of the number of shares that may be held by shareholders of a "mortgage investment corporation", as such term is defined in the *Income Tax Act* (Canada).

### Restrictions on the Business Amalco May Carry On

Amalco will not make any investment or conduct any activity that would result in Amalco failing to qualify as a “mortgage investment corporation” within the meaning of the *Income Tax Act* (Canada).

**APPENDIX C**  
**BY-LAWS**

## BY-LAW NO. 1

A by-law relating generally to the transaction of the business and affairs of

TIMBERCREEK FINANCIAL CORP.

### ARTICLE 1 INTERPRETATION

#### 1.1 Definitions.

In this By-Law No. 1, unless the context otherwise requires, the following terms shall have the following meanings, respectively:

- (a) “**Act**” means the *Ontario Business Corporations Act*, including the regulations thereunder, as amended from time to time;
- (b) “**Applicable Securities Laws**” means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada.
- (c) “**Articles**” shall mean the articles of the Corporation, as may be amended from time to time;
- (d) “**Board**” means the board of directors of the Corporation;
- (e) “**By-law No. 1**” means this By-law No. 1, as may be amended from time to time;
- (f) “**By-laws**” means this By-law No. 1 and all other by-laws of the Corporation from time to time in force and effect;
- (g) “**Chairman of the Board**” means the chairman of the Board appointed by the Board from time to time;
- (h) “**Chief Executive Officer**” means the chief executive officer of the Corporation from time to time;
- (i) “**Corporate Secretary**” means the corporate secretary of the Corporation, or if none appointed, the person appointed by the Chairman of the Board to take on such role;
- (j) “**Corporation**” means Timbercreek Financial Corp.;
- (k) “**Date of Arrangement**” means the effective date of the arrangement between Timbercreek Mortgage Investment Corporation and Timbercreek Senior Mortgage Investment Corporation pursuant to which these two corporations amalgamated to become the Corporation.
- (l) “**Public Announcement**” means disclosure by a press release disseminated through a national news service in Canada, or in a document publicly filed by the Corporation

under its profile on the System of Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com) or such other means as may be prescribed under Applicable Securities Laws; and

- (m) “**Shareholders’ Meetings**” means the annual meetings of shareholders and the special meetings of shareholders.

Terms used herein that are defined in the Act and not defined herein shall have the meanings given to those terms in the Act. Words importing a singular number include the plural and vice versa. Words importing gender include all genders. Words importing a person include an individual, partnership, association, body corporate, trustee, executor, administrator and legal partnership.

## **ARTICLE 2 OFFICES**

### **2.1 Registered Office.**

The registered office of the Corporation shall be in the province of Ontario and at such place and address therein as the Board may from time to time determine.

### **2.2 Additional Offices.**

The Corporation may, in addition to its registered office, have such other offices and places of business, both within and outside of Ontario, as the Board may from time to time determine or as the business and affairs of the Corporation may require.

## **ARTICLE 3 SHAREHOLDER MEETINGS**

### **3.1 Annual Meetings.**

Subject to the Act, the annual meeting of shareholders shall be held at such place or manner and at a time and on such date as shall be determined by the Board and stated in the notice of the meeting.

### **3.2 Special Meetings.**

Subject to the Act, special meetings of shareholders, for any purpose or purposes, may be called by the Board and shall be held at such place or manner and at a time and on such date as shall be determined by the Board and as stated in the notice of the meeting.

### **3.3 Electronic Meetings.**

If authorized by the Board in its sole discretion, and subject to the Act and such guidelines and procedures as the Board may adopt, shareholders and proxyholders not physically present at an annual meeting of shareholders or special meeting of shareholders may, by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting, if the Corporation makes available such a communication facility:

- (a) participate in a Shareholders’ Meeting; and
- (b) be deemed present in person and vote at a Shareholders’ Meeting, whether such meeting is to be held at a designated place or solely by means of a telephonic, electronic or other

communication facility, provided that such meeting is held in accordance with the Act and related regulations and any policy and guidelines approved by the Board.

#### 3.4 **Notice.**

Notice of each Shareholders' Meeting stating the place, date, and time of the meeting, and the means of communication facility, if applicable, by which shareholders and proxyholders may participate in such meeting, shall be sent to each shareholder entitled to vote thereat, to each director, and to the auditor of the Corporation not less than 21 days nor more than 50 days before the date of the meeting, or within such other period as may be prescribed by the Act. The notice shall state the nature of the business to be transacted at the meeting.

If a Shareholders' Meeting is adjourned for less than 30 days, it is not necessary to give notice of the adjourned meeting, other than by announcement at the earliest meeting that is adjourned. The accidental omission to give notice of any meeting of shareholders to, or the non-receipt of any notice by any person, or any error in any notice not affecting the substance of the notice, does not invalidate the meeting or any resolution passed or any action taken at the meeting.

#### 3.5 **Waiver of Notice.**

A shareholder, a proxyholder, a director or the auditor and any other person entitled to attend a meeting of shareholders may waive notice of a meeting of shareholders, any irregularity in a notice of meeting of shareholders or any irregularity in a meeting of shareholders. Such waiver may be given in any manner (and in case of shareholders, by way of a resolution of shareholders or otherwise) and may be given at any time either before or after the meeting to which the waiver relates. Waiver of any notice of a meeting of shareholders cures any irregularity in the notice, any default in the giving of the notice and any default in the timeliness of the notice.

#### 3.6 **Quorum.**

At the commencement of any Shareholders' Meeting, the presence, in person or by proxy, of the holders of the shares in the capital of the Corporation representing not less than 25% of the shares entitled to vote at such meeting shall constitute a quorum for the transaction of business at such meeting, except that when specified business is to be voted on by a class or series of shares voting as a class, the holders of shares representing not less than 25% of the voting power of the outstanding shares of such class or series shall constitute a quorum of such class or series for the transaction of such business.

#### 3.7 **Adjournments.**

- (a) Adjournments for less than 30 days. Any Shareholders' Meeting may be adjourned by the chairman of the meeting, from time to time, whether or not there is a quorum, to reconvene at the same or some other place. If the meeting is adjourned for less than 30 days, notice need not be given of any such adjourned meeting other than by announcement at the earliest meeting that it is adjourned.
- (b) Adjournments for 30 days or more. If the adjournment is for 30 days or more, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given as for an original meeting and unless required under the Act, solicitation of proxies will not be mandatory.

- (c) Adjourned Meetings. At the adjourned meeting, the shareholders, or the holders of any class or series of shares entitled to vote separately as a class, as the case may be, may transact any business that might have been transacted at the original meeting. If the original meeting was adjourned for lack of a quorum, at the adjourned meeting, the shareholders present in person or their duly appointed proxyholders so present shall form the quorum whatever the number of shares represented. If the original meeting was adjourned for any other reason, the quorum requirement for the adjourned meeting shall be the same as that for the original meeting.

### 3.8

#### **Conduct of Meetings.**

- (a) Appointment of Chair. The chairman of each Shareholders' Meeting shall be such person as may be appointed by the Board or, if no such person is appointed or such appointed person is unable or unwilling to so act, the Chairman of the Board or, if the Chairman of the Board is unable or unwilling to so act, the Chief Executive Officer or, if the Chief Executive Officer is unable or unwilling to so act, one of the directors present as may be chosen by the persons present and entitled to vote at such Shareholders' Meeting or, if no such director is present or willing to act, provided that such Shareholders' Meeting has been duly called and convened, any person present as may be chosen by the persons present and entitled to vote at such Shareholders' Meeting.
- (b) Procedures. The Board may adopt such rules and regulations for the conduct of the Shareholders' Meeting as it shall deem appropriate. Except to the extent inconsistent with the By-laws or such rules and regulations as adopted by the Board, the chairman of any Shareholders' Meeting shall have the right and authority to convene and to adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board or prescribed by the chairman of the meeting, may include, without limitation, the following:
  - (i) the establishment of an agenda or order of business for the meeting;
  - (ii) rules and procedures for maintaining order at the meeting and the safety of those present;
  - (iii) determination on rules and procedures regarding shareholders identification and verification, and corporate shareholders representation;
  - (iv) limitations on attendance at or participation in the meeting to those persons entitled to be present; and
  - (v) restrictions on entry to the meeting after the time fixed for the commencement thereof.

### 3.9

#### **Persons Entitled to be Present.**

The only persons entitled to be present at a Shareholders' Meeting shall be those persons entitled to vote thereat, the directors, officers and auditors of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the Articles or the By-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chairman of the meeting.

## **ARTICLE 4 SHAREHOLDER VOTING**

### **4.1 Voting Lists.**

For each Shareholders' Meeting, the Corporation shall prepare, or shall cause to be prepared a complete list of the shareholders entitled to receive notice and/or vote, as applicable in accordance with the Act and applicable laws.

### **4.2 Manner of Voting.**

At any Shareholders' Meeting, every shareholder entitled to vote may vote in person or by proxy. Any question at a Shareholders' Meeting shall be decided by a show of hands unless a ballot is required by the chairman of the meeting or requested by a shareholder or proxyholder entitled to vote at the meeting. Upon a show of hands every person who is present and entitled to vote shall have one vote. Whenever a vote by show of hands has been taken upon a question, unless a ballot is so required or requested, a declaration by the chairman of the meeting that the vote has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be, in the absence of evidence to the contrary, proof of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution.

### **4.3 Ballot.**

On any question proposed for consideration at a Shareholders' Meeting, and whether or not a show of hands has been taken thereon, the chairman may require, or any shareholder or proxyholder entitled to vote at the meeting may request, a ballot. A ballot so required or requested shall be taken in such manner as the chairman shall direct. A requirement or request for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken, each person present as shareholder or proxyholder shall be entitled, in respect of the shares which each person is entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the Articles, and the result of the ballot so taken shall be the decision of the shareholders upon that question.

### **4.4 Electronic Voting.**

- (a) Electronic Voting Permitted. Notwithstanding Section 4.2, any person participating in a Shareholders' Meeting by a telephonic, electronic or other communication facility and entitled to vote at the meeting may vote by means of the telephonic, electronic or other communication facility that the Corporation has made available for that purpose.
- (b) Communication Facility. Any vote referred to in Section 4.2 or Section 4.3 may be held entirely by means of a telephonic, electronic or other communication facility if the Corporation makes available such a communication facility, provided, in each case, that the facility:
  - A. enables the votes to be gathered in a manner that permits their subsequent verification; and
  - B. permits the tallied votes to be presented to the Corporation without it being possible for the Corporation to identify how each shareholder or group of shareholders voted.

#### 4.5 **Votes to Govern.**

Any question at a meeting of shareholders shall be decided by a majority of the votes cast on the question unless the articles, the by-laws, the Act or other applicable law requires otherwise. In case of an equality of votes, either when the vote is by a show of hands or when the vote is by a ballot, the chair of the meeting is not entitled to a second or casting vote.

#### 4.6 **Proxies.**

- (a) Appointment of Proxyholders. A shareholder entitled to vote at a Shareholders' Meeting may by means of a proxy appoint a proxyholder or one or more alternate proxyholders, who are not required to be shareholders, to attend and act at the meeting in the manner and to the extent authorized by the proxy and with the authority conferred by the proxy. A proxy shall be executed by the shareholder or by the shareholder's attorney authorized in writing. A proxy is valid only at the meeting in respect of which it is given or any adjournment thereof.
- (b) Deposit of Proxies. The Board may specify in a notice calling a Shareholders' Meeting a time, preceding the time of such meeting by not more than 48 hours, exclusive of non-business days, before which time proxies to be used at such meeting must be deposited with the Corporation or its agent specified in such notice. Unless otherwise determined by the Board, a proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited or, if no such time is specified in the notice, it shall have been received by the Corporate Secretary of the Corporation or by the chairman of the meeting or any adjournment thereof prior to the commencement of such meeting.
- (c) Revocation of Proxies. A shareholder may revoke a proxy by depositing an instrument in writing executed by the shareholder or the shareholder's attorney authorized in writing at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or an adjournment thereof, at which the proxy is to be used or with the chairman of the meeting on the day of the meeting or an adjournment thereof.

### **ARTICLE 5 DIRECTORS**

#### 5.1 **Powers.**

The business and affairs of the Corporation shall be managed or supervised under the direction of the Board, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Articles or by the By-laws required to be exercised or done by the shareholders.

#### 5.2 **Election and Term.**

The directors shall be elected at each annual meeting of shareholders to hold office until the next annual meeting or until their respective successors are elected or appointed, subject to earlier death, resignation, retirement, disqualification or removal.



### 5.3 **Number and Vacancies.**

The number of directors shall be as set out in the articles of the Corporation and if the articles of the Corporation provide for a minimum and maximum number of directors, subject to the requirements of the Act, the actual number of directors from time to time shall be determined by the Board. Subject to the Act, where a vacancy occurs in the Board for any reason, including an increase in the number of directors, death, resignation, retirement, disqualification, removal or other cause, and a quorum of directors remains, the directors remaining in office may appoint a qualified person to fill the vacancy for the remainder of the term of the vacant seat.

### 5.4 **Remuneration.**

The Board shall have the authority to fix the remuneration of directors. The directors may be reimbursed their expenses, if any, of attendance at each meeting of the Board and may be paid either a fixed sum for attendance at each meeting of the Board or other compensation as determined by the Board in connection with their service as a director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of committees of the Board may be allowed like compensation and reimbursement of expenses for service on the committee and any other compensation the Board shall determine in connection with their service on such committees of the Board.

### 5.5 **Advance Notice for Nomination of Directors.**

- (a) Meetings of Shareholders. Subject to the Act, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board of the Corporation may be made at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of directors:
  - (i) by or at the direction of the Board, including pursuant to a notice of meeting;
  - (ii) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act, or a requisition of the shareholders made in accordance with the provisions of the Act; or
  - (iii) by any person (a “**Nominating Shareholder**”): (a) who, at the close of business on the date of the giving of the notice provided for below in this Section 5.5 and at the close of business on the record date for notice of such meeting, is entered in the securities register of the Corporation as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting and provides evidence satisfactory to the Corporation of such beneficial ownership; and (b) who complies with the notice procedures set forth in this Section 5.5.
- (b) Timely Notice. In addition to the other requirements for nominations set forth in this Section 5.5 and under applicable laws, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in proper written form to the Corporate Secretary of the Corporation at the principal executive office of the Corporation. To be timely, a Nominating Shareholder’s notice to the Corporate Secretary of the Corporation must be made:

- (i) in the case of an annual meeting of shareholders, not less than 30 nor more than 65 days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is to be held on a date that is less than 50 days after the date (the “**Notice Date**”) on which the first Public Announcement of the date of the annual meeting was made, notice by the Nominating Shareholder must be made not later than the close of business on the tenth (10th) day following the Notice Date; and
- (ii) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the day on which the first Public Announcement of the date of the special meeting of shareholders was made.

The time periods for the giving of a Nominating Shareholder’s notice set forth above shall in all cases be determined based on the original date of the applicable annual meeting or special meeting of shareholders.

In no event shall any adjournment or postponement of a Shareholders’ Meeting or the announcement thereof commence a new time period for the giving of a Nominating Shareholder’s notice as described above.

- (c) Proper Written Form. To be in proper written form, a Nominating Shareholder’s notice to the Corporate Secretary must set forth the following information and include a certification by the Nominating Shareholder that all information contained in the Nominating Shareholder’s notice contains no untrue statement of material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made and a certification by the person that the Nominating Shareholder is proposing to nominate for election as a director (the “Proposed Nominee”) that the information in relation to him/her as contained in the Nominating Shareholder’s notice is true and accurate:
  - (i) as to each person whom the Nominating Shareholder proposes to nominate for election as a director:
    - A. the name, age, business address and residential address of the person;
    - B. the principal occupation or employment of the person for the most recent five years, and the name and principal business of any Company in which any such employment is carried on;
    - C. the citizenship and place of residence of such person;
    - D. the class or series and number of shares in the capital of the Corporation which are controlled or which are owned beneficially or of record by the person as of the record date for the Shareholders’ Meeting (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice;
    - E. any other information relating to the person that would be required to be disclosed in a dissident’s proxy circular in connection with solicitations

of proxies for election of directors pursuant to the Act and Applicable Securities Laws; and

F. such person's written consent to being named in the notice as a nominee and to serving as a director of the Corporation if elected.

(ii) as to the Nominating Shareholder giving the notice: (A) the name and address of such Nominating Shareholder, as they appear on the securities register of the Corporation; (B) the number of securities of each class or series of securities of the Corporation owned of record and beneficially by, or under the control or direction of, directly or indirectly, such Nominating Shareholder; (C) full particulars regarding any agreement, arrangement or understanding with respect to the nomination between or among such Nominating Shareholder, any of their respective affiliates or associates, and any others acting jointly or in concert with any of the foregoing, including the nominee; (D) full particulars regarding any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the notice by, or on behalf of, such Nominating Shareholder, whether or not such instrument or right shall be subject to settlement in underlying securities of the Corporation, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such Nominating Shareholder with respect to securities of the Corporation; (E) full particulars regarding any proxy, contract, agreement, arrangement or understanding pursuant to which such Nominating Shareholder has a right to vote or direct or control the voting of any securities of the Corporation; and (F) any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below).

A. The Corporation may require any proposed nominee to furnish such other information and documents as may reasonably be required by the Corporation to (A) determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence and/or qualifications in respect of financial literacy, or lack thereof, of such proposed nominee, or (B) satisfy the requirements of the Act, the Applicable Securities Laws and applicable stock exchange rules.

B. In addition, a Nominating Shareholder's notice (including but not limited to related certification) shall be promptly updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting.

(d) Eligibility for nomination. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this Section 5.5; provided, however, that nothing in this Section 5.5 shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a Shareholders' Meeting of any matter in respect of which it would have been entitled to

submit a proposal pursuant to the provisions of the Act or at the discretion of the Chairman. The Chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the By-laws and, if any proposed nomination is not in compliance with the By-laws, to declare that such defective nomination shall be disregarded.

- (e) Notice. Notwithstanding any other provision of this By-law, a Nominating Shareholder's notice given to the Corporate Secretary of the Corporation pursuant to this By-law may only be given by personal delivery, facsimile transmission or by email (at such email address as may be stipulated from time to time by the Corporate Secretary of the Corporation for purposes of such notice), and shall be deemed to have been given and made only at the time it is served by personal delivery, email or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the Corporate Secretary at the address of the principal executive office of the Corporation; provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Eastern Standard Time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the subsequent day that is a business day.
- (f) Waiver of requirement. Notwithstanding any other provision in this Section 5.5, the Board may, in its sole discretion, waive any requirement in this Section 5.5.
- (g) No right for inclusion of details in Management Proxy Circular of the Corporation. Compliance with the notice and nomination procedure set out in this section 5.5 shall not result in any obligation or requirement on the Corporation to include the name the person nominated by the Nominating Shareholder or any other information provided by such Nominating Shareholder in the management proxy circular for any Shareholders' Meeting or any other disclosure documents of the Corporation.

## **ARTICLE 6**

### **BOARD MEETINGS**

#### **6.1 Meetings.**

- (a) Calling of Board Meeting. Subject to the requirements under the Act, the Board shall meet at least annually and may meet more frequently as needed. Meetings of the Board may be called by the Chairman of the Board, the Chief Executive Officer, or any three directors, as the case may be, and shall be held at such time, date and place (whether within or outside Ontario or Canada) as may be determined by the person calling the meeting, subject to the quorum requirements being satisfied.
- (b) Notice of Board Meeting. Notice of each meeting of the Board shall be given to each director (i) not later than the day before the meeting if such notice is given by hand delivery or by means of a form of electronic document; (ii) at least two days before the meeting if such notice is sent by a nationally recognized overnight delivery service; and (iii) at least five days before the meeting if such notice is sent through ordinary mail. If the Corporate Secretary shall fail or refuse to give such notice, then the notice may be given by the individual(s) who called the meeting. Any director may at any time waive the provision of the notice in accordance with Article 11.

- (c) Except as required by the Act, a notice of meeting need not specify the purpose of or the business to be transacted at the meeting.
- (d) Notwithstanding Section 6.1(a), a special meeting may be held at any time without notice if all of the directors are present or if those not present waive notice of the meeting in accordance with Article 11.

## 6.2 **Quorum**

A majority of the members of the Board shall constitute a quorum for the transaction of business at any meeting of the Board, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board.

## 6.3 **Adjournment**

If a quorum shall not be present at any meeting, a majority of the directors present may adjourn the meeting from time to time, without notice other than the announcement at the meeting, of the time and place of the reconvening of the meeting, until a quorum is present.

## 6.4 **Voting.**

- (a) Tie-breaking vote. Each director is entitled to one vote on each matter. If the Board considers any action that results in an equal number of the directors at the meeting voting for and against the action, then in such case, the Chairman of the Board shall be entitled to cast a tie-breaking vote with respect to such action.
- (b) Electronic Voting. Subject to the Act, a director participating in a meeting by a telephonic, electronic or other communication facility may vote by any reasonable means (including verbal assent) given the nature of such communication facility.

## 6.5 **Organization.**

The chairman of each meeting of the Board shall be the Chairman of the Board (or if such person is absent or unable to so act), the Chief Executive Officer (if he or she shall be a director) or, if such person is absent or unable to so act or if the Chief Executive Officer is not a director, a chairman elected from the directors present. The Corporate Secretary shall act as secretary of all meetings of the Board. If such person is absent (or unable to so act) an Assistant Secretary shall be appointed to act as secretary of a meeting of the Board by the chairman of the meeting. If such person is absent (or unable to so act) chairman of the meeting may appoint any person to act as secretary of the meeting.

## 6.6 **Delegation.**

Subject to the Act, the Board may from time to time delegate to a director, a committee of directors, an officer or such other person or persons so designated by the Board all or any of the powers conferred on the Board by the By-laws or by the Act to such extent and in such manner as the Board shall determine at the time of each such delegation.

## **ARTICLE 7 COMMITTEES OF DIRECTORS**

### **7.1 Establishment.**

The Board may designate one or more committees, each committee to consist of one or more of the directors. Each committee shall keep regular minutes of its meetings and report the same to the Board when required. The Board shall have the power at any time to fill vacancies in, change the membership of, or dissolve any such committee.

### **7.2 Available Powers.**

Any committee established by the Board, subject to the limitations prescribed by applicable law or otherwise prescribed by the Board in that committee's mandate approved by the Board, shall have and may exercise all of the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers that may require it.

### **7.3 Alternate Members.**

The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee.

### **7.4 Procedures.**

Unless the Board otherwise provides or as set out in that committee's mandate, the time, date, place, if any, and notice of meetings of a committee shall be determined by such committee.

Unless the Board otherwise provides and except as provided in this By-law, each committee designated by the Board may make, alter, amend and repeal rules for the conduct of its business. In the absence of such rules each committee shall, to the extent applicable, conduct its business in the same manner as the Board is authorized to conduct its business pursuant to Article 6 of this By-law.

## **ARTICLE 8 OFFICERS**

Subject to the Act, the Board may designate the offices of the Corporation, appoint as officers persons of full capacity, specify their duties and delegate to them powers to manage the business and affairs of the Corporation.

## **ARTICLE 9 SHARES**

### **9.1 Registered Shareholders.**

The Corporation may, subject to the Act, treat a registered owner of shares of the Corporation as the person exclusively entitled to vote, receive notices, receive any interest, dividend or other payments, and otherwise to exercise all the rights and powers of an owner of such shares.

## 9.2 **Regulations.**

The Board shall have power and authority to make such additional rules and regulations, subject to any applicable requirement of law, as the Board may deem necessary and appropriate with respect to the issue, transfer or registration of transfer of shares of the Corporation or certificates representing shares of the Corporation.

## 9.3 **Transfer Agent and Registrar.**

The Board may appoint or remove a transfer agent or a registrar and one or more branch transfer agents or registrars for the shares of the Corporation.

# **ARTICLE 10 INDEMNIFICATION**

## 10.1 **Indemnification.**

The Corporation shall indemnify a director or officer of the Corporation, a former director or officer of the Corporation or another individual who acts or acted at the Corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity, to the fullest extent permitted by the Act and if the Corporation has entered into an indemnification agreement with any director or officer of the Corporation, the terms of such indemnification agreement will govern the indemnification arrangement by the Corporation for such director or officer.

## 10.2 **Limitation of Liability.**

To the extent permitted by law, no director or officer shall be liable for:

- (a) the acts, receipts, neglects or defaults of any other director, officer, employee or agent of the Corporation or any other person;
- (b) any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by, for, or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be loaned out or invested;
- (c) any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or corporation, including any person, firm or corporation with whom any moneys, securities or other assets belonging to the Corporation shall be lodged or deposited;
- (d) any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets belonging to the Corporation; or
- (e) any other loss, damage or misfortune whatever which may happen in the execution of the duties of the director's or officer's respective office or in relation thereto,

unless the same shall happen by or through the director's or officer's failure to exercise the powers and to discharge the duties of the director's or officer's office honestly and in good faith with a view to the best interests of the Corporation, and in connection therewith, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, provided that nothing herein contained shall relieve a director or officer from the duty to act in accordance with the Act or relieve such

director or officer from liability for a breach of the Act. If the Act is hereafter amended to authorize corporate action further limiting or eliminating the liability of directors and officers, then the liability of a director or officer of the Corporation shall be limited or eliminated to the fullest extent permitted by the Act, as so amended. Any repeal or amendment of this Article 10 by the shareholders of the Corporation or by changes in law, or the adoption of a new by-law inconsistent with this Article 10 shall, unless otherwise required by law, be prospective only (except to the extent such amendment or change in law permits the Corporation to further limit or eliminate the liability of directors) and shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or amendment or adoption of such inconsistent provision with respect to acts or omissions occurring prior to such repeal or amendment or adoption of such inconsistent provision.

#### **10.3 Indemnification of Others.**

Subject to the Act, the Corporation may, to the extent authorized from time to time by the Board, indemnify and advance expenses to such other persons as the Board may determine.

#### **10.4 Insurance.**

Subject to the Act, the Corporation may, to the extent authorized from time to time by the Board, purchase and maintain insurance for the benefit of any persons as the Board may from time to time determine:

#### **10.5 Indemnities Not Exclusive.**

Each of the provisions of this Article 10 shall be in addition to and not in substitution for or derogation from any rights to which any director or officer of the Corporation, former director or officer of the Corporation or any individual who acts or acted at the Corporation's request as a director or officer, or any individual acting in a similar capacity, of another entity, may otherwise be entitled.

### **ARTICLE 11 NOTICES**

A notice or document required by the Act, the Articles or the By-laws to be sent to a shareholder, director, officer, auditor or member of a committee of the Board may be:

- (a) sent by prepaid mail or delivered personally to such person; or
- (b) sent, delivered or provided by electronic means to such person to the extent permitted by the Act.

### **ARTICLE 12 BORROWING AND BANKING POWERS**

#### **12.1 Banking Arrangements.**

The banking business of the Corporation, or any part or division of the Corporation, shall be transacted with such bank, trust company or other firm or body corporate as the Board may designate, appoint or authorize from time to time and all such banking business, or any part thereof, shall be transacted on the Corporation's behalf by such one or more officers or other persons as the Board may designate, direct or authorize from time to time and to the extent thereby provided.



12.2            **Borrowing.**

- (a)    Borrowing. Without limiting the general powers of the Board as provided in the Act and in the By-laws, the Board may from time to time, without authorization of the shareholders, on behalf of the Corporation:
- (i)     borrow money on the credit of the Corporation;
  - (ii)    issue, reissue, sell, pledge or hypothecate debt obligations of the Corporation;
  - (iii)   give a guarantee on behalf of the Corporation to secure performance of an obligation of any person; and
  - (iv)    mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired, to secure any obligation of the Corporation.

**ARTICLE 13  
MISCELLANEOUS**

13.1            **Dividends.**

- (a)    Subject to the Act, the Board may from time to time declare, and the Corporation may pay, dividends (payable in cash, property, fully paid shares of the Corporation or such other form as the Board may determine) to the shareholders.
- (b)    Any dividend unclaimed after a period of two years from the date on which the dividend has been declared to be payable shall be forfeited and shall revert to the Corporation.

13.2            **Financial Year.**

The financial year of the Corporation shall be fixed by the Board.

13.3            **Seal.**

The Corporation may have a seal which shall be in such form as shall from time to time be adopted by the Board. The seal may be used by causing it or a facsimile thereof to be impressed, affixed or otherwise reproduced.

13.4            **Books and Records.**

The books and records of the Corporation shall be at the registered office of the Corporation or at such place or places as may from time to time be designated by the Board and permitted by the Act.

13.5            **Securities of Other Corporations.**

Powers of attorney, proxies, waivers of notice of meeting, consents in writing and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the Corporate Secretary or any Vice President. Any such officer, may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities, or to

consent in writing, in the name of the Corporation as such holder, to any action by such corporation, and at any such meeting or with respect to any such consent shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed. The Board may from time to time confer like powers upon any other person or persons.

**13.6 Execution of Instruments.**

Unless otherwise authorized by the Board, deeds, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by any director or officer of the Corporation. Any signing officer may affix the corporate seal to any instrument requiring the same, but no instrument is invalid merely because the corporate seal is not affixed thereto.

Notwithstanding the foregoing, the Board may from time to time direct the manner in which, and the person or persons by whom, any particular instrument or class of instruments may or shall be signed.

**13.7 Invalidity.**

The invalidity or unenforceability of any provision of this By-law No. 1 shall not affect the validity or enforceability of the remaining provisions of this By-law No. 1. If there is any provision in this By-law No. 1 that contravenes the Act, the provision in the Act shall prevail.

**13.8 Effective Date.**

This By-law No. 1 shall come into force on the Date of Arrangement.

**13.9 Repeal.**

All previous by-laws of the Corporation which are inconsistent with this By-law No. 1 are repealed as of the coming into force of this By-law No. 1. Such repeal shall not affect the previous operation of any by-law so repealed or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under, or the validity of any contract or agreement made pursuant to, or the validity of any articles or predecessor charter documents of the Corporation obtained pursuant to, any such by-law prior to its repeal. All officers and persons acting under any by-law so repealed shall continue to act as if appointed under the provisions of this By-law No. 1 and all resolutions of the shareholders or the Board or a committee of the Board with continuing effect passed under any repealed by-law shall continue good and valid except to the extent inconsistent with this By-law No. 1 and until amended or repealed.

The foregoing Amended and Restated By-law No. 1 is made a by-law of the Corporation on June 30, 2016.

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Chief Executive Officer

**APPENDIX I  
INTERIM ORDER**

See attached.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE  
JUSTICE NEWBOULD

)  
)  
)

MONDAY, THE 9<sup>TH</sup>  
DAY OF MAY, 2016



**IN THE MATTER OF** an application under section 182 of the  
*Business Corporations Act*, R.S.O. 1990, c. B.16, as amended

**AND IN THE MATTER OF** Rules 14.05(2) and 14.05(3)(f) of  
the *Rules of Civil Procedure*

**AND IN THE MATTER OF** a proposed arrangement involving  
Timbercreek Mortgage Investment Corporation, Timbercreek  
Senior Mortgage Investment Corporation and their  
securityholders

**INTERIM ORDER**

**THIS MOTION** made by the Applicants, Timbercreek Mortgage Investment Corporation (“**TMIC**”) and Timbercreek Senior Mortgage Investment Corporation (“**TSMIC**”), for an interim order for advice and directions pursuant to section 182 of the *Business Corporations Act*, R.S.O. 1990, c. B.16, as amended, (the “**OBCA**”) was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the Notice of Motion, the Notice of Application issued on May 5, 2016, the affidavit of R. Blair Tamblyn, sworn May 6, 2016 (the “**Tamblyn Affidavit**”), and the exhibits thereto, including the Plan of Arrangement, which is attached as Appendix H to the

draft joint management information circular of TMIC and TSMIC (the “**Information Circular**”), which is attached as Exhibit A to the Tamblyn Affidavit, and on hearing the submissions of counsel for the Applicants.

### **Definitions**

1. **THIS COURT ORDERS** that all definitions used in this Interim Order shall have the meanings ascribed thereto in the Information Circular or otherwise as specifically defined herein.

### **PART I: THE TMIC MEETING**

#### **The TMIC Meeting**

2. **THIS COURT ORDERS** that TMIC is permitted to call, hold and conduct a special meeting (the “**TMIC Meeting**”) of the holders of voting common shares (the “**TMIC Shareholders**”) in the capital of TMIC to be held at the office of McCarthy Tétrault LLP, Suite 5300, TD Bank Tower, 66 Wellington Street West, Toronto, Ontario, on June 22, 2016 at 9:00 a.m. (Toronto time) in order for the TMIC Shareholders to consider and, if determined advisable, pass a special resolution authorizing, adopting and approving, with or without variation, the Arrangement and the Plan of Arrangement (collectively, the “**TMIC Arrangement Resolution**”).

3. **THIS COURT ORDERS** that the TMIC Meeting shall be called, held and conducted in accordance with the OBCA, the notice of annual and special meeting of TMIC Shareholders, which accompanies the Information Circular (the “**TMIC Notice of Meeting**”) and the articles and by-laws of TMIC, subject to what may be provided hereafter and subject to further order of this Honourable Court.

4. **THIS COURT ORDERS** that the record date (the “**TMIC Record Date**”) for determination of the TMIC Shareholders entitled to notice of, and to vote at, the TMIC Meeting shall be May 11, 2016.

5. **THIS COURT ORDERS** that the only persons entitled to attend or speak at the TMIC Meeting shall be:

- a) the TMIC Shareholders or their respective proxyholders;
- b) the officers, directors, auditors and advisors of TMIC;
- c) representatives and advisors of TSMIC and Timbercreek Asset Management Inc. (“**TAMI**”); and
- d) other persons who may receive the permission of the Chair of the TMIC Meeting.

6. **THIS COURT ORDERS** that TMIC may transact such other business at the TMIC Meeting as is contemplated in the Information Circular, or as may otherwise be properly before the TMIC Meeting.

**The TSMIC Meeting**

7. **THIS COURT ORDERS** that TSMIC is permitted to call, hold and conduct a special meeting (the “**TSMIC Meeting**”) of the holders of voting common shares (the “**TSMIC Shareholders**”) in the capital of TSMIC to be held at the office of McCarthy Tétrault LLP, Suite 5300, TD Bank Tower, 66 Wellington Street West, Toronto, Ontario, on June 22, 2016 at 10:00 a.m. (Toronto time) in order for the TSMIC Shareholders to consider and, if determined advisable, pass:

- a) a special resolution authorizing, adopting and approving, with or without variation, the discontinuance of TSMIC under the *Canada Business Corporations Act*, RSC 1985, c. C-44, as amended (the “**CBCA**”) and its continuance under the OBCA (the “**Continuance Resolution**”); and
- b) a special resolution authorizing, adopting and approving, with or without variation, the Arrangement and the Plan of Arrangement (collectively, the “**TSMIC Arrangement Resolution**”).

8. **THIS COURT ORDERS** that the TSMIC Meeting as it relates to the Continuance Resolution shall be called, held and conducted in accordance with the CBCA, the notice of annual and special meeting of TSMIC Shareholders, which accompanies the Information Circular (the “**TSMIC Notice of Meeting**”) and the articles and by-laws of TSMIC, subject to what may be provided hereafter and subject to further order of this Honourable Court.

9. **THIS COURT ORDERS** that, if the Continuance Resolution is authorized, adopted and approved by the TSMIC Shareholders at the TSMIC Meeting, then the balance of the TSMIC Meeting, including the authorization, adoption and approval of the TSMIC Arrangement Resolution, shall be called, held and conducted in accordance with the OBCA, the TSMIC Notice of Meeting and the articles and by-laws of TSMIC, subject to what may be provided hereafter and subject to further order of this Honourable Court.

10. **THIS COURT ORDERS** that the record date (the “**TSMIC Record Date**”) for determination of the TSMIC Shareholders entitled to notice of, and to vote at, the TSMIC Meeting shall be May 11, 2016.



11. **THIS COURT ORDERS** that the only persons entitled to attend or speak at the TSMIC Meeting shall be:

- a) the TSMIC Shareholders or their respective proxyholders;
- b) the officers, directors, auditors and advisors of TSMIC;
- c) representatives and advisors of TMIC and TAMI; and
- d) other persons who may receive the permission of the Chair of the TSMIC Meeting.

12. **THIS COURT ORDERS** that TSMIC may transact such other business at the TSMIC Meeting as is contemplated in the Information Circular, or as may otherwise be properly before the TSMIC Meeting.

#### **Quorum**

13. **THIS COURT ORDERS** that the Chair of the TMIC Meeting shall be determined by the board of directors of TMIC and that the quorum at the TMIC Meeting shall be met if at least two persons who are, or who represent, TMIC Shareholders who in the aggregate hold at least 25% of the common shares of TMIC entitled to be voted are present or represented by proxy at the TMIC Meeting; provided that, in accordance with the by-laws of TMIC, if the TMIC Meeting is adjourned for lack of a quorum, at the adjourned TMIC Meeting, the TMIC Shareholders present in person or represented by proxy shall form the quorum whatever the number of common shares of TMIC represented.

14. **THIS COURT ORDERS** that the Chair of the TSMIC Meeting shall be determined by board of directors of TSMIC and that the quorum at the TSMIC Meeting shall be met if at least

two persons who are, or who represent, TSMIC Shareholders who in the aggregate hold at least 25% of the common shares of TSMIC entitled to be voted are present or represented by proxy at the TSMIC Meeting; provided that, in accordance with the by-laws of TSMIC, if the TSMIC Meeting is adjourned for lack of a quorum, at the adjourned TSMIC Meeting, the TSMIC Shareholders present in person or represented by proxy shall form the quorum whatever the number of common shares of TMIC represented.

**Amendments to the Arrangement and Plan of Arrangement**

15. **THIS COURT ORDERS** that the Applicants are authorized to make, subject to the terms of the Arrangement Agreement, and paragraph 16, below, such amendments, modifications or supplements to the Arrangement and the Plan of Arrangement as it may determine without any additional notice to the TMIC Shareholders or TSMIC Shareholders, or others entitled to receive notice under paragraphs 19 to 22 hereof and the Arrangement and Plan of Arrangement, as so amended, modified or supplemented shall be the Arrangement and Plan of Arrangement to be submitted to the TMIC Shareholders at the TMIC Meeting and to the TSMIC Shareholders at the TSMIC Meeting and shall be the subject of the TMIC Arrangement Resolution and the TSMIC Arrangement Resolution. Amendments, modifications or supplements may be made following the TMIC Meeting or the TSMIC Meeting, but shall be subject to review and, if appropriate, further direction by this Honourable Court at the hearing for the final approval of the Arrangement.

16. **THIS COURT ORDERS** that, if any amendments, modifications or supplements to the Arrangement or Plan of Arrangement as referred to in paragraph 15, above, would, if disclosed, reasonably be expected to affect a TMIC Shareholder's decision to vote for or against the TMIC Arrangement Resolution or a TSMIC Shareholder's decision to vote for or against the

Continuance Resolution or the TSMIC Arrangement Resolution, notice of such amendment, modification or supplement shall be distributed, subject to further order of this Honourable Court, by press release, newspaper advertisement, prepaid ordinary mail, or by the method most reasonably practicable in the circumstances, as the Applicants may determine.

**Amendments to the Information Circular**

17. **THIS COURT ORDERS** that the Applicants are authorized to make such amendments, revisions and/or supplements to the draft Information Circular as they may determine and the Information Circular, as so amended, revised and/or supplemental, shall be the Information Circular to be distributed in accordance with paragraphs 19 to 22.

**Adjournments and Postponements**

18. **THIS COURT ORDERS** that each of TMIC and TSMIC, if it deems advisable and subject to the terms of the Arrangement Agreement, is specifically authorized to adjourn or postpone the TMIC Meeting and the TSMIC Meeting, respectively, on one or more occasions, without the necessity of first convening the TMIC Meeting or the TSMIC Meeting, respectively, or first obtaining any vote of the TMIC Shareholders or the TSMIC Shareholders, respectively, respecting the adjournment or postponement, and notice of any such adjournment or postponement shall be given by such method as TMIC or TSMIC, respectively, may determine is appropriate in the circumstances. This provision shall not limit the authority of the Chair of either the TMIC Meeting or the TSMIC Meeting in respect of adjournments and postponements.

**Notice of TMIC Meeting**

19. **THIS COURT ORDERS** that, in order to effect notice of the TMIC Meeting, TMIC shall send the Information Circular (including the Notice of Application and this Interim Order), the TMIC Notice of Meeting, the form of proxy and the letter of transmittal, along with such amendments or additional documents as TMIC may determine are necessary or desirable and are not inconsistent with the terms of this Interim Order (collectively, the “**TMIC Meeting Materials**”), to the following:

- a) the registered TMIC Shareholders at at 5:00 p.m. (Toronto time) on the TMIC Record Date, at least twenty-one (21) days prior to the date of the TMIC Meeting, excluding the date of sending and the date of the TMIC Meeting, by one or more of the following methods:
  - i) by pre-paid ordinary or first class mail at the addresses of the TMIC Shareholders as they appear on the books and records of TMIC, or its registrar and transfer agent, at 5:00 p.m. (Toronto time) on the TMIC Record Date and if no address is shown therein, then the last address of the person known to the Corporate Secretary of TMIC;
  - ii) by delivery, in person or by recognized courier service or inter-office mail, to the address specified in (i) above; or
  - iii) by facsimile or electronic transmission to any TMIC Shareholder, who is identified to the satisfaction of TMIC, who requests such transmission in writing and, if required by TMIC, who is prepared to pay the charges for such transmission;



- b) non-registered TMIC Shareholders by providing sufficient copies of the TMIC Meeting Materials to intermediaries and registered nominees in a timely manner, in accordance with National Instrument 54-101 of the Canadian Securities Administrators; and
- c) the respective directors and auditors of TMIC, by delivery in person, by recognized courier service, by pre-paid ordinary or first class mail or, with the consent of the person, by facsimile or electronic transmission, at least twenty-one (21) days prior to the date of the TMIC Meeting, excluding the date of sending and the date of the TMIC Meeting;

and that compliance with this paragraph shall constitute sufficient notice of the TMIC Meeting.

20. **THIS COURT ORDERS** that, in the event that TMIC elects to distribute the TMIC Meeting Materials, TMIC is hereby directed to distribute the Information Circular (including the Notice of Application, and this Interim Order), and any other communications or documents determined by TMIC to be necessary or desirable (collectively, the “**TMIC Court Materials**”) to the holders of TMIC convertible debentures (the “**TMIC Debentures**”), the holders of TMIC deferred share units, and subscribers to the shareholder dividend reinvestment plan of TMIC, by any method permitted for notice to TMIC Shareholders as set forth in paragraphs 19(a) or 19(b), above, concurrently with the distribution described in paragraph 19 of this Interim Order. Distribution to such persons shall be to their addresses as they appear on the books and records of TMIC or its registrar and transfer agent at at 5:00 p.m. (Toronto time) on the TMIC Record Date.

**Notice of TSMIC Meeting**

21. **THIS COURT ORDERS** that, in order to effect notice of the TSMIC Meeting, TSMIC shall send the Information Circular (including the Notice of Application and this Interim Order), the TSMIC Notice of Meeting, the form of proxy and the letter of transmittal, along with such amendments or additional documents as TSMIC may determine are necessary or desirable and are not inconsistent with the terms of this Interim Order (collectively, the “**TSMIC Meeting Materials**”), to the following:

- a) the registered TSMIC Shareholders at at 5:00 p.m. (Toronto time) on the TSMIC Record Date, at least twenty-one (21) days prior to the date of the TSMIC Meeting, excluding the date of sending and the date of the TSMIC Meeting, by one or more of the following methods:
  - i) by pre-paid ordinary or first class mail at the addresses of the TSMIC Shareholders as they appear on the books and records of TSMIC, or its registrar and transfer agent, at at 5:00 p.m. (Toronto time) on the TSMIC Record Date and if no address is shown therein, then the last address of the person known to the Corporate Secretary of TSMIC;
  - ii) by delivery, in person or by recognized courier service or inter-office mail, to the address specified in (i) above; or
  - iii) by facsimile or electronic transmission to any TSMIC Shareholder, who is identified to the satisfaction of TSMIC, who requests such

transmission in writing and, if required by TSMIC, who is prepared to pay the charges for such transmission;

- b) non-registered TSMIC Shareholders by providing sufficient copies of the TSMIC Meeting Materials to intermediaries and registered nominees in a timely manner, in accordance with National Instrument 54-101 of the Canadian Securities Administrators; and
- c) the respective directors and auditors of TSMIC, by delivery in person, by recognized courier service, by pre-paid ordinary or first class mail or, with the consent of the person, by facsimile or electronic transmission, at least twenty-one (21) days prior to the date of the TSMIC Meeting, excluding the date of sending and the date of the TSMIC Meeting;

and that compliance with this paragraph shall constitute sufficient notice of the TSMIC Meeting.

22. **THIS COURT ORDERS** that, in the event that TSMIC elects to distribute the TSMIC Meeting Materials, TSMIC is hereby directed to distribute the Information Circular (including the Notice of Application, and this Interim Order), and any other communications or documents determined by TSMIC to be necessary or desirable (collectively, the “**TSMIC Court Materials**”) to the holders of TSMIC deferred share units and subscribers to the shareholder dividend reinvestment plan of TSMIC, by any method permitted for notice to TSMIC Shareholders as set forth in paragraphs 21(a) or 21(b), above, concurrently with the distribution described in paragraph 21 of this Interim Order. Distribution to such persons shall

be to their addresses as they appear on the books and records of TSMIC or its registrar and transfer agent at 5:00 p.m. (Toronto time) on the TSMIC Record Date.

23. **THIS COURT ORDERS** that accidental failure or omission by TMIC or TSMIC to give notice of the meeting or to distribute the TMIC Meeting Materials and TMIC Court Materials or the TSMIC Meeting Materials and TSMIC Court Materials to any person entitled by this Interim Order to receive notice, or any failure or omission to give such notice as a result of events beyond the reasonable control of TMIC or TSMIC, or the non-receipt of such notice shall, subject to further order of this Honourable Court, not constitute a breach of this Interim Order nor shall it invalidate any resolution passed or proceedings taken at the TMIC Meeting or TSMIC Meeting. If any such failure or omission is brought to the attention of TMIC or TSMIC, it shall use its best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

24. **THIS COURT ORDERS** that (i) TMIC is hereby authorized to make such amendments, revisions or supplements to the TMIC Meeting Materials and TMIC Court Materials, as TMIC may determine in accordance with the terms of the Arrangement Agreement ("**Additional TMIC Information**"), and that (ii) TSMIC is hereby authorized to make such amendments, revisions or supplements to the TSMIC Meeting Materials and TSMIC Court Materials, as TSMIC may determine in accordance with the terms of the Arrangement Agreement ("**Additional TSMIC Information**") and that notice of such Additional TMIC Information and Additional TSMIC Information may, subject to paragraph 16, above, be distributed by press release, newspaper advertisement, pre-paid ordinary mail, or by the method most reasonably practicable in the circumstances, as TMIC or TSMIC may determine.



25. **THIS COURT ORDERS** that distribution of the TMIC Meeting Materials, the TMIC Court Materials, the TSMIC Meeting Materials and the TSMIC Court Materials pursuant to paragraphs 19 to 22 of this Interim Order shall constitute notice of the TMIC Meeting and TSMIC Meeting and good and sufficient service of the within Application upon the persons described in paragraphs 19 to 22 and that those persons are bound by any orders made on the within Application. Further, no other form of service of the TMIC Meeting Materials, the TMIC Court Materials, the TSMIC Meeting Materials or the TSMIC Court Materials or any portion thereof need be made, or notice given or other material served in respect of these proceedings, the TMIC Meeting and/or the TSMIC Meeting to such persons or to any other persons, except to the extent required by paragraph 16, above.

**Solicitation and Revocation of Proxies**

26. **THIS COURT ORDERS** that TMIC and TSMIC are authorized to use the letter of transmittal and proxies substantially in the form of the drafts accompanying the Information Circular, with such amendments and additional information as the board of directors of TMIC or TSMIC may determine are necessary or desirable, subject to the terms of the Arrangement Agreement. TMIC and TSMIC are authorized, at their expense, to solicit proxies, directly or through their officers, directors or employees, and through such agents or representatives as they may retain for that purpose, and by mail or such other forms of personal or electronic communication as they may determine. TMIC may waive generally, in its discretion, the time limits set out in the Information Circular for the deposit or revocation of proxies by TMIC Shareholders, if TMIC deems it advisable to do so. TSMIC may waive generally, in its discretion, the time limits set out in the Information Circular for the deposit or revocation of proxies by TSMIC Shareholders, if TSMIC deems it advisable to do so.

27. **THIS COURT ORDERS** that, in respect of the TMIC Arrangement Resolution, TMIC Shareholders shall be entitled to revoke their proxies in accordance with sections 110(4) and 110(4.1) of the OBCA (except as the procedures of that section are varied by this paragraph) provided that any instruments in writing delivered pursuant to s. 110(4.1)(a) of the OBCA: (a) may be deposited at the registered office of TMIC or with the transfer agent of TMIC as set out in the Information Circular; and (b) any such instruments must be received by TMIC or its transfer agent not later than 4:00 p.m. (Toronto time) on the business day immediately preceding the TMIC Meeting (or any adjournment or postponement thereof).

28. **THIS COURT ORDERS** that, in respect of the Continuance Resolution, TSMIC Shareholders shall be entitled to revoke their proxies in accordance with section 148(4) of the CBCA (except as the procedures of that section are varied by this paragraph) provided that any instruments in writing delivered pursuant to s.148(4)(a)(i) of the CBCA: (a) may be deposited at the registered office of TSMIC or with the transfer agent of TSMIC as set out in the Information Circular; and (b) any such instruments must be received by TSMIC or its transfer agent not later than 4:00 p.m. (Toronto time) on the business day immediately preceding the TSMIC Meeting (or any adjournment or postponement thereof).

29. **THIS COURT ORDERS** that, in respect of the TSMIC Arrangement Resolution, TSMIC Shareholders shall be entitled to revoke their proxies in accordance with sections 110(4) and 110(4.1) of the OBCA (except as the procedures of that section are varied by this paragraph) provided that any instruments in writing delivered pursuant to s. 110(4.1)(a) of the OBCA: (a) may be deposited at the registered office of TSMIC or with the transfer agent of TSMIC as set out in the Information Circular; and (b) any such instruments must be received

by TSMIC or its transfer agent not later than 4:00 p.m. (Toronto time) on the business day immediately preceding the TSMIC Meeting (or any adjournment or postponement thereof).

**Voting – TMIC Meeting**

30. **THIS COURT ORDERS** that the only persons entitled to vote in person or by proxy on the TMIC Arrangement Resolution, or such other business as may be properly brought before the Meeting, shall be those TMIC Shareholders who hold voting common shares of TMIC as of at 5:00 p.m. (Toronto time) on the TMIC Record Date. Illegible votes, spoiled votes, defective votes and abstentions shall be deemed to be votes not cast. Proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the TMIC Arrangement Resolution.

31. **THIS COURT ORDERS** that votes shall be taken at the TMIC Meeting on the basis of one vote per common share and that in order for the Plan of Arrangement to be implemented, subject to further Order of this Honourable Court, the TMIC Arrangement Resolution must be passed, with or without variation, at the TMIC Meeting by:

- (i) an affirmative vote of at least two-thirds ( $66\frac{2}{3}\%$ ) of the votes cast in respect of the TMIC Arrangement Resolution at the TMIC Meeting in person or by proxy by the TMIC Shareholders; and
- (ii) a simple majority of the votes cast in respect of the TMIC Arrangement Resolution at the TMIC Meeting in person or by proxy by TMIC Shareholders, excluding for this purpose votes attached to any shares held by persons whose vote are required to be excluded in accordance with the policies of the TSX and MI 61-101.



Such votes shall be sufficient to authorize TMIC to do all such acts and things as may be necessary or desirable to give effect to the Arrangement and the Plan of Arrangement on a basis consistent with what is provided for in the Information Circular without the necessity of any further approval by the TMIC Shareholders, subject only to final approval of the Arrangement by this Honourable Court.

32. **THIS COURT ORDERS** that in respect of matters properly brought before the TMIC Meeting pertaining to items of business affecting TMIC (other than in respect of the TMIC Arrangement Resolution), each TMIC Shareholder is entitled to one vote for each voting common share held.

#### **Voting – TSMIC Meeting**

33. **THIS COURT ORDERS** that the only persons entitled to vote in person or by proxy on the Continuance Resolution, the TSMIC Arrangement Resolution, or such other business as may be properly brought before the TSMIC Meeting, shall be those TSMIC Shareholders who hold voting common shares of TSMIC as of at 5:00 p.m. (Toronto time) on the TSMIC Record Date. Illegible votes, spoiled votes, defective votes and abstentions shall be deemed to be votes not cast. Proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the Continuance Resolution and the TSMIC Arrangement Resolution.

34. **THIS COURT ORDERS** that votes shall be taken at the TSMIC Meeting on the basis of one vote per common share and that in order for the Plan of Arrangement to be implemented, subject to further Order of this Honourable Court, the Continuance Resolution must be passed by an affirmative vote of at least two thirds ( $66\frac{2}{3}\%$ ) of the votes cast in respect

of the Continuance Resolution at the TSMIC Meeting by TSMIC Shareholders present in person or represented by proxy at the TSMIC Meeting, and the TSMIC Arrangement Resolution must be passed, with or without variation, at the TSMIC Meeting by:

- a) an affirmative vote of at least two-thirds ( $66\frac{2}{3}\%$ ) of the votes cast in respect of the TSMIC Arrangement Resolution at the TSMIC Meeting in person or by proxy by the TSMIC Shareholders; and
- b) a simple majority of the votes cast in respect of the TSMIC Arrangement Resolution at the TSMIC Meeting in person or by proxy by the TSMIC Shareholders, excluding for this purpose votes attached to any shares held by persons whose vote are required to be excluded in accordance with the policies of the TSX and MI 61-101.

Such votes shall be sufficient to authorize TSMIC to do all such acts and things as may be necessary or desirable to give effect to the Arrangement and the Plan of Arrangement on a basis consistent with what is provided for in the Information Circular without the necessity of any further approval by the TSMIC Shareholders, subject only to final approval of the Arrangement by this Honourable Court.

35. **THIS COURT ORDERS** that in respect of matters properly brought before the TSMIC Meeting pertaining to items of business affecting TSMIC (other than in respect of the Continuous Resolution and the TSMIC Arrangement Resolution), each TSMIC Shareholder is entitled to one vote for each voting common share held.

**Dissent Rights – TMIC Arrangement Resolution**

36. **THIS COURT ORDERS** that each registered TMIC Shareholder shall be entitled to exercise dissent rights in connection with the TMIC Arrangement Resolution (“**TMIC Dissent Rights**”) in accordance with section 185 of the OBCA (except as the procedures of that section are varied by this Interim Order and the Plan of Arrangement) provided that, notwithstanding subsection 185(6) of the OBCA, any TMIC Shareholder who wishes to dissent must, as a condition precedent thereto, provide written objection to the TMIC Arrangement Resolution to TMIC in the form required by section 185 of the OBCA and the Arrangement Agreement, which written objection must be received by TMIC by 5:00 p.m. (Toronto time) on the second last business day immediately preceding the TMIC Meeting (or any adjournment or postponement thereof), and must otherwise strictly comply with the requirements of the OBCA and the dissent procedures described in the Information Circular. For purposes of these proceedings, the “court” referred to in section 185 of the OBCA means this Honourable Court.

37. **THIS COURT ORDERS** that, notwithstanding section 185(4) of the OBCA, Timbercreek Financial Corp. (“**Amalco**”), as a successor to TMIC and TSMIC under the OBCA, not TMIC, shall be required to offer to pay fair value, as of the day prior to approval of the TMIC Arrangement Resolution, for voting common shares held by TMIC Shareholders who duly exercise TMIC Dissent Rights, and to pay the amount to which such TMIC Shareholders may be entitled pursuant to the terms of the Plan of Arrangement. In accordance with the Plan of Arrangement and the Information Circular, all references to the “corporation” in subsections 185(4) and 185(14) to 185(30), inclusive, of the OBCA (except for the second reference to the “corporation” in subsection 185(15)) shall be deemed to refer to “Timbercreek Financial Corp.” in place of the “corporation”, and Amalco shall have all of the rights, duties

and obligations of the “corporation” under subsections 185(14) to 185(30), inclusive, of the OBCA.

38. **THIS COURT ORDERS** that any TMIC Shareholder who duly exercises such TMIC Dissent Rights set out in paragraph 36 above and who:

- i) is ultimately determined by this Honourable Court to be entitled to be paid fair value for his, her or its voting common shares, shall be deemed to have transferred those voting common shares as of the Effective Time, without any further act or formality and free and clear of all liens, claims, encumbrances, charges, adverse interests or security interests to Amalco for cancellation in consideration for a payment of cash from Amalco equal to such fair value; or
- ii) is for any reason ultimately determined by this Honourable Court not to be entitled to be paid fair value for his, her or its voting common shares pursuant to the exercise of the TMIC Dissent Right, shall be deemed to have participated in the Arrangement on the same basis and at the same time as any non-dissenting TMIC Shareholder;

but in no case shall TMIC, Amalco or any other person be required to recognize such TMIC Shareholders as holders of voting common shares of TMIC at or after the date upon which the Arrangement becomes effective.



### **Dissent Rights – Continuance Resolution**

39. **THIS COURT ORDERS** that each registered TSMIC Shareholder shall be entitled to exercise dissent rights in respect of the Continuance Resolution (“**Continuance Dissent Rights**”) in accordance with section 190 of the CBCA, which shall govern the rights and obligations arising from the exercise of the Continuance Dissent Rights.

### **Dissent Rights – TSMIC Arrangement Resolution**

40. **THIS COURT ORDERS** that each registered TSMIC Shareholder that did not exercise Continuance Dissent Rights shall be entitled to exercise dissent rights in connection with the TSMIC Arrangement Resolution (“**TSMIC Dissent Rights**”) in accordance with section 185 of the OBCA (except as the procedures of that section are varied by this Interim Order and the Plan of Arrangement) provided that, notwithstanding subsection 185(6) of the OBCA, any TSMIC Shareholder who wishes to dissent must, as a condition precedent thereto, provide written objection to the TSMIC Arrangement Resolution to TSMIC in the form required by section 185 of the OBCA and the Arrangement Agreement, which written objection must be received by TSMIC by 5:00 p.m. (Toronto time), on the second last business day immediately preceding the TSMIC Meeting (or any adjournment or postponement thereof), and must otherwise strictly comply with the requirements of the OBCA and the dissent procedures described in the Information Circular. For purposes of these proceedings, the “court” referred to in section 185 of the OBCA means this Honourable Court.

41. **THIS COURT ORDERS** that, notwithstanding section 185(4) of the OBCA, Amalco, not TSMIC, shall be required to offer to pay fair value, as of the day prior to approval of the TSMIC Arrangement Resolution, for voting common shares held by TSMIC Shareholders who



duly exercise TSMIC Dissent Rights, and to pay the amount to which such TSMIC Shareholders may be entitled pursuant to the terms of the Plan of Arrangement. In accordance with the Plan of Arrangement and the Information Circular, all references to the “corporation” in subsections 185(4) and 185(14) to 185(30), inclusive, of the OBCA (except for the second reference to the “corporation” in subsection 185(15)) shall be deemed to refer to “Timbercreek Financial Corp.” in place of the “corporation”, and Amalco shall have all of the rights, duties and obligations of the “corporation” under subsections 185(14) to 185(30), inclusive, of the OBCA.

42. **THIS COURT ORDERS** that any TSMIC Shareholder who duly exercises either Continuance Dissent Rights or TSMIC Dissent Rights set out in paragraphs 39-40 above and who:

- i) is ultimately determined by this Honourable Court to be entitled to be paid fair value for his, her or its voting common shares, shall be deemed to have transferred those voting common shares as of the Effective Time, without any further act or formality and free and clear of all liens, claims, encumbrances, charges, adverse interests or security interests to TSMIC for cancellation in consideration for a payment of cash from TSMIC (in the case of an exercise of Continuance Dissent Rights) and to Amalco for cancellation in consideration for a payment of cash from Amalco (in the case of an exercise of TSMIC Dissent Rights) equal to such fair value; or

- ii) is for any reason ultimately determined by this Honourable Court not to be entitled to be paid fair value for his, her or its voting common shares pursuant to the exercise of either the Continuance Dissent Rights or the TSMIC Dissent Rights, shall be deemed to have participated in the Arrangement on the same basis and at the same time as any non-dissenting TSMIC Shareholder;

but in no case shall TSMIC, Amalco or any other person be required to recognize such TSMIC Shareholders as holders of voting common shares of TSMIC at or after the date upon which the Arrangement becomes effective.

#### **Hearing of Application for Approval of the Arrangement**

43. **THIS COURT ORDERS** that upon the approval of the TMIC Arrangement Resolution by the TMIC Shareholders, and the approval of the Continuance Resolution and the TMSIC Arrangement Resolution by the TSMIC Shareholders, in the manner set forth in this Interim Order, the Applicants may apply to this Honourable Court for final approval of the Arrangement.

44. **THIS COURT ORDERS** that distribution of the Notice of Application and the Interim Order in the Information Circular, when sent in accordance with paragraphs 19 to 22, shall constitute good and sufficient service of the Notice of Application and this Interim Order and no other form of service need be effected and no other material need be served unless a Notice of Appearance is served in accordance with paragraph 45.

45. **THIS COURT ORDERS** that any Notice of Appearance served in response to the Notice of Application shall be served on the respective lawyers for TMIC and TSMIC, as soon

as reasonably practicable, and, in any event, no less than two days before the hearing of this Application at the following addresses:

**McCarthy Tétrault LLP**  
Box 48, Suite 5300,  
Toronto Dominion Bank Tower,  
Toronto, ON M5K 1E6  
**Attention: Shane C. D'Souza**

Lawyers for TMIC

**Goodmans LLP**  
Suite 3400, 333 Bay Street  
Toronto, ON M5H 2S7  
**Attention: Peter Kolla**

Lawyers for TSMIC

46. **THIS COURT ORDERS** that, subject to further order of this Honourable Court, the only persons entitled to appear and be heard at the hearing of the within application shall be:

- i) TMIC;
- ii) TSMIC; and
- iii) any person who has filed a Notice of Appearance herein in accordance with the Notice of Application, this Interim Order and the *Rules of Civil Procedure*.

47. **THIS COURT ORDERS** that any materials to be filed by the Applicants in support of the within Application for final approval of the Arrangement may be filed up to one day prior to the hearing of the Application without further order of this Honourable Court.

48. **THIS COURT ORDERS** that in the event the within Application for final approval does not proceed on the date set forth in the Notice of Application, and is adjourned, only those

persons who served and filed a Notice of Appearance in accordance with paragraph 45 shall be entitled to be given notice of the adjourned date.

**Precedence**

49. **THIS COURT ORDERS** that, to the extent of any inconsistency or discrepancy between this Interim Order and the terms of any instrument creating, governing or collateral to the voting common shares of the Applicants, the TMIC Debentures, the articles or by-laws of the Applicants, this Interim Order shall govern.

**Extra-Territorial Assistance**

50. **THIS COURT** seeks and requests the aid and recognition of any court or any judicial, regulatory or administrative body in any province of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States or other country to act in aid of and to assist this Honourable Court in carrying out the terms of this Interim Order.

**Variance**

51. **THIS COURT ORDERS** that the Applicants shall be entitled to seek leave to vary this Interim Order upon such terms and upon the giving of such notice as this Honourable Court may direct.



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**ON / BOOK NO:**  
**LE / DANS LE REGISTRE NO:**

**MAY 09 2016**

**PER / PAR:** 

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**

Proceeding commenced at Toronto

**INTERIM ORDER**

**McCarthy Tétrault LLP**  
Box 48, Suite 5300,  
Toronto Dominion Bank Tower,  
Toronto, ON M5K 1E6

**Shane C. D'Souza** LSUC# 58241G  
Tel: 416-601-8196  
Fax: 416-868-0673

**Trevor Courtis** LSUC# 67715A  
Tel : 416-601-7643  
Fax : 416-868-0673

Lawyers for the Applicant,  
Timbercreek Mortgage Investment  
Corporation

**Goodmans LLP**  
Suite 3400, 333 Bay Street  
Toronto, ON M5H 2S7

**Peter Kolla** LSUC# 54608K  
Tel: 416-597-6279  
Fax: 416-979-1234

Lawyers for the Applicant,  
Timbercreek Senior Mortgage  
Investment Corporation

**APPENDIX J**  
**NOTICE OF APPLICATION FOR FINAL ORDER**

See attached.



**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**



**IN THE MATTER OF** an application under section 182 of the *Business Corporations Act*, R.S.O. 1990, c. B.16, as amended;

**AND IN THE MATTER OF** Rules 14.05(2) and 14.05(3)(f) of the *Rules of Civil Procedure*

**AND IN THE MATTER OF** a proposed arrangement involving Timbercreek Mortgage Investment Corporation, Timbercreek Senior Mortgage Investment Corporation and their securityholders

**TIMBERCREEK MORTGAGE INVESTMENT CORPORATION and  
TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION**

Applicants

**NOTICE OF APPLICATION**

**A LEGAL PROCEEDING HAS BEEN COMMENCED** by the Applicants. The claim made by the Applicants appears on the following page.

**THIS APPLICATION** will come on for a hearing before a judge presiding over the Commercial List on June 24, 2016, at 10:00 a.m., or as soon after that time as the application can be heard, at 330 University Avenue, Toronto, Ontario.

**IF YOU WISH TO OPPOSE THIS APPLICATION**, to receive notice of any step in the application or to be served with any documents in the application you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the Applicants' lawyers or, where the Applicants do not have a lawyer, serve it on the Applicants, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

**IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION**, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicants' lawyers or, where the Applicants do

not have a lawyer, serve it on the Applicants, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least two days before the hearing.

**IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.**

Date:

May 05, 2016

Issued by:

  
Local Registrar

Address of court office:

330 University Avenue, 7<sup>th</sup> Floor  
Toronto, Ontario M5G 1R7

- TO: ALL HOLDERS OF COMMON SHARES OF TIMBERCREEK MORTGAGE INVESTMENT CORPORATION, AS OF MAY 11, 2016**
- AND TO: ALL HOLDERS OF DEBENTURES OF TIMBERCREEK MORTGAGE INVESTMENT CORPORATION, AS OF MAY 11, 2016**
- AND TO: ALL SUBSCRIBERS TO THE DISTRIBUTION REINVESTMENT PLAN OF TIMBERCREEK MORTGAGE INVESTMENT CORPORATION, AS OF MAY 11, 2016**
- AND TO: ALL HOLDERS OF UNITS UNDER THE DEFERRED SHARE UNIT PLAN ADOPTED BY TIMBERCREEK MORTGAGE INVESTMENT CORPORATION, AS OF MAY 11, 2016**
- AND TO: ALL DIRECTORS OF TIMBERCREEK MORTGAGE INVESTMENT CORPORATION**
- AND TO: ALL HOLDERS OF COMMON SHARES OF TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION, AS OF MAY 11, 2016**
- AND TO: ALL SUBSCRIBERS TO THE DISTRIBUTION REINVESTMENT PLAN OF TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION, AS OF MAY 11, 2016**



**AND TO: ALL HOLDERS OF UNITS UNDER THE DEFERRED SHARE UNIT  
PLAN ADOPTED BY TIMBERCREEK SENIOR MORTGAGE  
INVESTMENT CORPORATION, AS OF MAY 11, 2016**

**AND TO: ALL DIRECTORS OF TIMBERCREEK SENIOR MORTGAGE  
INVESTMENT CORPORATION**

**AND TO: KPMG LLP, AS THE AUDITORS OF TIMBERCREEK MORTGAGE  
INVESTMENT CORPORATION AND TIMBERCREEK SENIOR  
MORTGAGE INVESTMENT CORPORATION**

## APPLICATION

1. The Applicants make application for:
  - (a) an interim order (the “**Interim Order**”) for advice and directions pursuant to section 182(5) of the *Business Corporations Act*, R.S.O. 1990, c. B.16, as amended (the “**OBCA**”) with respect to a proposed plan of arrangement (the “**Arrangement**”) involving Timbercreek Mortgage Investment Corporation (“**TMIC**”), Timbercreek Senior Mortgage Investment Corporation (“**TSMIC**”) and their securityholders whereby, among other things, the corporation continuing as a successor to TMIC and TSMIC under the OBCA, to be named Timbercreek Financial Corp. (“**Amalco**”), will acquire:
    - (i) all of the issued and outstanding common shares of TMIC (the “**TMIC Shares**”);
    - (ii) all of the obligations of TMIC under the trust indenture dated February 24, 2014 between TMIC and Computershare Trust Company of Canada governing the 6.35% unsecured subordinated convertible debentures offered by TMIC which mature on September 30, 2019 (the “**TMIC Debentures**”); and
    - (iii) all of the issued and outstanding common shares of TSMIC (the “**TSMIC Shares**”);
  - (b) a final order approving the Arrangement pursuant to section 182 of the OBCA; and

(c) such further and other relief as this Honourable Court may consider just.

**THE GROUNDS FOR THE APPLICATION ARE:**

1. TMIC is a mortgage investment corporation that is incorporated and existing under the OBCA with its registered office located at 25 Price Street, Toronto, Ontario M4W 1Z1;
2. The TMIC Shares are publicly traded on the Toronto Stock Exchange under the trading symbol “TMC”;
3. TSMIC is a mortgage investment corporation that is currently incorporated and existing under the *Canada Business Corporations Act*, RSC 1985, c. C-44 (“**CBCA**”), with its registered office located at 25 Price Street Toronto, Ontario M4W 1Z1. Prior to the date on which the Arrangement becomes effective, TSMIC will be continued under the OBCA subject to shareholder approval and pursuant to section 188 of the CBCA and section 180 of the OBCA;
4. The TSMIC Shares are publicly traded on the Toronto Stock Exchange under the trading symbol “MTG”;
5. Pursuant to the Arrangement, among other things, TMIC and TSMIC will amalgamate to form a single entity, Amalco, which will acquire the TMIC Shares and the TSMIC Shares in exchange for common shares in the capital of Amalco.
6. The Arrangement is an arrangement within the meaning of section 182 of the OBCA;

7. All statutory requirements of the OBCA will be fulfilled by the return date of this Application;
8. The directions set out in, and the approval of the shareholders required pursuant to, any Interim Order this Court may grant will have been followed and obtained by the date of this Application;
9. Certain securityholders are resident outside of Ontario and will be served at their addresses as they appear in the books and records of TSMIC or TSMIC as at May 11, 2016, pursuant to Rule 17.02(a) of the *Rules of Civil Procedure* and the terms of any Interim Order granted by this Court;
10. The Arrangement is procedurally and substantively fair and reasonable overall;
11. If made, the order approving the Arrangement will constitute the basis for an exemption from the registration requirements of Section 3(a)(10) of the *Securities Act of 1933*, as amended, of the United States of America, with respect to the securities to be issued in the United States of America pursuant to the Arrangement;
12. The Applicants will rely on section 182 of the OBCA and Rules 14.05 and 38 of the *Rules of Civil Procedure*; and
13. The Applicants will also rely on such further and other grounds as counsel may advise and this Court may permit.

**THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the application:

1. the Interim Order and other orders as may be granted by this Court;
2. an affidavit to be sworn on behalf of TMIC and TSMIC, describing the Arrangement and outlining the basis for the Interim Order, with exhibits thereto;
3. further affidavits to be sworn including one reporting as to compliance with the Interim Order and the results of any meetings convened pursuant to the Interim Order; and
4. such further and other material as counsel may advise and this Court may permit.

Dated: May 5, 2016

**McCarthy Tétrault LLP**  
Box 48, Suite 5300,  
Toronto Dominion Bank Tower,  
Toronto, ON M5K 1E6

**Shane C. D'Souza** LSUC# 58241G  
Tel: 416-601-8196  
Fax: 416-868-0673

**Trevor Courtis** LSUC# 67715A  
Tel: 416-601-7643  
Fax: 416-868-0673

Lawyers for the Applicant, Timbercreek  
Mortgage Investment Corporation

**Goodmans LLP**  
Suite 3400, 333 Bay Street  
Toronto, ON M5H 2S7

**Peter Kolla** LSUC# 54608K  
Tel: 416-597-6279  
Fax: 416-979-1234

Lawyers for the Applicant, Timbercreek Senior  
Mortgage Investment Corporation

IN THE MATTER OF AN APPLICATION under section 182 of the *Business Corporations Act*, RSO 1990, c. B. 16, as amended, involving  
Timbercreek Mortgage Investment Corporation and Timbercreek Senior Mortgage Investment Corporation

Court File No. **CV-16-11380-000**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**NOTICE OF APPLICATION**

**McCarthy Tétrault LLP**

Box 48, Suite 5300,  
Toronto Dominion Bank Tower,  
Toronto, ON M5K 1E6

**Shane C. D'Souza** LSUC# 58241G

Tel: 416-601-8196

Fax: 416-868-0673

**Trevor Courtis** LSUC# 67715A

Tel : 416-601-7643

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Corporation

**Goodmans LLP**

Suite 3400, 333 Bay Street  
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Lawyers for the Applicant,  
Timbercreek Senior Mortgage  
Investment Corporation

**APPENDIX K**  
**TMIC FAIRNESS OPINION**

See attached.



May 5, 2016

The Special Committee of the Board of Directors  
Timbercreek Mortgage Investment Corporation  
25 Price Street  
Toronto, Ontario M4W 1Z1

To the Special Committee:

TD Securities Inc. ("TD Securities") understands that Timbercreek Mortgage Investment Corporation ("TMIC") is considering entering into an arrangement agreement (the "Arrangement Agreement") with Timbercreek Senior Mortgage Investment Corporation ("TSMIC"), under which TMIC and TSMIC will combine pursuant to a plan of arrangement under the *Business Corporations Act* (Ontario) (the "Arrangement"). Under the Arrangement, among other things, TMIC and TSMIC will amalgamate to form a single entity to be named Timbercreek Financial Corp. ("Timbercreek Financial") with each holder (a "TMIC Shareholder") of TMIC common shares ("TMIC Shares") receiving one common share of Timbercreek Financial (a "TF Share") for each TMIC Share held (the "Consideration") and each holder (a "TSMIC Shareholder") of TSMIC common shares ("TSMIC Shares") receiving 1.035 TF Shares for each TSMIC Share held. The Arrangement Agreement also contemplates that (i) immediately before the effective time of the Arrangement and conditional upon, among other things, approval of the Arrangement by the TMIC Shareholders and the TSMIC Shareholders, Timbercreek Asset Management Inc. ("TAMI") will transfer its right, title and interest in its management agreement with TMIC to TMIC and the management agreement between TAMI and TSMIC will be terminated, and (ii) immediately following the effective time, a new management agreement between TAMI and Timbercreek Financial will take effect (collectively, the "Management Agreement Transactions"). As part of the Management Agreement Transactions, TMIC will pay to TAMI consideration of \$6,997,048 (the "Transfer Payment") plus applicable HST, where the Transfer Payment will be satisfied by TMIC issuing 782,830 TMIC Shares to TAMI.

The above description is summary in nature. The specific terms and conditions of the Arrangement and related transactions (collectively, the "Transaction") are set out in the Arrangement Agreement and related legal agreements and are to be described in a joint management information circular (the "Circular") of TMIC and TSMIC which is to be sent to TMIC Shareholders and TSMIC Shareholders in connection with the Transaction.

A special committee (the "Special Committee") of the board of directors (the "Board") of TMIC has been constituted to consider the Transaction and make recommendations thereon to the Board. TMIC has retained TD Securities to act as financial advisor in respect of the Transaction, including to prepare and deliver an opinion (the "Fairness Opinion") as to the fairness, from a financial point of view, of the Consideration to be received by TMIC Shareholders, other than TAMI and its related parties (as such term is defined for the purposes of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("MI 61-101")), in connection with the Transaction.



## **ENGAGEMENT OF TD SECURITIES**

TD Securities was first contacted by TMIC in December 2015, and was formally engaged by TMIC pursuant to an engagement agreement (the "Engagement Agreement") dated March 23, 2016, to act as financial advisor in respect of the Transaction. As provided for in the Engagement Agreement, upon formation of the Special Committee TD Securities continued to act as financial advisor to TMIC under the sole direction of the Special Committee. On May 5, 2016, at the request of the Special Committee, TD Securities orally delivered the Fairness Opinion. This Fairness Opinion provides the same opinion, in writing, as of May 5, 2016. The terms of the Engagement Agreement provide that TD Securities will receive a fee for its services, a portion of which is payable on delivery of the Fairness Opinion and a portion of which is contingent on the successful completion of the Arrangement, and is to be reimbursed for its reasonable out-of-pocket expenses. In addition, TMIC has agreed to indemnify TD Securities, in certain circumstances, against certain expenses, losses, claims, actions, suits, proceedings, investigations, damages and liabilities which may arise directly or indirectly from services performed by TD Securities in connection with the Engagement Agreement.

Subject to the terms of the Engagement Agreement, TD Securities consents to the inclusion of the Fairness Opinion in the Circular, with a summary thereof, in a form acceptable to TD Securities, and to the filing thereof with the applicable Canadian securities regulatory authorities.

## **CREDENTIALS OF TD SECURITIES**

TD Securities is one of Canada's largest investment banking firms with operations in a broad range of investment banking activities including corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. TD Securities also has significant international operations. TD Securities has been a financial advisor in a large number of transactions involving public and private companies in various industry sectors and has extensive experience in preparing valuations and fairness opinions.

The Fairness Opinion is the opinion of TD Securities and its form and content has been approved by a committee of senior investment banking professionals of TD Securities, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

## **RELATIONSHIP WITH INTERESTED PARTIES**

Neither TD Securities nor any of its affiliated entities (as such term is defined for the purposes of MI 61-101: (i) is an associated or affiliated entity or issuer insider (as such terms are defined for the purposes of MI 61-101) of TMIC, TSMIC, TAMI, or any of their respective affiliated entities (collectively, the "Interested Parties"), (ii) is an advisor to any of the Interested Parties in connection with the Transaction, other than TD Securities in its capacity as financial advisor to TMIC pursuant to the Engagement Agreement, (iii) is a manager or co-manager of a soliciting dealer group for the Transaction (or a member of a soliciting dealer group for the Transaction providing services beyond customary soliciting dealer's functions or receiving more than the per security or per security holder fees payable to the other members of the group), or (iv) has a material financial interest in the completion of the Transaction.

TD Securities and its affiliated entities have not been engaged to provide any financial advisory services to, nor have they acted as lead or co-lead manager on any offering of TMIC Shares, TSMIC Shares, or any other securities of TMIC, TSMIC or any other Interested Party, during the 24 months preceding the date on which TD Securities was first contacted in respect of the Transaction, other than as described herein. TD Securities acted as bookrunner on a \$30 million bought deal offering of TMIC convertible

unsecured subordinated debentures in February 2014 and as bookrunner on a \$35 million bought deal offering of TMIC Shares in April 2014. The Toronto-Dominion Bank ("TD Bank"), the parent company of TD Securities, is currently sole lead arranger and sole bookrunner on TMIC's \$60 million syndicated revolving credit facility (the "TMIC Credit Facility"), TSMIC's \$190 million syndicated revolving credit facility (the "TSMIC Credit Facility") and TAMI's \$22 million syndicated revolving credit facility. If the Transaction is completed, the TMIC Credit Facility and the TSMIC Credit Facility will be amended and restated in their entirety under a new \$350 million syndicated revolving credit facility with TD Bank acting as sole lead arranger and sole bookrunner.

TD Securities and certain of its affiliates act as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have and may in the future, in the ordinary course of its business, have positions in the securities of any Interested Party and, from time to time, may have executed or may execute transactions on behalf of such companies or other clients for which it may have received or may receive compensation. As an investment dealer, TD Securities conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including matters with respect to the Transaction, TMIC, TSMIC, or any other Interested Party.

The fees paid to TD Securities in connection with the foregoing activities, together with the fee payable to TD Securities pursuant to the Engagement Agreement, are not, in the aggregate, financially material to TD Securities. There are no understandings or agreements between TD Securities and TMIC, TSMIC, or any other Interested Party with respect to future financial advisory or investment banking business. TD Securities may in the future, in the ordinary course of its business, perform financial advisory or investment banking services for TMIC, TSMIC, or any other Interested Party. TD Bank and TD Securities, may in the future, in the ordinary course of their business, provide banking services or credit facilities to TMIC, TSMIC, or any other Interested Party.

## **SCOPE OF REVIEW**

In connection with the Fairness Opinion, TD Securities reviewed and relied upon (without attempting to verify independently the completeness or accuracy of) or carried out, among other things, the following:

1. a draft of the Arrangement Agreement dated May 4, 2016;
2. audited financial statements of TMIC and TSMIC and management's discussion and analysis related thereto for the fiscal years ended December 31, 2013, 2014, and 2015;
3. annual reports of TMIC and TSMIC for the fiscal years ended December 31, 2013, 2014, and 2015;
4. annual information forms of TMIC dated March 4, 2014, February 25, 2015, and February 24, 2016;
5. annual information forms of TSMIC dated March 4, 2014, February 24, 2015, and February 23, 2016;
6. the short form prospectus of TMIC dated April 9, 2014, related to its offering of TMIC Shares;
7. the short form prospectus of TMIC dated February 18, 2014, related to its offering of TMIC convertible unsecured subordinated debentures;

8. notices of meeting and management information circulars of TMIC for the annual general meetings of TMIC Shareholders held on September 12, 2013, May 6, 2014, and May 5, 2015;
9. notices of meeting and management information circulars of TSMIC for the annual general meetings of TSMIC Shareholders held on September 12, 2013, May 6, 2014, and May 5, 2015;
10. various internal financial and operating reports prepared by management of TMIC and TSMIC;
11. unaudited pro forma financial and operating information for Timbercreek Financial prepared by management of TMIC and TSMIC;
12. discussions with senior management of TMIC, TSMIC, and TAMI with respect to the information referred to above and other issues considered relevant;
13. representations contained in a certificate dated May 5, 2016, from senior officers of TMIC (the "TMIC Certificate");
14. representations contained in a certificate dated May 5, 2016, from senior officers of TSMIC (the "TSMIC Certificate", and together with the TMIC Certificate, the "Certificates");
15. discussions with the Special Committee and its legal counsel with respect to the Transaction and certain information referred to above;
16. various research publications prepared by equity research analysts regarding TMIC, TSMIC, and other selected public companies considered relevant;
17. public information relating to the business, operations, financial performance and stock trading history of TMIC, TSMIC, and other selected public companies considered relevant;
18. public information with respect to certain other transactions of a comparable nature considered relevant; and
19. such other corporate, industry, and financial market information, investigations and analyses as TD Securities considered necessary or appropriate in the circumstances.

TD Securities has not, to the best of its knowledge, been denied access by TMIC or TSMIC to any information requested by TD Securities. TD Securities did not meet with the auditors of TMIC or TSMIC and has assumed the accuracy, completeness and fair presentation of and has relied upon, without independent verification, the audited financial statements of TMIC and TSMIC and the reports of the auditors thereon.

#### **ASSUMPTIONS AND LIMITATIONS**

With the Special Committee's acknowledgement and agreement as provided for in the Engagement Agreement, TD Securities has relied upon the accuracy, completeness and fair presentation of all financial and other data and information provided to it by or on behalf of TMIC, TSMIC, or their respective representatives in respect of TMIC or TSMIC, or their respective subsidiaries, filed by TMIC or TSMIC with securities regulatory or similar authorities (including on the System for Electronic Document Analysis and Retrieval ("SEDAR")), or otherwise obtained by TD Securities, including the Certificates identified above (collectively, the "Information"). The Fairness Opinion is conditional upon such accuracy, completeness and fair presentation of the Information. Subject to the exercise of professional judgment, and except as expressly described herein, TD Securities has not attempted to verify independently the accuracy, completeness or fair presentation of any of the Information.

With respect to the budgets, forecasts, projections or estimates provided to TD Securities and used in its analyses, TD Securities notes that projecting future results is inherently subject to uncertainty. TD Securities has assumed, however, that such budgets, forecasts, projections or estimates provided to TD Securities and used in its analyses were prepared using the assumptions identified therein which TD Securities has been advised by TMIC and TSMIC, as applicable, are (or were at the time of preparation and continue to be) reasonable in the circumstances. TD Securities expresses no independent view as to the reasonableness of such budgets, forecasts, projections or estimates or the assumptions on which they are based.

Senior officers of TMIC (the "TMIC Officers") have represented to TD Securities in the TMIC Certificate dated May 5, 2016, among other things, that, to the best of their knowledge, information and belief after due inquiry with the intention that TD Securities may rely thereon in connection with the preparation of the Fairness Opinion: (i) they are authorized by TMIC to give the representations and warranties contained therein and have knowledge and have made appropriate inquiries as to the matters contained therein; (ii) TMIC has no information or knowledge of any facts, public or otherwise, not specifically provided to TD Securities relating to TMIC which would reasonably be expected to affect materially the Fairness Opinion to be given by TD Securities; (iii) with the exception of forecasts, projections or estimates referred to in subparagraph (v) below, the information, data and other material (collectively, the "TMIC Information") as filed under TMIC's profile on SEDAR and/or provided to TD Securities by or on behalf of TMIC or its representatives in respect of TMIC and its affiliates in connection with the Transaction is or, in the case of historical TMIC Information was, at the date of preparation, true, complete and accurate and did not and does not contain any untrue statement of a material fact, and does not omit to state a material fact necessary to make the TMIC Information not misleading in the light of circumstances in which it was presented; (iv) to the extent that any of the TMIC Information identified in subparagraph (iii) above is historical, there have been no changes in any material facts or new material facts since the respective dates thereof which have not been disclosed to TD Securities or updated by more current information not provided to TD Securities by TMIC and there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of TMIC and no material change has occurred in the TMIC Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Fairness Opinion; (v) any portions of the TMIC Information provided to TD Securities (or filed on SEDAR) which constitute forecasts, projections or estimates were prepared using the assumptions identified therein, which, in the reasonable opinion of TMIC, are (or were at the time of preparation and continue to be) reasonable in the circumstances; (vi) there have been no valuations or appraisals relating to (a) TMIC or any affiliate or any of their respective material assets or liabilities, or (b) to the best of the knowledge of the TMIC Officers, TSMIC or any affiliate or any of their respective material assets or liabilities, made in the preceding 24 months and in the possession or control of TMIC other than those which have been provided to TD Securities or, in the case of valuations known to TMIC which it does not have within its possession or control, notice of which has not been given to TD Securities; (vii) there have been no verbal or written offers or serious negotiations for or transactions involving any material property of TMIC or any of its affiliates or, to the best of the knowledge of the TMIC Officers, TSMIC or any of its affiliates during the preceding 24 months which have not been disclosed to TD Securities; (viii) since the dates on which the TMIC Information was provided to TD Securities (or filed on SEDAR), no material transaction has been entered into by TMIC or any of its affiliates; (ix) other than as disclosed in the TMIC Information, neither TMIC, nor any of its affiliates has any material contingent liabilities and there are no actions, suits, claims, proceedings, investigations or inquiries pending or threatened against or affecting the Transaction, TMIC, or any of its affiliates at law or in equity or before or by any federal, national, provincial, state, municipal or other governmental department, commission, bureau, board, agency or instrumentality which may, in any way, materially adversely affect TMIC or its affiliates or the Transaction; (x) all financial material, documentation and other data concerning the Transaction, TMIC

and its affiliates, including any projections or forecasts provided to TD Securities, were prepared on a basis consistent in all material respects with the accounting policies applied in the most recent audited consolidated financial statements of TMIC; (xi) there are no agreements, undertakings, commitments or understandings (whether written or oral, formal or informal) relating to the Transaction, except as have been disclosed in complete detail to TD Securities; (xii) the contents of any and all documents prepared in connection with the Transaction for filing with regulatory authorities or delivery or communication to securityholders of TMIC (collectively, the "Disclosure Documents") have been, are and will be true, complete and correct in all material respects and have not and will not contain any misrepresentation (as defined in the *Securities Act* (Ontario)) and the Disclosure Documents have complied, comply and will comply with all requirements under applicable laws; (xiii) TMIC has complied in all material respects with the Engagement Agreement; and (xiv) to the best of its knowledge, information and belief after due inquiry there is no plan or proposal for any material change (as defined in the *Securities Act* (Ontario)) in the affairs of TMIC which has not been disclosed to TD Securities.

Senior officers of TSMIC have represented to TD Securities in the TSMIC Certificate dated May 5, 2016, among other things, that, to the best of their knowledge, information and belief after due inquiry with the intention that TD Securities may rely thereon in connection with the preparation of the Fairness Opinion: (i) they are authorized by TSMIC to give the representations and warranties contained therein and have knowledge and have made appropriate inquiries as to the matters contained therein; (ii) TSMIC has no information or knowledge of any facts public or otherwise not specifically provided to TD Securities relating to TSMIC which would reasonably be expected to affect materially the Fairness Opinion; (iii) with the exception of forecasts, projections or estimates referred to in subparagraph (v) below, the information, data and other material (collectively, the "TSMIC Information") as filed under TSMIC's profile on SEDAR and/or provided to TD Securities by or on behalf of TSMIC or its representatives in respect of TSMIC and its affiliates in connection with the Transaction is or, in the case of historical TSMIC Information was, at the date of preparation, true, complete and accurate and did not and does not contain any untrue statement of a material fact, and does not omit to state a material fact necessary to make the TSMIC Information not misleading in the light of circumstances in which it was presented; (iv) to the extent that any of the TSMIC Information identified in subparagraph (iii) above is historical, there have been no changes in any material facts or new material facts since the respective dates thereof which have not been disclosed to TD Securities or updated by more current information not provided to TD Securities by TSMIC and there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of TSMIC and no material change has occurred in the TSMIC Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Fairness Opinion; (v) any portions of the TSMIC Information provided to TD Securities (or filed on SEDAR) which constitute forecasts, projections or estimates were prepared using the assumptions identified therein, which, in the reasonable opinion of TSMIC, are (or were at the time of preparation and continue to be) reasonable in the circumstances; (vi) there have been no valuations or appraisals relating to TSMIC or any affiliate or any of their respective material assets or liabilities made in the preceding 24 months and in the possession or control of TSMIC other than those which have been provided to TD Securities or, in the case of valuations known to TSMIC which it does not have within its possession or control, notice of which has not been given to TD Securities; (vii) there have been no verbal or written offers or serious negotiations for or transactions involving any material property of TSMIC or any of its affiliates during the preceding 24 months which have not been disclosed to TD Securities; (viii) since the dates on which the TSMIC Information was provided to TD Securities (or filed on SEDAR), no material transaction has been entered into by TSMIC or any of its affiliates; (ix) other than as disclosed in the TSMIC Information, neither TSMIC nor any of its affiliates has any material contingent liabilities and there are no actions, suits, claims, proceedings, investigations or inquiries pending or threatened against or affecting the Transaction, TSMIC or any of its affiliates at law or in equity or before or by any federal, national, provincial, state,



municipal or other governmental department, commission, bureau, board, agency or instrumentality which may, in any way, materially adversely affect TSMIC or its affiliates or the Transaction; (x) all financial material, documentation and other data concerning the Transaction, TSMIC and its affiliates, including any projections or forecasts provided to TD Securities, were prepared on a basis consistent in all material respects with the accounting policies applied in the most recent audited consolidated financial statements of TSMIC; (xi) there are no agreements, undertakings, commitments or understandings (whether written or oral, formal or informal) relating to the Transaction, except as have been disclosed in complete detail to TD Securities; and (xii) to the best of its knowledge, information and belief after due inquiry, there is no plan or proposal for any material change (as defined in the *Securities Act* (Ontario)) in the affairs of TSMIC which has not been disclosed to TD Securities.

In preparing the Fairness Opinion, TD Securities has made several assumptions, including that all final or executed versions of documents will conform in all material respects to the drafts provided to TD Securities, all conditions precedent to the completion of the Transaction can and will be satisfied in due course, all consents, approvals, authorizations, permissions, exemptions or orders of relevant regulatory authorities, courts of law, or third parties required in respect of or in connection with the Transaction will be obtained in a timely manner, in each case without adverse condition, qualification, modification or waiver, all steps or procedures being followed to implement the Transaction are valid and effective and comply in all material respects with all applicable laws and regulatory requirements, and all required documents (including the Circular) will be distributed to the TMIC Shareholders and TSMIC Shareholders in accordance with all applicable laws and regulatory requirements, the disclosure in such documents will be complete and accurate in all material respects, and such disclosure will comply in all material respects with the requirements of all applicable laws and regulatory requirements. In its analysis in connection with the preparation of the Fairness Opinion, TD Securities made numerous assumptions with respect to industry performance, general business and economic conditions, and other matters, many of which are beyond the control of TD Securities, TMIC, TSMIC, TAMI, or any other Interested Party. In addition, TD Securities has assumed the accuracy, completeness and fair presentation of and has relied upon, without independent verification, the financial statements forming part of the Information. All financial figures in this Fairness Opinion are in Canadian dollars unless otherwise stated.

The Fairness Opinion has been provided for the exclusive use of the Special Committee and the Board and is not intended to be, and does not constitute, a recommendation regarding how any TMIC Shareholder or TSMIC Shareholder should vote in respect of the Transaction. The Fairness Opinion may not be used by any other person or relied upon by any other person other than the Special Committee and the Board without the express prior written consent of TD Securities. The Fairness Opinion does not address the relative merits of the Transaction as compared to other transactions or business strategies that might be available to TMIC, nor does it address the underlying business decision to implement the Transaction or any individual term or aspect of the Transaction or the Arrangement Agreement or any other agreement entered into or amended in connection with the Transaction. TD Securities expresses no opinion with respect to future trading prices of TMIC Shares, TSMIC Shares, or TF Shares. In considering fairness, from a financial point of view, TD Securities considered the Transaction from the perspective of TMIC Shareholders (other than TAMI and its related parties) generally and did not consider the specific circumstances of any particular TMIC Shareholder or any other TMIC stakeholder, including with regard to income tax considerations. The Fairness Opinion is rendered as of May 5, 2016, on the basis of securities markets, economic and general business and financial conditions prevailing on that date and the condition and prospects, financial and otherwise, of TMIC, TSMIC, and their affiliates as they were reflected in the Information provided to or otherwise available to TD Securities. Any changes therein may affect the Fairness Opinion and, although TD Securities reserves the right to change, withdraw or supplement the Fairness Opinion in such event, it disclaims any undertaking or obligation to advise any person of any such change that may come to its attention, or update the Fairness Opinion after

such date. In preparing the Fairness Opinion, TD Securities was not authorized to solicit, and did not solicit, interest from any other party with respect to the acquisition of TMIC Shares or other securities of TMIC, or any business combination or other extraordinary transaction involving TMIC, nor did TD Securities negotiate with any party in connection with any such transaction. TD Securities is not an expert on and did not provide advice to the Special Committee or the Board regarding legal, accounting, regulatory or tax matters. The Fairness Opinion may not be summarized, published, reproduced, disseminated, quoted from or referred to without the express written consent of TD Securities.

The preparation of a fairness opinion is a complex process and is not necessarily amenable to partial analysis or summary description. TD Securities believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create an incomplete or misleading view of the process underlying the Fairness Opinion. Accordingly, this Fairness Opinion should be read in its entirety.

#### CONCLUSION

Based upon and subject to the foregoing, TD Securities is of the opinion that, as of May 5, 2016, the Consideration to be received by the TMIC Shareholders, other than TAMI and its related parties, in connection with the Transaction is fair, from a financial point of view, to such TMIC Shareholders.

Yours very truly,

*TD Securities Inc.*

**APPENDIX L**  
**TSMIC FAIRNESS OPINION**

See attached.



May 5, 2016

Timbercreek Senior Mortgage Investment Corporation  
As represented by  
The Board of Directors  
25 Price Street  
Toronto, Ontario  
M4W 1Z1

To the Board of Directors:

National Bank Financial Inc. (“NBF”, “we”, or “us”) understands that Timbercreek Senior Mortgage Investment Corporation (“TSMIC” or the “Company”) proposes to enter into an arrangement agreement to be dated May 5, 2016 (the “Arrangement Agreement”) with Timbercreek Mortgage Investment Corporation (“TMIC”) and Timbercreek Asset Management Inc. (“TAM” or the “Manager”).

Under the terms of the Arrangement Agreement, TMIC and TSMIC will amalgamate to form a single entity under the name of Timbercreek Financial Corp. (“Timbercreek Financial”). The holders of common shares of TSMIC (“TSMIC Shareholders”) will, among other things, be entitled to receive 1.035 Timbercreek Financial common shares (each a “Timbercreek Financial Share” and collectively the “Timbercreek Financial Shares”) for each TSMIC share held (the “Consideration”).

The transactions contemplated by the Arrangement Agreement will be effected pursuant to a court-approved plan of arrangement under the *Business Corporations Act* (Ontario) (the “Arrangement”).

We understand that the terms and conditions of the Arrangement will be summarized in a joint information circular (the “Information Circular”) to be prepared by TSMIC and TMIC and mailed to TSMIC Shareholders in connection with a shareholders’ meeting to be called by TSMIC to seek shareholder approval of the Arrangement.

NBF further understands that a special committee (the “Special Committee”) of the board of directors of TSMIC (the “Board of Directors”) has been formed to consider the Arrangement and make recommendations with respect thereto to the Board of Directors.

#### **Engagement of National Bank Financial Inc.**

NBF was initially approached in October 2015 by TSMIC and was formally retained by the Special Committee pursuant to an engagement agreement dated effective April 20, 2016 (the “Engagement Agreement”) to provide financial advice to TSMIC and the Special Committee,

including providing our opinion (the “Fairness Opinion”) to the Board of Directors as to the fairness, from a financial point of view, to TSMIC Shareholders, other than TAM and its affiliates, of the Consideration to be received by TSMIC Shareholders pursuant to the Arrangement.

NBF has not been asked to prepare and has not prepared a valuation of TSMIC or TMIC or a valuation of any of their respective securities or assets and this Fairness Opinion should not be construed as such.

NBF will be paid fees for its services as financial advisor to TSMIC and the Special Committee, including for the delivery of the Fairness Opinion. A portion of the fees payable to NBF are contingent on the completion of the Arrangement. In addition, NBF is to be reimbursed for its reasonable out-of-pocket expenses and to be indemnified by TSMIC in certain circumstances.

NBF understands that the Fairness Opinion and a summary thereof will be included in the Information Circular and, subject to the terms of the Engagement Agreement, NBF consents to such disclosure.

#### **Independence of National Bank Financial Inc.**

NBF is not an “associated” or “affiliated” entity or “issuer insider” (as such terms are used in Multilateral Instrument 61-101 of the Ontario Securities Commission and the Québec Autorité des marchés financiers (“MI 61-101”)) of TSMIC or TMIC or TAM or Timbercreek Financial (collectively, the “Interested Parties”), nor is it a financial advisor to TMIC or TAM in connection with the Arrangement.

In 2015, NBF acted as co-manager for one public offering of Class A units of Timbercreek Global Real Estate Fund, an associated entity of TAM. In 2014, NBF also acted as co-manager for one public offering of common shares of TMIC. NBF or its affiliates may, in the future, in the ordinary course of their respective businesses, perform financial advisory or investment banking or other services to the Interested Parties or any of their respective associated entities or affiliated entities.

NBF acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of the Interested Parties and, from time to time, may have executed or may execute transactions for such companies and clients from whom it received or may receive compensation. NBF, as an investment dealer, conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to the Interested Parties.

The controlling shareholder of NBF, National Bank of Canada (“NBC”) is a co-lender to TSMIC in its existing senior secured revolving credit facility. In connection with the Arrangement, NBC has committed to act as a co-lender into a senior secured revolving facility of Timbercreek Financial. Except as expressed herein, there are no understandings, agreements or commitments between NBF or National Bank, on the one hand, and Interested Parties or their respective associates or affiliates on the other hand with respect to any future business dealings.

### **Credentials of National Bank Financial Inc.**

NBF is a leading Canadian investment dealer whose businesses include corporate finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. The Fairness Opinion is the opinion of NBF and the form and content herein has been reviewed and approved for release by a group of managing directors of NBF, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

### **Scope of Review**

In connection with rendering our Fairness Opinion, we have reviewed and relied upon, or carried out (as the case may be), among other things, the following:

- a) a draft of the Arrangement Agreement dated May 4, 2016 and associated disclosure letters of TSMIC and TMIC;
- b) a draft of the Plan of Arrangement May 4, 2016;
- c) a draft copy of the Management Agreement between Timbercreek Financial Corp. and Timbercreek Asset Management Inc. dated April 29, 2016;
- d) draft representation letters as to certain factual matters and the completeness and accuracy of certain information upon which the Opinion is based and addressed from senior officers of TSMIC and TAM;
- e) audited annual financial statements and management's discussion and analysis of TSMIC and TMIC for each of the fiscal years ended December 31, 2015 and 2014;
- f) the annual information forms of TSMIC and TMIC for the fiscal years ended December 31, 2015 and 2014;
- g) notice of annual meeting and management information circulars of TSMIC and TMIC, both dated April 1, 2015;
- h) notice of special meeting and management information circulars of TSMIC and TMIC, both dated August 12, 2013;
- i) the Management Agreement between TSMIC and TAM dated September 13, 2013;
- j) the Management Agreement between TMIC and TAM dated September 13, 2013;
- k) certain financial information of TSMIC and TMIC for the quarter ended March 31, 2016, including: co-invested mortgage investments, past-due mortgage investments and related party transactions;
- l) certain other non-public information prepared and provided to us by TAM and TSMIC management, primarily financial in nature, concerning the business, its assets, liabilities and prospects of TSMIC;
- m) discussions with the members of the Board of Directors of TSMIC with respect to the information referred to above and other issues considered relevant;

- n) discussions with representatives of Goodmans LLP, legal counsel to TSMIC and the TSMIC Special Committee;
- o) discussions with members of the management team of TSMIC, TMIC and TAM;
- p) discussions with representatives of KPMG, the auditors of TSMIC and TMIC;
- q) various research publications prepared by industry and equity research analysts regarding TSMIC and other selected public companies considered relevant;
- r) public information relating to the business, assets, operations, financial performance and market trading history of TSMIC, TMIC, and other selected public companies considered relevant;
- s) public information with respect to certain other transactions of a comparable nature considered relevant; and
- t) such other corporate, industry and financial market information, investigations and analyses as considered necessary or appropriate in the circumstances

NBF has not, to the best of its knowledge, been denied access by TSMIC nor TAM to any information under their respective control that has been requested by NBF.

#### **Prior Valuations**

TSMIC and TAM have each separately represented to NBF that there have not been any prior valuations (as defined in Canadian Securities Administrators' Multilateral Instrument 61-101 - *Protection of Minority Shareholders in Special Transactions*) of TSMIC and TAM, as the case may be, and any of their respective material assets or securities in the past twenty-four month period.

#### **Assumptions and Limitations**

With the Board of Directors' approval and as provided for in the Engagement Agreement, we have relied upon the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions, representations and other material obtained by us from public sources, or provided to us by TSMIC and TAM, as the case may be, and their respective subsidiaries (as defined in National Instrument 45-106 Prospectus and Registration Exemptions) or any of its or their respective representatives in connection with NBF's engagement (collectively, the "Information"). Our Fairness Opinion is conditional upon the completeness, accuracy and fair presentation of the Information. We have not been requested to nor, subject to the exercise of professional judgment, have we attempted to verify independently the completeness, accuracy or fair presentation of the Information.

Senior officers of each of TSMIC and TAM have separately represented to NBF in a certificate delivered as of the date hereof, among other things, that (i) the Information provided orally by, or in the presence of, an officer or employee of TSMIC or TAM, as the case may be, or in writing by TSMIC or TAM, as the case may be, or any of their respective subsidiaries, or any of their respective representatives, was at the date the Information provided to NBF and is (except to the extent superseded by more current Information) as of the date hereof, complete true and correct in all material respects, and did not and does not contain a misrepresentation (as

defined in the *Securities Act* (Ontario)); (ii) since the dates on which the Information was provided to NBF, except as disclosed to NBF, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of TSMIC or TMIC, as the case may be, or any of their respective subsidiaries and no change has occurred in the Information or any part thereof which would have or which could reasonably be expected to have a material effect on the Fairness Opinion; and (iii) public disclosure documents of TSMIC and TMIC, as the case may be, did not, at the time they were filed with the applicable securities regulatory authorities, contain a misrepresentation (as defined in the *Securities Act* (Ontario)) and complied in all material respects with applicable securities laws at the time they were filed.

With respect to any forecasts, projections, estimates and/or budgets provided to NBF and used in its analyses, NBF notes that projecting future results of any company is inherently subject to uncertainty. NBF has assumed, however, that such forecasts, projections, estimates and/or budgets were prepared using the assumptions identified therein and that such assumptions in the opinion of TSMIC or TAM, as the case may be, (i) were reasonably prepared on bases reflecting the best currently available assumptions, estimates and judgments of management of TSMIC and TAM, as the case may be, having regard to their respective business, plans, financial condition and prospects; (ii) reasonably present the views of management of TSMIC and TAM, as the case may be, as to the financial prospects and forecasted performance of TSMIC, TMIC and Timbercreek Financial; and (iii) are not, in the reasonable belief of management of TSMIC and TAM, as the case may be, misleading in any material respect.

NBF has assumed that, in all respects material to its analysis, the Arrangement Agreement executed by the parties will be in substantially the form of the draft provided to us, the Arrangement will be made as provided for in the Arrangement Agreement, the representations and warranties of the parties to the Arrangement Agreement contained therein are true, accurate and complete in all material respects, such parties will each perform all of the respective covenants and agreements to be performed by them under the Arrangement Agreement, TSMIC, TMIC and TAM will each perform their respective obligations under the Arrangement, and all conditions to the obligations of such parties as specified in the Arrangement Agreement and the Arrangement will be satisfied without any waiver thereof. NBF has also assumed that all material approvals and consents required in connection with the consummation of the Arrangement will be obtained and that, in connection with obtaining any necessary approvals and consents, no limitations, restrictions or conditions will be imposed that would have a material adverse effect on TSMIC or TMIC, as the case may be.

We are not legal, tax or accounting experts and we express no opinion concerning any legal, tax or accounting matters concerning the Arrangement and have relied upon, without independent verification, the assessment by TSMIC and TAM and their legal and tax advisors with respect to such matters. We express no opinion as to the value at which Timbercreek Financial may trade following completion of the Arrangement.

This Fairness Opinion is rendered as at the date hereof and on the basis of securities markets, economic and general business and financial conditions prevailing as at the date hereof and the conditions and prospects, financial and otherwise, of TSMIC and TMIC as they are reflected in the Information and as they were represented to us in our discussions with the management of TSMIC and TAM, as the case may be. In our analyses and in connection with the preparation of our Fairness Opinion, we made numerous assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond

the control of NBF and any party involved in the Arrangement Agreement and the Arrangement. This Fairness Opinion is provided to the Board of Directors for their use only and may not be relied upon by any other person. NBF disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion which may come or be brought to the attention of NBF after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Fairness Opinion after the date hereof, NBF reserves the right to change, modify or withdraw the Fairness Opinion.

This Fairness Opinion is addressed to the Board of Directors and is for the sole use and benefit of the Board of Directors, and may not be referred to, summarized, circulated, publicized or reproduced or disclosed to or used or relied upon by any party without the express written consent of NBF. This Fairness Opinion is not to be construed as a recommendation to any TSMIC Shareholder to vote in favour or against the Arrangement.

### **Conclusion**

Based upon and subject to the foregoing, and such other matters as NBF considered relevant, NBF is of the opinion, as of the date hereof, that the Consideration to be received by TSMIC Shareholders pursuant to the Arrangement is fair, from a financial point of view, to TSMIC Shareholders, other than the Manager and its affiliates.

Yours very truly,

A handwritten signature in dark ink that reads "National Bank Financial Inc." in a cursive, flowing script.

**NATIONAL BANK FINANCIAL INC.**

**APPENDIX M**  
**INFORMATION REGARDING TMIC ANNUAL MEETING**  
**AND RELATED DISCLOSURE**

The information below should be read together with information in other sections of the Circular, especially in relation to potential changes if and when the Arrangement or the Management Agreement Transactions are approved and implemented.

**Election of Directors**

The information presented in the table below has been provided by the respective TMIC Nominee as of the date of this Circular. The number of TMIC Shares owned, controlled or directed includes TMIC Shares beneficially owned, directly or indirectly (other than stock options), or over which control or direction is exercised by the proposed nominee.

<b>Name and Province of Principal Residence</b>	<b>Position with TMIC</b>	<b>Principal Occupation</b>	<b>Number of TMIC Shares Beneficially Owned, Controlled or Directed</b>
Zelick L. Altman <sup>(1)</sup> <i>Ontario, Canada</i>	Independent Director (appointed April 30, 2008)	Managing Director of LaSalle Investment Management (Canada)	13,625 TMIC Shares
Craig A. Geier <sup>(1) (2)</sup> <i>Ontario, Canada</i>	Independent Director (appointed August 20, 2008)	Microbonds Inc., Chairman & CEO	3,876 TMIC Shares
W. Glenn Shyba <sup>(1)(3)</sup> <i>Ontario, Canada</i>	Independent Director (appointed April 30, 2008)	Principal, Origin Merchant Partners	5,100 TMIC Shares
Derek J. Watchorn <sup>(1)(3)(4)</sup> <i>Ontario, Canada</i>	Independent Director (appointed November 25, 2010)	Consultant	32,590 TMIC Shares
R. Blair Tamblyn <sup>(3)</sup> <i>Ontario, Canada</i>	Director (Chairman) (appointed April 30, 2008)	Director, President, CEO and Managing Director of TAMI	21,657 TMIC Shares
Andrew Jones <i>Ontario, Canada</i>	Director (appointed September 12, 2013) and CEO	Managing Director, Debt Investments of TAMI	16,100 TMIC Shares
Ugo Bizzarri <i>Ontario, Canada</i>	Director (appointed September 12, 2013)	Director and Managing Director, Portfolio Management and Investments of TAMI	38,120 TMIC Shares

Notes:

- (1) Member of the audit committee of the TMIC Board.
- (2) Chairman of the audit committee of the TMIC Board.
- (3) Member of the corporate governance committee of the TMIC Board.
- (4) Chairman of the corporate governance committee of the TMIC Board.

The following are biographies of the TMIC Nominees:

**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 Ltd. 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 & CEO 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 CFO of Sulliden Exploration Inc. and subsequently as CFO and VP of Corporate Development at Energold Drilling Corp. Previously Mr. Geier worked for over 23 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 23 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 \$2.0 billion 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 also serves on the Board of Directors, audit committee and corporate governance committee of Timbercreek Senior Mortgage Investment Corporation (“**TSMIC**”). Mr. Shyba holds a Bachelor of Commerce degree from the University of British Columbia.

**Derek J. Watchorn** - For the past six 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 until recently 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 CEO 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 of Olympia & York Canary Wharf plc. Mr. Watchorn was previously a director of Patheon Inc. (TSX:PTI)

**R. Blair Tamblyn** – Mr. Tamblyn is the Chairman of the Board of TMIC. He is also a Co-Founder, Director and Managing Director/CEO of TAMI, and Chairman of the Board of TSMIC. Mr. Tamblyn has over 23 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 currently manage an aggregate of approximately \$4.8 billion in assets. Prior to founding TAMI in 1999, Mr. Tamblyn worked with Connor, Clark &



Company where he was licensed as a Securities Trader. 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 CEO and a Director of TMIC. Mr. Jones is also Managing Director, Debt Investments of TAMI, and CEO 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 TMIC. Mr. Jones has been a registered mortgage broker for over 15 years, carries a mortgage broker licence in three provinces and is the broker of record on behalf of TAMI. Prior to joining TAMI, 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 23 years.

**Ugo Bizzarri** – Mr. Bizzarri is a Director of TMIC. Mr. Bizzarri is also a Co-Founder, Director and Managing Director, Portfolio Management and Investments of TAMI, and a Director of TSMIC. Mr. Bizzarri has over 23 years of 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, Mr. Bizzarri and his team have constructed and managed a diversified debt portfolio of over \$1.3 billion in Timbercreek-sponsored commercial mortgage investments and have been responsible for underwriting, financing and acquiring approximately \$4.0 billion worth of multi-residential real estate on behalf of Timbercreek and its partners. Prior to co-founding TAMI, 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.

#### *Cease Trade Orders, Bankruptcies, Penalties or Sanctions*

No director or proposed director of TMIC is, as at the date of this Circular, or has been, within ten (10) years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including TMIC), that:

- (a) 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 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 proposed director of TMIC:

- (a) is, as at the date of this Circular, or has been within the ten (10) years before the date of this Circular, a director or executive officer of any company that (including TMIC), 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 Circular, 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 proposed director of TMIC 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.

### Appointment of Auditors

The following table sets out, by category, the fees billed by KPMG LLP in the fiscal year ended December 31, 2015, for the services noted:

<b>Category</b>	<b>Year Ended December 31, 2015</b>
Audit fees <sup>(1)</sup> .....	\$113,051
Audit-related fees <sup>(2)</sup> .....	\$70,128
Tax fees <sup>(3)</sup> .....	\$30,849
All other fees .....	\$0
<b>Total</b>	<b>\$214,028</b>

#### Notes:

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

### Normal Course Issuer Bid

TMIC commenced a normal course issuer bid with respect to TMIC Shares on January 6, 2016 under which TMIC may, over a 12-month period commencing on January 6, 2016, purchase in the normal course through the facilities of the TSX up to a regulatory maximum of 4,105,569 TMIC Shares. The normal course issuer bid will terminate on the earlier of: (i) January 5, 2017; and (ii) the date on which TMIC has purchased the maximum number of TMIC Shares permitted under the bid. Security holders may obtain a copy of the Notice of Intention to make a normal course issuer bid filed with the Toronto Stock Exchange by contacting Carrie Morris at 416-800-1552 or [cmorris@timbercreek.com](mailto:cmorris@timbercreek.com).

TMIC is not currently purchasing shares under the bid and will not make any purchases prior to the Effective Time. The normal course issuer bid will terminate upon completion of the Arrangement. Timbercreek Financial may elect to commence a new normal course issuer bid following completion of the Arrangement, subject to the policies and approval of the TSX.

### Executive Compensation

#### *Compensation Discussion and Analysis*

The senior management team of TMIC consists of individuals employed by TAMI. Pursuant to the Management Agreement, TAMI directs the affairs and manages the business and administers or arranges for the administration of

TMIC's day-to-day operations. There are no employment agreements between members of senior management and TMIC, and TMIC does not pay any compensation to any individuals serving as officers, directly or indirectly. In consideration for the services provided to TMIC, TAMI is paid a management fee equal to 1.20% per annum of the gross assets of TMIC, paid monthly in arrears, plus applicable taxes. In addition, in any calendar year where TMIC has net earnings available for dividend to TMIC Shareholders in excess of the hurdle rate (being the average 2-Yr Government of Canada bond yield for the 12-month period then ended plus 450 basis points), TAMI will be entitled to receive from TMIC a performance fee equal to 20% of the amount by which the net earnings available for dividend divided by the outstanding share capital of TMIC exceeds such hurdle rate. See "Management of TMIC – Amount Paid and Payable to TAMI".

Although certain individuals hold titles as officers of TMIC, these officers are employees of TAMI. The board of directors of TAMI has sole responsibility for determining the compensation of the employees of TAMI, including those serving as officers of TMIC. The TMIC Board, rather than a compensation committee, is therefore responsible for compensation matters, specifically in the form of remuneration of TAMI.

There are no contracts, agreements or arrangements that provide for payments by TMIC to a NEO following or in connection with any termination, resignation or retirement of or by the NEO in respect of his or her position with TMIC or in the event of a change in control of TMIC.

#### *Summary Compensation Table*

Securities legislation requires disclosure of the compensation received by each NEO of TMIC for each of its three most recently completed financial years. "NEO" is defined by securities legislation to mean: (i) the Chief Executive Officer; (ii) the Chief Financial Officer; (iii) each of the three most highly compensated executive officers of TMIC, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the Chief Executive Officer and Chief Financial Officer, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year; and (iv) each individual who would be a "NEO" under paragraph (iii) but for the fact that the individual was neither an executive officer of TMIC or its subsidiaries, nor acting in a similar capacity, at the end of the most recently completed financial year.

During the year ended December 31, 2015, TMIC had four NEOs (all of whom are employees of TAMI). The following table and notes thereto provide a summary of the compensation paid by TAMI to each NEO of TMIC that is attributable to time spent by such NEO on the activities of TMIC for the financial year ended December 31, 2015.

Name and Principal Position of NEO	Year	Salary <sup>(1)</sup> (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation		All Other Compensation <sup>(3)</sup> (\$)	Total Compensation (\$)
					Annual Incentive Plans <sup>(2)</sup> (\$)	Long-Term Incentive Plans (\$)		
R. Blair Tamblyn <sup>(4)</sup>	2015	60,000	Nil	Nil	20,000	Nil	Nil	80,000
	2014	60,000	Nil	Nil	20,000	Nil	Nil	80,000
	2013	80,000	Nil	Nil	30,000	Nil	Nil	110,000
Ugo Bizzarri <sup>(5)</sup>	2015	80,000	Nil	Nil	20,000	Nil	Nil	100,000
	2014	80,000	Nil	Nil	20,000	Nil	Nil	100,000
	2013	80,000	Nil	Nil	30,000	Nil	Nil	110,000
Andrew Jones Chief Executive Officer <sup>(4)</sup>	2015	260,000	Nil	Nil	60,000	Nil	Nil	320,000
	2014	260,000	Nil	Nil	60,000	Nil	Nil	320,000
	2013	253,125	Nil	Nil	75,000	Nil	Nil	328,125

Name and Principal Position of NEO	Year	Salary <sup>(1)</sup> (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation		All Other Compensation <sup>(3)</sup> (\$)	Total Compensation (\$)
					Annual Incentive Plans <sup>(2)</sup> (\$)	Long-Term Incentive Plans (\$)		
David Melo Chief Financial Officer <sup>(5)</sup>	2015	100,000	Nil	Nil	20,000	Nil	Nil	120,000
	2014	100,000	Nil	Nil	20,000	Nil	Nil	120,000

Notes:

- (1) Represents the portion of salary paid by TAMI attributable to time spent on the activities of TMIC.
- (2) Represents the portion of annual bonus paid by TAMI attributable to time spent on the activities of TMIC.
- (3) None of the NEOs receives any compensation for acting as member of the Board. See “– Directors Compensation” below.
- (4) R. Blair Tamblin resigned as the CEO of TMIC on January 20, 2014. Andrew Jones was appointed as CEO as of January 20, 2014. Mr. Jones was a Vice President of TMIC for the financial years ended December 31, 2012 and 2013 and resigned from such position on January 20, 2014.
- (5) Mr. Bizzarri resigned as CFO of TMIC on March 26, 2014. David Melo was appointed as CFO as of March 26, 2014. Mr. Melo was a Vice President of TMIC for the financial years ended December 31, 2012 and 2013 and resigned from such position on March 26, 2014.

### *Principal Elements of Compensation*

The compensation of the NEOs includes two major elements: (1) base salary; and (2) an annual cash bonus (as further described below). TAMI determines executive compensation with input from senior management of TAMI. There is no specific formula for determining the amount of each element, nor is there a formal approach applied by TAMI for determining how one element of compensation fits into the overall compensation objectives in respect of the activities of TMIC. Objectives and performance measures may vary from year to year as determined to be appropriate by TAMI.

The role of the TMIC Board in determining compensation is limited. The TMIC Board has determined that, generally, processes and controls are in place to mitigate any risks and, overall, such risks are not significant and not reasonably likely to have a material adverse effect on TMIC. Although the TMIC Board has not adopted any policies in this regard, in the event that a NEO or director of TMIC purchases financial instruments that are designed to hedge or offset a decrease in market value of our equity securities granted as compensation or held, directly or indirectly, by the NEO or director, such purchases must be disclosed in the insider reporting filings of a NEO or director.

The NEOs do not benefit from medium term incentives, pension plan participation or equity incentives. Perquisites and personal benefits are not a significant element of compensation of the NEOs.

The two principal elements of compensation are described below.

#### **A. Base Salaries**

Base salaries are paid by TAMI and are intended to provide an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries are determined on an individual basis, taking into consideration the past, current and potential contribution to the success of TMIC, the position and responsibilities of the NEOs and competitive industry pay practices for other mortgage investment corporations and corporations of comparable size. TAMI does not engage compensation consultants or advisors for the purposes of performing benchmarking or apply specific criteria for the selection of comparable mortgage lending businesses.

#### **B. Annual Cash Bonuses**

Annual cash bonuses are paid by TAMI and are awarded primarily based upon qualitative and quantitative performance standards, and reward performance of TMIC or the NEO individually. The determination of the performance of TMIC may vary from year to year depending on economic conditions and conditions in the

mortgage lending industry, and may be based on measures such as share price performance, the meeting of financial targets against budget and balance sheet performance. Individual performance factors vary, and may include completion of specific projects or transactions and the execution of day to day management responsibilities.

### *Director Compensation*

Directors' compensation is subject to such amendments as the directors may determine from time to time. A member of the TMIC Board who is not an independent director does not receive any remuneration from TMIC for serving as a member of the TMIC Board or any TMIC Board committee. In 2014, the TMIC Board, in conjunction with TAMI, engaged an independent compensation consultant to conduct a review of the directors' compensation. During the course of the review, the independent compensation consultant took into consideration TMIC's recent transition to a corporate reporting regime, the resulting enhanced governance requirements and the director compensation at other comparable issuers. The TMIC Board did not engage any compensation consultant during the financial year ended December 31, 2015.

TMIC pays independent directors' fees of \$20,000 per independent director per annum and the Lead Independent Director receives an additional fee of \$3,500 per annum. The Chair of the audit committee receives an additional fee of \$5,000 per annum and the Chair of the corporate governance committee receives an additional fee of \$3,500 per annum. In addition, independent directors are entitled to receive a per meeting fee, where the meeting of the TMIC Board or the committee of the TMIC Board, as applicable, is at least 30 minutes long, of \$1,500 for each such meeting attended in person and \$750 for each such meeting attended by phone.

The compensation structure reflects a focus on increasing the alignment of directors' interests with those of the TMIC Shareholders by giving the independent directors the opportunity to elect to receive up to 100% of their compensation in the form of TMIC DSUs commencing January 1, 2015. See "Deferred Share Unit Plan and Share Ownership Guidelines" below. 17,022 TMIC DSUs were granted to the independent directors during the financial year ended December 31, 2015.

Members of the TMIC Board or any TMIC Board committee are entitled to reimbursement of their out-of-pocket expenses incurred in acting as a member of the TMIC Board or any committee. The directors of TMIC may also be entitled to additional remuneration from TMIC for the performance of additional services and special projects for TMIC. The amount of any such remuneration shall be determined by the independent directors.

The table below sets forth the compensation paid to members of the TMIC Board, in their capacities as directors of TMIC, for the financial year ended December 31, 2015.

<b>Name of Director<sup>(1)</sup></b>	<b>Fees and retainer earned<sup>(2)</sup> (\$)</b>	<b>Share-Based Awards (\$)</b>	<b>Option-Based Awards (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total Compensation (\$)</b>	<b>Percentage of cash fees and retainer deferred into DSUs</b>
Zelick L. Altman	40,750	Nil	Nil	Nil	40,750	100%
Craig A. Geier	48,000	Nil	Nil	Nil	48,000	78%
W. Glenn Shyba	50,250	Nil	Nil	Nil	50,250	100%
Derek J. Watchorn	49,500	Nil	Nil	Nil	49,500	100%

Notes:

- (1) Only independent directors are included in this table as a member of the TMIC Board who is not an independent director does not receive any remuneration for serving as a member of the TMIC Board or any TMIC Board committee.
- (2) In 2015, independent directors were each awarded an annual bonus equal to 25% of the quarterly DSU allowance, up to a maximum value of \$5,000.

### *Deferred Share Unit Plan and Share Ownership Guidelines*

Pursuant to the TMIC DSU Plan adopted by the TMIC Board, independent directors may elect to receive all or a portion of their annual board retainer, meeting fees and any other fees payable to the independent director in the form of TMIC DSUs. Directors who elect to receive a portion of their compensation in TMIC DSUs pursuant to the TMIC DSU Plan will be eligible to receive additional compensation up to a maximum value of \$5,000 of TMIC DSUs per annum. TMIC DSUs may only be redeemed once the independent director ceases to be a director of TMIC, including by way of death or disability. Following such date, the independent director (or his or her beneficiary, as applicable) will be paid a lump sum payment, net of withholding taxes, equal to the number of TMIC DSUs held by such independent director multiplied by the fair market value of a TMIC Share as of the 24th business day after TMIC's next interim financial statements (or where the independent director ceases to be a director in the fourth quarter, the annual financial statements) are published or such other date as may be determined by the TMIC Board.

Independent directors will be credited with additional TMIC DSUs (including, if applicable, fractional TMIC DSUs) in respect of dividends declared by TMIC on the TMIC Shares, calculated by dividing (i) the product obtained by multiplying the amount of the dividend paid by TMIC on each TMIC Share by the number of TMIC DSUs held by the independent director as of the record date for the payment of such dividend, by (ii) the volume weighted average price of the TMIC Shares reported by the TSX for the twenty trading days immediately preceding the record date.

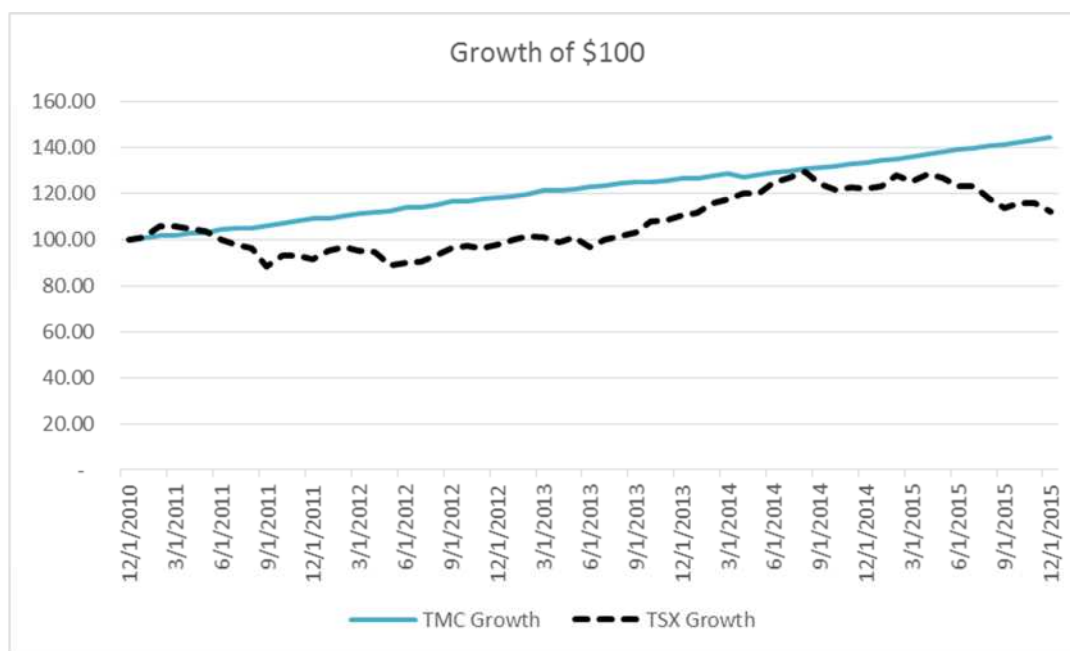
In connection with the TMIC DSU Plan, TMIC has adopted share ownership guidelines which require independent directors to seek to acquire and maintain a level of direct and indirect ownership of TMIC Shares with a value equal to a minimum of three times the independent director's expected annual board retainer and meeting fees. Independent directors are expected to achieve this ownership level within five years following the later of (i) the adoption by TMIC of the share ownership guidelines and (ii) the director's election to the TMIC Board. If the independent director fails to achieve the required threshold, the TMIC Board may determine to pay all or a portion of such independent director's compensation in TMIC DSUs until such threshold is met.

### *Insurance Coverage and Indemnification*

TMIC has obtained insurance policies that cover corporate indemnification of directors and officers and individual directors and officers in certain circumstances. In addition, the TMIC bylaws also provide for the indemnification of our directors and officers to the fullest extent permitted by the OBCA.

### *Performance Graph*

The following graph compares TMIC's cumulative total shareholder return since January 1, 2010, based on an investment of \$100 at the start of that period and assuming dividends were reinvested. During the period, the total cumulative shareholder return for \$100 invested in TMIC Shares was \$45.06 or 45.06%, as compared to \$12.46 or 12.46% for the 2 Year Zero Coupon Government of Canada Bond Index and \$43.75 or 43.75% for the TSX Composite Total Return Index.



As discussed above under “Executive Compensation – Compensation Discussion and Analysis”, the senior management team of TMIC consists of individuals employed by TAMI. Although certain individuals hold titles as our officers, these officers are employees of TAMI. There are no employment agreements between members of senior management and TMIC, and TMIC does not pay any compensation to any individuals serving as officers, directly or indirectly. The TMIC Board is responsible for the remuneration of TAMI, which is determined and paid in accordance with the Management Agreement. See “Management of TMIC”. The board of directors of TAMI, and not the TMIC Board, has sole responsibility for determining the compensation of the employees of TAMI, including those serving as officers of TMIC.

#### *Share-based and Option-based Awards*

TMIC does not grant share-based or option-based awards to executive officers. As discussed above, TMIC does not pay any compensation to any individuals serving as officers of TMIC, directly or indirectly.

### **Management of TMIC**

#### *TAMI and TAML*

The office of TAMI is located at 25 Price Street, Toronto, Ontario M4W 1Z1. Pursuant to the terms of the TMIC Management Agreement, TAMI acts as the manager of TMIC and provides or arranges for the provision of all administrative services required by TMIC. TAMI has entered into the Mortgage Services Agreement with TAML pursuant to which TAML provides or arranges for the provision of Licensed Services (as hereinafter defined) to TMIC. TAML is registered as an Investment Fund Manager, Portfolio Manager and Exempt Market Dealer with the Ontario Securities Commission, and has entered into a mortgage services agreement with Timbercreek Mortgage Services Inc., a licensed mortgage brokerage firm in British Columbia, Alberta and Ontario, for the provision of the Licensed Services.

#### *Duties and Services Provided by TAMI*

Pursuant to the TMIC Management Agreement, TAMI is the manager of TMIC and, as such, is responsible for making all investment decisions of TMIC in accordance with the investment objectives, strategy and restrictions and for arranging for the execution of all Portfolio transactions. TAMI may delegate certain of its powers to third parties,

where, in the discretion of TAMI, it would be in the best interests of TMIC to do so. Without limiting the generality of the foregoing, TAMI is required to engage a licensed mortgage broker to provide the Licensed Services to TMIC.

TAMI's duties include, without limitation: (i) authorizing the payment of operating expenses incurred on behalf of TMIC; (ii) preparing financial statements and financial and accounting information as required by TMIC; (iii) ensuring that TMIC Shareholders are provided with financial statements (including quarterly and annual financial statements) and other reports as are required by applicable law from time to time; (iv) ensuring that TMIC complies with regulatory requirements; (v) preparing TMIC's reports to TMIC Shareholders and the Canadian securities regulatory authorities; (vi) recommending to TMIC Board the amount of dividends to be made by TMIC to TMIC Shareholders; and (vii) negotiating contractual agreements with third-party providers of services, including registrars, transfer agents, auditors and printers.

#### *Details of the TMIC Management Agreement*

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

The term of the TMIC 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 TMIC upon approval of a 2/3 majority of the votes cast by the independent directors of TMIC:
  - (a) at the conclusion of the initial term or any renewal term, upon 12 months' prior written notice to TAMI;
  - (b) on the date upon which TMIC 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 or dissolution of TMIC;
  - (c) at any time in the event that (i) there is a material breach of the TMIC Management Agreement by TAMI that is not remedied within 60 days of written notice to TAMI (or such longer period as may be reasonably required to remedy such breach, provided such longer period does not exceed 120 days), (ii) TAMI 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 TAMI or if TAMI 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' written notice delivered to TAMI 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 (i) three times the "**Annual Fee Basis**", which is comprised of (A) management fees earned by TAMI in the previous twelve months; and (B) annualized average performance fees earned by TAMI in the previous 36 months, and (ii) all fees and expenses due and owing to TAMI 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 shall be an amount equal to (A) the number of days in the period between the date of termination and the last day of the initial term or renewal



term, as applicable, multiplied by the quotient of the Annual Fee Basis divided by 365; and (B) all expenses due and owing to TAMI up to and including the date of termination;

2. terminated by TAMI:

- (a) in the event that there is a material breach of the TMIC Management Agreement by TMIC that is not remedied within 60 days of written notice to TMIC (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 TMIC or TMIC 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 TMIC.

Pursuant to the TMIC Management Agreement, in consideration for the services provided to TMIC, TAMI is paid a management fee equal to 1.20% per annum of the gross assets of TMIC, paid monthly in arrears, plus applicable taxes and is reimbursed for all reasonable costs and expenses incurred by TAMI on behalf of TMIC. In addition, in any calendar year where TMIC has net earnings available for dividend to Shareholders in excess of the hurdle rate (being the average 2-Yr Government of Canada bond yield for the 12-month period then ended plus 450 basis points), TAMI will be entitled to receive from TMIC a performance fee equal to 20% of the amount by which the net earnings available for dividend divided by the outstanding share capital of TMIC exceeds such hurdle rate.

The TMIC Management Agreement provides for certain non-competition restrictions in respect of its activities outside of the business of TMIC. Although TAMI is permitted to provide similar management services to other investment funds and other clients, even though such activities may be in competition with TMIC, the non-competition restrictions provide, among other things, that TAMI shall not create or act as manager for a mortgage investment entity with substantially similar investment objectives and policies as TMIC.

#### *Details of the Mortgage Services Agreement*

The Mortgage Services Agreement entered into between TAMI and TAML provides for:

- (i) TAML to provide, or arrange for the provision of the Licensed Services to TMIC, including without limitation, presenting to TMIC through the Mortgage Advisory Committee any available loan that meets the investment guidelines of TMIC, and overseeing the servicing of the mortgages in the investments of TMIC and the enforcement of all loans;
- (ii) the Mortgage Advisory Committee to approve all mortgage investments by TMIC;
- (iii) TAML to remit to TMIC 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 TMIC; and
- (iv) TAML to use an asset allocation model, as provided by TAMI, to manage the risk profile of TMIC's portfolio of investments.

#### *Informed Persons of TAMI and TAML*

R. Blair Tamblyn and Ugo Bizzarri, each of whom is a resident of Ontario, directly or indirectly owns at least 10% of TAMI and is therefore an "Informed Person" as defined in NI 51-102. In addition, Blair Tamblyn, Ugo Bizzarri, Andrew Jones, David Melo, Carrie Morris and Peter Hawkings, each of whom is a resident of Ontario, is a director or officer of TAMI and/or TAML and is therefore an "Informed Person". Since the start of TMIC's most recently completed financial year, none of the above mentioned persons, nor any of their associates or affiliates, had any indebtedness to TMIC nor have they conducted any transactions with TMIC other than as disclosed above with respect to the TMIC Management Agreement.

### *Amount paid and payable to TAMI*

From January 1, 2015 to March 31, 2016, the aggregate management fees paid to TAMI were \$7,516,298. Performance fees paid to TAMI for the period January 1, 2015 to December 31, 2015, which are payable only at the end of each calendar year, amounted to \$3,027,539.

### *Mortgage Advisory Committee*

Currently, all mortgage investments made by TMIC are first approved by the independent Mortgage Advisory Committee. The Mortgage Advisory Committee is an advisory committee appointed by TAMI pursuant to the TMIC Management Agreement consisting 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).

Mortgage loans that are determined to be satisfactory by TAMI upon completion of its due diligence will be presented to the Mortgage Advisory Committee together with a comprehensive due diligence report. Following its analysis of the mortgage investment opportunities, the Mortgage Advisory Committee will make a recommendation to TAMI. Only with a positive recommendation from the Mortgage Advisory Committee will TAMI consider whether or not to allocate assets of TMIC to such opportunities. In the most recently completed financial year, TMIC paid \$37,951 to the Mortgage Advisory Committee representing TMIC's pro-rata share of the fees paid to the Mortgage Advisory Committee.

The following table sets forth the name and province of residence and principal occupation of the members of the Mortgage Advisory Committee:

Name	Principal Occupation
Chris Humeniuk <i>Toronto, Ontario</i>	President, Community Trust Company
Ken Lipson <i>Toronto, Ontario</i>	Chief Financial Officer of TMDL Asset Management Inc.
Pamela Spackman <i>Toronto, Ontario</i>	Consultant

Effective June 30, 2016, irrespective of the completion of the Arrangement and the Management Agreement Transactions, TAMI will form a committee of senior executives to act as an investment approval committee in respect of investment approvals. This committee will replace, but serve in a similar capacity as, the existing Mortgage Advisory Committee. The investment committee will be composed initially of R. Blair Tamblyn, Ugo Bizzarri, Andrew Jones and Corrado Russo.

### **Corporate Governance**

#### *Board of Directors*

The TMIC Board is responsible for oversight of our business and affairs. The TMIC Board discharges its responsibilities directly and through two committees – the Audit Committee and the Corporate Governance Committee. Both committees operate under mandates that are reviewed, and if necessary, updated annually. In fulfilling its responsibilities, the TMIC Board delegates day-to-day authority to TAMI, while reserving the right to review decisions of TAMI and exercise final judgment on any matter. TAMI will review with the TMIC Board on a periodic basis its strategic plan for TMIC and deliver to the TMIC Board ongoing reports on the status of our business and operations. In addition, in accordance with applicable legal requirements and historical practice, all matters of a material nature will be presented to the TMIC Board for approval. A copy of the TMIC Board mandate is attached as Exhibit A to this Appendix M.

#### A. Audit Committee

The Audit Committee is currently comprised of Messrs. Zelick L. Altman, W. Glenn Shyba, Derek J. Watchorn and Craig A. Geier (Chairman). The primary responsibilities of the Audit Committee include the following:

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

See the section titled "Audit Committee" of TMIC's Annual Information Form, available on SEDAR at [www.SEDAR.com](http://www.SEDAR.com), for additional information on the Audit Committee, including its charter and the relevant education and experience of its members.

#### B. Corporate Governance Committee

The Corporate Governance Committee is currently comprised of Messrs. W. Glenn Shyba, R. Blair Tamblyn and Derek J. Watchorn (Chairman). Its primary function is to assist the TMIC Board in dealing with corporate governance matters, including developing and recommending to the TMIC Board a set of corporate governance principles applicable to TMIC, evaluating the effectiveness and performance of the TMIC Board, committees of the TMIC Board and individual directors, reviewing the annual report on corporate governance for inclusion in TMIC's annual report or management information circular in accordance with applicable legislation and stock exchange requirements; and reviewing TMIC's directors' and officers' liability insurance and indemnification policies.

##### *Corporate Strategy*

TAMI is responsible for the development of our long term strategy, and the role of the TMIC Board is to review, question, validate and propose changes to that strategy, in order to arrive at an approved strategy to be implemented. The TMIC Board will review our long term strategy on an ongoing basis.

##### *Composition of the TMIC Board*

The TMIC Board is comprised of 7 directors. The TMIC Board is of the view that that its current size permits a diversity of experience and knowledge and is the appropriate size to foster and promote effective participation, decision making and oversight.

The TMIC Board is comprised of a majority of independent directors. It has not established fixed term limits for directors as it is of the view that such a policy would have the effect of forcing directors to resign from the TMIC Board who have developed, over a period of service, increased insight into our business and who, therefore, can be expected to provide an increasing contribution to the TMIC Board.

##### *Other Public Corporation Directorships*

R. Blair Tamblyn, Ugo Bizzarri and Andrew Jones are each directors of TSMIC.

In addition, R. Blair Tamblyn is a director of StorageVault Canada Inc. and GreenSpace Brands Inc., and Ugo Bizzarri is a director of Cymbria Corporation.

#### *Director Independence*

As of the date of this Circular, of the proposed members of the TMIC Board, four are independent pursuant to the definition thereof in NI 58-101, being Zelick L. Altman, Craig A. Geier, W. Glenn Shyba and Derek J. Watchorn. For the purposes of NI 58-101, a director is independent if he or she has no direct or indirect material relationship with TMIC. A “material relationship” is defined as a relationship which could, in the view of the TMIC Board, be reasonably expected to interfere with the exercise of such member’s independent judgment, and certain relationships are deemed to be material. Consequently, a majority of the members of the TMIC Board are independent.

The TMIC Board has determined that R. Blair Tamblyn, Ugo Bizzarri and Andrew Jones are not independent by virtue of their current or former position, as applicable, as, respectively, Chief Executive Officer of TAMI; former Chief Financial Officer of TMIC and Founding Manager Director, Portfolio Management and Investments of TAMI; and Chief Executive Officer of TMIC and Managing Director, Debt Investments of TAMI as well as their ownership of securities of TAMI. R. Blair Tamblyn is the Chair of the TMIC Board and W. Glenn Shyba is the lead independent director. The role of the lead independent director is to ensure that the TMIC Board can operate independently of management and that directors have an independent leadership contact.

The TMIC Board has established procedures to enable it to function independently of management and to facilitate open and candid discussion among the independent directors. The TMIC Board intends to hold in camera independent director meetings following every scheduled TMIC Board meeting as well as following special TMIC Board meetings as deemed necessary.

#### *Conflicts of Interest*

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

The directors and officers of TMIC are required by law to act in the best interests of TMIC. Discharge by the directors and officers of their obligations to TMIC may result in a breach of their obligations to the other companies, and in certain circumstances could expose TMIC 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 TMIC.

#### *Succession Planning*

Management succession will be an ongoing activity to be reviewed by the TMIC Board, with input from TAMI, as appropriate. This planning process will include, on a continuous basis, the Chief Executive Officer’s recommendation of a possible successor in the event of an unexpected incapacitation of the Chief Executive Officer.

#### *Roles of the Chair of the TMIC Board, Committee Chair and the CEO*

While the TMIC Board has not adopted written position descriptions for the Chair of the TMIC Board, the Audit Committee chair, the Corporate Governance Committee chair or the Chief Executive Officer of TMIC, the roles of each are understood. The responsibilities of the Chair of the TMIC Board include the efficient organization and operation of the TMIC Board. The Chair of the TMIC Board is also responsible for ensuring that effective communication exists between the TMIC Board and management and that the TMIC Board effectively carries out its mandate. Similarly, the Audit Committee chair is responsible for the effective organization and operation of the

Audit Committee and the Corporate Governance Committee chair is responsible for the effective organization and operation of the Corporate Governance Committee. The Chair of the TMIC Board will chair meetings of the independent directors and assume other responsibilities which the non-management directors may designate from time to time.

The Chief Executive Officer reports formally to the TMIC Board, and, where appropriate, to the audit committee and the corporate governance committee, as well as less formally through discussions with members of the TMIC Board, the audit committee and the corporate governance committee, to advise the TMIC Board, the audit committee and the corporate governance committee on a timely basis of courses of action that are being considered and are being followed. The Chief Executive Officer establishes the strategic and operational orientation of TMIC and, in so doing, provides leadership and vision for the effective overall management, profitability, increase in shareholder value and growth of TMIC and for conformity with policies agreed upon by the TMIC Board. The Chief Executive Officer is directly accountable to the TMIC Board for all activities of TMIC. The corporate objectives for which the Chief Executive Officer of TMIC is responsible will be determined by strategic and financial plans initiated by the Chief Executive Officer, and developed with input from the TMIC Board.

#### *Director Attendance*

TMIC Board members are expected to attend all TMIC Board meetings and meetings of TMIC Board committees on which they serve. The following table shows meeting attendance records for all current TMIC Board members in the year ended 2015.

<u>Name of TMIC Board Member</u>	<u>TMIC Board Meeting</u>	<u>Audit Committee Meeting</u>	<u>Corporate Governance Committee Meeting</u>
Zelick L. Altman	9/10	3/4	N/A
Craig A. Geier	9/10	4/4	N/A
W. Glenn Shyba	10/10	4/4	2/2
R. Blair Tamblyn	9/10	N/A	2/2
Derek J. Watchorn	10/10	4/4	2/2
Andrew Jones	9/10	N/A	N/A
Ugo Bizzarri	9/10	N/A	N/A

#### *Orientation and Continuing Education*

The management will establish a practice with respect to the orientation and education of new directors. They will be given the opportunity to meet with senior management and other directors to familiarize themselves with our business and activities and their responsibilities as directors. New directors will be provided with TMIC's recent regulatory filings, such as the annual information form and proxy material, the reporting requirements of the directors, information with respect to the Audit Committee and the Corporate Governance Committee and their written charters and certain policies and procedures of the TMIC Board.

On a continuing basis, management provides periodic presentations to the TMIC Board to ensure that our directors are fully informed with respect to our business, and directors are free to contact the Chief Executive Officer and the Chief Financial Officer at any time to discuss any aspect of our business.

#### *Ethical Business Conduct*

TMIC has not adopted a formal code of business conduct and ethics apart from the code of conduct adopted by TAMI. The TMIC Board is of the view that the fiduciary duties placed on individual directors by TMIC's governing legislation and common law together with corporate statutory restrictions on an individual director's participation in TMIC Board decisions in which the director has an interest are sufficient to ensure that the TMIC Board operates independently of management and in the best interests of TMIC. Further, to encourage and promote a culture of ethical business conduct, the mandate of the TMIC Board requires that the TMIC Board be satisfied with the integrity of the Chief Executive Officer and other executive officers and that these officers are creating a culture of integrity throughout TMIC.

#### *Whistleblower Policy*

TMIC has adopted a Receipt of Complaints and Whistleblower Protection Policy. This policy seeks to create procedures for the receipt, retention and treatment by the Audit Committee of concerns, complaints or allegations received by TMIC, including confidential and anonymous submissions made by employees, officers and trustees of TMIC.

#### *Nomination of Directors*

The TMIC Board does not currently have a nominating committee. TAMI and members of the TMIC Board may recommend suitable individuals for nomination as directors. To ensure objectivity in the nomination process, the independent directors review and approve any director nominations proposed by TAMI. Since TMIC's reorganization as a MIC in 2013, the independent directors of TMIC have been entirely advised by independent legal counsel and conducted arm's length negotiations with TAMI.

The TMIC Board and TAMI are responsible for determining the appropriate criteria for selecting and assessing potential directors and selects candidates for nomination to the TMIC Board accordingly. At such time as it is determined that a new director is desirable, the TMIC Board and TAMI will engage in various activities to ensure an effective process for selecting candidates for nomination, including developing criteria for the selection of a new director, developing and maintaining a director skills matrix (identifying the desired competencies, independence, expertise, skills, background and personal qualities that are being sought in potential candidates), identifying and recommending individuals qualified and suitable to become directors, the Chair of the TMIC Board and/or the Chief Executive Officer will meet with potential new candidates prior to nomination to discuss the time commitments and performance expectations of the position and formal approval will be sought and obtained from the TMIC Board in respect of candidates for nomination.

#### *Compensation*

The TMIC Board does not currently have a compensation committee. As a result of our arrangements with TAMI, TMIC does not employ any individuals (and has no employment contracts with any individuals), and thus the TMIC Board has determined that there is no need for a separate compensation committee. The compensation of TAMI is determined based on the provisions of the TMIC Management Agreement, which can only be amended with the approval of a majority of the independent directors, and if increased, with the approval by a special resolution of TMIC Shareholders.

The TMIC Board, as a whole, is responsible for implementing a process for reviewing the adequacy and form of compensation of directors of TMIC and ensuring that compensation realistically reflects the responsibilities and risk involved in being a director of TMIC. The TMIC Board requires that remuneration be at a level that will attract and motivate competent members. Compensation is also based on the compensation of directors of similarly situated issuers.

### *Assessments*

The TMIC Board is responsible for implementing a process for assessing the effectiveness of the TMIC Board as a whole, the Audit Committee, the Corporate Governance Committee and the contribution of individual directors. In carrying out its responsibilities, the TMIC Board is required to periodically review the charters of the Audit Committee and the Corporate Governance Committee and will make an assessment of the effectiveness of the directors. The TMIC Board has determined that the number of directors of TMIC is appropriate for the TMIC Board to function at this time and that the TMIC Board is properly constituted to reflect the investment of all Shareholders in TMIC. On an ongoing basis, the TMIC Board will review its size and composition.

### *Diversity*

The TMIC Board does not currently have a formal policy on the representation of women on the TMIC Board or in senior management. However, the TMIC Board believes that gender diversity will enrich the TMIC Board and as such, the TMIC Board has instructed the Corporate Governance Committee to develop an appropriate gender diversity policy for the selection of board candidates to address the representation of women on the TMIC Board.

The TMIC Board does not support fixed percentages for any selection criteria, as the composition of the TMIC Board is based on the numerous factors established by the selection criteria and it is ultimately the skills, experience, character and behavioral qualities that are most important in determining the value that an individual could bring to the TMIC Board.

One of the executive officers of TMIC or 25% of the executive officers, is female. There is currently no female director on the TMIC Board.

### **Interest of Certain Persons in Matters to be Acted Upon**

No director or executive officer of TMIC, no TMIC Nominee, no person who has been a director or executive officer of TMIC at any time since the beginning of TMIC's last financial year and no associate or affiliate of any of the foregoing has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the TMIC Meeting, other than the election of directors or as disclosed elsewhere in this Circular.

### **Indebtedness of Directors and Executive Officers**

None of TMIC's executive officers, directors, employees, former executive officers, former directors or former employees, has, at any time since January 1, 2015, been indebted to TMIC. In addition, none of the indebtedness of these individuals to another entity has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by TMIC.

### **Securities Authorized for Issuance Under Equity Compensation Plans**

TMIC currently has no equity compensation plans in place.

## EXHIBIT A

### MANDATE OF THE BOARD OF DIRECTORS OF TIMBERCREEK MORTGAGE INVESTMENT CORPORATION

#### 1.0 MANDATE

1.1 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.

1.2 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**”).

1.3 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

2.1 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.

2.2 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.

2.3 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.

2.4 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.

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

2.6 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.

2.7 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

3.1 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.

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



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

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

3.5 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.

3.6 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.

3.7 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.

3.8 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**

4.1 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.

4.2 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.

4.3 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**

6.1 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.

6.2 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.

**APPENDIX N**  
**INFORMATION REGARDING TSMIC ANNUAL MEETING**  
**AND RELATED DISCLOSURE**

The information below should be read together with information in other sections of the Circular, especially in relation to potential changes if and when the Arrangement or the Management Agreement Transactions are approved and implemented.

**Election of Directors**

The information presented in the table below has been provided by the respective nominee as of the date of this Circular. The number of TSMIC Shares owned, controlled or directed includes TSMIC Shares beneficially owned, directly or indirectly (other than stock options), or over which control or direction is exercised by the proposed nominee.

<b>Name and Province of Principal Residence</b>	<b>Position with TSMIC</b>	<b>Principal Occupation</b>	<b>Number of TSMIC Shares Beneficially Owned, Controlled or Directed</b>
Robert Douglas <sup>(1)</sup> <i>Ontario, Canada</i>	Independent Director (appointed December 1, 2011)	Managing Director, Real Estate Investments for OPTrust, President of OPTrust Realty Inc.	Nil
Steven Scott <sup>(1)(2)</sup> <i>Ontario, Canada</i>	Independent Director (appointed December 1, 2011)	Chairman and Chief Executive Officer of Storage Vault Canada Inc.	6,386 TSMIC Shares
Edward Boomer <sup>(2)(3)(4)</sup> <i>Ontario, Canada</i>	Independent Director (appointed September 12, 2013)	Founder and President of Reference Realty Inc.	Nil
R. Blair Tambllyn <sup>(3)</sup> <i>Ontario, Canada</i>	Director (Chairman) (appointed April 30, 2008)	Director, President, Chief Executive Officer and Managing Director of TAMI	10,600 TSMIC Shares
Andrew Jones <i>Ontario, Canada</i>	Director (appointed September 12, 2013) and CEO	Managing Director, Debt Investments of TAMI	5,000 TSMIC Shares
Ugo Bizzarri <i>Ontario, Canada</i>	Director (appointed September 12, 2013)	Director and Managing Director, Portfolio Management and Investments of TAMI	55,701 TSMIC Shares

Notes:

- (1) Member of the Audit Committee of the TSMIC Board.
- (2) Chairman of the Audit Committee of the TSMIC Board.
- (3) Member of the Corporate Governance Committee of the TSMIC Board.
- (4) Chairman of the Corporate Governance Committee of the TSMIC Board.

The following are biographies of the TSMIC Nominees:

**Robert Douglas** - Mr. Douglas is Managing Director, Real Estate Investments for OPTrust. He is also President of OPTrust Realty Inc., OPTrust's wholly owned real estate subsidiary. With assets of \$17.5 billion, OPTrust invests and manages one of Canada's largest pension funds and administers the OPSEU Pension Plan, a defined benefit plan

with more than 86,000 members and retirees. Mr. Douglas joined OPTrust in 2004 to develop and implement a real estate investment strategy. He is responsible for an internal investment team of 10 managing a real estate portfolio valued at \$2.4 billion with assets in Canada, the United States, and other international markets. From 1998 to 2004, Mr. Douglas held the positions of Associate Portfolio Manager and Portfolio Manager, Real Estate for the Healthcare of Ontario Pension Plan. Mr. Douglas holds an Honors Bachelor of Arts Degree in Geography (Urban Development) from the University of Western Ontario in London, Ontario and is a Chartered Financial Analyst.

**Steven Scott** – Mr. Scott is the Chairman and Chief Executive Officer of Storage Vault Canada Inc. (TSXV: SVI) and The Access Group of Companies. Storage Vault is a publicly listed storage company on the TSX Venture Exchange that owns and operates 30 storage properties (over 1.5 million square feet on 90+ acres) throughout Canada as well as the second largest portable storage business in Canada (under the Cubeit and PUPS brands). Storage Vault is focused on acquiring mature storage assets in major markets throughout Canada as well as expanding its existing locations to meet existing demand (over 17 acres of developable land in the portfolio). The Access Group of Companies is comprised of: (i) Access Self Storage Inc., which is the largest self-storage company in Canada with over 70 stores representing more than 4 million square feet of storage space; (ii) AMR Homes, which specializes in in-fill and high rise housing developments in the GTA; and (iii) Access Commercial, which owns and manages industrial, retail and commercial real estate in Canada. Mr. Scott serves on the following boards: Director and Treasurer of the Canadian Self Storage Association (CSSA) and Director and Audit Committee Chair of each of the following: Timbercreek Senior Mortgage Investment Corporation (TSX: MTG), Timbercreek U.S. Multi-Residential Opportunity Fund #1 and Park Lawn Corporation (TSXV: PLC). Mr. Scott worked in public accounting prior to joining ASSI and is a Chartered Accountant having articulated with Deloitte & Touche. Mr. Scott holds a Bachelor of Commerce Degree from Dalhousie University.

**Edward Boomer** – Mr. Boomer is the Founder and President of Reference Realty Inc. which focuses on the acquisition and operation of real estate properties (primarily retail) directly and on behalf of institutional and private owners and operators. Prior to founding Reference Realty Inc., Mr. Boomer was the Managing Director, Canadian Operations, for Kimco Realty Corporation (“**Kimco**”) and was responsible for all aspects of Kimco’s operations in Canada. Mr. Boomer has nearly 25 years of real estate experience. Prior to joining Kimco, Mr. Boomer was the Vice-President & Territory Risk Manager with GE Real Estate. Mr. Boomer is on the Board of Trustees, the Audit & Risk Committee and the Compensation & Corporate Governance Committee of InnVest Real Estate Investment Trust. Mr. Boomer holds a Bachelor of Arts degree from York University’s Glendon College (Economics), a law degree from Queen’s University and is a member of the Law Society of Upper Canada. From April 30, 2008 until September 30, 2013 Mr. Boomer was a director of TMIC.

**R. Blair Tamblyn** – Mr. Tamblyn is the Chairman of the Board of TSMIC. He is also a Co-Founder, Director and Managing Director/CEO of TAMI, and Chairman of the Board of TMIC. Mr. Tamblyn has over 23 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 currently manage an aggregated of approximately \$4.8 billion in assets. Prior to founding TAMI in 1999, Mr. Tamblyn worked with Connor, Clark & Company where he was licensed as a Securities Trader. 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 TSMIC. Mr. Jones is also Managing Director, Debt Investments of TAMI, and Chief Executive Officer and a Director of TMIC. 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 TMIC and TSMIC. Mr. Jones has been a registered mortgage broker for over 15 years, carries a mortgage broker licence in three provinces and is the broker of record on behalf of TAMI. Prior to joining TAMI, 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 23 years.

**Ugo Bizzarri** – Mr. Bizzarri is a Director of TSMIC. Mr. Bizzarri is also a Co-Founder, Director and Managing Director, Portfolio Management and Investments of TAMI, and a Director of TMIC. Mr. Bizzarri has over 23 years of 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, Mr. Bizzarri and his team have constructed and managed a diversified debt portfolio of over \$1.3 billion in Timbercreek-sponsored commercial mortgage investments and have been responsible for underwriting, financing and acquiring approximately \$4 billion worth of multi-residential real estate on behalf of Timbercreek and its partners. Prior to co-founding TAMI, 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.

*Cease Trade Orders, Bankruptcies, Penalties or Sanctions*

No director or proposed director of TSMIC is, as at the date of this Circular, or has been, within ten (10) years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including TSMIC), that:

- (a) 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 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 proposed director of TSMIC:

- (a) is, as at the date of this Circular, or has been within the ten (10) years before the date of this Circular, a director or executive officer of any company that (including TSMIC), 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 Circular, 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 proposed director of TSMIC 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.

## Appointment of Auditors

The following table sets out, by category, the fees billed by KPMG LLP in the fiscal year ended December 31, 2015, for the services noted:

Category	Year Ended December 31, 2015
Audit fees <sup>(1)</sup> .....	\$113,051
Audit-related fees <sup>(2)</sup> .....	\$70,128
Tax fees <sup>(3)</sup> .....	\$30,849
All other fees .....	\$0
<b>Total:</b>	<b>\$214,028</b>

Notes:

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

## Normal Course Issuer Bid

TSMIC commenced a normal course issuer bid with respect to the TSMIC Shares on January 6, 2016 under which TSMIC may, over a 12-month period commencing on January 6, 2016, purchase in the normal course through the facilities of the TSX up to a regulatory maximum of 3,116,479 TSMIC Shares. The normal course issuer bid will terminate on the earlier of: (i) January 5, 2017; and (ii) the date on which TSMIC has purchased the maximum number of TSMIC Shares permitted under the bid. Security holders may obtain a copy of the Notice of Intention to make a normal course issuer bid filed with the Toronto Stock Exchange by contacting Carrie Morris at 416-800-1552 or [cmorris@timbercreek.com](mailto:cmorris@timbercreek.com).

TSMIC is not currently purchasing shares under the bid and will not make any purchases prior to the Effective Time. The normal course issuer bid will be terminated upon completion of the Arrangement. Timbercreek Financial may elect to commence a new normal course issuer bid following completion of the Arrangement, subject to the policies and approval of the TSX.

## Executive Compensation

### *Compensation Discussion and Analysis*

The senior management team of TSMIC consists of individuals employed by TAMI. Pursuant to the TSMIC Management Agreement, TAMI directs the affairs and manages the business and administers or arranges for the administration of TSMIC's day-to-day operations. There are no employment agreements between members of senior management and TSMIC, and TSMIC does not pay any compensation to any individuals serving as officers, directly or indirectly. In consideration for the services provided to TSMIC, TAMI is paid a management fee equal to 0.85% per annum of the gross assets of TSMIC, paid monthly in arrears, plus applicable taxes. See "Management of TSMIC – Details of the TSMIC Management Agreement".

Although certain individuals hold titles as officers of TSMIC, these officers are employees of TAMI. The board of directors of TAMI has sole responsibility for determining the compensation of the employees of TAMI, including those serving as officers of TSMIC. The TSMIC Board, rather than a compensation committee, is therefore responsible for compensation matters, specifically in the form of remuneration of TAMI.

There are no contracts, agreements or arrangements that provide for payments by TSMIC to a NEO following or in connection with any termination, resignation or retirement of or by the NEO in respect of his or her position with TSMIC or in the event of a change in control of TSMIC.

*Summary Compensation Table*

Securities legislation requires disclosure of the compensation received by each NEO of TSMIC for each of its three most recently completed financial years. “NEO” is defined by securities legislation to mean: (i) the Chief Executive Officer; (ii) the Chief Financial Officer; (iii) each of the three most highly compensated executive officers of TSMIC, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the Chief Executive Officer and Chief Financial Officer, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year; and (iv) each individual who would be a “NEO” under paragraph (iii) but for the fact that the individual was neither an executive officer of TSMIC or its subsidiaries, nor acting in a similar capacity, at the end of the most recently completed financial year.

During the year ended December 31, 2015, TSMIC had four NEOs (all of whom are employees of TAMI). The following table and notes thereto provide a summary of the compensation paid by TAMI to each NEO of TSMIC that is attributable to time spent by such NEO on the activities of TSMIC for the financial year ended December 31, 2015.

Name and Principal Position of NEO	Year	Salary <sup>(1)</sup> (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation		All Other Compensation <sup>(3)</sup> (\$)	Total Compensation (\$)
					Annual Incentive Plans <sup>(2)</sup> (\$)	Long-Term Incentive Plans (\$)		
R. Blair Tamblyn <sup>(4)</sup>	2015	60,000	Nil	Nil	20,000			80,000
	2014	60,000	Nil	Nil	20,000	Nil	Nil	80,000
	2013	80,000	Nil	Nil	30,000	Nil	Nil	110,000
Ugo Bizzarri <sup>(5)</sup>	2015	80,000	Nil	Nil	20,000	Nil	Nil	100,000
	2014	80,000	Nil	Nil	20,000	Nil	Nil	100,000
	2013	80,000	Nil	Nil	30,000	Nil	Nil	110,000
Andrew Jones Chief Executive Officer <sup>(4)</sup>	2015	260,000	Nil	Nil	60,000	Nil	Nil	320,000
	2014	260,000	Nil	Nil	60,000	Nil	Nil	320,000
	2013	253,125	Nil	Nil	75,000	Nil	Nil	328,125
David Melo Chief Financial Officer <sup>(5)</sup>	2015	100,000	Nil	Nil	20,000	Nil	Nil	120,000
	2014	100,000	Nil	Nil	20,000	Nil	Nil	120,000

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Notes:

- (1) Represents the portion of salary paid by TAMI attributable to time spent on the activities of TSMIC.
- (2) Represents the portion of annual bonus paid by TAMI attributable to time spent on the activities of TSMIC.
- (3) None of the NEOs receives any compensation for acting as member of the Board. See “– Directors Compensation” below.
- (4) R. Blair Tambllyn resigned as the CEO of TSMIC on January 20, 2014. Andrew Jones was appointed as CEO as of January 20, 2014. Mr. Jones was a Vice President of TSMIC for the financial years ended December 31, 2012 and 2013 and resigned from such position on January 20, 2014.
- (5) Mr. Bizzarri resigned as CFO of TSMIC on March 26, 2014. David Melo was appointed as CFO as of March 26, 2014. Mr. Melo was a Vice President of TSMIC for the financial years ended December 31, 2012 and 2013 and resigned from such position on March 26, 2014.

### *Principal Elements of Compensation*

The compensation of the NEOs includes two major elements: (1) base salary; and (2) an annual cash bonus (as further described below). TAMI determines executive compensation with input from senior management of TAMI. There is no specific formula for determining the amount of each element, nor is there a formal approach applied by TAMI for determining how one element of compensation fits into the overall compensation objectives in respect of the activities of TSMIC. Objectives and performance measures may vary from year to year as determined to be appropriate by TAMI.

The role of the TSMIC Board in determining compensation is limited. The TSMIC Board has determined that, generally, processes and controls are in place to mitigate any risks and, overall, such risks are not significant and not reasonably likely to have a material adverse effect on TSMIC. Although the TSMIC Board has not adopted any policies in this regard, in the event that a NEO or director of TSMIC purchases financial instruments that are designed to hedge or offset a decrease in market value of our equity securities granted as compensation or held, directly or indirectly, by the NEO or director, such purchases must be disclosed in the insider reporting filings of a NEO or director.

The NEOs do not benefit from medium term incentives, pension plan participation or equity incentives. Perquisites and personal benefits are not a significant element of compensation of the NEOs.

The two principal elements of compensation are described below.

#### **A. Base Salaries**

Base salaries are paid by TAMI and are intended to provide an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries are determined on an individual basis, taking into consideration the past, current and potential contribution to the success of TSMIC, the position and responsibilities of the NEOs and competitive industry pay practices for other mortgage investment corporations and corporations of comparable size. TAMI does not engage compensation consultants or advisors for the purposes of performing benchmarking or apply specific criteria for the selection of comparable mortgage lending businesses.

#### **B. Annual Cash Bonuses**

Annual cash bonuses are paid by TAMI and are awarded primarily based upon qualitative and quantitative performance standards, and reward performance of TSMIC or the NEO individually. The determination of the performance of TSMIC may vary from year to year depending on economic conditions and conditions in the mortgage lending industry, and may be based on measures such as share price performance, the meeting of financial targets against budget and balance sheet performance. Individual performance factors vary, and may include completion of specific projects or transactions and the execution of day to day management responsibilities.

### *Director Compensation*

Directors’ compensation is subject to such amendments as the directors may determine from time to time. A member of the TSMIC Board who is not an independent director does not receive any remuneration from TSMIC for serving as a member of the TSMIC Board or any TSMIC Board committee. In 2014, the TSMIC Board, in



conjunction with TAMI, engaged an independent compensation consultant to conduct a review of the directors' compensation. During the course of the review, the independent compensation consultant took into consideration TSMIC's recent transition to a corporate reporting regime, the resulting enhanced governance requirements and the director compensation at other comparable issuers. The TSMIC Board did not engage any compensation consultant during the financial year ended December 31, 2015.

TSMIC pays independent directors' fees of \$20,000 per independent director per annum and the Lead Independent Director receives an additional fee of \$3,500 per annum. The Chair of the Audit Committee receives an additional fee of \$5,000 per annum and the Chair of the Corporate Governance Committee receives an additional fee of \$3,500 per annum. In addition, independent directors are entitled to receive a per meeting fee, where the meeting of the TSMIC Board or the committee of the TSMIC Board, as applicable, is at least 30 minutes long, of \$1,500 for each such meeting attended in person and \$750 for each such meeting attended by phone.

The compensation structure reflects a focus on increasing the alignment of directors' interests with those of the TSMIC Shareholders by giving the independent directors the opportunity to elect to receive up to 100% of their compensation in the form of TSMIC DSUs commencing January 1, 2015. See "Deferred Share Unit Plan and Share Ownership Guidelines" below. 17,584 TSMIC DSUs were granted during the financial year ended December 31, 2015.

Members of the TSMIC Board or any TSMIC Board committee are entitled to reimbursement of their out-of-pocket expenses incurred in acting as a member of the TSMIC Board or any committee. The directors of TSMIC may also be entitled to additional remuneration from TSMIC for the performance of additional services and special projects for TSMIC. The amount of any such remuneration shall be determined by the independent directors.

The table below sets forth the compensation paid to members of the TSMIC Board, in their capacities as directors of TSMIC, for the financial year ended December 31, 2015.

<b>Name of Director<sup>(1)</sup></b>	<b>Fees (\$)</b>	<b>Share-Based Awards (\$)</b>	<b>Option-Based Awards (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total Compensation (\$)</b>	<b>Percentage of cash fees and retainer deferred into DSUs</b>
Robert Douglas <sup>(2)</sup>	50,250	Nil	Nil	Nil	50,250	100%
Steven Scott	51,000	Nil	Nil	Nil	51,000	100%
W. Glenn Shyba <sup>(3)</sup>	49,000	Nil	Nil	Nil	49,000	100%
Edward Boomer	51,906	Nil	Nil	Nil	51,906	59%

Notes:

- (1) Only independent directors are included in this table as a member of the TSMIC Board who is not an independent director does not receive any remuneration for serving as a member of the TSMIC Board or any TSMIC Board committee.
- (2) Mr. Douglas will not be standing for re-election at the TSMIC Meeting and will cease to be a director as of the date of the TSMIC Meeting.
- (3) Mr. Shyba resigned as a director of TSMIC effective March 15, 2016.

#### *Deferred Share Unit Plan and Share Ownership Guidelines*

Pursuant to the TSMIC DSU Plan adopted by the TSMIC Board, independent directors may elect to receive all or a portion of their annual board retainer, meeting fees and any other fees payable to the independent director in the form of TSMIC DSUs. Directors who elect to receive a portion of their compensation in TSMIC DSUs pursuant to the TSMIC DSU Plan will be eligible to receive additional compensation up to a maximum value of \$5,000 of TSMIC DSUs per annum. TSMIC DSUs may only be redeemed once the independent director ceases to be a director of TSMIC, including by way of death or disability. Following such date, the independent director (or his or

her beneficiary, as applicable) will be paid a lump sum payment, net of withholding taxes, equal to the number of TSMIC DSUs held by such independent director multiplied by the fair market value of a TSMIC Share as of the 24th business day after TSMIC's next interim financial statements (or where the independent director ceases to be a director in the fourth quarter, the annual financial statements) are published or such other date as may be determined by the TSMIC Board

Independent directors will be credited with additional TSMIC DSUs (including, if applicable, fractional TSMIC DSUs) in respect of dividends declared by TSMIC on the TSMIC Shares, calculated by dividing (i) the product obtained by multiplying the amount of the dividend paid by TSMIC on each TSMIC Share by the number of TSMIC DSUs held by the independent director as of the record date for the payment of such dividend, by (ii) the volume weighted average price of the TSMIC Shares reported by the TSX for the twenty trading days immediately preceding the record date.

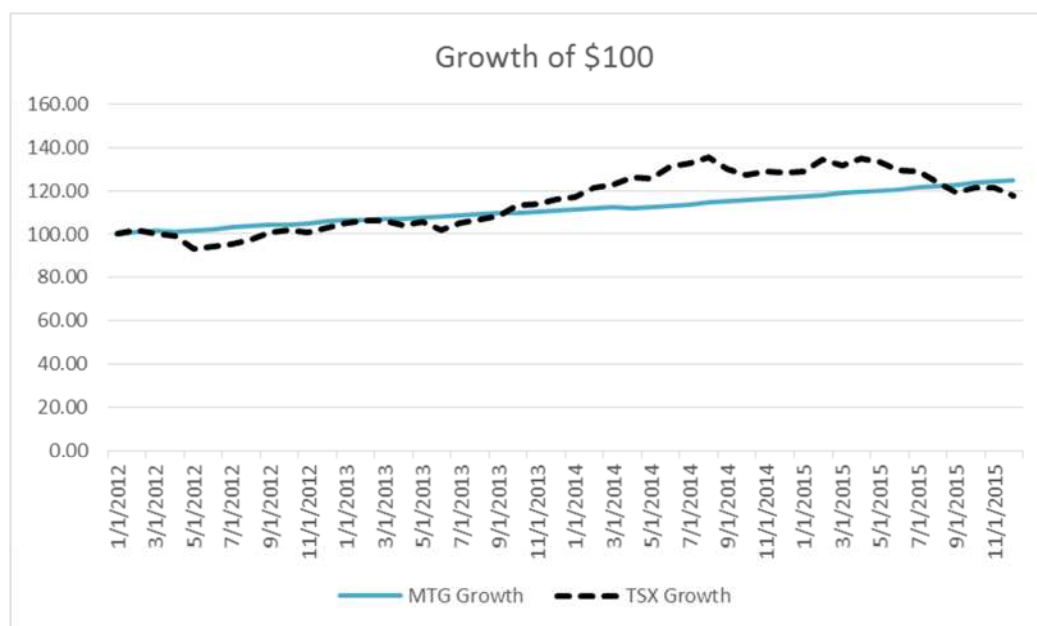
In connection with the TSMIC DSU Plan, TSMIC has adopted share ownership guidelines which require independent directors to seek to acquire and maintain a level of direct and indirect ownership of TSMIC Shares with a value equal to a minimum of three times the independent director's expected annual board retainer and meeting fees. Independent directors are expected to achieve this ownership level within five years following the later of (i) the adoption by TSMIC of the share ownership guidelines and (ii) the director's election to the TSMIC Board. If the independent director fails to achieve the required threshold, the TSMIC Board may determine to pay all or a portion of such independent director's compensation in TSMIC DSUs until such threshold is met.

#### *Insurance Coverage and Indemnification*

TSMIC has obtained insurance policies that cover corporate indemnification of the directors and officers and the individual directors and officers in certain circumstances. In addition, TSMIC bylaws also provide for the indemnification of our directors and officers to the fullest extent permitted by the CBCA.

#### *Performance Graph*

The following graph compares TSMIC's cumulative total shareholder return since TSMIC has been a reporting issuer, based on an investment of \$100 at the start of that period and assuming dividends were reinvested. During the period, the total cumulative shareholder return for \$100 invested in TSMIC Shares was \$16.80 or 16.50%, as compared to \$5.19 or 5.19% for the 2 Year Zero Coupon Government of Canada Bond Index and \$28.29 or 28.29% for the TSX Composite Total Return Index.



As discussed above under “Executive Compensation – Compensation Discussion and Analysis”, the senior management team of TSMIC consists of individuals employed by TAMI. Although certain individuals hold titles as our officers, these officers are employees of TAMI. There are no employment agreements between members of senior management and TSMIC, and TSMIC does not pay any compensation to any individuals serving as officers, directly or indirectly. The TSMIC Board is responsible for the remuneration of TAMI, which is determined and paid in accordance with the TSMIC Management Agreement. See “Management of TSMIC”. The board of directors of TAMI, and not the TSMIC Board, has sole responsibility for determining the compensation of the employees of TAMI, including those serving as officers of TSMIC.

#### *Share-based and Option-based Awards*

TSMIC does not grant share-based or option-based awards to executive officers. As discussed above, TSMIC does not pay any compensation to any individuals serving as officers of TSMIC, directly or indirectly.

### **Management of TSMIC**

#### *TAMI and TAML*

The office of TAMI and TAML are located at 25 Price Street, Toronto, Ontario M4W 1Z1. Pursuant to the terms of the TSMIC Management Agreement, TAMI acts as the manager of TSMIC and provides or arranges for the provision of all administrative services required by TSMIC. TAMI has entered into the Mortgage Services Agreement with TAML pursuant to which TAML provides or arranges for the provision of Licensed Services (as hereinafter defined) to TSMIC. TAML is registered as an Investment Fund Manager, Portfolio Manager and Exempt Market Dealer with the Ontario Securities Commission, and has entered into a mortgage services agreement with Timbercreek Mortgage Services Inc., a licensed mortgage brokerage firm in British Columbia, Alberta and Ontario, for the provision of the Licensed Services.

#### *Duties and Services Provided by TAMI*

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

TAMI’s duties include, without limitation: (i) authorizing the payment of operating expenses incurred on behalf of TSMIC; (ii) preparing financial statements and financial and accounting information as required by TSMIC; (iii) ensuring that TSMIC Shareholders are provided with financial statements (including quarterly and annual financial statements) and other reports as are required by applicable law from time to time; (iv) ensuring that TSMIC complies with regulatory requirements; (v) preparing TSMIC’s reports to TSMIC Shareholders and the Canadian securities regulatory authorities; (vi) recommending to TSMIC’s board of directors the amount of dividends to be made by TSMIC to TSMIC Shareholders; and (vii) negotiating contractual agreements with third-party providers of services, including registrars, transfer agents, auditors and printers.

#### *Details of the TSMIC Management Agreement*

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

The term of the TSMIC 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 TSMIC upon approval of a 2/3 majority of the votes cast by the independent directors of TSMIC:
  - (a) at the conclusion of the initial term or any renewal term, upon 12 months' prior written notice to TAMI;
  - (b) on the date upon which TSMIC 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 or dissolution of TSMIC;
  - (c) at any time in the event that (i) there is a material breach of the TSMIC Management Agreement by TAMI that is not remedied within 60 days of written notice to TAMI (or such longer period as may be reasonably required to remedy such breach, provided such longer period does not exceed 120 days), (ii) TAMI 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 TAMI or if TAMI 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' written notice delivered to TAMI 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 management fees earned by TAMI in the previous twelve months (the "**Annual Fee Basis**") together with all fees and expenses due and owing to TAMI 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 shall be an amount equal to (A) the number of days in the period between the date of termination and the last day of the initial term or the renewal term, as applicable, multiplied by the quotient of the Annual Fee Basis divided by 365; and (B) all expenses due and owing to TAMI up to and including the date of termination;
2. terminated by TAMI:
  - (a) in the event that there is a material breach of the TSMIC Management Agreement by TSMIC that is not remedied within 60 days of written notice to TSMIC (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 TSMIC or TSMIC 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 TSMIC.

Pursuant to the TSMIC Management Agreement, in consideration for the services provided to TSMIC, TAMI is paid a management fee equal to 0.85% per annum of the gross assets of TSMIC, paid monthly in arrears, plus applicable taxes and is reimbursed for all reasonable costs and expenses incurred by TAMI on behalf of TSMIC.

The TSMIC Management Agreement provides for certain non-competition restrictions in respect of its activities outside of the business of TSMIC. Although TAMI is permitted to provide similar management services to other investment funds and other clients, even though such activities may be in competition with TSMIC, the non-competition restrictions provide, among other things, that TAMI shall not create or act as manager for a mortgage investment entity with substantially similar investment objectives and policies as TSMIC.

### *Details of the Mortgage Services Agreement*

The Mortgage Services Agreement entered into between TAMI and TAML provides for:

- (i) TAML to provide, or arrange for the provision of, Licensed Services to TSMIC, including without limitation, presenting to TSMIC through the Mortgage Advisory Committee any available loan that meets the investment guidelines of TSMIC, and overseeing the servicing of the mortgages in the investments of TSMIC and the enforcement of all loans;
- (ii) the Mortgage Advisory Committee to approve all mortgage investments by TSMIC;
- (iii) TAML to remit to TSMIC 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 TSMIC; and
- (iv) TAML to use an asset allocation model, as provided by TAMI, to manage the risk profile of TSMIC's portfolio of investments.

### *Informed Persons of TAMI and TAML*

R. Blair Tamblyn and Ugo Bizzarri, each of whom is a resident of Ontario, directly or indirectly owns at least 10% of TAMI and is therefore an "Informed Person" as defined in NI 51-102. In addition, R. Blair Tamblyn, Ugo Bizzarri, Andrew Jones, David Melo, Carrie Morris, and Peter Hawkings, each of whom is a resident of Ontario, is a director or officer of TAMI and/or TAML and is therefore an "Informed Person". Since the start of TSMIC's most recently completed financial year, none of the above mentioned persons, nor any of their associates or affiliates, had any indebtedness to TSMIC nor have they conducted any transactions with TSMIC other than as disclosed above with respect to the TSMIC Management Agreement.

### *Amount paid and payable to TAMI*

From January 1, 2015 to December 31, 2015, the aggregate management fees paid to TAMI was \$4,428,225

### *Mortgage Advisory Committee*

All mortgage investments made by TSMIC are first approved by an independent Mortgage Advisory Committee. The Mortgage Advisory Committee is an advisory committee appointed by TAMI pursuant to the Current TSMIC Management Agreement consisting 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).

Mortgage loans that are determined to be satisfactory by TAMI upon completion of its due diligence will be presented to the Mortgage Advisory Committee together with a comprehensive due diligence report. Following its analysis of the mortgage investment opportunities, the Mortgage Advisory Committee will make a recommendation to TAMI. Only with a positive recommendation from the Mortgage Advisory Committee will TAMI consider whether or not to allocate assets of TSMIC to such opportunities. In the most recently completed financial year, TSMIC paid \$40,492 to the Mortgage Advisory Committee representing TSMIC's pro-rata share of the fees paid to the Mortgage Advisory Committee.

The following table sets forth the name and province of residence and principal occupation of the members of the Mortgage Advisory Committee:

Name	Principal Occupation
Chris Humeniuk Toronto, Ontario	President, Community Trust Company

Ken Lipson  
Toronto, Ontario

Pamela Spackman  
Toronto, Ontario

Chief Financial Officer of TMDL  
Asset Management Inc.

Consultant

Effective June 30, 2016, irrespective of the completion of the Arrangement and the Management Agreement Transactions, TAMI will form a committee of senior executives to act as an investment approval committee in respect of investment approvals. This committee will replace, but serve in a similar capacity as, the existing Mortgage Advisory Committee. The investment committee will be composed initially of R. Blair Tamblyn, Ugo Bizzarri, Andrew Jones and Corrado Russo.

## **Corporate Governance**

### *TSMIC Board of Directors*

The TSMIC Board is responsible for oversight of our business and affairs. The TSMIC Board discharges its responsibilities directly and through two committees – the Audit Committee and the Corporate Governance Committee. Both committees operate under mandates that are reviewed, and if necessary, updated annually. In fulfilling its responsibilities, the TSMIC Board delegates day-to-day authority to TAMI, while reserving the right to review decisions of TAMI and exercise final judgment on any matter. TAMI will review with the TSMIC Board on a periodic basis its strategic plan for TSMIC and deliver to the TSMIC Board ongoing reports on the status of our business and operations. In addition, in accordance with applicable legal requirements and historical practice, all matters of a material nature will be presented to the TSMIC Board for approval. A copy of the mandate of the TSMIC Board is attached as Exhibit A to this Appendix N.

#### **A. Audit Committee**

The Audit Committee is currently comprised of Messrs. Edward Boomer, Robert Douglas and Steven Scott (Chairman). The primary responsibilities of the Audit Committee include the following:

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

See the section titled "Audit Committee" of TSMIC's Annual Information Form, available on SEDAR at [www.sedar.com](http://www.sedar.com), for additional information on the Audit Committee, including its charter and the relevant education and experience of its members.

#### **B. Corporate Governance Committee**

The Corporate Governance Committee is currently comprised of Messrs. R. Blair Tamblyn and Edward Boomer (Chairman). Its primary function is to assist the TSMIC Board in dealing with corporate governance matters,

including developing and recommending to the TSMIC Board a set of corporate governance principles applicable to TSMIC, evaluating the effectiveness and performance of the TSMIC Board, committees of the TSMIC Board and individual directors, reviewing the annual report on corporate governance for inclusion in TSMIC's annual report or management information circular in accordance with applicable legislation and stock exchange requirements; and reviewing TSMIC's directors' and officers' liability insurance and indemnification policies.

#### *Corporate Strategy*

TAMI is responsible for the development of our long term strategy, and the role of the TSMIC Board is to review, question, validate and propose changes to that strategy, in order to arrive at an approved strategy to be implemented. The TSMIC Board will review our long term strategy on an ongoing basis.

#### *Composition of the TSMIC Board*

The TSMIC Board is comprised of six directors. The TSMIC Board is of the view that that its current size permits a diversity of experience and knowledge and is the appropriate size to foster and promote effective participation, decision making and oversight.

The TSMIC Board is comprised of a majority of independent directors. It has not established fixed term limits for directors as it is of the view that such a policy would have the effect of forcing directors to resign from the TSMIC Board who have developed, over a period of service, increased insight into our business and who, therefore, can be expected to provide an increasing contribution to the TSMIC Board.

#### *Other Public Corporation Directorships*

R. Blair Tamblyn, Ugo Bizzarri and Andrew Jones are each directors of Timbercreek Mortgage Investment Corporation.

In addition, R. Blair Tamblyn is a director of StorageVault Canada Inc. and GreenSpace Brands Inc., Ugo Bizzarri is a director of Cymbria Corporation, and Edward Boomer is a trustee of InnVest Real Estate Investment Trust.

#### *Director Independence*

As of the date of this Circular, of the members of the TSMIC Board, three are independent pursuant to the definition thereof in NI 58-101, being Robert Douglas, Steven Scott and Edward Boomer. For the purposes of NI 58-101, a director is independent if he or she has no direct or indirect material relationship with TSMIC. A “**material relationship**” is defined as a relationship which could, in the view of the TSMIC Board, be reasonably expected to interfere with the exercise of such member's independent judgment, and certain relationships are deemed to be material. Consequently, 50% of the members of the TSMIC Board are independent. If the Arrangement is not completed, the TSMIC Board will seek to identify a suitable independent director to join the TSMIC Board so that a majority of the members of the TSMIC Board will be independent.

The TSMIC Board has determined that R. Blair Tamblyn, Ugo Bizzarri and Andrew Jones are not independent by virtue of their current or former position, as applicable, as, respectively, Chief Executive Officer of TAMI; former Chief Financial Officer of TSMIC and Founding Manager Director, Portfolio Management and Investments of TAMI; and President and Chief Executive Officer of TSMIC and Managing Director, Debt Investments of TAMI as well as their ownership of securities of TAMI. R. Blair Tamblyn is the Chair of the TSMIC Board and Robert Douglas is the lead independent director. The role of the lead independent director is to ensure that the TSMIC Board can operate independently of management and that directors have an independent leadership contact.

The TSMIC Board has established procedures to enable it to function independently of management and to facilitate open and candid discussion among the independent directors. The TSMIC Board intends to hold in camera independent director meetings following every scheduled TSMIC Board meeting as well as following special TSMIC Board meetings as deemed necessary.

### *Conflicts of Interest*

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

The directors and officers of TSMIC are required by law to act in the best interests of TSMIC. Discharge by the directors and officers of their obligations to TSMIC may result in a breach of their obligations to the other companies, and in certain circumstances could expose TSMIC 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 TSMIC.

### *Succession Planning*

Management succession will be an ongoing activity to be reviewed by the TSMIC Board, with input from TAMI, as appropriate. This planning process will include, on a continuous basis, the Chief Executive Officer's recommendation of a possible successor in the event of an unexpected incapacitation of the Chief Executive Officer.

### *Roles of the Chair of the TSMIC Board, Committee Chair and the CEO*

While the TSMIC Board has not adopted written position descriptions for the Chair of the TSMIC Board, the Audit Committee chair, the Corporate Governance Committee chair or the Chief Executive Officer of TSMIC, the roles of each are understood. The responsibilities of the Chair of the TSMIC Board include the efficient organization and operation of the TSMIC Board. The Chair of the TSMIC Board is also responsible for ensuring that effective communication exists between the TSMIC Board and management and that the TSMIC Board effectively carries out its mandate. Similarly, the Audit Committee chair is responsible for the effective organization and operation of the Audit Committee and the Corporate Governance Committee chair is responsible for the effective organization and operation of the Corporate Governance Committee. The Chair of the TSMIC Board will chair meetings of the independent directors and assume other responsibilities which the non-management directors may designate from time to time.

The Chief Executive Officer reports formally to the TSMIC Board, and, where appropriate, to the Audit Committee and the Corporate Governance Committee, as well as less formally through discussions with members of the TSMIC Board, the Audit Committee and the Corporate Governance Committee, to advise the TSMIC Board, the Audit Committee and the Corporate Governance Committee on a timely basis of courses of action that are being considered and are being followed. The Chief Executive Officer establishes the strategic and operational orientation of TSMIC and, in so doing, provides leadership and vision for the effective overall management, profitability, increase in shareholder value and growth of TSMIC and for conformity with policies agreed upon by the TSMIC Board. The Chief Executive Officer is directly accountable to the TSMIC Board for all activities of TSMIC. The corporate objectives for which the Chief Executive Officer of TSMIC is responsible will be determined by strategic and financial plans initiated by the Chief Executive Officer, and developed with input from the TSMIC Board.

### *Director Attendance*

TSMIC Board members are expected to attend all TSMIC Board meetings and meetings of TSMIC Board committees on which they serve. The following table shows meeting attendance records for all current TSMIC Board members in the year ended 2015.



<u>Name of TSMIC Board Member</u>	<u>TSMIC Board Meeting</u>	<u>Audit Committee Meeting</u>	<u>Corporate Governance Committee Meeting</u>
Robert Douglas	11/11	4/4	N/A
Steven Scott	11/11	4/4	N/A
W. Glenn Shyba <sup>(1)</sup>	11/11	4/4	2/2
Edward W. Boomer	11/11	4/4	2/2
R. Blair Tamblyn	11/11	N/A	2/2
Andrew Jones	9/11	N/A	N/A
Ugo Bizzarri	10/11	N/A	N/A

Notes:

(1) Mr. Shyba resigned as a director of TSMIC effective March 15, 2016.

#### *Orientation and Continuing Education*

The management will establish a practice with respect to the orientation and education of new directors. They will be given the opportunity to meet with senior management and other directors to familiarize themselves with TSMIC's business and activities and their responsibilities as directors. New directors will be provided with our recent regulatory filings, such as our annual information form and proxy material, the reporting requirements of the directors, information with respect to the Audit Committee and the Corporate Governance Committee and their written charters and certain policies and procedures of the TSMIC Board.

On a continuing basis, management provides periodic presentations to the TSMIC Board to ensure that our directors are fully informed with respect to our business, and directors are free to contact the Chief Executive Officer and the Chief Financial Officer at any time to discuss any aspect of our business.

#### *Ethical Business Conduct*

TSMIC has not adopted a formal code of business conduct and ethics apart from the code of conduct adopted by TAMI. The TSMIC Board is of the view that the fiduciary duties placed on individual directors by TSMIC's governing legislation and common law together with corporate statutory restrictions on an individual director's participation in TSMIC Board decisions in which the director has an interest are sufficient to ensure that the TSMIC Board operates independently of management and in the best interests of TSMIC. Further, to encourage and promote a culture of ethical business conduct, the mandate of the TSMIC Board requires that the TSMIC Board be satisfied with the integrity of the Chief Executive Officer and other executive officers and that these officers are creating a culture of integrity throughout TSMIC.

#### *Whistleblower Policy*

TSMIC has adopted a Receipt of Complaints and Whistleblower Protection Policy. This policy seeks to create procedures for the receipt, retention and treatment by the Audit Committee of concerns, complaints or allegations received by TSMIC, including confidential and anonymous submissions made by employees, officers and trustees of TSMIC.

### *Nomination of Directors*

The TSMIC Board does not currently have a nominating committee. TAMI and members of the TSMIC Board may recommend suitable individuals for nomination as directors. To ensure objectivity in the nomination process, the independent directors review and approve any director nominations proposed by TAMI.

The TSMIC Board and TAMI are responsible for determining the appropriate criteria for selecting and assessing potential directors and selects candidates for nomination to the TSMIC Board accordingly. At such time as it is determined that a new director is desirable, the TSMIC Board and TAMI will engage in various activities to ensure an effective process for selecting candidates for nomination, including developing criteria for the selection of a new director, developing and maintaining a director skills matrix (identifying the desired competencies, independence, expertise, skills, background and personal qualities that are being sought in potential candidates), identifying and recommending individuals qualified and suitable to become directors, the Chair of the TSMIC Board and/or the Chief Executive Officer will meet with potential new candidates prior to nomination to discuss the time commitments and performance expectations of the position and formal approval will be sought and obtained from the TSMIC Board in respect of candidates for nomination.

### *Compensation*

The TSMIC Board does not currently have a compensation committee. As a result of our arrangements with TAMI, TSMIC does not employ any individuals (and has no employment contracts with any individuals), and thus the TSMIC Board has determined that there is no need for a separate compensation committee. The compensation of TAMI is determined based on the provisions of the TSMIC Management Agreement, which can only be amended with the approval of a majority of the independent directors, and if increased, with the approval by a special resolution of TSMIC Shareholders.

The TSMIC Board, as a whole, is responsible for implementing a process for reviewing the adequacy and form of compensation of directors of TSMIC and ensuring that compensation realistically reflects the responsibilities and risk involved in being a director of TSMIC. The TSMIC Board requires that remuneration be at a level that will attract and motivate competent members. Compensation is also based on the compensation of directors of similarly situated issuers.

### *Assessments*

The TSMIC Board is responsible for implementing a process for assessing the effectiveness of the TSMIC Board as a whole, the Audit Committee, the Corporate Governance Committee and the contribution of individual directors. In carrying out its responsibilities, the TSMIC Board is required to periodically review the charters of the Audit Committee and the Corporate Governance Committee and will make an assessment of the effectiveness of the directors. The TSMIC Board has determined that the number of directors of TSMIC is appropriate for the TSMIC Board to function at this time and that the TSMIC Board is properly constituted to reflect the investment of all TSMIC Shareholders in TSMIC. On an ongoing basis, the TSMIC Board will review its size and composition.

### *Diversity*

The TSMIC Board does not currently have a formal policy on the representation of women on the TSMIC Board or in senior management. However, the TSMIC Board believes that gender diversity will enrich the TSMIC Board and as such, the TSMIC Board has instructed the Corporate Governance Committee to develop an appropriate gender diversity policy for the selection of board candidates to address the representation of women on the TSMIC Board.

The TSMIC Board does not support fixed percentages for any selection criteria, as the composition of the TSMIC Board is based on the numerous factors established by the selection criteria and it is ultimately the skills, experience, character and behavioral qualities that are most important in determining the value that an individual could bring to the TSMIC Board.

One of the executive officers of TSMIC, or 25% of the executive officers, is female. There is currently no female director on the TSMIC Board.

**Interest of Certain Persons in Matters to be Acted Upon**

No director or executive officer of TSMIC, no TSMIC Nominee, no person who has been a director or executive officer of TSMIC at any time since the beginning of TSMIC's last financial year and no associate or affiliate of any of the foregoing has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the TSMIC Meeting, other than the election of directors or as disclosed elsewhere in this Circular.

**Indebtedness of Directors and Executive Officers**

None of TSMIC's executive officers, directors, employees, former executive officers, former directors or former employees, has, at any time since January 1, 2015, been indebted to TSMIC. In addition, none of the indebtedness of these individuals to another entity has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by TSMIC.

**Securities Authorized for Issuance Under Equity Compensation Plans**

TSMIC currently has no equity compensation plans in place.

## EXHIBIT A

### MANDATE OF THE BOARD OF DIRECTORS OF TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

#### 1.0 MANDATE

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

1.2 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 Canada Business Corporations Act (the “**CBCA**”), 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**”).

1.3 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

2.1 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.

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

2.4 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.

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

2.6 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.

2.7 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

3.1 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.

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

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

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

3.5 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.

3.6 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.

3.7 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.

3.8 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**

4.1 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) Adopting a communication and disclosure policy for the Corporation and monitoring investor relations programs.
- (10) Developing the Corporation's approach to governance, including adopting and enforcing good corporate governance practices and processes.

- (11) Taking reasonable steps to ensure the integrity of the Corporation's internal control and management information systems.
- (12) Establishing and maintaining an audit committee of the Board (the "**Audit Committee**") and periodically reviewing the mandate of the Audit Committee.
- (13) Receiving recommendations of the Audit Committee respecting, and reviewing and approving, the audited, interim and other publicly disclosed financial information of the Corporation
- (14) 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.
- (15) 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.
- (16) Approving all matters of a material nature that are presented to the Board by the Management.
- (17) Directing the Management to ensure the Corporation operates at all times within applicable laws and regulations.

4.2 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.

4.3 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**

6.1 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.

6.2 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.

**APPENDIX O**  
**SECTION 190 OF THE CANADA BUSINESS CORPORATIONS ACT AND**  
**SECTION 185 OF THE ONTARIO BUSINESS CORPORATIONS ACT**

**Section 190 of the *Canada Business Corporations Act***

190 (1) Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

- (c) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;
- (d) amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;
- (e) amalgamate otherwise than under section 184;
- (f) be continued under section 188;
- (g) sell, lease or exchange all or substantially all its property under subsection 189(3); or
- (h) carry out a going-private transaction or a squeeze-out transaction.

**Further right**

(2) A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

**If one class of shares**

(2.1) The right to dissent described in subsection (2) applies even if there is only one class of shares

**Payment for shares**

(3) In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

**No partial dissent**

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

**Objection**

(5) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

#### Notice of resolution

(6) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

#### Demand for payment

(7) A dissenting shareholder shall, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing

- (a) the shareholder's name and address;
- (b) the number and class of shares in respect of which the shareholder dissents; and
- (c) a demand for payment of the fair value of such shares.

#### Share certificate

(8) A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

#### Forfeiture

(9) A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

#### Endorsing certificate

(10) A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

#### Suspension of rights

(11) On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where

- (a) the shareholder withdraws that notice before the corporation makes an offer under subsection (12),
- (b) the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or
- (c) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9),

in which case the shareholder's rights are reinstated as of the date the notice was sent.

#### Offer to pay

(12) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice



- (a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or
- (b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

#### Same terms

(13) Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

#### Payment

(14) Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

#### Corporation may apply to court

(15) Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

#### Shareholder application to court

(16) If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

#### Venue

(17) An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

#### No security for costs

(18) A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

#### Parties

(19) On an application to a court under subsection (15) or (16),

- (a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and
- (b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

#### Powers of court

(20) On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

## Appraisers

(21) A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

## Final order

(22) The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

## Interest

(23) A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

## Notice that subsection (26) applies

(24) If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

## Effect where subsection (26) applies

(25) If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

- (a) withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or
- (b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

## Limitation

(26) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

- (a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or
- (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

## **Section 185 of the *Business Corporations Act* (Ontario)**

### Rights of dissenting shareholders

185. (1) Subject to subsection (3) and to sections 186 and 248, if a corporation resolves to,

- (a) amend its articles under section 168 to add, remove or change restrictions on the issue, transfer or ownership of shares of a class or series of the shares of the corporation;
- (b) amend its articles under section 168 to add, remove or change any restriction upon the business or businesses that the corporation may carry on or upon the powers that the corporation may exercise;

- (c) amalgamate with another corporation under sections 175 and 176;
- (d) be continued under the laws of another jurisdiction under section 181; or
- (e) sell, lease or exchange all or substantially all its property under subsection 184 (3),

a holder of shares of any class or series entitled to vote on the resolution may dissent.

#### Idem

(2) If a corporation resolves to amend its articles in a manner referred to in subsection 170 (1), a holder of shares of any class or series entitled to vote on the amendment under section 168 or 170 may dissent, except in respect of an amendment referred to in,

- (a) clause 170 (1)
- (b) subsection 170 (5) (a), (b) or (e) where the articles provide that the holders of shares of such class or series are not entitled to dissent; or (6).

#### One class of shares

(2.1) The right to dissent described in subsection (2) applies even if there is only one class of shares.

#### Exception

(3) A shareholder of a corporation incorporated before the 29th day of July, 1983 is not entitled to dissent under this section in respect of an amendment of the articles of the corporation to the extent that the amendment,

- (a) amends the express terms of any provision of the articles of the corporation to conform to the terms of the provision as deemed to be amended by section 277; or
- (b) deletes from the articles of the corporation all of the objects of the corporation set out in its articles, provided that the deletion is made by the 29th day of July, 1986.

#### Shareholder's right to be paid fair value

(4) In addition to any other right the shareholder may have, but subject to subsection (30), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents becomes effective, to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted.

#### No partial dissent

(5) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the dissenting shareholder on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

#### Objection

(6) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent.

Idem

(7) The execution or exercise of a proxy does not constitute a written objection for purposes of subsection (6).

Notice of adoption of resolution

(8) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (6) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn the objection.

Idem

(9) A notice sent under subsection (8) shall set out the rights of the dissenting shareholder and the procedures to be followed to exercise those rights.

Demand for payment of fair value

(10) A dissenting shareholder entitled to receive notice under subsection (8) shall, within twenty days after receiving such notice, or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing,

- (a) the shareholder's name and address;
- (b) the number and class of shares in respect of which the shareholder dissents; and
- (c) a demand for payment of the fair value of such shares.

Certificates to be sent in

(11) Not later than the thirtieth day after the sending of a notice under subsection (10), a dissenting shareholder shall send the certificates, if any, representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

Idem

(12) A dissenting shareholder who fails to comply with subsections (6), (10) and (11) has no right to make a claim under this section.

Endorsement on certificate

(13) A corporation or its transfer agent shall endorse on any share certificate received under subsection (11) a notice that the holder is a dissenting shareholder under this section and shall return forthwith the share certificates to the dissenting shareholder.

Rights of dissenting shareholder

(14) On sending a notice under subsection (10), a dissenting shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shares as determined under this section except where,

- (a) the dissenting shareholder withdraws notice before the corporation makes an offer under subsection (15);
- (b) the corporation fails to make an offer in accordance with subsection (15) and the dissenting shareholder withdraws notice; or

- (c) the directors revoke a resolution to amend the articles under subsection 168 (3), terminate an amalgamation agreement under subsection 176 (5) or an application for continuance under subsection 181 (5), or abandon a sale, lease or exchange under subsection 184 (8),

in which case the dissenting shareholder's rights are reinstated as of the date the dissenting shareholder sent the notice referred to in subsection (10).

Same

(14.1) A dissenting shareholder whose rights are reinstated under subsection (14) is entitled, upon presentation and surrender to the corporation or its transfer agent of any share certificate that has been endorsed in accordance with subsection (13),

- (a) to be issued, without payment of any fee, a new certificate representing the same number, class and series of shares as the certificate so surrendered; or
- (b) if a resolution is passed by the directors under subsection 54 (2) with respect to that class and series of shares,
  - (i) to be issued the same number, class and series of uncertificated shares as represented by the certificate so surrendered, and
  - (ii) to be sent the notice referred to in subsection 54 (3).

Same

(14.2) A dissenting shareholder whose rights are reinstated under subsection (14) and who held uncertificated shares at the time of sending a notice to the corporation under subsection (10) is entitled,

- (a) to be issued the same number, class and series of uncertificated shares as those held by the dissenting shareholder at the time of sending the notice under subsection (10); and
- (b) to be sent the notice referred to in subsection 54 (3).

Offer to pay

(15) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (10), send to each dissenting shareholder who has sent such notice,

- (a) a written offer to pay for the dissenting shareholder's shares in an amount considered by the directors of the corporation to be the fair value thereof, accompanied by a statement showing how the fair value was determined; or
- (b) if subsection (30) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

Idem

(16) Every offer made under subsection (15) for shares of the same class or series shall be on the same terms.

Idem

(17) Subject to subsection (30), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (15) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

Application to court to fix fair value

(18) Where a corporation fails to make an offer under subsection (15) or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as the court may allow, apply to the court to fix a fair value for the shares of any dissenting shareholder.

Idem

(19) If a corporation fails to apply to the court under subsection (18), a dissenting shareholder may apply to the court for the same purpose within a further period of twenty days or within such further period as the court may allow.

Idem

(20) A dissenting shareholder is not required to give security for costs in an application made under subsection (18) or (19).

Costs

(21) If a corporation fails to comply with subsection (15), then the costs of a shareholder application under subsection (19) are to be borne by the corporation unless the court otherwise orders.

Notice to shareholders

(22) Before making application to the court under subsection (18) or not later than seven days after receiving notice of an application to the court under subsection (19), as the case may be, a corporation shall give notice to each dissenting shareholder who, at the date upon which the notice is given,

- (a) has sent to the corporation the notice referred to in subsection (10); and
- (b) has not accepted an offer made by the corporation under subsection (15), if such an offer was made,

of the date, place and consequences of the application and of the dissenting shareholder's right to appear and be heard in person or by counsel, and a similar notice shall be given to each dissenting shareholder who, after the date of such first mentioned notice and before termination of the proceedings commenced by the application, satisfies the conditions set out in clauses (a) and (b) within three days after the dissenting shareholder satisfies such conditions.

Parties joined

(23) All dissenting shareholders who satisfy the conditions set out in clauses (22) (a) and (b) shall be deemed to be joined as parties to an application under subsection (18) or (19) on the later of the date upon which the application is brought and the date upon which they satisfy the conditions, and shall be bound by the decision rendered by the court in the proceedings commenced by the application.

Idem

(24) Upon an application to the court under subsection (18) or (19), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall fix a fair value for the shares of all dissenting shareholders.

Appraisers

(25) The court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

Final order

(26) The final order of the court in the proceedings commenced by an application under subsection (18) or (19) shall be rendered against the corporation and in favour of each dissenting shareholder who, whether before or after the date of the order, complies with the conditions set out in clauses (22) (a) and (b).

Interest

(27) The court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

Where corporation unable to pay

(28) Where subsection (30) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (26), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

Idem

(29) Where subsection (30) applies, a dissenting shareholder, by written notice sent to the corporation within thirty days after receiving a notice under subsection (28), may,

- (a) withdraw a notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder's full rights are reinstated; or
- (b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

Idem

(30) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that,

- (a) the corporation is or, after the payment, would be unable to pay its liabilities as they become due; or
- (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

Court order

(31) Upon application by a corporation that proposes to take any of the actions referred to in subsection (1) or (2), the court may, if satisfied that the proposed action is not in all the circumstances one that should give rise to the

rights arising under subsection (4), by order declare that those rights will not arise upon the taking of the proposed action, and the order may be subject to compliance upon such terms and conditions as the court thinks fit and, if the corporation is an offering corporation, notice of any such application and a copy of any order made by the court upon such application shall be served upon the Commission.

Commission may appear

(32) The Commission may appoint counsel to assist the court upon the hearing of an application under subsection (31), if the corporation is an offering corporation.



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