



Timbercreek Financial Corp.

Annual Information Form  
For the year ended December 31, 2019

Dated as of March 5, 2020

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## FORWARD-LOOKING STATEMENTS

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

## GLOSSARY OF TERMS

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

**“2016 Debentures”** has the meaning set forth under *“The Business – Borrowing Strategy”*.

**“AIF”** means this annual information form of the Company dated March 5, 2020 for the year ended December 31, 2019.

**“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 the Company, 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 the Company at that time.

**“Articles”** has the meaning set forth *“Details of Incorporation and Material Amendments to Articles”*.

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

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

**“Board”** means the board of directors of the Company.

**“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.

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

**“Common Shares”** means the common shares in the capital of the Company.

**“Company”** means Timbercreek Financial Corp.

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

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

**“Credit Facility – Investment Properties”** has the meaning set forth under *“The Business – Borrowing Strategy”*.

**“Credit Facility – Mortgage Investments”** has the meaning set forth under *“The Business – Borrowing Strategy”*.

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

**“Custodian Agreement”** means the amended and restated custodian agreement entered into between the Company (as successor-in-interest to TMIC), TIMI and the Custodian effective as of September 13, 2013.

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

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

**“Distributions”** means any distributions paid in any form by the Company on any class of shares, including without limitation, dividends, payments made on a reduction of stated capital, or any combination of any such distributions.

**“DRIP”** has the meaning set forth under *“Dividends and Distribution Policy”*.

**“DSU Plan”** has the meaning set forth under *“Directors and Executive Officers — Deferred Share Unit Plan and Share Ownership Guidelines”*.

**“February 2017 Debentures”** has the meaning set forth under *“The Business – Borrowing Strategy”*.

**“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 the Company under that mortgage at that time.

**“Indenture”** means the trust indenture dated as of February 25, 2014 between the Company (as successor-in-interest to TMIC) and the Debenture Trustee, as trustee, as amended and supplemented by a first supplemental indenture dated June 30, 2016, a second supplemental indenture dated July 29, 2016, a third supplemental indenture dated February 7, 2017 and a fourth supplemental indenture dated June 13, 2017, each as between the Company and the Debenture Trustee.

**“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.

**“Investment Committee”** means the internal investment approval committee of the Company.

**“Investment Guidelines”** means, collectively, the set of investment guidelines governing the allocation of Investments in which the Company assets are invested, such allocation percentages as set out in *“The Business – Investment Guidelines”*.

**“June 2017 Debentures”** has the meaning set forth under *“The Business – Borrowing Strategy”*.

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

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

**“Management Agreement”** means the management agreement dated as of June 30, 2016 between the Company and the Manager.

**“Management Fee”** means a management fee equal to 0.85% per annum of the gross assets of the Company, less syndicated loans of the Company, calculated and paid monthly in arrears, plus applicable taxes.

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

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

**“Mortgage Investment”** means an Investment in a mortgage.

**“Mortgage Services Agreement”** means the amended and restated mortgage services agreement dated June 30, 2016 between the Manager and TIMI pursuant to which TIMI provides Licensed Services to the Company.

**“Portfolio”** means the portfolio of mortgages of the Company as described in more detail under “*The Business - The Portfolio*”.

**“Related Persons”** means a related person as defined in the Tax Act and, for the purposes of the requirement that no shareholder, together with Related Persons, holds more than 25% of the Common Shares of the Company, includes a corporation and the person or persons that control the corporation, a parent corporation and its subsidiary corporation(s) and corporations that are part of the same corporate group, and an individual and that individual’s spouse, common-law partner or child under 18 years of age.

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

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

**“TAMI”** or **“Manager”** means Timbercreek Asset Management Inc., a company incorporated under the *Business Corporations Act* (Ontario).

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

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

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

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

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

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

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

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



## CORPORATE STRUCTURE

### ***Details of Incorporation and Material Amendments to Articles***

Timbercreek Financial Corp. is a corporation amalgamated under the *Business Corporations Act* (Ontario) pursuant to articles of arrangement dated June 30, 2016 (as amended from time-to-time, the “**Articles**”). The Company’s head and registered office is at 25 Price Street, Toronto, Ontario M4W 1Z1.

The Company was formed through the amalgamation of TMIC and TSMIC on June 30, 2016 pursuant to an arrangement under sections 182 and 183 of the *Business Corporations Act* (Ontario).

There have been no material amendments to the Articles since June 30, 2016.

### ***Status of the Company***

The Company is a non-investment fund reporting issuer and files public disclosure pursuant to National Instrument 51-102 - *Continuous Disclosure Obligations*, including the preparation and filing of audited financial statements in accordance with International Financial Reporting Standards.

The Company intends to continue to qualify as a MIC and not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Common 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.

### ***Subsidiaries***

The Company currently has one wholly-owned subsidiary, TMIF, which is a trust governed by the laws of the Province of Ontario, and one indirectly wholly-owned subsidiary, 2292912 Ontario Inc., a corporation incorporated under the *Business Corporations Act* (Ontario). Timbercreek Mortgage Investment Fund holds a 99.99% partnership interest in Timbercreek CILO II Holdings Partnership, of which 2292912 holds the remaining nominal interest.

### ***Management of the Company***

TAMI provides management services to the Company and is party to the Mortgage Services Agreement with TIMI, a wholly-owned subsidiary of TAMI, pursuant to which TIMI provides the Licensed Services, including without limitation, mortgage brokerage services and mortgage administration services, to the Company. Timbercreek employs all personnel needed to provide the relevant services to the Company and as a result the Company has no employees.

## THE BUSINESS

### ***General***

The Company is 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). The Company fulfills 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.

The business objectives of the Company are, with a primary focus on capital preservation, to place and maintain a diversified portfolio of mortgages that generates attractive and stable returns in order to permit

the Company to pay monthly dividends to the Shareholders. To achieve these objectives, the Company benefits from the extensive experience of TAMI in originating, underwriting and investing in real estate both as a lender and an equity participant. TAMI currently manages approximately \$10.6<sup>1</sup> billion in assets and has conducted over \$15.3 billion in private equity real estate transactions and private debt originations since its inception in 1999. This platform provides substantial market knowledge, underwriting support and asset management expertise. As of the date hereof, the Manager believes that the Portfolio is well diversified (see “*The Business - The Portfolio*”).

The Company is qualified, and intends to continue to qualify as a “mortgage investment corporation” under the Tax Act. In order to maintain its status as a MIC in a particular taxation year, the Company must continually meet all of the criteria enumerated in the relevant section of the Tax Act throughout such taxation year. As a MIC, the Company is entitled to deduct from its taxable income for a particular taxation year (i) all taxable dividends, other than capital gains dividends, paid by the Company to its Shareholders during the year or within 90 days after the end of the year provided that such dividends were not deductible by the Company in the immediately preceding year. It is the Company’s intention to distribute enough of its annual profit from operations to Shareholders through the monthly payment of dividends so as to minimize or eliminate its own liability for tax under the Tax Act.

### ***Strategies of the Company***

The Company seeks 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). The Company primarily focuses 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. The Company will also invest, on an opportunistic basis, in enhanced return portfolio investments, consisting of non-mortgage investments that offer compelling risk-adjusted returns with higher return characteristics than the primarily first mortgage portfolio.

These strategies combine to provide the Company with the ability to:

- obtain favourable yields and maximize returns through efficient sourcing and management of mortgage loans secured by real property;
- take advantage of yield benefits which arise from the Company’s quick access to capital through efficient processing and management of opportunities;
- take advantage of yield benefits which arise from the Company’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:

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<sup>1</sup> As of December 31, 2019. Includes syndicated debt under administration.

- 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 the Company are invested in accordance with its business objectives. However, the Company intends to qualify as a MIC and invests its assets according to the following investment guidelines (the “**Investment Guidelines**”):

1. The Company 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. The Company will invest its assets primarily in Mortgage Investments, subject to the following limitations:
  - Not more than 10% of the Aggregate Funded and Committed Assets can be allocated to an Investment in any one real property;
  - Not more than 20% of the Aggregate Funded and Committed Assets can be allocated to an Investment with any one borrower;
  - Not more than 30% of the Aggregate Funded and Committed Assets can be allocated to 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;
  - Not more than 50% of the Aggregate Funded and Committed Assets can be Investments which are a participation or interest in a syndicated mortgage and which is subordinated to a senior participant in the same whole loan;
  - Not more than 20% of the Aggregate Funded and Committed Assets shall be secured by mortgages that are not first mortgages;
  - Not more than the percentages set out below of the Aggregate Funded and Committed Assets can be invested in the corresponding regions:

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

- 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%

- On the date of funding, the maximum loan-to-value ratio of any one Mortgage Investment shall not exceed 85%; and
  - 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. The Company is permitted to invest up to 10% of its Aggregate Funded and Committed Assets in other Investments.
  4. The Company may not make any loans to the Manager or its affiliates.

### ***Lender Fees***

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

### ***Borrowing Strategy***

The Company may utilize leverage from time to time at the discretion of the Manager through a credit facility arranged by the Manager with one or more arm's length commercial banks or other sources. It is expected that the terms, conditions, interest rate, fees and expenses of and under any credit facility will be typical of

credit facilities of this nature and that the lender will require the Company to provide a security interest in the assets of the Company in favour of the lender to secure such borrowings. Subject to complying with rules to qualify as a MIC, there is no restriction on the amount of funds which the Company may borrow from time to time.

Pursuant to the second amended and restated credit agreement dated as of December 21, 2017, as amended (the “**Credit Agreement**”) among the Company, as borrower, The Toronto-Dominion Bank, as sole lead arranger, sole bookrunner and administration agent, and the financial institutions named therein, as lenders, the Company may borrow up to \$400 million (which includes a \$20 million swingline facility) on a revolving basis (the “**Credit Facility – Mortgage Investments**”), subject to its borrowing base as set out in the Credit Agreement. The commitments of the lenders under the Credit Facility – Mortgage Investments may be increased by \$100 million by way of an accordion feature, subject to satisfaction of certain conditions set forth in the Credit Agreement. The Credit Facility – Mortgage Investments is used for day to day working capital requirements of the Company and for other general corporate purposes, particularly the funding of mortgage loans. The Credit Facility – Mortgage Investments is secured by a general security agreement over the Company’s assets and guaranteed by TMIF (and by Timbercreek Senior Mortgage Trust prior to its dissolution). On February 14, 2018, the Company completed the exercise of a portion of the accordion feature, which increased the commitments of the lenders by \$40 million. On November 16, 2018, the Company entered into an amendment to increase its credit facility by \$60 million, bringing the limit of the Credit Facility – Mortgage Investments up to \$500 million, and to extend the terms of the Credit Facility – Mortgage Investments for an additional year. On December 20, 2019, the Company further amended the Credit Facility – Mortgage Investments to extend the term of the facility for an additional year to December 18, 2021. The amendment also amended the terms of the Credit Agreement to provide an option for the Company to request each lender to extend the maturity date in respect of their respective commitment from the new maturity date of December 18, 2021 to December 18, 2022 or a later date, at the option of each lender. As at December 31, 2019, \$461 million was outstanding under the Credit Facility – Mortgage Investments.

On August 16, 2017, TMIF acquired a 20.46% undivided interest in 14 investment properties. Concurrently with the acquisition, the Company and the co-owners, including TMIF, entered into a credit agreement with a Schedule 1 Bank (the “**Credit Facility – Investment Properties**” and together with the **Credit Facility – Mortgage Investments**, the “**Credit Facilities**”). The Company provided a guarantee of TMIF’s obligations under the Credit Facility – Investment Properties, whose share of the outstanding amounts under the Credit Facility – Investment Properties was \$30.6 million as at December 31, 2019. The Credit Facility – Investment Properties will mature on October 9, 2020, in respect of certain tranches, and on October 9, 2021, as to certain other tranches. The Credit Facility – Investment Properties is secured by a first charge on specific assets. TMIF’s share of the carrying value is \$47.3 million.

On July 29, 2016, the Company completed an offering of 5.40% convertible unsecured subordinated debentures which mature on July 31, 2021 (the “**2016 Debentures**”) for aggregate gross proceeds of \$40 million and subsequently, on August 5, 2016, pursuant to the partial exercise of the over-allotment option in respect of such offering, the Company completed an offering of an additional \$5.8 million principal amount of 2016 Debentures.

On February 7, 2017, the Company completed an offering of 5.45% convertible unsecured subordinated debentures which mature on March 31, 2022 (the “**February 2017 Debentures**”) for aggregate gross proceeds of \$46 million, which included the concurrent exercise of the over-allotment option in respect of such offering.

On June 13, 2017, the Company completed an offering of 5.30% convertible unsecured subordinated debentures which mature on June 30, 2024 (the “**June 2017 Debentures**” and together with the 2016 Debentures and the February 2017 Debentures, the “**Debentures**”) for aggregate gross proceeds of \$40 million and subsequently, on June 27, 2017, pursuant to the partial exercise of the over-allotment option in respect of such offering, the Company completed an offering of an additional \$5 million principal amount of June 2017 Debentures.

A description of the Debentures is set out in “*Description of Securities of the Company – Description of the Debentures*”.

### ***Competitive Advantages of the Company***

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

- ***Real Estate Expertise*** - Timbercreek has over nineteen years of real estate investment expertise and as of December 31, 2019, managed approximately \$9.7 billion in real estate assets. This real estate experience allows the Manager to have a deep understanding and perception of the trends, risks and opportunities associated with the mortgage investments and the underlying real estate which enables the Manager to better assess investment opportunities and manage risks for the Company.
- ***Alignment of Interests and Maximization of Income*** – To align the interests of the Manager with those of the Company and Shareholders, a Management Fee is paid to the Manager, and the Manager and its originators do not participate in Lender Fee revenue, such that all interest revenue and Lender Fees generated from placing mortgage loans is earned by the Company, contributing to the yield generated by the Company. For more details, see “*Management of the Company – Management Fees and Expenses*”.
- ***Strong Yield*** – The current Portfolio generated an aggregate annualized yield of approximately 6.95% per Common Share, based on a closing price on December 31, 2019 of \$9.93 per Common Share, net of fees and expenses of the Company, for the twelve month period ending December 31, 2019.
- ***Strong Management with Key Industry Experience*** – The directors and officers of the Manager have significant experience in real estate asset and investment management and/or mortgage origination and underwriting, and have built a full-service asset management platform that has the capacity to underwrite, finance, acquire and manage assets that fit the investment profile and mandate of its managed funds. Based on this platform, the Manager originated an average of approximately \$143.6 million per month in mortgage loans in 2019
- ***Access to Mortgage Investment Opportunities*** – The ability of Timbercreek to move quickly and provide more comprehensive solutions to borrowers provides the Company with access to a strong supply of mortgage investment opportunities.
- ***Portfolio Diversification*** – The Investment Guidelines are designed to ensure that the Portfolio is well diversified by geography, economic sector, asset class, term, borrower and loan-to-value.
- ***Conservative Selection Policy*** – The Company invests in mortgages with a focus on investing in mortgages that are primarily income-producing assets.
- ***Responsiveness of Timbercreek and Relationships with Borrowers*** – Timbercreek is often able to establish preferred lender status with many active real estate investors by providing prompt and responsive levels of service and by offering more comprehensive solutions to the borrower.
- ***Strong Governance*** – A majority of directors on the board of the Company are independent, and an internal Investment Committee reviews and approves all mortgage investment opportunities prior to investment.
- ***Active Management Philosophy*** – Timbercreek has a full-service integrated asset management platform, including property, capital and debt management, that seeks to optimize the value it

provides to investors through active management of the Portfolio and in accordance with certain investment restrictions.

### ***Investment Process***

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

The Investment Committee is an internal committee of the Company and its members may, but need not, be independent. As of the date of this AIF, the members of the Investment Committee are R. Blair Tamblyn, Ugo Bizzarri and Corrado Russo. The Manager has further appointed a private debt sub-committee to review loan investments of less than \$30 million. As of the date of this AIF, the members of the private debt sub-committee are Ugo Bizzarri, Julie Neault and Scott Rowland. Each mortgage loan is subject to a detailed review process by the Investment Committee or the private debt sub-committee, as applicable. Mortgage loans that are determined to be satisfactory by TIMI’s management upon completion of its due diligence will be presented to the Investment Committee or the private debt sub-committee, as applicable, together with a comprehensive due diligence report. The Investment Committee or the private debt sub-committee, as applicable, will consider each investment opportunity presented to it by TIMI’s management with a view to assessing the strength of the security covenants of such mortgage investment opportunities, and the payment and default risks associated with that mortgage. In considering the adequacy of the underlying real estate that is offered as security on a proposed loan, the Investment Committee, or the private debt sub-committee, as applicable, will rely on a review of (among other things):

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

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

Once funded by the Company, TIMI will regularly monitor the status of each loan funded by the Company and that of the borrower. TIMI also communicates regularly with borrowers to understand how their asset is performing and to discuss their repayment strategies. The Manager believes that a strong relationship

between TIMI and the borrower is critical to the success of the loan and to the development of a good quality and repeat borrower.

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

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

### **Three Year History**

From January 2017 to the end of December 2019, the Portfolio of the Company grew from \$1.0 billion to \$1.2 billion. The average loan size in the Portfolio increased from \$8.2 million to \$9.5 million during this time. Due to this growth, the diversification has increased as there were more loans in the Portfolio. From January 2017 to the end of December 2019, the Company has funded 166 new mortgage investments, totalling approximately \$1.8 billion, which were originated and underwritten by Timbercreek’s origination and investment management platform. Over the same time period, the Company has also received approximately \$1.9 billion in mortgage repayments. Throughout this period, the Company continues to focus on loans secured by income producing properties and has maintained minimal exposure to land and construction loans.

On August 16, 2017, the Company acquired a 20.46% undivided beneficial interest in 14 investment properties. Concurrently with the acquisition, the Company and the co-owners entered into the Credit Facility – Investment Properties (See “*The Business – Borrowing Strategy*”).

### **The Portfolio**

As of December 31, 2019, the Company had 129 mortgages outstanding with an average size of approximately \$9.5 million with a weighted average loan-to-appraised value of 70.5% (based on the most recent appraisal of the real property underlying each mortgage asset conducted by an arm’s length third party appraisal firm).

The value of real estate may change from the date of appraisal (see “*Risk Factors – Changes in the Values of Real Estate*”). The following table illustrates, as of December 31, 2019, the number, value and percentage of mortgage loans comprising the Portfolio by property type:

<b>Property Type</b>	<b>Portfolio Mortgages as of December 31, 2019</b>	<b>Value as of December 31, 2019 (\$'000)<sup>(1)</sup></b>	<b>% of Portfolio Mortgages as of December 31, 2019</b>
Residential:			
<i>Multi family</i>	79	673,585,525	54.1%
<i>Retirement</i>	3	58,175,000	4.7%
<i>Other</i>	1	20,600,347	1.7%
<i>Single family</i>	1	1,574,060	0.1%
Retail	20	228,748,750	18.4%
Office	10	105,935,524	8.5%
Unimproved land	10	125,275,690	10.1%
Industrial	5	30,186,976	2.4%
Self-storage	—	—	—%
Hotel	—	—	—%
<b>Total:</b>	<b>129</b>	<b>1,244,081,872</b>	<b>100%</b>

**Note:**

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



The following table illustrates, as of December 31, 2019 the number, value and percentage of the mortgage loans comprising the Portfolio by geographic location:

<b>Geographic Location of Property</b>	<b>Portfolio Mortgages as of December 31, 2019 (#)</b>	<b>Value of Mortgage Portfolios as of December 31, 2019 (\$)<sup>(1)</sup></b>	<b>% as of December 31, 2019</b>
Ontario	65	535,622,408	43.1%
Quebec	11	109,091,643	8.8%
Alberta	14	252,437,083	20.3%
Manitoba	3	9,575,528	0.8%
British Columbia	29	297,579,755	23.9%
Saskatchewan	6	33,993,667	2.7%
Nova Scotia	1	5,781,788	0.5%
Other	—	—	—%
<b>Total:</b>	<b>129</b>	<b>1,244,081,872</b>	<b>100%</b>

**Note:**

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

As at December 31, 2019, the Company has a provision for mortgage investment loss of \$2.3 million. The Company believes that adequate reserves have been established to cover any potential losses. Generally, a default occurs when a mortgage or loan investments is 90 days past due and when there is objective evidence that there has been a deterioration of credit quality, to the extent the Company no longer has reasonable assurance as to the timely collection of the full amount of principal and interest and/or when the Company has commenced enforcement remedies available to it under its contractual agreements.

The following is an overview of our mortgage portfolio as at December 31, 2019 and 2018, as well as the related interest and fees earned for the same years:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Mortgages portfolio	1,244,081,481	1,210,993,020
Accrued interest receivable	8,427,994	20,577,090
Mortgage discount, net of accumulated amortization		
Mortgage origination fees, net of accumulated amortization	(9,459,832)	(8,371,584)
Provision for mortgage losses	(2,303,363)	(1,416,607)
<b>Total Mortgage and Loan Investments</b>	<b>1,240,746,280</b>	<b>1,221,781,919</b>

## DIVIDENDS AND DISTRIBUTION POLICY

### Distributions

The holders of Common Shares are entitled to receive Distributions as and when declared from time to time on the Common Shares by the directors of the Company, acting in their sole discretion, out of the assets of the Company properly available for the payment of Distributions.

The following monthly cash Distributions, in the form of dividends, were paid to holders of the Common Shares during the periods indicated.

<b>Month</b>	<b>Dividends per Common Share (\$)</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
January	0.0575	0.0575	0.057
February	0.0575	0.0575	0.057
March	0.0575	0.0575	0.057
April	0.0575	0.0575	0.057
May	0.0575	0.0575	0.057
June	0.0575	0.0575	0.057

July	0.0575	0.0575	0.057
August	0.0575	0.0575	0.057
September	0.0575	0.0575	0.057
October	0.0575	0.0575	0.057
November	0.0575	0.0575	0.0575
December	0.0575	0.0575	0.0575
<b>Total</b>	<b>0.6900</b>	<b>0.6900</b>	<b>0.6850</b>

**There can be no guarantee that the Company will maintain its Distributions policy. The amount of Distributions to be paid on the Common Shares, if any, will be subject to the discretion of the Board. See “Risk Factors – No Assurance of Achieving Business Objectives or Paying Distributions”.**

### ***Dividend Reinvestment Plan***

The Company’s dividend reinvestment plan (“**DRIP**”), which was implemented as of July 13, 2016, provides eligible holders of Common Shares a means to purchase additional Common Shares by reinvesting a portion or all of their cash dividends at a potential discount and without having to pay commissions, service charges or brokerage fees.

Pursuant to the DRIP, the Manager has the right to require the plan agent to acquire Common Shares in the open market at prevailing prices or issued from treasury at 98% of the “average market price” as defined in the DRIP. The “average market price” is defined in the DRIP as the volume weighted average trading price of Common Shares on the TSX for the five trading days ending on the third business day immediately prior to the dividend payment date on which at least a board lot of Common Shares is traded. Common Shares acquired pursuant to the DRIP, will be automatically enrolled in the DRIP. Shareholders who hold their Common Shares through a broker, financial institution or their nominee, must enrol for distribution reinvestment through their nominee broker.

## **DESCRIPTION OF SECURITIES OF THE COMPANY**

### ***Description of the Common Shares***

The Company is authorized to issue an unlimited number of Common Shares, a summary of the terms and conditions of which is set forth below. As at the date of this AIF, there are 83,330,663 issued and outstanding Common Shares.

### ***Voting Rights***

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

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

- (a) a change in the Manager, other than (A) a change resulting in an affiliate of the Manager assuming such position, (B) a termination of the Management Agreement in accordance with its terms, or (C) a change in accordance with the terms of the Management Agreement for which shareholder approval is not required;
- (b) any increase in the basis of calculating the Management Fee paid to the Manager or the rate per annum of the Management Fee;
- (c) a reorganization with, or transfer of assets to, another entity, if:

- (i) the Company ceases to continue after the reorganization or transfer of assets; and
  - (ii) the transaction results in holders of Common Shares becoming securityholders in the other entity; and
- (d) a reorganization with, or acquisition of assets to, another entity, if:
- (i) the Company continues after the reorganization or acquisition of assets; and
  - (ii) the transaction results in securityholders of the other entity holding a majority of the total number of outstanding securities of the Company.

### *Distributions*

The holders of Common Shares are entitled to receive Distributions as and when declared from time to time on the Common Shares by the directors of the Company, acting in their sole discretion, out of the assets of the Company properly available for the payment of Distributions.

### *Rights upon Dissolution or Winding Up*

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

### *Restrictions on Ownership*

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

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

### *Amendments*

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

### **Description of the Debentures**

#### *2016 Debentures*

As of the date of this AIF, there are \$45.8 million aggregate principal amount of 2016 Debentures issued and outstanding. The 2016 Debentures are governed pursuant to the Indenture.

The 2016 Debentures bear interest from and including the date of issue at 5.40% per annum. Interest is payable semi-annually, in arrears, on January 31 and July 31 in each year, with the first interest payment occurring on January 31, 2017. The 2016 Debentures are direct obligations of the Company and are not to be secured by any mortgage, pledge, hypothecation or other charge and are subordinated to the Company's other liabilities.

Each 2016 Debenture is convertible into fully paid and non-assessable Common Shares, at the option of the holder, at any time prior to 5:00 p.m. (Toronto, Ontario local time) on the earlier of the business day immediately preceding the maturity date and, if called for redemption, the business day immediately preceding the date fixed for redemption of the 2016 Debentures, at the conversion. The conversion price is \$10.05 per Common Share, subject to adjustment upon the occurrence of certain events as described in the Indenture.

Other than in certain circumstances set out in the Indenture, the 2016 Debentures will not be redeemable prior to July 31, 2019. On and after July 31, 2019, but prior to July 31, 2020, the 2016 Debentures will be redeemable, in whole or in part, from time to time at the Company's sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days' and not less than 30 days' prior written notice, provided that the volume weighted average trading price of the Common Shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the conversion price. On or after July 31, 2020 and prior to the maturity date, the 2016 Debentures will be redeemable, in whole or in part, from time to time at the Company's sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days' and not less than 30 days' prior written notice.

#### *February 2017 Debentures*

As of the date of this AIF, there are \$46 million aggregate principal amount of February 2017 Debentures issued and outstanding. The February 2017 Debentures are governed pursuant to the Indenture.

The February 2017 Debentures bear interest from and including the date of issue at 5.45% per annum. Interest is payable semi-annually, in arrears, on March 31 and September 30 in each year, with the first interest payment occurring on September 30, 2017. The February 2017 Debentures are direct obligations of the Company and are not to be secured by any mortgage, pledge, hypothecation or other charge and are subordinated to the Company's other liabilities.

Each February 2017 Debenture is convertible into fully paid and non-assessable Common Shares, at the option of the holder, at any time prior to 5:00 p.m. (Toronto, Ontario local time) on the earlier of the business day immediately preceding the maturity date and, if called for redemption, the business day immediately preceding the date fixed for redemption of the February 2017 Debentures, at the conversion. The conversion price is \$10.05 per Common Share, subject to adjustment upon the occurrence of certain events as described in the Indenture.

Other than in certain circumstances set out in the Indenture, the February 2017 Debentures will not be redeemable prior to March 31, 2020. On and after March 31, 2020, but prior to March 31, 2021, the February 2017 Debentures will be redeemable, in whole or in part, from time to time at the Company's sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days' and not less than 30 days' prior written notice, provided that the volume weighted average trading price of the Common Shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the conversion price. On or after March 31, 2021 and prior to the maturity date, the February 2017 Debentures will be redeemable, in whole or in part, from time to time at the Company's sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest

up to, but excluding, the date of redemption, on not more than 60 days' and not less than 30 days' prior written notice.

#### *June 2017 Debentures*

As of the date of this AIF, there are \$45 million aggregate principal amount of June 2017 Debentures issued and outstanding. The June 2017 Debentures are governed pursuant to the Indenture.

The June 2017 Debentures bear interest from and including the date of issue at 5.30% per annum. Interest is payable semi-annually, in arrears, on June 30 and December 31 in each year, with the first interest payment occurring on December 31, 2017. The June 2017 Debentures are direct obligations of the Company and are not to be secured by any mortgage, pledge, hypothecation or other charge and are subordinated to the Company's other liabilities.

Each June 2017 Debenture is convertible into fully paid and non-assessable Common Shares, at the option of the holder, at any time prior to 5:00 p.m. (Toronto, Ontario local time) on the earlier of the business day immediately preceding the maturity date and, if called for redemption, the business day immediately preceding the date fixed for redemption of the June 2017 Debentures, at the conversion. The conversion price is \$11.10 per Common Share, subject to adjustment upon the occurrence of certain events as described in the Indenture.

Other than in certain circumstances set out in the Indenture, the June 2017 Debentures will not be redeemable prior to June 30, 2020. On and after June 30, 2020, but prior to June 30, 2022, the June 2017 Debentures will be redeemable, in whole or in part, from time to time at the Company's sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days' and not less than 30 days' prior written notice, provided that the volume weighted average trading price of the Common Shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of the redemption is given is not less than 125% of the conversion price. On or after June 30, 2022 and prior to the maturity date, the June 2017 Debentures will be redeemable, in whole or in part, from time to time at the Company's sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest up to, but excluding, the date of redemption, on not more than 60 days' and not less than 30 days' prior written notice.

#### *General Description of the Debentures*

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

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

If an event of default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall upon prior funding and indemnity and the request of holders of not less than 25% of the principal amount of Debentures then outstanding, declare the principal of and interest on all outstanding Debentures to be immediately due and payable. In certain cases, the holders of more than 50% of the principal amount of

the Debentures then outstanding may, on behalf of the holders of all Debentures, waive any event of default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe, provided that no act or omission of either the Debenture Trustee or of the holders of Debentures will extend to or be taken in any manner whatsoever to affect any subsequent event of default or the rights resulting therefrom.

The Company can issue additional convertible debentures under the Indenture from time to time. The Indenture does not and will not restrict the Company from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging the Company's properties to secure any indebtedness. Computershare Trust Company of Canada has been appointed as the trustee, transfer agent and registrar of the Debentures.

## MARKET FOR SECURITIES

The Common Shares are listed for trading on the TSX under the symbol "TF". The 2016 Debentures, February 2017 Debentures and June 2017 Debentures are listed for trading on the TSX under the symbols "TF.DB.A", "TF.DB.B" and "TF.DB.C", respectively.

### *Trading Price and Volume*

The following table summarizes the high and low prices of the Common Shares and volume of trading on the TSX on a monthly basis for the year ended December 31, 2019:

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
January	\$9.31	\$8.67	1,914,793
February	\$9.35	\$9.16	1,502,295
March	\$9.39	\$9.18	1,900,111
April	\$9.46	\$9.20	1,285,953
May	\$9.51	\$9.20	1,779,956
June	\$9.49	\$9.22	1,390,958
July	\$9.73	\$9.46	1,475,114
August	\$9.77	\$9.35	2,102,867
September	\$9.92	\$9.38	2,382,617
October	\$9.78	\$9.30	2,690,334
November	\$9.94	\$9.65	1,955,536
December	\$10.18	\$9.80	1,896,648

The following table summarizes the high and low prices of the 2016 Debentures and volume of trading on the TSX on a monthly basis for the year ended December 31, 2019:

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
January	\$100.11	\$98.99	701,000
February	\$101.00	\$100.01	601,000
March	\$100.98	\$100.00	564,000
April	\$101.50	\$100.01	216,000
May	\$102.50	\$100.55	127,000
June	\$102.50	\$101.11	324,000
July	\$102.25	\$101.12	221,000
August	\$103.00	\$101.49	296,000
September	\$104.96	\$101.12	287,000
October	\$102.00	\$100.52	330,000
November	\$103.00	\$101.01	258,000
December	\$104.00	\$102.00	247,500

The following table summarizes the high and low prices of the February 2017 Debentures and volume of trading on the TSX on a monthly basis for the year ended December 31, 2019:

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
January	\$100.01	\$97.75	585,000
February	\$102.39	\$99.85	512,000

<b>Month</b>	<b>High</b>	<b>Low</b>	<b>Volume</b>
March	\$101.50	\$99.52	228,000
April	\$101.50	\$100.27	258,000
May	\$101.05	\$100.07	2,127,000
June	\$108.71	\$101.10	494,000
July	\$103.00	\$101.42	382,000
August	\$103.90	\$101.10	472,000
September	\$103.00	\$101.11	247,000
October	\$103.00	\$100.11	465,000
November	\$103.00	\$101.05	498,000
December	\$104.99	\$101.02	305,000

The following table summarizes the high and low prices of the June 2017 Debentures and volume of trading on the TSX on a monthly basis for the year ended December 31, 2019:

<b>Month</b>	<b>High</b>	<b>Low</b>	<b>Volume</b>
January	\$98.99	\$94.01	489,000
February	\$98.98	\$97.75	377,000
March	\$99.99	\$98.49	436,500
April	\$100.01	\$98.20	759,000
May	\$101.00	\$99.50	378,000
June	\$101.61	\$98.11	616,000
July	\$102.01	\$99.49	759,000
August	\$102.95	\$100.94	479,000
September	\$102.00	\$100.50	291,000
October	\$101.99	\$100.25	517,000
November	\$103.00	\$101.02	274,000
December	\$102.40	\$101.27	315,000

### **Prior Sales**

In the year ended December 31, 2019, the Company did not issue any securities of the Company that are not listed or quoted on a marketplace.

## **DIRECTORS AND EXECUTIVE OFFICERS**

### **Directors and Officers of the Company**

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

<b>Name and Province of Principal Residence</b>	<b>Position with the Company</b>	<b>Principal Occupation</b>
Zelick L. Altman Ontario, Canada	Independent Director (appointed June 30, 2016; previously director of TMIC since April 30, 2008)	Corporate Director
Steven Scott <sup>(1)(3)</sup> Ontario, Canada	Independent Director (appointed June 30, 2016; previously director of TSMIC since December 1, 2011)	Chair and CEO of StorageVault Canada Inc.
W. Glenn Shyba <sup>(1)(2)</sup> Ontario, Canada	Independent Director (appointed June 30, 2016; previously director of TMIC since April 30, 2008)	Principal, Origin Merchant Partners
Derek J. Watchorn <sup>(1)(2)(4)</sup> Ontario, Canada	Independent Director (appointed June 30, 2016; previously director of TMIC since November 25, 2010)	Consultant
R. Blair Tamblyn <sup>(2)</sup> Ontario, Canada	Non-independent Director (Chair) (appointed June 30, 2016; previously director and Chair of TMIC and TSMIC since April 30, 2008)	Director, CEO and Senior Managing Director of the Manager

<b>Name and Province of Principal Residence</b>	<b>Position with the Company</b>	<b>Principal Occupation</b>
Ugo Bizzarri <i>Ontario, Canada</i>	Non-independent Director (appointed June 30, 2016; previously director of TMIC and TSMIC since September 12, 2013)	Director and Senior Managing Director, Chief Investment Officer & Global Head of Direct and Debt Investments of the Manager
Cameron Goodnough <i>Ontario, Canada</i>	Non-independent Director (appointed November 7, 2018, previously appointed President of the Company on March 15, 2017 and appointed to the position of Chief Executive Office on January 1, 2018)	Managing Director, Corporate Development of the Manager
Pamela Spackman <sup>(1)</sup> <i>Ontario, Canada</i>	Independent Director (appointed January 1, 2019)	Corporate Director
Gigi Wong <i>Ontario, Canada</i>	Chief Financial Officer	Chief Financial Officer of the Manager
Scott Rowland <i>Ontario, Canada</i>	Vice President, Portfolio Management	Managing Director
Julie Neault <i>Ontario, Canada</i>	Vice-President, Credit	Managing Director
Peter Hawkings <i>Ontario, Canada</i>	Vice President and Corporate Secretary	Managing Director, General Counsel of the Manager

**Notes:**

- (1) Member of the Audit Committee.
- (2) Member of the Corporate Governance and Nominating Committee.
- (3) Chair of Audit Committee.
- (4) Chair of the Corporate Governance and Nominating Committee.

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

**Security Holding**

The directors and officers of the Company, as a group, collectively own, directly or indirectly, or exercise control or direction over an aggregate of 211,510 Common Shares, representing approximately 0.25% of the outstanding Common Shares. In addition to the securities held by the directors and officers of the Company, TAMI, the Manager, owns an aggregate of 1,339,498 Common Shares, representing approximately 1.6% of the outstanding Common Shares.

**Deferred Share Unit Plan and Share Ownership Guidelines**

Pursuant to a deferred share unit plan (a “**DSU Plan**”) adopted by the Board, independent directors must receive a portion, and may elect to receive all, of their annual board retainer, meeting fees and any other fees payable to the independent director in the form of DSUs. DSUs may only be redeemed once the independent director ceases to be a director of the Company, 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 DSUs held by such independent director directly multiplied by the fair market value of a Common Share as of the 24<sup>th</sup> business day after the Company’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 Board.

Independent directors will be credited with additional DSUs (including, if applicable, fractional DSUs) in respect of dividends declared by the Company on the Common Shares, calculated by dividing (i) the product obtained by multiplying the amount of the dividend paid by the Company on each Common Share by the number of 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 Common Shares reported by the TSX for the twenty trading days immediately preceding the record date.



In connection with the DSU Plan, the Company has adopted share ownership guidelines which require independent directors to seek to acquire and maintain a level of direct and indirect ownership of Common Shares with a value equal to a minimum of three times the independent director's expected annual board retainer. Independent directors are expected to achieve this ownership level within five years following the later of (i) the adoption by the Company of the share ownership guidelines and (ii) the director's election to the Board. If the independent director fails to achieve the required threshold, the Board may determine to pay all or a portion of such independent director's compensation in DSUs until such threshold is met.

The independent directors currently hold an aggregate of 84,308 DSUs pursuant to the DSU Plan.

### ***Biographies***

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

***Zelick L. Altman*** – Until the end of 2017, Mr. Altman served as Executive Chair of LaSalle Investment Management (Canada), a real estate investment management company, (“**LaSalle**”) and President of the LaSalle Canadian Income & Growth Funds. Mr. Altman currently acts as a corporate director and has over 40 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 to 1997) and Vice President of Counsel Property Corporation (1984 to 1988). From 1988 to 1992, Mr. Altman owned and operated Accura Properties Inc. Mr. Altman is a graduate of the Faculty of Applied Sciences at the University of Toronto and is registered as a Professional Engineer.

***Steven Scott*** – Mr. Scott is the Chair and Chief Executive Officer of StorageVault Canada Inc. (TSXV: SVI) and an owner and Chief Executive Officer of The Access Group of Companies with over 20 years of experience in the ownership, acquisition, development and management of self storage, residential and commercial real estate in Canada. Mr. Scott serves as an independent director and Audit Committee Chair of the Company and Park Lawn Corporation (TSXV: PLC). Mr. Scott also serves as Director and Treasurer of the Canadian Self Storage Association. Mr. Scott holds a Bachelor of Commerce Degree and holds both the CPA and CA designations.

***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., 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 firm's 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 Inc., Mr. Shyba was Vice President, Development at a major North American property developer. He also participated in the development of one of Canada's first property valuation software programs for commercial real estate. Mr. Shyba holds a Bachelor of Commerce degree from the University of British Columbia.

***Derek J. Watchorn*** – Mr. Watchorn, a lawyer by trade, has extensive experience in the real estate industry through a variety of senior management and director positions he has held with both public and private organizations in Ontario and abroad. Mr. Watchorn was the President and Chief Executive Officer of Revera Inc. (formerly Retirement Residences REIT) from October 2004 until June 2009. Prior to that, he served in London, England as Executive Vice President of Canary Wharf plc from January 2003 until June 2004 and as Executive Director of TrizecHahn plc from January 1999 until June 2001. Mr. Watchorn was a senior partner of the law firm Davies Ward Phillips & Vineberg LLP (“**Davies Ward**”), which he joined as a solicitor in 1968 and became partner of in 1970. During the period from 1987 to 2004 (excluding his tenure with

TrizecHahn), Mr. Watchorn was a senior advisor to the Paul Reichmann family in Toronto and, in that capacity, during a three year period from 1987 until 1990, served on a seconded basis from Davies Ward as Executive Director of Olympia & York Canary Wharf plc. Since his retirement from Revera Inc., Mr. Watchorn has been acting as a senior adviser on several projects, most notably and currently as a member of the Management Committee involved with the redevelopment of the Buttonville Airport lands. Mr. Watchorn is currently a director of Data Communications Management Corp. (TSX:DCM) and was previously a director of Patheon Inc. (TSX:PTI). He is also a director of Southlake Regional Health Centre in Newmarket, Ontario and a director of the Royal Agricultural Winter Fair in Toronto.

**R. Blair Tamblyn** – Mr. Tamblyn co-founded Timbercreek Asset Management in 1999 and is Senior Managing Director & Chief Executive Officer of the Manager. Mr. Tamblyn is also Chair of the Board for the Company. In his role as Senior Managing Director & CEO, Mr. Tamblyn is responsible for identifying strategic initiatives, managing global capital markets activities and general oversight of the Manager's corporate operations. Mr. Tamblyn is also a member of the Manager's Investment Committee. Mr. Tamblyn has over 20 years of experience in public and private capital markets and has led the origination, structuring, capitalization and execution of all public and private Timbercreek funds that currently manage \$7.5 billion in assets. Prior to co-founding Timbercreek, Mr. Tamblyn worked at Connor, Clark & Company as a licensed securities trader. Mr. Tamblyn is an independent director of GreenSpace Brands Inc. and of StorageVault Canada Inc. Mr. Tamblyn holds a Bachelor of Arts in History and Political Science from Western University. Mr. Tamblyn also completed the small/medium sized Enterprise Board Effectiveness Program offered by Rotman and the Institute of Corporate Directors.

**Ugo Bizzarri** – Mr. Bizzarri co-founded Timbercreek Asset Management in 1999 and is Senior Managing Director, Chief Investment Officer & Global Head of Direct and Debt Investments of the Manager. Mr. Bizzarri is also a director of the Company. In his role as Senior Managing Director/CIO, Global Head of Direct and Debt Investments, Mr. Bizzarri leads the team responsible for the acquisition & disposition of direct real estate and the underwriting & funding of commercial mortgage investments secured by direct real estate. Mr. Bizzarri and his team have been responsible for underwriting, financing and acquiring over \$4 billion of multi-residential real estate and have constructed and managed a diversified debt portfolio of over \$1 billion in Timbercreek-sponsored commercial mortgage investments. Mr. Bizzarri has over 20 years of experience in the valuation, acquisition and disposition of investment-grade cash-flowing real estate. Prior to founding Timbercreek, Mr. Bizzarri was in portfolio management at Ontario Teachers' Pension Plan Board, where he played a leadership role in the strategic planning, corporate transactions/restructuring and property acquisitions for the real estate group. Mr. Bizzarri is an independent director of Cymbria Corporation. Mr. Bizzarri is a graduate of the Richard Ivey School of Business and is a Chartered Financial Analyst.

**Cameron Goodnough** – Mr. Goodnough joined Timbercreek in November 2016 as Managing Director, Corporate Development of the Manager. Mr. Goodnough is also President and Chief Executive Officer and a member of the Board of the Company. In his role as Managing Director, Corporate Development, Mr. Goodnough is a senior member of the team responsible for evaluating and executing on strategies to build and grow Timbercreek. Mr. Goodnough is also responsible for the review and structuring of capital and acquisition mandates that align with Timbercreek's overall business goals. Mr. Goodnough has over 20 years of experience, including 18 in investment banking. Most recently, Mr. Goodnough was Managing Director with the Financial Institutions Group at TD Securities. Prior to joining TD Securities, Mr. Goodnough worked at RBC Capital Markets, CIBC Wood Gundy and Merrill Lynch Canada. Mr. Goodnough holds two undergraduate degrees (Commerce and International Relations) from the University of Windsor and a combined Masters of Business and Bachelor of Laws from Schulich and Osgoode Hall. Mr. Goodnough is also registered as a mortgage agent in Ontario.

**Pamela Spackman** – Ms. Spackman, a corporate director, serves as a member of the Board of Trustees and a member of the Investment Committee of WPT Industrial REIT. She is as a member of the Independent Investment Committee of Bentall Kennedy High Yield Canadian Property Fund (a fund investing in high yield mortgage debt and real estate equity in Canada), and serves on the Valuation Committee of Crestpoint Real Estate Advisors. In January 2019, joined the Board of Directors of Timbercreek Financial Corporation and is a member of the Audit Committee. Ms. Spackman, served on

the Board of Trustees, was chair of Corporate Governance, Compensation and Nominating Committee and a member of the Audit committee for Slate Office REIT (formally FAM REIT) from December 2012 until May 2019. She previously served as Chair of the Timbercreek Mortgage Advisory Committee from July 2008 until June of 2016, and on the Board of Gazit America Inc. from July 2009 until August 2012 (the date of their privatization). She also held the position as President and CEO of Column Canada Financial Corporation, a wholly-owned subsidiary of Credit Suisse Group AG from July 2000 to July 2008 and prior to that, Ms. Spackman was Vice – President Mortgage Investments at the Ministry of Finance, Province of British Columbia and an Investment Manager for the Workers' Compensation Board Investment fund in Ontario. She acquired the ICD.D designation in 2010 following completion of the Institute of Corporate Directors program at University of Toronto.

**Carrie Morris** – Ms. Morris joined Timbercreek in August 2005 as Director of Investor Relations & Corporate Development and was subsequently promoted to Managing Director, Capital Markets & Corporate Communications of the Manager in 2012. Ms. Morris is also Vice President for the Company. In her role as Managing Director, Capital Markets & Corporate Communications, Ms. Morris is involved with all capital market activities including new product development, investor relations and client service for Timbercreek. Ms. Morris has over 11 years of experience with public and private capital markets and has overseen other key components to the business including compliance, marketing and corporate governance. Ms. Morris holds a Masters of Business Administration from McMaster University.

**Peter Hawkings** – Mr. Hawkings joined Timbercreek in April 2013 as General Counsel & Chief Compliance Officer of the Manager. Mr. Hawkings is also Vice President and Corporate Secretary for the Company. In his role as General Counsel, Mr. Hawkings is responsible for overseeing all corporate legal aspects of Timbercreek's investment management business. Mr. Hawkings has over 12 years of experience in corporate securities law. Prior to joining Timbercreek, Mr. Hawkings practised law at Goodmans LLP in Toronto, where he acted for a wide variety of public and private issuers in the areas of corporate finance, mergers and acquisitions and securities law. Mr. Hawkings holds a Juris Doctor from the University of Toronto Faculty of Law and a Bachelor of Arts in International Relations from the University of British Columbia. Mr. Hawkings is a member of the Law Society of Upper Canada.

**Gigi Wong** – Ms. Wong joined Timbercreek in June 2016 as Chief Financial Officer of the Manager. In her role as CFO, Ms. Wong is responsible for overseeing financial and taxation reporting, treasury, corporate financings and the financial reporting and risk analytics platform for Timbercreek. She is also Chief Financial Officer of the Company. Ms. Wong has over 20 years of experience in finance and capital markets. Most recently, Ms. Wong was Director of Capital Markets Operations at Ontario Teachers' Pension Plan ("OTPP"). Prior to joining OTPP, Ms. Wong was CFO, Chief Compliance Officer & Secretary at CQI Capital Management LP (formerly GMP Investment Management) and prior to that, Director, Investment Finance at GMP Securities LP. Ms. Wong began her career at PwC Canada and developed her asset and risk management experience while executing on mandates at TD Bank, The Healthcare of Ontario Pension Plan and Bank of Montreal. Ms. Wong holds a Bachelor of Arts from Western University where she majored in Financial and Economic studies. Ms. Wong is a Chartered Professional Accountant and has the Chartered Financial Analyst designation.

### ***Directors of the Company***

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

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

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

- (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 executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

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

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

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

### ***Conflicts of Interest***

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

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

## AUDIT COMMITTEE

### **Audit Committee Charter**

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

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

### **Composition of the Audit Committee**

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

### **Relevant Education and Experience**

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

### **Pre-Approval Policies and Procedures**

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

### **External Auditor Service Fees (By Category)**

The following table sets out, by category, the fees billed by KPMG LLP, our external auditors, in the fiscal years ended December 31, 2019 and December 31, 2018, for the services noted:

<b>Category</b>	<b>Year Ended December 31, 2019</b>	<b>Year Ended December 31, 2018</b>
Audit fees <sup>(1)</sup> .....	\$423,979	\$456,848
Audit-related fees <sup>(2)</sup> .....	\$54,147	\$158,851
Tax fees <sup>(3)</sup> .....	\$100,225	\$46,709
All other fees .....	\$0	\$0
<b>Total:</b>	<b>\$578,351</b>	<b>\$662,408</b>

#### **Notes:**

- (1) Refers to the aggregate fees billed by KPMG LLP for annual audit, assurance and interim audit services relating to the audit of the Company. In addition, audit fees were paid for services that generally only the Company's independent auditor reasonably can provide including services provided in connection with statutory and regulatory filings related to prospectus

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and other offering documents, particularly those related to the Company's shelf prospectus and at-the-market distribution program in 2018.

- (2) Refers to the aggregate fees billed for audit related services by KPMG LLP that are reasonably related to the performance of the audit. The 2018 fees have been reallocated amongst the fee categories from the 2018 Annual Information Form.
- (3) Refers to the aggregate fees billed for professional services rendered by KPMG LLP for tax compliance, tax advice and tax planning. Specifically, in respect of 2019 and 2018, \$53,361 and \$26,068, respectively, related to tax compliance and preparation of tax returns.

## MANAGEMENT OF THE COMPANY

### ***Board of Directors***

The Board is responsible for general oversight of the Company's business and affairs. The Board discharges its responsibilities directly and through two committees: the Audit Committee and the Corporate Governance and Nominating Committee. Both committees operate under mandates that are reviewed, and if necessary, updated annually. In fulfilling its responsibilities, the Board delegates day-to-day authority to the Manager pursuant to a management agreement described below. The Company has engaged the Manager to provide services to manage the operations and related affairs of the Company, while reserving the right to review decisions of the Manager and exercise final judgment on any matter. The Manager will review with the Board on a periodic basis its strategic plan for the Company and deliver to the Board ongoing reports on the status of the Company's business and operations. In addition, in accordance with applicable legal requirements and historical practice, all matters of a material nature are presented to the Board for approval. For the "Mandate of the Board" please see Schedule "B" attached hereto.

### ***The Manager and TIMI***

Pursuant to the terms of the Management Agreement, the Manager acts as the manager of the Company and provides or arranges for the provision of all administrative services required by the Company. The Manager has entered into the Mortgage Services Agreement with TIMI pursuant to which TIMI provides or arranges for the Licensed Services to the Company. For more details on the Mortgage Services Agreement, see "*Management of the Company – Details of the Mortgage Services Agreement*". TIMI is registered as an Investment Fund Manager in Ontario, Newfoundland & Labrador and Quebec, as a Portfolio Manager in Ontario, and as an Exempt Market Dealer in Alberta, British Columbia, Manitoba, Ontario and Quebec. Timbercreek Mortgage Services Inc. is a wholly-owned subsidiary of TAMI and provides TIMI with mortgage brokerage and administration, and is a licensed mortgage brokerage firm in British Columbia, Alberta and Ontario.

The Manager is an investment management company that employs a conservative and risk-averse approach to real estate-based investments. Timbercreek has over 19 years of real estate investment management expertise and as of December 31, 2019, managed approximately \$10.6<sup>2</sup> billion in real estate assets and employ over 600 professionals in 19 offices across Canada and in the United States, the United Kingdom and Europe dedicated to managing this real estate on its behalf. This real estate experience allows Timbercreek to have a deep understanding and perception of the trends, risks and opportunities associated with mortgage investments and the underlying real estate security, which enables Timbercreek to better assess investment opportunities and manage risks for the Company. The Manager's lending business leverages its real estate management infrastructure and expertise by providing knowledge of local market and economic trends, new lending opportunities and, if necessary, the management of properties.

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

The Company and the Manager believe that the current operating platform of Timbercreek, coupled with the expertise that the Manager and its affiliates as real estate investors and asset managers have

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<sup>2</sup> As at December 31, 2018. Includes syndicated debt under administration.

developed over many years with respect to real estate and mortgage investments, provides the Company with a major competitive advantage.

### ***Duties and Services Provided by the Manager***

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

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

### ***Details of the Management Agreement***

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

The term of the Management Agreement is for a period of 10 years commencing on June 30, 2016, and will be automatically renewed for successive 5-year terms thereafter, unless:

1. terminated by the Company upon approval of a 2/3 majority of the votes cast by the independent directors of the Company:
  - (a) at the conclusion of the initial term or any renewal term, upon 12 months' prior written notice to the Manager;
  - (b) on the date upon which the Company has ceased carrying on its mortgage investment operations and has been wound up and all of the investments have been sold and all proceeds therefrom realised or upon the liquidation and dissolution of the Company;
  - (c) at any time in the event that (i) there is a material breach of the Management Agreement by the Manager that is not remedied within 60 days of written notice to the Manager (or such longer period as may be reasonably required to remedy such breach, provided such longer period does not exceed 120 days), (ii) the Manager commits any act of bad faith, wilful malfeasance, gross negligence or reckless disregard of its duties, or (iii) any bankruptcy, insolvency or liquidation proceedings are taken against the Manager or if the Manager makes an assignment for the benefit of its creditors, commits any act of bankruptcy or declares itself or is declared to be insolvent; and

- (d) upon 12 months' written notice delivered to the Manager 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 the Manager in the previous 12 months; and (ii) all fees and expenses due and owing to the Manager up to and including the date of termination (together, the "**Early Termination Fee**"). Notwithstanding the foregoing, if less than three years remain in the initial term, or any renewal term, as applicable, the Early Termination Fee payable 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 the Manager up to and including the date of termination;

2. terminated by the Manager:

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

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

The Management Agreement provides for certain non-competition restrictions in respect of its activities outside of the business of the Company. Although the Manager is permitted to provide similar management services to other investment funds and other clients, even though such activities may be in competition with the Company, the non-competition restrictions provide, among other things, that the Manager shall not create or act as manager for a mortgage investment entity with substantially similar investment objectives and policies as the Company.

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

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

For acting as manager of the Company, the Manager receives from the Company a Management Fee equal to 0.85% per annum of the gross assets of the Company, calculated and paid monthly in arrears, plus applicable taxes. The Manager is also entitled to a servicing fee equal to 0.10% per annum, plus applicable taxes, 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 the Company, where the Company retains the corresponding subordinated position. The gross assets are calculated as the total amount of assets of the Company before deducting any liabilities, but less any mortgage syndication liabilities. There is no performance fee payable to the Manager under the Management Agreement.

Any fees payable to TIMI pursuant to the Mortgage Services Agreement will be paid by the Manager. There is no additional fee payable by the Company to TIMI and the Manager will not charge the Company the fee payable by the Manager to TIMI (if any) as a disbursement or as expenses under the Management Agreement.



The Company will pay for all expenses the Manager incurs in connection with the operations and management of the Company. In addition to the fees and expenses referenced elsewhere in this AIF, it is expected that these expenses will include, without limitation: (a) financial reporting costs, and mailing and printing expenses for periodic reports to securityholders and other securityholder communications including marketing and advertising expenses; (b) any taxes payable by the Company; (c) fees payable to its transfer agent and its custodian(s); (d) costs and fees payable to any agent, legal counsel, investment counsel, investment advisor, actuary, valuator, technical consultant, accountant or auditor or other third party service provider; (e) ongoing regulatory filing fees, licence fees and other fees (including in respect of the Company, stock exchange fees and listing fees); (f) any expenses incurred in connection with any legal proceedings in which the Manager participates on behalf of the Company or any other acts of the Manager, TIMI or any other agent of the Company in connection with the maintenance or protection of the property of the Company, including without limitation, costs associated with the enforcement of mortgage loans; (g) any fees, expenses or indemnity payable to, and expenses incurred by, independent directors and the Investment Committee; (h) any additional fees payable to the Manager for performance of extraordinary services on behalf of the Company; (i) consulting fees including website maintenance costs and expenses associated with the preparation of tax filings; and (j) other administrative expenses of the Company. The Company will also be responsible for all taxes, commissions, brokerage commissions and other costs of securities transactions, debt service, commitment fees and costs relating to any credit facilities, insurance premiums and any extraordinary expenses which the Manager may incur or which may be incurred on the Manager's behalf by the Manager's agent or contractor from time to time, as applicable.

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

#### ***Details of the Mortgage Services Agreement***

The Mortgage Services Agreement provides for:

- (a) TIMI to provide, or arrange for the provision of, the Licensed Services to the Company, including without limitation, presenting to the Company through the Investment Committee any available loan that meets the Investment Guidelines of the Company, and overseeing the servicing of the mortgages in the investments of the Company and the enforcement of all loans;
- (b) the Investment Committee, or the private debt sub-committee, as applicable, to approve all mortgage investments by the Company (for more details on the Investment Committee and their responsibilities, see "*The Business – Investment Process*");
- (c) TIMI to remit to the Company all revenue generated from the mortgage loan origination and placement activities directly or indirectly carried on by TIMI in respect of first mortgage loans funded by the Company other than any servicing fee earned in respect of the syndication of senior tranches; and
- (d) TIMI to conduct its activities in accordance with the Investment Guidelines to manage the risk profile of the Company's portfolio of investments.

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

other income collected, monitoring the status of loans, and regular reporting to TIMI as required by the applicable servicing agreement.

### ***Conflict of Interest Matters***

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

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

### ***Policies and Procedures of Manager and TIMI***

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

In addition, Timbercreek's policy is to ensure fairness in the allocation of investment opportunities among its Client accounts. For such purpose, all Client accounts that have investment objectives that are compatible with a particular investment opportunity are required, when practicable, to participate *pro rata* in that opportunity based upon, among other things, the relative amount of assets under management in each account and the relative importance of the investment opportunity to the fulfillment of each account's investment objectives. An assessment of the relative importance of an investment opportunity to the fulfillment of a client account's investment objective is dependent upon a number of factors including the availability of the resources that are required to make the investments, alternative investment opportunities, present holdings of the same, or similar, securities, geographic and industry sector considerations and the liquidity of the account.

For the purpose of syndicating mortgage investment opportunities among Clients in accordance with Timbercreek's fair allocation policy, TIMI complies with a standing instruction that governs the allocation of different mortgage investment opportunities to each of TIMI's Client accounts that have investment objectives and restrictions that are compatible with such opportunities. Pursuant to this standing instruction, TIMI 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. See "*Risk Factors – Fair Allocation*".

## **RISK FACTORS**

There are certain other risks inherent in an investment in the Common Shares of the Company, including the following factors, which investors should carefully consider before investing. Some of the following factors are interrelated and, consequently, investors should treat such risk factors as a whole. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF. These risks and

uncertainties are not the only ones that could affect the Company and additional risks and uncertainties not currently known to the Company or the Manager, or that they currently deem immaterial, may also impair the returns, financial condition and results of operations of the Company. If any such risks actually occur, the returns, financial condition and results of operations of the Company could be materially adversely affected and the financial performance of the Company and the ability of the Company to make cash distributions could be materially adversely affected.

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

There is no assurance that the Company will be able to achieve its business objectives or be able to pay Distributions at the targeted levels or at all. The funds available for Distribution to Shareholders will vary according to, among other things, the interest and principal payments received in respect of the mortgage loans comprising the Portfolio. There is no assurance that the Portfolio will earn any return.

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

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

### ***Changes in Real Estate Values***

The Company's investments in mortgage loans will be secured by real estate, the value of which can fluctuate. The value of real estate is affected by general economic conditions, local real estate markets, the attractiveness of the property to tenants where applicable, competition from other available properties, fluctuations in occupancy rates, operating expenses and other factors. The value of income-producing real property may also depend on the credit worthiness and financial stability of the borrowers and/or the tenants. Changes in market conditions may decrease the value of the secured property and reduce the cash flow from the property, thereby impacting on the ability of the borrower to service the debt and/or repay the loan based on the property income. In particular, recent disruptions to the credit and financial markets in Europe and worldwide and local economic disruptions in areas where the borrowers of the mortgage loans are located may adversely affect the value of real estate on which the mortgage loans are secured and the ability of the borrowers to repay the mortgage loans and thereby negatively impact the Company's business and the value of the Common Shares.

A substantial decline in value of real property provided as security for a mortgage may cause the value of the property to be less than the outstanding principal amount of the mortgage loan. Foreclosure by the Company on any such mortgage loan generally would not provide the Company with proceeds sufficient to satisfy the outstanding principal amount of the mortgage loan.

While independent appraisals are required before the Company may make any mortgage investments, the appraised values provided, even where reported on an "as is" basis, are not necessarily reflective of the market value of the underlying real property, which may fluctuate. In addition, the appraised values reported in independent appraisals may be subject to certain conditions, including the completion of construction, rehabilitation or leasehold improvements on the real property providing security for the loan. There can be no assurance that these conditions will be satisfied and if, and to the extent they are not satisfied, the appraised value may not be achieved. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the real property at the time the conditions are satisfied.

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

The Portfolio will be invested in mortgages (the Company may also hold Cash and Cash Equivalents). Given the concentration of the Company's exposure to the mortgage lending sector, the Company will be more susceptible to adverse economic or regulatory occurrences affecting that sector than an investment

fund that is not concentrated in a single sector. Investments in mortgages are relatively illiquid. Such illiquidity will tend to limit the Company's ability to vary its Portfolio promptly in response to changing economic or investment conditions.

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

### ***No Guarantees or Insurance***

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

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

### ***Competition***

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

### ***Sensitivity to Interest Rates***

It is anticipated that the Market Price for the Common Shares and the value of the Portfolio at any given time may be affected by the level of interest rates prevailing at such time. The Company's income will consist primarily of interest payments on the mortgages comprising the Portfolio. If there is a decline in interest rates (as measured by the indices upon which the interest rates of the Company's mortgages are based), the Company may find it difficult to source additional mortgages bearing interest rates sufficient to achieve the targeted payment of dividends on the Common Shares. There can be no assurance that an interest rate environment in which there is a significant decline in interest rates would not adversely affect the Company's ability to maintain dividends on the Common Shares at a consistent level. As well, if interest rates increase, the value of the Company's Portfolio will be negatively impacted.

### ***Fluctuations in Distributions***

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

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

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

### ***Availability of Investments***

As the Company relies on TIMI to source the mortgages it invests in, the Company is exposed to adverse developments in the business and affairs of TIMI, to its management and financial strength and to its ability to operate its businesses profitably.

The ability of the Company to make investments in accordance with its business objectives and strategies depends upon the availability of suitable investments and the amount of funds available to make such investments. Additionally, the Company 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 Portfolio will be representative of yields to be obtained on future mortgage investments. The Company 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 the Company's ability to sustain the level of dividends paid.

### ***Risks Related to Mortgage Defaults***

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

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

### ***Foreclosure and Related Costs***

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

Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made through the period of ownership of real property regardless of whether the property is producing income or whether mortgage payments are being made. The Company 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 the Company invests may be considered to be riskier than senior debt financing because the Company will not have a first-ranking charge on the underlying property. When a charge on property is in a position other than first-ranking, it is possible for the holder of a senior-ranking charge on the property, if the borrower is in default under the terms of its obligations to such holder, to take a number of actions against the borrower and ultimately against the property to realize on the security given for the loan. Such actions may include a foreclosure action, the exercising of a giving-in-payment clause or an action forcing the property to be sold. A foreclosure action or the exercise of a giving-in-payment clause may have the ultimate effect of depriving any person having other than a first-ranking charge on the property of the security of the property. If an action is taken to sell the property and sufficient proceeds are not realized from such sale to pay off creditors who have prior charges on the property, the holder of a subsequent charge may lose its investment or part thereof to the extent of such deficiency unless the holder can otherwise recover such deficiency from other property owned by the debtor.

### ***Litigation Risks***

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

### ***Qualification as a MIC***

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

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

### ***Reliance on the Manager, TIMI and the Investment Committee***

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

There is no certainty that the persons who are currently officers and directors of the Manager and TIMI will continue to act in such capacity. Shareholders will be required to rely on the good faith, expertise and judgment of the individuals comprising the management of the Manager and TIMI from time to time. Shareholders do not have the right to direct or influence in any manner the business or affairs of the Manager or TIMI.

In addition, there is no certainty that the persons who are currently members of the Investment Committee will continue to act in such capacity. Shareholders will be required to rely on the good faith, expertise and judgment of the individuals comprising the Investment Committee from time to time.

### ***The Company may be Unable to fund Investments***

The Company may commit to making future mortgage investments in anticipation of repayment of principal outstanding and/or the payment of interest under existing mortgage investments. In the event that such repayments of principal or payments of interest are not made, the Company may be unable to advance some or all of the funds required to be advanced pursuant to the terms of its commitments and may be required to obtain interim financing and to fund such commitments or face liability in connection with its failure to make such advances.

### ***Borrowing and Leverage***

The Company intends to borrow funds using its mortgages as security in order to maximize the amount of capital deployed. In this respect, the Company has entered into the Credit Facility.

Subject to complying with rules to qualify as a MIC and the covenants set forth in the Credit Facility, there is no restriction on the amount of funds which the Company may borrow from time to time. In the event that the Company could not meet the obligations of such loans (including under the Credit Facility) pertaining to the payment of interest or the repayment of principal, the Company could incur substantial costs if the Company is forced to sell assets to repay the loan or to otherwise protect the investments of the Company while managing the repayment of such loan. In addition, the Company 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 Credit Facility.

The interest expense and banking fees incurred in respect of any credit facilities, including the Credit Facility, of the Company 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, the Company may not be able to renew any credit facility on acceptable terms or at all. There can be no assurance that the borrowing strategy employed by the Company will enhance returns. Any such loan will not be guaranteed by the Manager or secured by any of its assets.

### ***Conflicts of Interest***

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

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

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

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

Directors of the Company may from time to time deal with parties with whom the Company is dealing, or may be seeking investments similar to those desired by the Company. The Company's conflict of interest policies require directors to disclose material interests in material contracts and transactions and to refrain from voting thereon.

### ***Fair Allocation***

TIMI maintains a fair allocation policy providing for the fair allocation of all investment opportunities. As such, a portion of the assets of the Company may be co-invested, either directly or indirectly, in mortgage loans that have been syndicated by Timbercreek among the Company and one or more other managed accounts. For the purposes of facilitating such syndicated mortgage loans in accordance with Timbercreek's fair allocation policy, TIMI complies with a standing instruction that governs the allocation of mortgage investment opportunities among those funds, including the Company, that are managed or advised by TIMI that have investment objectives and restrictions that are compatible with such opportunities. Pursuant to this standing instruction, TIMI 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 Shares***

No Shareholder of the Company is permitted, together with Related Persons, at any time to hold more than 25% of any class of the issued shares of the Company. The terms and conditions of the Common Shares provide that the portion of such Common Shares held by a Shareholder, together with Related Persons, that exceeds 24.9% of the issued Common Shares will be repurchased by the Company. If a significant number of Common Shares are repurchased, the trading liquidity of the Common Shares could be significantly reduced. In addition, if a significant number of Common Shares are repurchased, (i) the Company 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 the Company would be spread among fewer shares resulting in a higher management expense ratio per share. If, as a result of significant repurchases, the Manager determines that it is in the best interests of Shareholders to terminate the Company, the Manager could, subject to applicable law, seek to terminate the Company without Shareholder approval.

### ***Change in Legislation***

There can be no assurance that certain laws applicable to the Company, including Canadian federal and provincial tax laws, tax proposals, other governmental policies or regulations and governmental, administrative or judicial interpretation thereof, will not change in a manner that will adversely affect the Company or fundamentally alter the tax consequences to Shareholders acquiring, holding or disposing of Common Shares.

### ***Ability to Manage Growth***

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

### ***Environmental Matters***

The Company may in the future take possession, through enforcement proceedings, of properties that secured defaulted mortgage loans to recover its investment in such mortgage loans. Prior to taking possession of properties which secure a mortgage investment, Timbercreek will assess the potential environmental liability associated with such investment and determine whether it is significant, having regard to the value of the property. If Timbercreek subsequently determines to take possession of the property, the Company could be subject to environmental liabilities in connection with such real property, which could exceed the value of the property. As part of the due diligence performed in respect of the Company's proposed mortgage investments, Timbercreek may obtain a Phase I environmental audit on the underlying real property provided as security for a mortgage, when it has determined that a Phase I environmental audit is appropriate. However, there can be no assurance that any such Phase I environmental audit will reveal any or all existing or potential environmental liabilities necessary to effectively insulate the Company from potential liability for a materially adverse environmental condition at any mortgaged property. If hazardous substances are discovered on a property of which the Company has taken possession, the Company may be required to remove such substances and clean up the property. The Company 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.

## ***Technology and Information Security***

The Company's business is subject to risks relating to its ability to safeguard its information systems, including the security and privacy of its information systems. The Company's business relies on the safety and integrity of the information systems of the Company and the Manager. The Company relies on information technology to manage its business, including maintaining proprietary databases containing sensitive and confidential information about its customers and counterparties (which may include personally identifiable information and credit information) and for the electronic transfer of funds from time to time. Unauthorized parties may attempt to gain access to the Company's systems or facilities through various means, including hacking into the Company's systems or facilities, fraud, trickery or other means of deceiving the Company's employees or contractors. A party that is able to circumvent the Company's security measures could misappropriate the Company's or its customers' confidential information, cause interruption to the Company's operations, damage its computing infrastructure or otherwise damage its reputation. Although the Company maintains information security measures, there can be no assurance that the Company will be immune from these security risks, and any breach of the Company's information security may have a material adverse impact on its business and results of operations. Security breaches could expose the Company to a risk of loss or litigation and possible liability for damages. The Company may be required to make significant expenditures to protect against security breaches or to alleviate problems caused by any breaches. The Manager maintains insurance policies to cover risks relating to cyber fraud and attacks but such insurance policies may not be adequate to reimburse the Company for losses caused by security breaches, and the Company may not be able to fully collect, if at all, under these insurance policies.

## **CUSTODIANS, REGISTRARS AND TRANSFER AGENTS**

### ***Custodian***

The Company has appointed Computershare Trust Company of Canada as custodian of the Company's assets pursuant to the Custodian Agreement. The custodian is, among other things, in the business of providing professional custodial services. The address of the Custodian is 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario. The Custodian may employ sub-custodians as considered appropriate in the circumstances. In consideration for the services provided by the Custodian, the Company pays a monthly fee as agreed upon between the Custodian and the Company.

### ***Registrar and Transfer Agent***

The transfer agent and registrar for the Common Shares is AST Trust Company (Canada), and the transfer agent and registrar for the Debentures is Computershare Trust Company of Canada, in each case, at its principal offices located in Toronto, Ontario.

## **LEGAL AND ADMINISTRATIVE PROCEEDINGS**

There are no legal proceedings to which the Company is or was a party or which are known by the Company to be contemplated since January 1, 2019, where such claims exceed 10% of the assets of the Company. In addition, there are no penalties or sanctions imposed against the Company by a court relating to Canadian securities legislation or by a securities regulatory authority during the Company's financial year ended December 31, 2019 or any other penalties or sanctions imposed by a court or regulatory body against any of them which would likely be considered important to a reasonable investor in making an investment decision, and none of them have entered into any settlement agreements with a court relating to Canadian securities legislation or by a securities regulatory authority during the Company's financial year ended December 31, 2019.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

## MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts that were entered into by the Company during the financial year ended December 31, 2019, or that were entered into by the Company or its predecessors before the financial year ended December 31, 2019 but are still in effect, are:

- (a) the Management Agreement described under “*Management of the Company – Duties and Services to be Provided by the Manager*” and “*Management of the Company – Details of the Management Agreement*”;
- (b) the Custodian Agreement described under “*Custodians, Registrars and Transfer Agents – Custodian*”;
- (c) the Credit Facility – Mortgage Investments described under “*Corporate Structure – Borrowing Strategy*”; and
- (d) the Indenture described under “*Description of Securities of the Company – Description of the Debentures*”.

Copies of the foregoing agreements may be inspected during business hours at the principal office of the Company and also filed on SEDAR at [www.sedar.com](http://www.sedar.com).

## EXPERTS

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

## ADDITIONAL INFORMATION

Additional information, including information concerning directors’ and officers’ remuneration and indebtedness, principal holders of the Corporation’s securities and securities authorized for issuance under equity compensation plans, will be contained in the information circular of the Company for the annual general meeting of the holders of Common Shares scheduled to be held in 2020. Additional financial information is provided in the Company’s financial statements and management’s discussion and analysis for the year ended December 31, 2019. A copy of the information circular, financial statements and management’s discussion and analysis may be found under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com) and may also be obtained upon request from the Company.

**SCHEDULE A**  
**AUDIT COMMITTEE CHARTER**  
**OF**  
**TIMBERCREEK FINANCIAL CORP.**

**1.0 PURPOSE**

1.1 The primary responsibility for the financial reporting, accounting systems and internal controls of Timbercreek Financial Corp. (the “**Company**”) is vested in the manager of the Company, Timbercreek Asset Management Inc. or such other manager as may be appointed by the Company from time to time in accordance with the articles of amalgamation (the “**Articles**”) of the Company (the “**Manager**”).

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

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

**2.0 MEMBERSHIP AND ORGANIZATION**

**2.1 Composition**

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

**2.2 Appointment and Removal of Audit Committee Members**

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

**2.3 Chair**

The Board shall appoint a Chair of the Audit Committee. The Chair shall: be a member of the Audit Committee, preside over all Audit Committee meetings, coordinate the Audit Committee’s compliance with this mandate,

work with management to develop the Audit Committee's annual work-plan, meeting agendas and provide reports of the Audit Committee to the Board. The Chair may vote on any matter requiring a vote and shall provide a second vote in the case of a tie vote.

#### **2.4 Independence**

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

#### **2.5 Financial Literacy**

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

#### **2.6 Service on Multiple Audit Committees**

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

### **3.0 MEETINGS**

#### **3.1 Meetings**

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

#### **3.2 Notices of Meetings**

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

#### **3.3 Secretary and Minutes**

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

#### **3.4 Quorum**

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

### 3.5 Resident Canadian Majority

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

### 3.6 Access to Management and Outside Advisors

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

## 4.0 ACCOUNTABILITIES AND RESPONSIBILITIES

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

### (1) Financial Reporting

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

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

(2) **External Auditors**

- (a) General — The Audit Committee shall be responsible for oversight of the work of the external auditors engaged for the purpose of providing services (the “**Auditor Services**”) such as the following: preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, and auditing and reviewing the Company's financial statements and internal controls over financial reporting/ The Audit Committee is also responsible for the resolution of disagreements between management and the external auditors regarding financial reporting.
- (b) Appointment and Compensation — The Audit Committee shall review and, if advisable, select and recommend to the Board, subject to shareholder approval (as applicable) (i) the appointment of the external auditors and (ii) the compensation of the external auditors.
- (c) Annual Review Report — At least annually, the Audit Committee shall obtain and review a report by the external auditors describing: (i) their internal quality-control procedures and (ii) any material issues raised by their most recent internal quality-control review, peer review or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the external auditors and any steps taken to deal with any of these issues.
- (d) Audit Plan — At least annually, the Audit Committee shall review a summary of the external auditors' annual audit plan. The Audit Committee shall consider and review with the external auditors any material changes to the scope of the plan.

- (e) Independence of External Auditors — At least annually, and before the external auditors issue their report on the annual financial statements, the Audit Committee shall: obtain from the external auditors a formal written statement describing all relationships between the external auditors and the Company; discuss with the external auditors any disclosed relationships or services that may affect the objectivity and independence of the external auditors; and obtain written confirmation from the external auditors that they are independent within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which they belong.
  - (f) Evaluation and Rotation of Lead Partner — At least annually, the Audit Committee shall review the qualifications and performance of the external auditors. The Audit Committee shall obtain a report from the external auditors annually confirming that they are in compliance with all audit firm and regulatory requirements relating to partner rotation and that the engagement team collectively possesses the experience and competence to perform an appropriate audit.
  - (g) Pre-Approval of Audit and Non-Audit Services — The Audit Committee shall pre-approve any retainer of the external auditors for any audit and non-audit service to the Company or its subsidiaries in accordance with applicable. The Audit Committee may delegate pre-approval authority to a member of the Audit Committee. The decisions of any member of the Audit Committee to whom this authority has been delegated must be presented to the full Audit Committee at its next scheduled Audit Committee meeting.
- (3) **Internal Controls** — The Audit Committee shall monitor the integrity of the financial reporting and disclosure processes and the system of internal controls that the Management and the Board have established.
  - (4) **Regulatory Reports and Returns** — The Audit Committee shall provide or review, as applicable, all reports and returns required of the Audit Committee under applicable law.
  - (5) **Compliance with Legal and Regulatory Requirements** — The Audit Committee shall receive and review regular reports from the Chief Compliance Officer, the Company's General Counsel, and other management members on: legal or compliance matters that may have a material impact on the Company; the effectiveness of the Company's compliance policies; and any material reports received from regulators. The Audit Committee shall review management's evaluation of and representations relating to compliance with specific regulatory requirements, and management's plans to remediate any deficiencies identified.
  - (6) **Whistleblowing Procedures** — The Audit Committee shall establish, approve and periodically review the procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by employees of the Company or others of concerns regarding questionable accounting or auditing matters.
  - (7) **Hiring Policies** – The Audit Committee shall review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.
  - (8) **Succession Planning** — In consultation with the management resources, the Audit Committee shall review succession plans for the Chief Financial Officer of the Company.
  - (9) **Adverse Investments and Transactions** — The Audit Committee shall review any investments and transactions that could adversely affect the well-being of the Company.
  - (10) **Audit Committee Disclosure** — The Audit Committee shall review and approve any audit committee disclosures required by securities regulators in the Company's disclosure documents.



- (11) **Assessment of Regulatory Compliance** — The Audit Committee shall review management's assessment of compliance with laws and regulations as they pertain to responsibilities under this mandate, report any material findings to the Board and recommend changes it considers appropriate.
- (12) **Delegation** — The Audit Committee may designate a sub-committee to review any matter within this mandate as the Audit Committee deems appropriate.
- (13) **Review of Charter** – The Audit Committee will review and reassess this Charter at least once annually to determine whether revisions are necessary. The Audit Committee shall periodically self-assess its performance and effectiveness in fulfilling its role.
- (14) **Minutes** – The minutes of all meetings of the Audit Committee shall be provided to the Board. The Audit Committee shall appoint a secretary who shall record the proceedings of the meetings.

## **5.0 REPORTING TO THE BOARD**

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

## SCHEDULE B

### MANDATE OF THE BOARD OF DIRECTORS OF TIMBERCREEK FINANCIAL CORP.

#### 1.0 MANDATE

**The mandate of the board of directors (the “Board”) of Timbercreek Financial Corp. (the “Company”) is to be responsible for the stewardship of the Company.**

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 Company, monitoring and evaluating the Company’s strategic direction, and retaining plenary power for those functions not specifically delegated by it to its committees or to the management of the Company by Timbercreek Asset Management Inc. or such other manager as may be appointed by the Company from time to time in accordance with the articles of amalgamation (the “**Articles**”) of the Company (“**Management**”).

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

#### 2.0 STRUCTURE

Directors are elected annually by the shareholders of the Company 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 Company.

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

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.

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 Company.

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

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

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 Company towards the achievement of its goals and objectives as set out in the business plan and strategic plans of the Company.

#### 3.0 BOARD MEETINGS

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.

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

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

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

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.

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.

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.

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 Company and to the external auditors.

#### **4.0 RESPONSIBILITIES**

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

- (1) Approving the strategic planning process of the Company.
- (2) Reviewing, evaluating, proposing appropriate changes to, and approving, at least once annually, the business plan and financial goals of the Company 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 Company'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 Company and its business environment.
- (6) Identifying, with Management, the principal risks of the Company'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 Company.
- (8) Ensuring proper succession planning, including appointing, training and monitoring senior executives.
- (9) Appointing, evaluating, and, if necessary, changing the manager of the Company, subject to shareholder approval (as applicable).
- (10) Adopting a communication and disclosure policy for the Company and monitoring investor relations programs.
- (11) Developing the Company's approach to governance, including adopting and enforcing good corporate governance practices and processes.

- (12) Taking reasonable steps to ensure the integrity of the Company'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 Company.
- (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 Company, new and proposed initiatives, the Company's business and investments, management concerns and any other areas of concern involving the Company.
- (17) Approving all matters of a material nature that are presented to the Board by the Management.
- (18) Directing the Management to ensure the Company operates at all times within applicable laws and regulations.

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 Company. Directors must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

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 Company 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**

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 Company's business, the role of the Board and its committees and the contribution individual directors are expected to make.

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 Company's business remains current.