



NOTICE OF SPECIAL MEETING
and
MANAGEMENT INFORMATION CIRCULAR
of
Timbercreek Senior Mortgage Investment Corporation

Meeting to be held at 10 a.m.

On

Thursday September 12, 2013

Dated: August 12, 2013

Your participation is important. This information circular discusses an important change for Timbercreek Senior Mortgage Investment Corporation . Please carefully read this information circular and take a minute to vote.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION
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August 12, 2013

To the Shareholders of Timbercreek Senior Mortgage Investment Corporation:

You are invited to attend the special meeting (the “**Meeting**”) of the holders (“**Shareholders**”) of class A shares (“**Class A Shares**”), class B shares (“**Class B Shares**”), class I shares (“**Class I Shares**”), class J shares (“**Class J Shares**”) and voting shares of Timbercreek Senior Mortgage Investment Corporation (the “**Corporation**”) to be held at Park Hyatt Toronto, 4 Avenue Road, Toronto, Ontario on September 12, 2013 at 10:00 a.m. local time.

At the Meeting, Shareholders will be asked to consider, and if thought fit, pass a special resolution approving the transition of the Corporation from the Canadian securities regulatory regime for investment funds to the regulatory regime for reporting issuers that are not investment funds (the “**Proposed Transition**”), approving the conversion of all Class A Shares, Class B Shares, Class I Shares and Class J Shares into one common voting share class (the “**Amendment to Articles**”), approving the appointment of Timbercreek Asset Management Inc. (“**Timbercreek**”) as the manager of the Corporation, and approving the entering into of a new management agreement with Timbercreek (the “**New Management Agreement**”) and the termination of the existing Management Agreement between Timbercreek Asset Management Ltd. (the “**Manager**”) and the Corporation, and electing Messrs. Ed Boomer, Ugo Bizzarri and Andrew Jones as directors of the Corporation (the “**Director Election**”). For further information regarding the foregoing, see the attached Notice of Special Meeting of Shareholders.

Proposed Transition

On March 27, 2013, the Canadian Securities Administrators (“**CSA**”) issued a proposal for a number of regulatory changes that, if implemented, will impact issuers such as the Corporation who are classified as investment funds pursuant to Canadian securities laws. Among the proposed changes is a new restriction on investments in mortgages that are not fully and unconditionally guaranteed or insured. The proposal further suggests that investment funds that invest in such non-guaranteed mortgages be given a transition period of approximately 24 months to either divest their holdings or transition into the regulatory regime for issuers that are not investment funds.

Since inception, the Corporation has successfully generated stable, monthly distributions as well as a stable net asset value for its investors by maintaining a diversified portfolio of shorter term, customized first mortgage loans to experienced borrowers. Since its formation on December 1, 2011, the Corporation has advanced 70 new mortgage investments and funded existing mortgage commitments totaling approximately \$664 million and received repayment and partial pay downs on 39 mortgage investments totaling approximately \$273 million. Since its formation on December 1, 2011, the Corporation has made average annual distributions of 6% per Class A Share (as at June 30, 2013 and based on a \$10 issue price). The Transition Resolution that the Shareholders are considering and voting on is intended to provide investors with continued access to the Corporation’s portfolio of mortgages.

The board of directors of the Corporation (the “**Board**”) believes this strong performance record depends on the Corporation maintaining its current investment objectives and strategy which will not be possible if the proposed restrictions are implemented. In addition, after determining the positive impacts the Proposed Transition would have on the Corporation, the Board has determined it is in the best interests of the Corporation to proceed with the Proposed Transition.

Benefits of reporting as a non-investment fund reporting issuer include, but are not limited to, the ability of the Corporation to continue operating under its current investment strategy, the elimination of the trailer fee, the granting of shareholder voting rights and more frequent shareholder reporting.

This is an important change for the Corporation. Please take the time to vote your proxy or voting instruction form. To support the Proposed Transition, the Amendment to Articles, the appointment of Timbercreek as manager pursuant to the New Management Agreement and the Director Election, you should submit the enclosed voting instruction form or proxy prior to 10:00 a.m., Toronto time, on September 10, 2013 (or 48 hours prior to the Meeting if it is postponed or adjourned) voting in favour of the Transition Resolution. You should also contact your broker or other intermediary through which your shares of the Corporation are held as they may have earlier deadlines.

The accompanying Notice of Special Meeting to Shareholders and Management Information Circular provide a detailed description of the Proposed Transition, the Amendment to Articles, the appointment of Timbercreek as manager pursuant to the New Management Agreement and the Director Election. Please give this material careful consideration.

The information provided in these materials is included to provide Shareholders with a full understanding of the implications of the Proposed Transition. Securities laws require a significant level of disclosure be given to ensure Shareholders can vote their Shares on an informed basis, and the Corporation appreciates your participation and understanding with the significant volume of material required to be included herein. For your benefit, we have included a Frequently Asked Questions and Summary section to highlight some of the key elements of the proposed transaction, but please note that these are qualified entirely by the more detailed information appearing in the Information Circular.

THE DIRECTORS OF THE CORPORATION HAVE UNANIMOUSLY APPROVED THE PROPOSED TRANSITION, THE AMENDMENT TO ARTICLES AND THE DIRECTOR ELECTION AND UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE TRANSITION RESOLUTION AT THE MEETING FOR THE REASONS SET FORTH IN THE MANAGEMENT INFORMATION CIRCULAR.

THE INDEPENDENT DIRECTORS HAVE MET SEPARATELY AND APPROVED THE PRINCIPAL TERMS OF THE NEW MANAGEMENT AGREEMENT DESCRIBED HEREIN, AND DETERMINED THAT THE APPOINTMENT OF TIMBERCREEK AS MANAGER PURSUANT TO THE NEW MANAGEMENT AGREEMENT IS IN THE BEST INTERESTS OF THE CORPORATION. THE INDEPENDENT DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE TRANSITION RESOLUTION AND THE APPOINTMENT OF TIMBERCREEK AS MANAGER PURSUANT TO THE NEW MANAGEMENT AGREEMENT.

If you have any questions or need assistance to vote, please contact the Corporation's solicitation agent Laurel Hill Advisory Group by email at assistance@laurelhill.com, or by telephone at 416-304-0211 (banks, brokers or collect calls) or 1-877-452-7184 (North American toll-free number).

If you have any questions regarding the enclosed material, please feel free to contact the Manager at info@timbercreek.com or through the Manager's website at www.timbercreek.com.

DATED at Toronto, Ontario as of August 12, 2013.



R. Blair Tamblyn
Chairman and Chief Executive Officer

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

All capitalized terms used herein but not otherwise defined have the meaning ascribed thereto in the accompanying management information circular of Timbercreek Senior Mortgage Investment Corporation (the “**Corporation**”) dated August 12, 2013 (the “**Information Circular**”).

NOTICE IS HEREBY GIVEN that a special meeting (the “**Meeting**”) of the holders (“**Shareholders**”) of Class A shares, Class B shares, Class I shares, Class J shares and voting shares of the Corporation will be held at Park Hyatt Toronto, 4 Avenue Road, Toronto, Ontario on September 12, 2013 at 10:00 a.m., local time, for the following purposes:

1. to consider and, if thought fit, pass a special resolution (the “**Transition Resolution**”) of Shareholders, the full text of which is set forth in Exhibit A to the accompanying Information Circular, approving:
 - (a) the transition of the Corporation from the Canadian securities regulatory regime for investment funds (including but not limited to compliance with continuous disclosure under National Instrument 81-106, prospectus disclosure prepared under National Instrument 41-101F2 and semi-annual financial reporting) to the Canadian securities regulatory regime for reporting issuers that are not investment funds (including but not limited to compliance with continuous disclosure under National Instrument 51-102, prospectus disclosure prepared under National Instrument 41-101F1 and quarterly financial reporting) (the “**Proposed Transition**”);
 - (b) the consequential amendments to the articles of incorporation, as amended of the Corporation for giving effect to and implementing the Proposed Transition, which will provide for:
 - (i) the holders of Class A Shares, Class B Shares, Class I Shares and Class J Shares having a one-time right to redeem their Shares, subject to a maximum threshold. This one-time redemption right will replace all existing redemption rights of such Class A Shares, Class B Shares, Class I Shares and Class J Shares;
 - (ii) the creation of a new class of voting Common Shares (the “**New Common Shares**”); and
 - (iii) following the date of redemption of such Shares, the automatic conversion of all remaining Class A Shares, Class B Shares, Class I Shares and Class J Shares for the New Common Shares on a specified date (the “**Exchange Date**”) at a conversion ratio of 1 to 1 for each Class A Share and for each of the Class B Shares, Class I Shares and Class J Shares at a ratio equal to the quotient obtained by dividing the NRV per share of that Class by the NRV per share of the Class A Share on the last business day of the month immediately preceding the Exchange Date;
 - (c) the appointment of Timbercreek as the manager of the Corporation and the entering into of a management agreement with Timbercreek and the termination of the current management agreement dated December 29, 2011 between the Corporation and Timbercreek Asset Management Ltd.; and
 - (d) the election of Messrs. Ed Boomer, Ugo Bizzarri and Andrew Jones as directors of the Corporation.
2. to transact such other business as may be properly brought before the Meeting and any postponement(s) or adjournment(s) thereof.

To be approved, the Transition Resolution must receive the affirmative vote of not less than two-thirds of the votes cast thereon by each of (i) the holders of Class A Shares voting separately as a class, (ii) the holders of Class B Shares voting separately as a class, (iii) the holders of Class I Shares voting separately as a class, (iv) the holders of Class J Shares voting separately as a class, (v) the holders of Voting Shares voting separately as a class and (vi) the holders of all Shares voting together as a single class.

For the Meeting, a quorum is present if (i) 10% of the outstanding Class A Shares; (ii) 10% of the outstanding Class B Shares; (iii) 10% of the outstanding Class I Shares; (iv) 10% of the outstanding Class J Shares; and (v) 10% of the outstanding Voting Shares are represented in person or by proxy at the Meeting.

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

Only shareholders of record at the close of business on August 8, 2013 are entitled to notice of and to attend and vote at the Meeting, or any adjournment thereof.

Whether or not you attend the Meeting in person, Registered Shareholders are encouraged to vote via the internet or telephone in accordance with the instructions in the Information Circular or complete, date and sign the enclosed form of proxy, or another suitable form of proxy, and deliver it in accordance with the instructions set out in the enclosed form of proxy and in the Information Circular. Please take the time to ensure your vote is included at the Meeting.

Shareholders who hold their shares with a bank, broker or other financial intermediary are not Registered Shareholders. If you are not a Registered Shareholder, you will have received a request for voting instructions from your broker or other nominee. Please follow the instructions on your voting instruction form in the postage prepaid envelope provided. If you plan to attend the meeting and wish to vote in person, please follow the instructions on the enclosed voting form to appoint yourself, instead of the management nominees, to vote at the meeting. Non-registered Shareholders must take the necessary steps to appoint themselves if they wish to vote at the meeting in person.

DATED at Toronto, Ontario as of August 12, 2013.

BY ORDER OF THE BOARD OF DIRECTORS



R. Blair Tamblyn
Chairman and Chief Executive Officer

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FREQUENTLY ASKED QUESTIONS

The following table sets out summary answers to some basic questions you may have in relation to the Resolutions. All capitalized terms, unless otherwise defined herein, have the meanings ascribed to such terms as set out in the Glossary to the Information Circular. These summary answers are qualified in their entirety by the more detailed information appearing in this Information Circular.

If this is just a proposal from the regulators and is not in force yet, why are you doing this now?

Through our review of the proposed changes to the regulation of investment funds, as well as other guidance and publications from Canadian securities regulators, we are of the view that the proposed mortgage investment restrictions will eventually be put in place. Given that the transition has many positive benefits for investors, we feel that it would be prudent to make the transition as quickly as possible to avoid any uncertainty in the markets throughout the prolonged roll-out of this new regulation.

What will happen if investors do not approve this transition?

If Shareholders do not approve the Proposed Transition, and the proposed restrictions on mortgage investments are implemented, the Corporation will likely be required to divest its holdings. As part of the proposed restrictions, the CSA has proposed a 24 month period during which investment funds would be required to divest of non-guaranteed mortgage investments. Although the Corporation will make every effort to continue operating according to its current investment strategy, it is uncertain whether it will be possible to do so.

What will happen to my distribution?

One of the significant impacts the Proposed Transition will have on the Corporation is that it will remove the obligation to pay a trailer fee which will result in more income being available for distribution to Shareholders.

What are the benefits of the Proposed Transition?

Benefits of reporting as a non-investment fund reporting issuer include, among others, the ability of the Corporation to continue operating under its current investment strategy, the elimination of the trailer fee, the granting of shareholder voting rights and more frequent shareholder reporting.

For more detailed information regarding the benefits of the Proposed Transition, please refer to the heading titled “*Benefits of the Transition Resolution*” in the Information Circular.

What are the negative implications of the Proposed Transition?

The Proposed Transition will result in the elimination of redemption rights for shareholders following the Special One-Time Redemption (as described below). Although the removal of the redemption feature may be perceived as a disadvantage to investors, both the Manager and the Board believe that the long term effects of a redemption feature can negatively impact the Corporation and its Shareholders’ returns and liquidity for the following reasons:

1. Leading up to a redemption date, the Corporation is required to build cash reserves to fund potential redemptions which results in idle cash that is not generating income for distributions.
2. If new Canadian securities regulations or market conditions do not permit the Corporation to raise additional capital as an investment fund, the underlying asset base may be depleted over time, providing less diversification for investors and increasing the risk profile of the portfolio.

The Proposed Transition will also result in an increase in annual operating costs of an estimated \$160,000 per year (or \$0.004 per Share), however, the removal of the trailer fee obligation will more than offset this cost resulting in lower operating costs overall for the Corporation (and thus more income available for

distribution).

What will happen to my redemption rights?

If the Transition Resolution is implemented, Shareholders will be provided one last opportunity to redeem their Shares at NRV in October 2013, but following that the Corporation will no longer provide the ability for Shareholders to redeem their Shares at NRV.

The Corporation currently offers an annual redemption feature at NRV on the last business day of February each year. If the Proposed Transaction is approved, Shareholders will be given one last opportunity to redeem their Shares on the Redemption Date, which is currently intended to be October 31, 2013, (the “**Special One-Time Redemption**”), which is four months before the next scheduled annual redemption date. As with the current annual redemption rights, the redemption in October 2013 limits the number of Shares that may be redeemed to 15% of the outstanding shares per class. In order to participate in this last redemption opportunity, Shareholder must give proper notice to the Corporation by October 1, 2013. Please refer to the full text of the Information Circular for information on how to exercise your redemption rights on the Redemption Date. Following the Redemption Date, the redemption rights will no longer be available.

What are the costs of the Proposed Transition?

The costs of the proposed transition include advisory and legal fees, audit fees and solicitation fees and are estimated to equate to approximately \$0.05 per Share (or 0.5%). As described above, the current proposal from the CSA would require the Corporation to divest of all non-guaranteed mortgages within 24 months of implementation of this restriction. If the Transition Resolution is not successful and the Corporation is required to sell its assets, the Manager expects that the mortgages would be sold at a discount significantly greater than 0.5%. The Manager and the Board, therefore, believe that the costs borne by the Corporation as part of the Proposed Transition are necessary in order to mitigate the risk of an unsuccessful transition and a greater loss for the Corporation and investors.

Does the removal of the Redemption Right result in decreased liquidity?

Though a Shareholder will no longer be able to redeem Shares following the Redemption Date on October 31, 2013, Shares of the Corporation trade on the TSX at relatively high volumes as compared to other Canadian publicly traded mortgage investment corporations. For the twelve months preceding August 7, 2013, the approximate average daily trading volumes on the TSX for the Corporation and the six comparable publically traded mortgage investment corporations (and mortgage investment funds), excluding the Corporation and Timbercreek Mortgage Investment Corporation were as follows:

Issuer	Average Daily Volume	Average Daily Value
Corporation	55,000 Class A Shares	\$530,000
Comparables	16,000	\$170,000

Furthermore, since inception, redemptions of the Shares of the Corporation have been exercised very rarely. Therefore, the Manager feels there is sufficient liquidity through trading volume to allow those investors who seek liquidity to trade on the secondary market. As already mentioned, a continued redemption feature would eventually reduce liquidity by depleting the capital base of the Corporation in the event that regulatory restrictions are implemented that limit the ability of the Corporation to raise new capital.

How do I vote?

The formal Notice of Meeting and Information Circular accompany this summary. The Corporation will hold a meeting of Shareholders of the Corporation on September 12, 2013. Shareholders unable to attend in person can submit voting proxies up to 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting. Please refer to the Section titled “*How to Vote your Shares*” for further information.

If this is approved, when will it take effect?

If the Transition Resolution is approved and the Board implements the Proposed Transition, it is currently intended that the changes will take effect on September 13, 2013, the day after the Meeting. The actual date that the changes will take effect will be confirmed by a press release and a material change report to be filed by the Corporation.

How will the exchange of my Class A Shares, Class B Shares, Class I Shares and Class J Shares work?

If the Proposed Transition is implemented, Class A Shares, Class B Shares, Class I Shares and Class J Shares will be required to convert into the New Common Shares in a similar manner as the optional exchange operates under the Corporation's existing framework. The number of New Common Shares exchangeable for each Share will be as follows:

- 1 Class A Share = 1 New Common Share
- 1 Class B Share = (NRV per Class B Share ÷ NRV per Class A Share) New Common Shares
- 1 Class I Share = (NRV per Class I Share ÷ NRV per Class A Share) New Common Shares
- 1 Class J Share = (NRV per Class J Share ÷ NRV per Class A Share) New Common Shares

In each case, the NRV is calculated as of the last business day immediately preceding the Exchange Date, which is currently intended to be November 30, 2013. Following the exchange, the total capitalization of the Corporation will not change and investors will maintain the same proportionate interest in the Portfolio as they held prior to the exchange.

Is the exchange of Shares into the new Common Shares considered a taxable event?

No. On the exchange of Class A Shares, Class B Shares, Class I Shares or Class J Shares a Shareholder will not realize any capital gain or capital loss. Shareholders will be deemed to have acquired the New Common Shares at the aggregate adjusted cost base of his or her exchanged Class A Shares, Class B Shares, Class I Shares or Class J Shares, as the case may be.

SUMMARY

The following is a summary of certain information contained elsewhere in this Information Circular, including the Exhibits attached hereto. All capitalized terms used in this summary, unless otherwise defined herein, have the meanings ascribed to such terms as set out in the Glossary to the Information Circular. This summary is qualified in its entirety by the more detailed information appearing elsewhere in this Information Circular.

Summary of Key Dates and Times

The following is a summary of the expected key dates relevant to the Meeting and the Transition Resolution. Such dates are subject to change as described in the Information Circular.

Proxy Due Date	10:00 a.m. (Toronto time) on September 10, 2013 ⁽¹⁾
Meeting Date	10:00 a.m. (Toronto time) on September 12, 2013
Effective Date	currently intended to be September 13, 2013 ⁽²⁾
Redemption Notice Deadline.....	October 1, 2013
Redemption Date	October 31, 2013
Redemption Payment Date	on or before November 30, 2013
Exchange Date.....	currently intended to be November 30, 2013 ⁽²⁾

- (1) Shareholders should contact their broker or other intermediary through which their Shares are held in advance of the Meeting, as brokers and other intermediaries may set deadlines earlier than September 10, 2013 for the receipt of voting instruction forms or proxies.
- (2) Actual date will be confirmed by a press release and a material change report to be filed by the Corporation

Date, Time and Place of Meeting

The Meeting of holders of Class A Shares, Class B Shares, Class I Shares, Class J shares and Voting Shares of the Corporation will be held on September 12, 2013 at 10:00 a.m. (Toronto time) at Park Hyatt Toronto, 4 Avenue Road, Toronto, Ontario.

Purpose of Meeting

The purpose of the Meeting is for Shareholders to consider, and if deemed advisable, to pass, with or without variation a special resolution (the “**Transition Resolution**”) approving (i) the transition of the Corporation from the Investment Funds Regime to the Public Company Regime; (ii) consequential amendments to certain provisions of the articles of incorporation of the Corporation related to certain share rights; (iii) the appointment of Timbercreek as the manager of the Corporation; (iv) the entering into of a management agreement with Timbercreek (the “**New Management Agreement**”) and the termination of the current management agreement; and (v) the election of Messrs. Ed Boomer, Ugo Bizzarri and Andrew Jones as directors of the Corporation (the “**Director Election**”).

Background to Proposed Transition

The Corporation is a corporation incorporated under the CBCA and is qualified as a “mortgage investment corporation” under the Tax Act and the regulations thereunder. For additional information on mortgage investment corporations, please refer to “*Structure of Mortgage Investment Corporations*”.

The Corporation’s Class A Shares are listed on the Toronto Stock Exchange and it is considered an investment fund that is subject to the Canadian securities regulatory regime for investment funds (the “**Investment Funds Regime**”). Its investment objectives are to acquire and maintain a diversified portfolio of Customized First Mortgages that

generates attractive, stable returns in order to permit the Corporation to pay monthly distributions to its Shareholders. The Customized First Mortgages are primarily secured by income-producing assets where interest payments on the mortgage can be serviced from cash flow generated by the underlying assets. For additional information regarding the Corporation, please refer to Exhibit B of this Information Circular.

On March 27, 2013, the CSA issued *CSA Notice and Request for Comment – Proposed Amendments to National Instrument 81-102 Mutual Funds, Companion Policy 81-102CP Mutual Funds and Related Consequential Amendments* (the “**CSA Notice**”). The CSA Notice proposes to restrict mortgage investments by any investment funds in mortgages other than mortgages that are guaranteed by a government or government agency (“**guaranteed mortgages**”), and that investment funds that currently invest in mortgages that are not guaranteed mortgages (“**non-guaranteed mortgages**”) be given a transition period of approximately 24 months to either divest their holdings of non-guaranteed mortgages or to transition into the regulatory regime for issuers that are not investment funds (the “**Proposed Mortgage Investment Restrictions**”).

If the proposed amendments become effective, the Corporation will be prohibited from acquiring any mortgages other than guaranteed mortgages. This would effectively serve to preclude the Corporation from fulfilling its investment objective of maintaining a diversified portfolio of Customized First Mortgages.

The Board has concluded it is in the best interests of the Corporation to transition (the “**Proposed Transition**”) from the Investment Funds Regime to the Canadian securities regulatory regime for reporting issuers that are not investment funds (the “**Public Company Regime**”). The Board’s decision to pursue the Proposed Transition is premised upon three principal considerations:

- The Proposed Mortgage Investment Restrictions would have a material adverse effect on the Corporation’s continued successful achievement of its investment objectives through the acquisition of a diversified portfolio of Customized First Mortgages because it would prohibit the Corporation from acquiring any mortgages, other than guaranteed mortgages, if and when the Proposed Mortgage Investment Restriction becomes effective.
- Absent the Proposed Transition, the Corporation would become subject to NI 81-102, if and when the proposed amendments to NI 81-102 that are contemplated by the CSA Notice become effective. This would cause the Corporation to become regulated like a mutual fund which could place the Corporation at a competitive disadvantage to those mortgage investment corporations that operate within the Public Company Regime rather than the Investment Funds Regime.
- The Proposed Transition will benefit Shareholders whether or not the proposed amendments to NI 81-102 become effective, as it will allow the Corporation to conduct its business as it is currently conducted, provide for more income available to shareholders with the absence of a trailer fee obligation and provide more frequent reporting to shareholders.

For more details on the benefits of the Proposed Transition, please refer to “*Benefits of The Transition Resolution*”.

The Transition Resolution - Proposed Transition

As a Public Company Regime issuer, the Corporation would continue to qualify as a MIC and would maintain the same investment objectives and strategies it currently has as an investment fund. Certain key differences between the Investment Funds Regime and the Public Company Regime and before and after the Proposed Transition are as follows:

	Investment Funds Regime	Public Company Regime
Financial Reporting and Continuous Disclosure	Semi-Annual Reporting in compliance with Investment Fund Regime with Management Report of Fund Performance	Quarterly Reporting in compliance with Public Company Regime with Management Discussion and Analysis
	Publication of net asset value on a	Evaluated based on Book Value not net asset value

	monthly basis	
	Quarterly Portfolio Disclosure	
Basis of Accounting	Part V, Canadian GAAP	IFRS
Class Structure	Multiple Share Classes	One Public Share Class
Shareholder Authority	Limited Voting Rights	Common Voting Shares
Liquidity	Redeemable Annually at NRV per Share subject to a 15% cap.	Non-Redeemable (other than a one-time redemption right on the Redemption Date – see “ <i>The Transition Resolution – Amendment to Articles</i> ” below)
Governance	Shareholder approval only required on special resolutions required under CBCA or the Articles Audit Committees and Independent Review Committees	Subject to Annual General Meetings and general voting rights (including election of directors) given to investors Audit and Nomination Committees
Trailer Fees	0.50% annually paid to advisors of record on publicly traded Class A Shares	No trailer fee paid

For a detailed comparison of the differences between the two regimes, please refer to Exhibit C.

While the Corporation will be subject to additional costs associated with more frequent reporting and the requirement to host annual general meetings (such costs anticipated to be approximately \$160,000), cost savings will be achieved with the elimination of the trailer fees paid to brokers of record, which will more than off-set this cost and result in additional income available for distribution to investors.

Consequently, it is proposed that Shareholders consider, and if thought fit, approve the Transition Resolution to, among other things, approve the transition of the Corporation from the Investment Funds Regime to the Public Company Regime.

Please also refer to Exhibit B for a description of the Corporation assuming completion of the Proposed Transition, such information having been prepared in accordance with Form 41-101F1 of National Instrument 41-101 *General Prospectus Requirements*. In addition, in accordance with National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, which requires that all corporate issuers file financial statements in accordance with Canadian GAAP for publicly accountable enterprises (International Financial Reporting Standards (“IFRS”)), the Corporation has prepared financial statements and management’s discussion and analysis in accordance with IFRS and these are attached as Exhibit E.

The Transition Resolution – Amendment to Articles

To give effect to and implement the Proposed Transition, the Board has proposed that the share capital of the Corporation be reorganized such that all Class A Shares, Class B Shares, Class I Shares and Class J Shares will have a final one-time right to redeem their Shares on the Redemption Date (as defined below), subject to a maximum threshold, and no further annual and monthly share redemption rights. Following the Redemption Date, all remaining non-redeemed Class A Shares, Class B Shares, Class I Shares and Class J Shares will be exchanged for New Common Shares, and holders of New Common Shares after the Proposed Transition will have the right to attend and vote at annual Shareholder meetings. If the Proposed Transition is implemented, the Corporation will, pursuant to the Articles, repurchase and cancel all Voting Shares for consideration equal to 1/12 of the NRV per Class A Share on the Exchange Date. For information on how to redeem your Class A Shares, Class B Shares, Class I Shares and Class J Shares see “*How to Redeem your Class A Shares, Class B Shares, Class I Shares and Class J Shares*”. For information on how to exchange your Class A Shares, Class B Shares, Class I Shares and Class J Shares see “*How to Exchange your Class A Shares, Class B Shares, Class I Shares and Class J Shares*”.

Consequently, it is proposed that the Shareholders consider, and if thought fit, pass the Transition Resolution to, among other things, approve the Amendment to Articles to provide for the following:

- (a) all holders of Class A Shares, Class B Shares, Class I Shares and Class J Shares will have a one-time right (“**Redemption Right**”) to surrender their Shares for redemption on October 31, 2013 (the “**Redemption Date**”) by delivering a notice of redemption in the form specified by the Corporation on or before October 1, 2013 (the “**Redemption Notice Deadline**”). Subject to (b) below, the Corporation shall redeem all such properly surrendered Shares at a price per Share equal to 100% of the NRV per Class A Share, Class B Share, Class I Share or Class J Share (as applicable) on the Exchange Date (the “**Redemption Price**”). The Corporation will pay the Redemption Price to the holders of such surrendered Shares on or before November 30, 2013 (the “**Redemption Payment Date**”);
- (b) the Corporation will not accept for redemption on the Redemption Date more than:
 - (i) 15% of the number of issued and outstanding Class A Shares immediately preceding the Redemption Date;
 - (ii) 15% of the number of issued and outstanding Class B Shares immediately preceding the Redemption Date;
 - (iii) 15% of the number of issued and outstanding Class I Shares immediately preceding the Redemption Date;
 - (iv) 15% of the number of issued and outstanding Class J Shares immediately preceding the Redemption Date;unless such limitations are waived by the Corporation at its sole discretion;
- (c) the creation of a new class of voting Common Shares (the “**New Common Shares**”); and
- (d) following the Redemption Date for the Class A Shares, Class B Shares, Class I Shares and Class J Shares, the automatic conversion of all remaining non-redeemed Class A Shares, Class B Shares, Class I Shares and Class J Shares for the New Common Shares on a specified date (the “**Exchange Date**”) at a conversion ratio of 1 to 1 for each Class A Share and for each of the Class B Shares, Class I Shares and Class J Shares at a ratio equal to the quotient obtained by dividing the NRV per share of that Class by the NRV per Class A Share on the last business day of the month immediately preceding the Exchange Date; and
- (e) for the period between the Effective Date (as defined below) and the Exchange Date, the rights of the holders of Class A Shares, Class B Shares, Class I Shares and Class J Shares will be similar to such rights as set out in the current Articles, except that such holders will not have any annual or monthly redemption rights, other than the Redemption Right.

The Transition Resolution –Appointment of Timbercreek and New Management Agreement

Further, pursuant to the Proposed Transition, the Board has proposed that Timbercreek be appointed as the manager of the Corporation and that the Corporation terminate the current management agreement dated December 29, 2011 between the Corporation and Timbercreek Asset Management Ltd. and enter into the New Management Agreement with Timbercreek.

The New Management Agreement will provide for:

- (a) the appointment of Timbercreek as the manager of the Corporation to manage the activities of the Corporation;

- (b) the payment by the Corporation to Timbercreek of a management fee equal to 0.85% per annum of the gross assets of the Corporation;
- (c) the term of the New Management Agreement to be for a period of 10 years, and automatically renewed for successive 5 year terms thereafter, unless:
 - (i) terminated by the Corporation upon approval of a 2/3 majority of the votes cast by the independent directors of the Corporation:
 - a. at the conclusion of the initial term or any renewal term, upon 12 months' prior written notice to Timbercreek;
 - b. at any time, in the event that there is (i) a material breach of the New Management Agreement by Timbercreek that is not remedied within 60 days of written notice to Timbercreek (or such longer period as may be reasonably required to remedy such breach, provided such longer period does not exceed 120 days), and that has a material adverse effect on the business, operations or affairs of the Corporation, (ii) Timbercreek 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 Timbercreek or if Timbercreek makes an assignment for the benefit of its creditors, commits any act of bankruptcy or declares itself or is declared to be insolvent (each, a "Termination for Cause");
 - c. upon 12 months' prior written notice to the Manager, such notice to be delivered at any time after the fourth anniversary of the commencement of the initial term (the "**Early Termination Date**"), and upon payment of an amount equal to three times the total amount of fees earned by Timbercreek in the previous twelve months (the "**Early Termination Fee**"). Notwithstanding the foregoing, if less than three years remains in the initial term, or any renewal term, as applicable, the Early Termination Fee payable in the event of termination by the Corporation other than a Termination for Cause shall be all fees to which the Manager would have been entitled for the period commencing on the termination date and ending at the expiry of the initial term or renewal term, as the case may be, based on the fees earned in the previous 12 months. In the event of any termination by the Corporation prior to the Early Termination Date, in addition to the Early Termination Fee, Timbercreek shall be entitled to payment of all fees to which it would have otherwise been entitled up to and including the Early Termination Date, based on the fees earned in the 12 months prior to termination. Upon the wind-up of the Corporation approved by a special resolution of Shareholders, no Termination Fee shall be payable to the Corporation.
 - (ii) terminated by Timbercreek:
 - a. in the event that there is a breach of the New Management Agreement by the Corporation that is not remedied within 60 days of written notice to the Corporation (or such longer period as may be reasonably required to remedy such breach, provided such longer period does not exceed 120 days) and that has a material adverse effect on the business, operations or affairs of Timbercreek; or any bankruptcy, insolvency or liquidation proceedings are taken against the Corporation or the Corporation makes an assignment for the benefit of its creditors, commits any act of bankruptcy or declares itself or is declared to be insolvent; or
 - b. at any time after the initial term, provided at least 12 months' notice is given to the Corporation.

The Manager agrees to certain non-competition restrictions in respect of its activities outside of the business of the Corporation. The non-competition restrictions shall provide that neither the Manager nor any of its affiliates shall create, invest in, or act as manager for, a mortgage investment entity with substantially similar investment objectives and policies as the Corporation.

The Transition Resolution – Director Election

In connection with the Proposed Transition, the Board has also nominated Messrs. Ed Boomer, Ugo Bizzarri and Andrew Jones for election as directors of the Corporation and that if the Proposed Transition is implemented, such election be effective one day after the appointment of Timbercreek as the manager of the Corporation. Mr Ed Boomer is a current director of Timbercreek Mortgage Investment Corporation and the Chief Investment Officer of Partners REIT. Mr. Ugo Bizzarri is the Chief Financial Officer of the Corporation and the Founding Managing Director, Portfolio Management and Investments and a director of Timbercreek. Mr. Andrew Jones is the Vice-President of the Corporation and the Managing Director, Debt Investments of Timbercreek. For more information on Messrs. Ed Boomer, Ugo Bizzarri and Andrew Jones, please refer to “*Directors and Executive Officers – Officers and Directors of the Corporation*” of Exhibit B. For additional disclosure on the directors and executive officers of the Corporation prepared in accordance with National Instrument 51-102F5 *Information Circular* and compensation of the executive officers of the Corporation prepared in accordance with National Instrument 51-102F6 *Statement of Executive Compensation*, please refer to “*Director and Executive Officers*” and “*Executive Compensation*” of Exhibit B.

The implementation of the matters approved by the Transition Resolution shall be subject at all times to the discretion of the Board. Even if the Transition Resolution is approved by Shareholders, the Board may decide not to proceed with the Proposed Transition or the other matters described herein. Factors to be considered by the Board may include the percentage of Dissent Shares exercised, regulatory changes and other factors that may be deemed relevant by the Board. All changes and consequences relating to the matters approved under the Transition Resolution, including the transactions set out above, will only take effect after the filing of such amended Articles with Industry Canada, (such date of filing the “**Effective Date**”).

Benefits of the Proposed Transition

Continued Operation and Strong Returns

Since inception, the Corporation has consistently outperformed its targeted return and has not incurred any loss of principal. The Proposed Transition would allow the Corporation to continue to execute on its current investment strategy, which is to invest in Customized First Mortgages that generate attractive returns in order to pay stable distributions to investors.

If the Transition Resolution is not approved, and the Proposed Mortgage Investment Restrictions are enacted, the Corporation would be restricted from investing in Customized First Mortgages which would materially adversely affect the Corporation’s investment objectives and strategy. Further, the Proposed Mortgage Investment Restrictions contemplate a 24 month period during which investment funds will be required to divest of holdings in non-guaranteed mortgages. If enforced, such a restriction would require that the Corporation begin divesting its portfolio of mortgages, potentially at a discount, adversely impacting the value per share.

Elimination of Trailer Fee

If the Transition Resolution is approved, the Corporation will no longer pay trailer fees to brokers of record in respect of the New Common Shares. Eliminating the trailer fee will result in more income available for distribution to Shareholders.

Based on the current expected distributable income after taking into effect the elimination of the trailer fee and the expected additional costs to which the Corporation would be subject to as a reporting issuer under the Public Company Regime, the Manager expects distributions will increase.

Shareholders Granted Voting Rights

Under the Investment Funds Regime, only the Voting Shares of the Corporation, which are currently held by individuals employed by the Manager, have the right to vote on ordinary resolutions, including the election of directors. If the Transition Resolution is approved and implemented, New Common Shareholders will have voting rights on all Shareholder approval matters, including the election of directors. Voting on such matters will be facilitated through annual general meetings where Shareholders will have the ability to attend, vote and discuss other business matters with management if they so desire. As an investment fund, there is currently no requirement for the Corporation to hold annual meetings.

Remain Pro-Active and Avoid Regulatory Uncertainty

Timbercreek was the first asset management company to provide shareholders access to mortgage assets through a publicly traded investment fund. The investment strategy, governance and reporting standards that were established during the launch of Timbercreek Mortgage Investment Corporation (“TMC”) in 2008 were designed to, among other things, mitigate risk, improve transparency and ensure alignment of interest between TMC and the investors. Many of these standards established by Timbercreek have been adopted by new entrants in the public markets. Timbercreek, therefore, feels it is important to be a leader in responding to the recent proposed regulatory changes so that we may set standards on the best approach to this transition.

The Manager is also proactively addressing the proposed regulatory changes in order to avoid any concern by shareholders about the impacts the Proposed Mortgage Investment Restrictions may have on their investment in the Corporation. By addressing this quickly in a manner that the Manager and the Board believe is in the best interest of Shareholders, the Manager believes it will maintain or possibly improve shareholder and market confidence in the Corporation. The Manager has discussed the Proposed Transition with the Ontario Securities Commission to ensure that the plan meets the requirements of Canadian securities regulators for the Corporation to cease to be classified as an investment fund, thereby mitigating any risk that it will be adversely affected by the Proposed Mortgage Investment Restrictions.

Increased Frequency of Reporting

Under the Public Company Regime, the Corporation would comply with National Instrument 51-102 *Continuous Disclosure Obligations* (“NI 51-102”) continuous disclosure requirements. For a detailed comparison of the differences between the current continuous disclosure requirements under NI 81-106 and those required under NI 51-102, please refer to Exhibit C. One of the key distinctions, however, is that financial statements will be provided on a quarterly basis rather than semi-annually and management expects to conduct quarterly conference calls to discuss the financial reports with Shareholders following the release of each quarterly report.

Potential for Analyst Coverage

Financial institutions in Canada typically do not provide research coverage of investment fund issuers. As the Proposed Transition would result in the Corporation reporting as a more typical reporting issuer under the Public Company Regime, the Corporation expects that research analysis coverage of the Corporation would be more likely.

Special Transaction Privileges in Advance of Regular Redemption Date

In light of the elimination of the annual and monthly share redemption rights, the Amendment to Articles set out in the Transition Resolution provides Shareholders with the opportunity for a final one-time right to redeem their shares on the Redemption Date, being October 31, 2013. The Redemption Right provides shareholders the right to redeem at the NRV per Share on the Redemption Date, in advance of the regularly scheduled annual redemption date, which would otherwise be February 28, 2014.

Potential to Facilitate Future Growth for the Corporation

As a Public Company Regime issuer, it is expected that the Corporation will be able to issue a more diversified range of securities to investors, which will help facilitate growth of the Corporation, as considered appropriate by the Board

in the context of current market conditions and the performance of the Corporation. Should the opportunity arise to make an acquisition that is determined to be in the interests of the Corporation, the increased ability to raise capital will also make such acquisitions more feasible.

Elimination of Redemption Feature Provides More Stability for the Corporation

The Amendment to Articles set out in the Transition Resolution will result in the removal of the annual redemption feature which the Manager believes will provide more long term stability for the Corporation. Although redemption rights can provide liquidity to investors, the long term effects can negatively impact the Corporation and its returns to Shareholders, as the Corporation is required to build cash reserves leading up to a redemption date, which results in extended periods of times that the Corporation is not utilizing such cash and negatively impacts yield. Also, if the Corporation is not able to replace the diminishing capital, the underlying asset base will deplete over time, providing less diversification for investors and increasing the risk profile of the portfolio.

In the case of the Corporation, redemptions are currently limited to 15% of the total outstanding shares of the Corporation in any one year.

Votes and Minimum Requirements

To be approved, the Transition Resolution must receive the affirmative vote of not less than two-thirds of the votes cast thereon by each of (i) the holders of Class A Shares voting separately as a class, (ii) the holders of Class B Shares voting separately as a class, (iii) the holders of Class I Shares voting separately as a class, (iv) the holders of Class J Shares voting separately as a class, (v) the holders of Voting Shares voting separately as a class and (vi) the holders of all Shares voting together as a single class.

For the Meeting, a quorum is present if (i) 10% of the outstanding Class A Shares; (ii) 10% of the outstanding Class B Shares; (iii) 10% of the outstanding Class I Shares; (iv) 10% of the outstanding Class J Shares; and (v) 10% of the outstanding Voting Shares are represented in person or by proxy at the Meeting.

Certain Canadian Federal Income Tax Considerations for Shareholders

A summary of the principal Canadian federal income tax considerations under the Tax Act and the Regulations in respect of the proposed reorganization of the share capital of the Corporation pursuant to the Amendment to Articles generally applicable to a Shareholder is set out in “*Certain Canadian Federal Income Tax Considerations for Shareholders*”.

TSX Conditional Approval

The TSX has conditionally approved the listing of the Common Shares to be issued upon the automatic conversion of the Class A, Class B, Class I and Class J Shares. Listing is subject to the Corporation’s fulfilling all of the requirements of the TSX.

Recommendation of the Board of Directors

THE DIRECTORS OF THE CORPORATION HAVE UNANIMOUSLY APPROVED THE PROPOSED TRANSITION, THE AMENDMENT TO ARTICLES AND THE DIRECTOR ELECTION AND UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE TRANSITION RESOLUTION AT THE MEETING FOR THE REASONS SET FORTH ABOVE.

THE INDEPENDENT DIRECTORS HAVE MET SEPARATELY AND APPROVED THE PRINCIPAL TERMS OF THE NEW MANAGEMENT AGREEMENT DESCRIBED HEREIN, AND DETERMINED THAT THE APPOINTMENT OF TIMBERCREEK AS MANAGER PURSUANT TO THE NEW MANAGEMENT AGREEMENT IS IN THE BEST INTERESTS OF THE CORPORATION. THE INDEPENDENT DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE

TRANSITION RESOLUTION AND THE APPOINTMENT OF TIMBERCREEK AS MANAGER PURSUANT TO THE NEW MANAGEMENT AGREEMENT.

How To Vote Your Shares

Your vote is important. Please read the information below, then vote your Shares, either by proxy or in person at the Meeting.

How you vote your Shares depends on whether you are a Registered Shareholder or a Beneficial Shareholder.

Registered Shareholders

If you hold Class I Shares or Class J Shares AND you were issued, or hold, those shares in the form of one or more physical share certificates, rather than through a brokerage account, you are considered a “Registered Shareholder”. If you hold your Class I Shares or Class J Shares with a bank, broker or other financial intermediary, you are NOT a Registered Shareholder and should follow the procedure described under the section “How to Vote – Beneficial Shareholders” in this Information Circular. As a Registered Shareholder, you will receive a form of proxy from the Transfer Agent representing the shares you hold. Each Registered Shareholder has the right to appoint a person or company (who need not be a Shareholder) to attend and act for him or her at the Meeting other than the persons designated in the enclosed form of proxy. Registered Shareholders are entitled to vote at the Meeting either on the internet, by telephone, in person or by proxy. If you are a Registered Shareholder, please refer to “*How to Vote — Registered Shareholders*” in this Information Circular.

Please note that if you hold Class A Shares, you ARE NOT a Registered Shareholder and should follow the procedure described under the section “How to Vote – Beneficial Shareholders” in this Information Circular.

Beneficial Shareholders

You are a Beneficial Shareholder if a securities dealer, broker, bank, trust corporation or other nominee (a “**CDS Participant**”) holds your shares for you, or for someone else on your behalf. All holders of Class A Shares and Class B Shares are Beneficial Shareholders. As a Beneficial Shareholder, you will most likely have received a Voting Instruction Form from Broadridge, although in some cases you may have received a form of proxy from the securities dealer, broker, bank, trust corporation or other nominee holding your shares. Beneficial Shareholders who have received materials from their intermediary should carefully follow the instructions provided by the intermediary. If you are a Beneficial Shareholder, please refer to “*How to Vote — Beneficial Shareholders*” in this Information Circular.

How to Redeem your Class A Shares, Class B Shares, Class I Shares and Class J Shares

How to Redeem - Registered Shareholders

If you hold Class I Shares or Class J Shares AND you were issued, or hold, those shares in the form of one or more physical share certificates, rather than through a brokerage account, you are considered a “Registered Shareholder”. If you hold your Class I Shares or Class J Shares with a bank, broker or other financial intermediary, you are NOT a Registered Shareholder and should follow the procedure described under the section “*How to Redeem – Beneficial Shareholders*” in this Information Circular.

Registered Shareholders may exercise their Redemption Right by delivering written notice of the Registered Shareholder’s intention to exercise such Redemption Right, specifying the number and class of Shares to be redeemed and executed by the registered holder of such Shares (a “**Registered Redemption Notice**”), along with the physical share certificates representing the Shares to be redeemed, to the Corporation (at the head office of the Manager located at 1000 Yonge Street, Suite 500 Toronto, Ontario), no later than 4:00 p.m. (Toronto time) on the Redemption Notice Deadline. Except as provided below, any Registered Notice so delivered will be irrevocable upon the delivery of such notice to the Corporation.

How to Redeem – Beneficial Shareholders

You are a Beneficial Shareholder if a securities dealer, broker, bank, trust corporation or other nominee holds your shares for you, or for someone else on your behalf. All holders of Class A Shares and Class B Shares are Beneficial Shareholders.

A Beneficial Shareholder who desires to exercise their Redemption Right must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto) on behalf of the owner a written notice (a “**Beneficial Redemption Notice**”) of the owner’s intention to redeem such Shares pursuant to the Redemption Right, no later than 4:00 p.m. (Toronto time) on the Redemption Notice Deadline. Accordingly, a Beneficial Shareholder who desires to exercise his, her or its Redemption Right should ensure that the CDS Participant is provided with a Beneficial Redemption Notice sufficiently in advance of the Redemption Notice Deadline so as to permit the CDS Participant to deliver notice to CDS by the required time. The form of Beneficial Redemption Notice will be available from a CDS Participant.

Any expense associated with the preparation and delivery of a Beneficial Redemption Notice will be for the account of the Beneficial Shareholder exercising the Redemption Right. By causing a CDS Participant to deliver to CDS a Beneficial Redemption Notice, a Beneficial Shareholder shall be deemed to have irrevocably surrendered his, her or its Class A Shares, Class B Shares, Class I Shares or Class J Shares, as applicable, for redemption and appointed such CDS Participant to act as exclusive settlement agent with respect to the exercise of the Redemption Right and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any Beneficial Redemption Notice which CDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the Redemption Right to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a CDS Participant to exercise the Redemption Right or to give effect to the settlement thereof in accordance with the Beneficial Shareholder’s instructions will not give rise to any obligations or liability on the part of the Corporation or the Manager to the CDS Participant or to the Beneficial Shareholder.

How to Exchange your Class A Shares, Class B Shares, Class I Shares and Class J Shares

On and from the Exchange Date, any share certificates representing the Shares shall automatically represent such number of New Common Shares that have been exchanged in accordance with the exchange ratio set forth under the section titled “*The Transition Resolution – Amendment to Articles*”, and shall give the holder of such share certificates the right to exchange such share certificates for a share certificate representing such number of New Common Shares that have been exchanged pursuant to the foregoing. **On and from the Exchange Date, any certificate(s) formerly representing Shares will not constitute good delivery for the purposes of trades of New Common Shares and, other than exchange right described herein, any share certificate representing the Shares shall not give the holder of such share certificate any rights or interest in the Corporation.**

How to Exchange – Registered Shareholders

Registered Shareholders will receive a Letter of Transmittal along with this Circular. **It is recommended that Registered Shareholders forward the Letter of Transmittal and their share certificate(s) representing their Shares in accordance with the instructions set out therein prior to the Exchange Date.** For further information on how to exchange your Class A Shares or your Class B Shares please see the enclosed Letter of Transmittal.

How to Exchange – Beneficial Shareholders

If you are a Beneficial Shareholder, you should contact your Intermediary for instructions and assistance in delivering certificates representing the Shares and the arrangement regarding the receipt of the certificates representing the New Common Shares.

Dissent Rights

Registered Shareholders will also be entitled to exercise dissent rights pursuant to and in the manner set forth in Section 190 of the CBCA with respect to the Transition Resolution. Shareholders who validly exercise their dissent rights and do not withdraw their dissent will be entitled to receive the “fair value” of their Class A Shares, Class B Shares, Class I Shares, Class J Shares or Voting Shares, as applicable, determined in accordance with Section 190 of the CBCA as at the close of business the day before the Transition Resolution is adopted by the Corporation, as applicable. See the discussion under the heading “Dissent Rights” as well as Exhibit D to this Information Circular.

Solicitation Dealers, Solicitation Fees and Advisory Fees

The Corporation has retained TD Securities Inc., CIBC World Markets Inc. and Raymond James Ltd. to form a soliciting dealer group to solicit votes in favour of the Transition Resolution and to act as financial advisors to the Corporation in respect of the Proposed Transition. The Corporation will pay a solicitation dealer fee of \$75,000, plus an additional \$575,000 in the event the Transition Resolution is approved and the Proposed Transition, Amendment to Articles and New Management Agreement are effected.

In addition, the Corporation will pay a fee to properly designated soliciting brokers equal to \$0.18 in respect of each Class A Share or Class J Share that is (i) voted in favour of the Transition Resolution and (ii) not redeemed pursuant to the Redemption Right. Solicitation fees will not be paid in respect of Shares if they have not been voted in favour of the Transition Resolution, even if they are not redeemed. The fees to properly designated brokers will only be paid if the transactions contemplated under the Transition Resolution are approved and effected.

Timbercreek has also retained Laurel Hill Advisory Group (“**Laurel Hill**”) to assist it in connection with communicating to Shareholders in respect of the Proposed Transition. In connection with these services, Laurel Hill expects to receive an aggregate base fee of \$22,500 plus a per-call fee, in addition to reasonable out-of-pocket expenses.

Costs of the Meeting

All costs of the Proposed Transition, consisting primarily of soliciting dealer fees, soliciting broker fees, financial advisory fees and legal fees, which are expected to be approximately \$0.05 per Share (based on an estimated 25% of Shareholders participating in the meeting, and solicitation fees being paid in respect of 45% of Shares voted), will be borne by the Corporation, subject to the following sentence. The Manager shall be responsible for any expenses over \$0.05 per Share, up to a maximum amount of \$250,000.

GLOSSARY OF TERMS

“**allowable capital loss**” has the meaning ascribed thereto under the heading “*Certain Canadian Federal Income Tax Considerations for Shareholders*”;

“**Amendment to Articles**” has the meaning ascribed thereto under “*Purpose of Meeting - The Transition Resolution – Amendment to Articles*”;

“**Articles**” means the Articles of Incorporation of the Corporation;

“**Beneficial Redemption Notice**” has the meaning ascribed thereto under the heading “*How to Redeem – Beneficial Shareholders*”;

“**Beneficial Shareholder**” means a shareholder of the Corporation who is not recorded in the Corporation’s shareholder registry and who holds their shares through a securities dealer, broker, bank, trust corporation or other nominee;

“**Board**” means the board of directors of the Corporation;

“**Broadridge**” means Broadridge Financial Solutions Inc.;

“**CBCA**” means *Canada Business Corporations Act*;

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

“**CDS Participant**” means a person registered as a participant with CDS, such as a securities dealer, broker, bank, trust corporation or other nominee;

“**Corporation**” means Timbercreek Senior Mortgage Investment Corporation;

“**Class A Share**” means Class A shares of the Corporation;

“**Class B Share**” means Class B shares of the Corporation;

“**Class I Share**” means Class I shares of the Corporation;

“**Class J Share**” means Class J shares of the Corporation;

“**Class Shares**” mean collectively, the Class A Shares, the Class B Shares, the Class I Shares and the Class J Shares”;

“**CRA**” means Canada Revenue Agency;

“**CSA**” means Canadian Securities Administrators;

“**CSA Notice**” means the *CSA Notice and Request for Comment – Proposed Amendments to National Instrument 81-102 Mutual Funds, Companion Policy 81-102CP Mutual Funds and Related Consequential Amendments* issued by the CSA on March 27, 2013;

“**Current Management Agreement**” means the management agreement dated December 29, 2011 between the Manager and the Corporation;

“**Customized First Mortgages**” has the meaning ascribed thereto under “*Purpose of Meeting – Background to Proposed Transition*”;

“**Director Election**” has the meaning ascribed thereto under “*Purpose of Meeting*”;

“**Dissent Rights**” means the right of Shareholders to dissent granted under Section 190 of the CBCA;

“**Dissent Shares**” means the Shares in which a Shareholder has exercised Dissent Rights;

“**Dissenting Shareholder**” means a Shareholder who has exercised his, her or its Dissent Rights;

“**Effective Date**” means September 13, 2013, or such other date as the Corporation files the Amendment to Articles following approval of the Proposed Transition;

“**Exchange Date**” has the meaning ascribed thereto under the heading “*Purpose of Meeting - The Transition Resolution – Amendment to Articles*”;

“**guaranteed mortgages**” has the meaning ascribed thereto under the heading “*Purpose of Meeting – Background to Proposed Transition*”;

“**Holder**” has the meaning ascribed thereto under the heading “*Certain Canadian Federal Income Tax Considerations for Shareholders*”;

“**IFRS**” means the International Financial Reporting Standards;

“**Information Circular**” means this management information circular dated August 12, 2013;

“**Investment Funds Regime**” means the Canadian securities regulatory regime for investment funds;

“**Laurel Hill**” means Laurel Hill Advisory Group;

“**Manager**” means Timbercreek Asset Management Ltd;

“**MD&A**” means a Management Discussion and Analysis in accordance with NI 51-102;

“**Meeting**” means the meeting of shareholders of the Corporation to be held at 10:00 a.m. (Toronto Time) on September 12, 2013 at Park Hyatt Toronto, 4 Avenue Road, Toronto, Ontario;

“**MIC**” means a mortgage investment corporation under the Tax Act;

“**Named Executive Officer**” means: (i) the chief executive officer; (ii) the chief financial officer; (iii) each of the three most highly compensated executive officers of the Corporation, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the chief executive officer and chief financial officer, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year; and (iv) each individual who would be a “Named Executive Officer” under paragraph (iii) but for the fact that the individual was neither an executive officer of the Corporation or its subsidiaries, nor acting in a similar capacity, at the end of the most recently completed financial year.

“**NAV**” means the net asset value of the Corporation;

“**New Common Shares**” has the meaning ascribed thereto under the heading “*Transition Resolution – Amendment to Articles*”;

“**New Management Agreement**” has the meaning ascribed thereto under the heading “*Purpose of Meeting*”;

“**NI 41-101F1**” has the meaning ascribed thereto under the heading “*Purpose of Meeting –Proposed Transition*”;

“**NI 51-102**” has the meaning ascribed thereto under the heading “*Purpose of Meeting – Background to Proposed Transition*”;

“**NI 81-102**” has the meaning ascribed thereto under the heading “*Purpose of Meeting – Background to Proposed Transition*”;

“**NI 81-106**” has the meaning ascribed thereto under the heading “*Purpose of Meeting – Background to Proposed Transition*”;

“**non-guaranteed mortgages**” has the meaning ascribed thereto under the heading “*Purpose of Meeting – Background to Proposed Transition*”;

“**Notice 31-323**” has the meaning ascribed thereto under the heading “*Purpose of Meeting – Background to Proposed Transition*”;

“**Notice of Dissent**” has the meaning ascribed thereto in the section titled “*Dissent Rights*”;

“**NRV**” means the net redemption value of the Corporation;

“**Offer to Pay**” has the meaning ascribed thereto in the section titled “*Dissent Rights*”;

“**OSC**” means the Ontario Securities Commission;

“**Payment Demand**” has the meaning ascribed thereto in the section titled “*Dissent Rights*”;

“**Proposed Amendments**” has the meaning ascribed thereto under the heading “*Certain Canadian Federal Income Tax Considerations for Shareholders*”;

“**Proposed Mortgage Investment Restrictions**” has the meaning ascribed thereto under the heading “*Purpose of Meeting – Background to Proposed Transition*”;

“**Proposed Transition**” has the meaning ascribed thereto under the heading “*Purpose of Meeting – Proposed Transition*”;

“**Proxyholder**” means a person appointed by a Shareholder to attend the Meeting and vote such Shareholder’s Shares in accordance with their instructions;

“**Public Company Regime**” means the Canadian securities regulatory regime for reporting issuers that are not investment funds;

“**PUC**” has the meaning ascribed thereto under the heading “*Certain Canadian Federal Income Tax Considerations for Shareholders*”;

“**Record Date**” means August 8, 2013;

“**Redemption Date**” means October 31, 2013;

“**Redemption Right**” has the meaning ascribed thereto under the heading “*Purpose of Meeting – The Transition Resolution – Amendment to Articles*”;

“**Redemption Notice Deadline**” means October 1, 2013;

“**Redemption Payment Date**” means on or before November 30, 2013;

“**Redemption Price**” means 100% of the NRV per Class A Share, Class B Share, Class I Share or Class J Share (as applicable) on the Exchange Date;

“**Registered Redemption Notice**” has the meaning ascribed thereto under the heading “*How to Redeem – Registered Shareholders*”;

“**Registered Shareholder**” means a shareholder of the Corporation whose name is recorded in the Corporation’s shareholder registry and who holds one or more share certificates which indicate the name and the number and class of Shares owned by such shareholder;

“**Regulations**” means the regulations under the Tax Act;

“**Shares**” means collectively, Class A Shares, Class B Shares, Class I Shares, Class J Shares and Voting Shares;

“**Shareholder**” means shareholder of the Corporation;

“**Shareholder Matter**” has the meaning ascribed thereto under the heading “*Securities and Principal Holders Thereof*”;

“**TAML**” means Timbercreek Asset Management Ltd.;

“**Tax Act**” means *Income Tax Act* (Canada);

“**taxable capital gain**” has the meaning ascribed thereto under the heading “*Certain Canadian Federal Income Tax Considerations for Shareholders*”;

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

“**TMC**” means Timbercreek Mortgage Investment Corporation;

“**Transfer Agent**” means CIBC Mellon Trust Company;

“**Transition Resolution**” means a special resolution approving the Proposed Transition, the Amendment to Articles, the appointment of Timbercreek as manager of the Corporation, the entering into of the New Management Agreement and the termination of the current management agreement, and the Director Election;

“**TSX**” means the Toronto Stock Exchange, or any successor thereto;

“**Voting Shares**” means Voting Shares in the Corporation.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This management information circular (this “Information Circular”) is furnished in connection with the solicitation of proxies by the management of Timbercreek Senior Mortgage Investment Corporation (the “Corporation”) for use at the special meeting (the “Meeting”) of shareholders of the Corporation (“Shareholders”) to be held at the time and place and for the purposes set forth in the accompanying Notice of Meeting. References in this Information Circular to the Meeting include any adjournment or adjournments thereof. It is expected that the solicitation will be primarily by mail, however, proxies may also be solicited personally by directors, officers or employees of the Corporation or of Timbercreek Asset Management Ltd., the manager of the Corporation (the “Manager”). The solicitation of proxies is made by management on behalf of the Corporation and the cost of solicitation will be borne by the Corporation. Please see “Solicitation Dealers and Solicitation Fees” for more details. In this Information Circular, unless the context otherwise suggests, references to *you*, *your* and *Shareholder* are to a holder of Class A Shares, Class B Shares, Class I Shares, Class J Shares or Voting Shares (as applicable).

Timbercreek has retained Laurel Hill Advisory Group (“Laurel Hill”) to assist it in connection with communicating to Shareholders in respect of the Proposed Transition. Timbercreek may also utilize the service offered by Broadridge called Quickvote, which will allow consenting Shareholders to provide their vote over the phone to an authorized representative.

Unless otherwise stated, the information contained in this Information Circular is as of August 12, 2013.

RECORD DATE

The board of directors of the Corporation (the “Board”) has fixed the close of business on August 8, 2013 as the Record Date, being the date for the determination of the registered holders of securities entitled to receive notice of the Meeting. Duly completed and executed proxies must be received by the Transfer Agent at the address indicated on the enclosed envelope no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting or any adjournment of the Meeting.

FORWARD LOOKING INFORMATION

This Information Circular 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 the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Examples of such forward-looking statements include, but are not limited to: the expected costs of the Proposed Transition, the annual yield of the Corporation that the Manager is targeting; the nature of the Corporation and its affairs following the completion of the Reorganization, the ability of the Corporation to continue to qualify as a MIC under the *Income Tax Act* (Canada), and the strategic partners of the Corporation going forward.

Actual results, performance and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Information Circular. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: the completion of the Proposed Transition, the ability of the Corporation to acquire and maintain a portfolio of Customized First Mortgages capable of generating the necessary annual yield or returns to enable the Corporation to achieve its investment objectives, the ability of the Corporation to establish and maintain relationships and agreements with key strategic partners, the qualification of the Corporation as a MIC under the *Income Tax Act* (Canada), the maintenance

of prevailing interest rates at favourable levels, the ability of borrowers to service their obligations under the Customized First Mortgages of the Corporation, the ability of the Manager to effectively perform its obligations owed to the Corporation, anticipated costs and expenses, competition, and changes in general economic conditions. While the Corporation anticipates that subsequent events and developments may cause its views to change, the Corporation specifically disclaims any obligation to update these forward-looking statements, except as required by applicable law. These forward-looking statements should not be relied upon as representing the Corporation's views as of any date subsequent to the date of this Information Circular. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results, performance and future events could differ materially from those anticipated in such statements. Accordingly, you should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Corporation. Additional risk factors are discussed in the prospectus level disclosure in Exhibit B.

HOW TO VOTE YOUR SHARES

Your vote is important. Please read the information below, then vote your shares, either by proxy or in person at the Meeting.

How you vote your shares depends on whether you are a Registered Shareholder or a Beneficial Shareholder. In either case, there are two ways you can vote at the Meeting — by appointing a proxyholder or by attending in person, although the specifics may differ slightly.

Registered Shareholders: You are a Registered Shareholder if your name is recorded in the Corporation's shareholder register and you hold one or more share certificates which indicate your name and the number and class of Shares which you own. As a Registered Shareholder, you will receive a form of proxy from the Transfer Agent representing the shares you hold. Each Registered Shareholder has the right to appoint a person or company (who need not be a Shareholder) to attend and act for him or her at the Meeting other than the persons designated in the enclosed form of proxy. If you are a Registered Shareholder, please refer to "*How to Vote — Registered Shareholders*".

Please note that if you hold Class A Shares, you ARE NOT a Registered Shareholder and should follow the procedure described under the section "How to Vote – Beneficial Shareholders" in this Information Circular.

Beneficial Shareholders: You are a Beneficial Shareholder if a securities dealer, broker, bank, trust corporation or other nominee holds your Shares for you, or for someone else on your behalf. As a Beneficial Shareholder, you will most likely have received a Voting Instruction Form from either the Transfer Agent or Broadridge Financial Solutions, Inc. ("**Broadridge**"), although in some cases you may have received a form of proxy from the securities dealer, broker, bank, trust corporation or other nominee holding your shares. If you are a Beneficial Shareholder, please refer to "*How to Vote — Beneficial Shareholders*".

How to Vote – Registered Shareholders

If you are a Registered Shareholder, you may either vote by proxy or in person at the Meeting.

Appointment of Proxies

If you choose to vote by proxy, you are giving the person (referred to as a "**proxyholder**") or the persons named on your form of proxy the authority to vote your Shares on your behalf at the Meeting (including any adjournments or postponements). You may indicate on the form of the proxy how you want your proxyholder to vote your Shares, or you can let your proxyholder make that decision for you. If you do not specify on the form of proxy how you want your Shares to be voted, your proxyholder will have the discretion to vote your Shares as such proxyholder sees fit.

The persons named in the enclosed form of proxy are officers and/or directors of the Corporation. **A Registered Shareholder desiring to appoint some other person, who need not be a Shareholder, to represent him, her or it**

at the Meeting, may do so by inserting such person's name in the blank space provided in the enclosed form of proxy or by completing another proper form of proxy and, in either case, depositing the completed and executed proxy at the office of the Transfer Agent indicated on the enclosed envelope no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting or any adjournment of the Meeting.

For each class of Shares held by a Registered Shareholder forwarding the enclosed proxy, such Registered Shareholder may indicate the manner in which the appointee is to vote with respect to any specific item by checking the appropriate space. **The persons named in the enclosed form of proxy will vote the Shares in respect of which they are appointed in accordance with the direction of the Shareholders appointing them. In the absence of such direction, such Shares will be voted in favour of the passing of the Transition Resolution. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting.** At the time of printing of this Information Circular, management knows of no such amendments, variations or other matters to come before the Meeting. However, if any other matters that are not now known to management should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxyholders.

Submitting Votes by Proxy

A Proxy will not be valid unless it is voted via the internet, telephone or deposited at the offices of the Transfer Agent indicated on the enclosed envelope no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting, being 10:00 a.m. on September 10, 2013 or any adjournment of the Meeting.

Late proxies may be accepted or rejected by the Chairman of the Meeting in his or her discretion, however, the Chairman is under no obligation to accept or reject any particular late proxy. The Chairman of the Meeting may waive this time limit for receipt of proxies without notice.

Revocation of Proxy

A proxy given pursuant to this solicitation may be revoked by an instrument in writing executed by a Registered Shareholder or by a Registered Shareholder's attorney authorized in writing (or, if the Registered Shareholder is a corporation, by a duly authorized officer or attorney) and deposited either at the registered office of the Corporation (1000 Yonge Street, Suite 500, Toronto, Ontario, Canada M4W 2K2; Attention: Secretary) at any time up to and including the last business day preceding the day of the Meeting or with the Chairman of the Meeting on the day of the Meeting or in any other manner permitted by law.

Only Registered Shareholders may revoke a proxy. Beneficial Shareholders will need to contact their financial intermediary and follow their instructions to revoke their proxy. You may also submit a later dated proxy to revoke any prior proxy.

Voting by Telephone and Internet

Registered Shareholders are entitled to vote at the Meeting either on the internet, by telephone, in person or by proxy. Votes cast electronically or by telephone are in all respects equivalent to, and will be treated in the same manner as, votes cast via a paper form of proxy. Further details on the electronic and telephone voting processes are provided in the enclosed form of proxy.

Voting in Person

If you attend in person, you do not need to complete or return your form of proxy. If you vote in person at the Meeting and had previously completed and returned your form of proxy, your proxy will be automatically revoked and any votes you cast on a poll at the Meeting will count. Please ensure that you register with the scrutineer at the Meeting to ensure your vote is included.

How to Vote – Beneficial Shareholders

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

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

- (a) Usually, a Beneficial Shareholder will be given a Voting Instruction Form which must be completed and signed by the Beneficial Shareholder in accordance with the instructions provided by the intermediary. In this case, the mechanisms described above for Registered Shareholders cannot be used and the instructions provided by the intermediary must be followed.
- (b) Occasionally, however, a Beneficial Shareholder may be given a proxy that has already been signed by the intermediary. This form of proxy is restricted to the number of Shares owned by the Beneficial Shareholder but is otherwise not completed. This form of proxy does not need to be signed by the Beneficial Shareholder but must be completed by the Beneficial Shareholder and returned to the Transfer Agent in the manner described above for Registered Shareholders. A proxy will not be valid unless it is deposited at the offices of the Transfer Agent no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting, being 10:00 a.m. on September 10, 2013 or any adjournment of the Meeting. Shareholders that wish to attend and vote at the Meeting using this form of proxy should follow the instructions noted above for appointing a representative at the Meeting.

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

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

HOW TO REDEEM YOUR CLASS A SHARES, CLASS B SHARES, CLASS I SHARES AND CLASS J SHARES

How to Redeem - Registered Shareholders

If you hold Class I Shares or Class J Shares AND you were issued, or hold, those shares in the form of one or more physical share certificates, rather than through a brokerage account, you are considered a "Registered Shareholder". If you hold your Class I Shares or Class J Shares with a bank, broker or other financial intermediary, you are NOT a Registered Shareholder and should follow the procedure described under the section "*How to Redeem – Beneficial Shareholders*" in this Information Circular.

Registered Shareholders may exercise their Redemption Right by delivering written notice of the Registered Shareholder's intention to exercise such Redemption Right, specifying the number and class of Share to be redeemed and executed by the registered holder of such Shares (a "**Registered Redemption Notice**"), along with the physical share certificates representing the Shares to be redeemed,, to the Corporation (at the head office of the Manager

located at 1000 Yonge Street, Suite 500 Toronto, Ontario), no later than 4:00 p.m. (Toronto time) on the Redemption Notice Deadline. Except as provided below, any Registered Notice so delivered will be irrevocable upon the delivery of such notice to the Corporation.

How to Redeem – Beneficial Shareholders

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

A Beneficial Shareholder who desires to exercise their Redemption Right must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto) on behalf of the owner a written notice (a “**Beneficial Redemption Notice**”) of the owner’s intention to redeem such Shares pursuant to the Redemption Right, no later than 4:00 p.m. (Toronto time) on the Redemption Notice Deadline. Accordingly, a Beneficial Shareholder who desires to exercise his, her or its Redemption Right should ensure that the CDS Participant is provided with a Beneficial Redemption Notice sufficiently in advance of the Redemption Notice Deadline so as to permit the CDS Participant to deliver notice to CDS by the required time. The form of Beneficial Redemption Notice will be available from a CDS Participant.

Any expense associated with the preparation and delivery of a Beneficial Redemption Notice will be for the account of the Beneficial Shareholder exercising the Redemption Right. By causing a CDS Participant to deliver to CDS a Beneficial Redemption Notice, a Beneficial Shareholder shall be deemed to have irrevocably surrendered his, her or its Class A Shares, Class B Shares, Class I Shares or Class J Shares, as applicable, for redemption and appointed such CDS Participant to act as exclusive settlement agent with respect to the exercise of the Redemption Right and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any Beneficial Redemption Notice which CDS determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the Redemption Right to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a CDS Participant to exercise the Redemption Right or to give effect to the settlement thereof in accordance with the Beneficial Shareholder’s instructions will not give rise to any obligations or liability on the part of the Corporation or the Manager to the CDS Participant or to the Beneficial Shareholder.

HOW TO EXCHANGE YOUR CLASS A SHARES, CLASS B SHARES, CLASS I SHARES AND CLASS J SHARES

On and from the Exchange Date, any share certificates representing the Shares shall automatically represent such number of New Common Shares that have been exchanged in accordance with the exchange ratio set forth under the section titled “*The Transition Resolution – Amendment to Articles*”, and shall give the holder of such share certificates the right to exchange such share certificates for a share certificate representing such number of New Common Shares that have been exchanged pursuant to the foregoing. **On and from the Exchange Date, any certificate(s) formerly representing Shares will not constitute good delivery for the purposes of trades of New Common Shares and, other than exchange right described herein, any share certificate representing the Shares shall not give the holder of such share certificate any rights or interest in the Corporation.**

How to Exchange – Registered Shareholders

Registered Shareholders will receive a Letter of Transmittal along with this Circular. **It is recommended that Registered Shareholders forward the Letter of Transmittal and their share certificate(s) representing their Shares in accordance with the instructions set out therein prior to the Exchange Date.** For further information on how to exchange your Shares please see the enclosed Letter of Transmittal.

How to Exchange – Beneficial Shareholders

If you are a Beneficial Shareholder, you should contact your Intermediary for instructions and assistance in delivering certificates representing the Shares and the arrangement regarding the receipt of the certificates representing the New Common Shares.

PURPOSE OF MEETING

The purpose of the Meeting is for Shareholders to consider, and if deemed advisable, to pass, with or without variation a special resolution (the “**Transition Resolution**”) approving (i) the transition of the Corporation from the Investment Funds Regime to the Public Company Regime; (ii) consequential amendments to certain provisions of the articles of incorporation of the Corporation related to certain share rights; (iii) the appointment of Timbercreek as the manager of the Corporation; (iv) the entering into of a management agreement with Timbercreek (the “**New Management Agreement**”) and the termination of the current management agreement; and (v) the election of Messrs. Ed Boomer, Ugo Bizzarri and Andrew Jones as directors of the Corporation (the “**Director Election**”).

Background to Proposed Transition

The Corporation is a corporation incorporated under the CBCA and is qualified as a “mortgage investment corporation” under the Tax Act and the regulations thereunder. For additional information on mortgage investment corporations, please refer to “*Structure and Evolution of Mortgage Investment Corporations*”.

The Corporation’s Class A Shares are listed on the Toronto Stock Exchange and it is considered a non-redeemable investment fund that is subject to the Canadian securities regulatory regime for investment funds (the “**Investment Funds Regime**”) and as such, has been providing continuous disclosure pursuant to such Investment Funds Regime, including but not limited to the provisions under National Instrument 81-106 (“**NI 81-106**”). Its investment objectives are to acquire and maintain a diversified portfolio of shorter-term, customized first mortgage loans provided to experienced real estate investors (“**Customized First Mortgages**”) that generates attractive, stable returns in order to permit the Corporation to pay monthly distributions to its Shareholders. The Customized First Mortgages are primarily secured by income-producing assets where interest payments on the mortgage can be serviced from cash flow generated by the underlying assets. For additional information regarding the Corporation, please refer to Exhibit B of this Information Circular.

On March 27, 2013, the Canadian Securities Administrators (“**CSA**”) issued *CSA Notice and Request for Comment – Proposed Amendments to National Instrument 81-102 Mutual Funds, Companion Policy 81-102CP Mutual Funds and Related Consequential Amendments* (the “**CSA Notice**”). The CSA Notice proposes to, among other things, restrict mortgage investments by any investment funds in mortgages other than mortgages that are fully and unconditionally guaranteed by the government of Canada, the government of a province or territory of Canada or by an agency of such government (“**guaranteed mortgages**”), and that non-redeemable investment funds that currently invest in mortgages that are not guaranteed mortgages (“**non-guaranteed mortgages**”) be given a transition period of approximately 24 months to either divest their holdings of non-guaranteed mortgages or to transition into the regulatory regime for issuers that are not investment funds (the “**Proposed Mortgage Investment Restrictions**”).

If the proposed amendments to *National Instrument 81-102 Mutual Funds* (“**NI 81-102**”) that are contemplated by the CSA Notice become effective, the Corporation will become subject to NI 81-102 and it will thereby be prohibited from acquiring any mortgages other than guaranteed mortgages. This would effectively serve to preclude the Corporation from fulfilling its investment objective of acquiring and maintaining a diversified portfolio of Customized First Mortgages.

As a result of these developments, the Board has concluded it is in the best interests of the Corporation to transition (the “**Proposed Transition**”) from the Investment Funds Regime to the Canadian securities regulatory regime for reporting issuers that are not investment funds (the “**Public Company Regime**”), including, but not limited to, compliance with National Instrument 51-102 *Continuous Disclosure Obligations* (“**NI 51-102**”). The Board’s decision to pursue the Proposed Transition is premised upon three principal considerations:

- First, as noted above, the Proposed Mortgage Investment Restrictions would have a material adverse effect on the Corporation’s continued successful achievement of its investment objectives through the acquisition of a diversified portfolio of Customized First Mortgages because it would prohibit the Corporation from investing in mortgages, other than guaranteed mortgages, if and when the Proposed Mortgage Investment Restriction becomes effective.

- Second, absent the Proposed Transition, the Corporation would become subject to NI 81-102, if and when the proposed amendments to NI 81-102 that are contemplated by the CSA Notice become effective. This would cause the Corporation to become regulated like a mutual fund which could place the Corporation at a competitive disadvantage to those mortgage investment corporations that operate within the Public Company Regime rather than the Investment Funds Regime.
- Third, the Proposed Transition will benefit Shareholders whether or not the proposed amendments to NI 81-102 become effective, as it will allow the Corporation, among other things, to conduct its business as it is currently conducted, provide for more income available to shareholders with the absence of a trailer fee obligation and provide more frequent reporting to shareholders.

For more details on the benefits of the Proposed Transition, please refer to “*Benefits of The Transition Resolutions*”.

The Transition Resolution - Proposed Transition

As a Public Company Regime issuer, the Corporation would continue to qualify as a MIC and would maintain the same investment objectives and strategies as it did as an investment fund. The key differences between the Investment Funds Regime and the Public Company Regime and before and after the Proposed Transition are as follows:

	Investment Funds Regime	Public Company Regime
Financial Reporting and Continuous Disclosure	Semi-Annual Reporting in compliance with Investment Fund Regime with Management Report of Fund Performance Publication of net asset value on a monthly basis Quarterly Portfolio Disclosure	Quarterly Reporting in compliance with Public Company Regime with Management Discussion and Analysis Evaluated based on Book Value not net asset value
Basis of Accounting	Part V, Canadian GAAP	IFRS
Class Structure	Multiple Share Classes	One Public Share Class
Shareholder Authority	Limited Voting Rights	Common Voting Shares
Liquidity	Redeemable Annually at NRV per Share subject to a 15% cap.	Non-Redeemable (other than a one-time redemption right on the Redemption Date – see “ <i>The Transition Resolution – Amendment to Articles</i> ” below)
Governance	Shareholder approval only required on special resolutions required under CBCA or the Articles Audit Committees and Independent Review Committees	Subject to Annual General Meetings and general voting rights (including election of directors) given to investors Audit and Nomination Committees
Trailer Fees	0.50% annually paid to advisors of record on publicly traded Class A Shares	No trailer fee paid

For a detailed comparison of the differences between the two regimes, please refer to Exhibit C: *Comparison of Canadian Securities Regulatory Regime For Investment Funds and Public Companies*.

While the Corporation will be subject to additional costs associated with more frequent reporting and the requirement to host annual general meetings (such costs anticipated to be approximately \$160,000), cost savings will be achieved with the elimination of the trailer fees paid to brokers of record, which will more than off-set this cost and result in additional income available for distribution to investors.

Consequently, it is proposed that the Shareholders consider, and if thought fit, pass the Transition Resolution to, among other things, approve the transition of the Corporation from the Investment Funds Regime to the Public Company Regime.

Please also refer to Exhibit B for prospectus level disclosure on the Corporation prepared in accordance with National Instrument 41-101F1 (“**NI 41-101F1**”), the prospectus form requirement for the Public Company Regime applicable to reporting issuers that are not investment funds. The financial statements and management’s discussion and analysis that have been prepared in accordance with IFRS are also attached as Exhibit E.

The Transition Resolution - Amendment to Articles

To give effect to and implement the Proposed Transition, the Board has proposed that the share capital of the Corporation be reorganized such that all Class A Shares, Class B Shares, Class I Shares and Class J Shares will have a final one-time right to redeem their Shares on the Redemption Date (as defined below), subject to a maximum threshold, and no further annual and monthly share redemption rights. Following the Redemption Date, all remaining Class A Shares, Class B Shares, Class I Shares and Class J Shares will be exchanged for New Common Shares, and holders of New Common Shares after the Proposed Transition will have the right to attend and vote at annual shareholder meetings. If the Transition Resolution is approved and implemented, the Corporation will, pursuant to the Articles, repurchase and cancel all Voting Shares for consideration equal to 1/12 of the NRV per Class A Share on the Exchange Date.

Consequently, it is proposed that the Shareholders consider, and if thought fit, pass the Transition Resolution to approve certain amendments to the Articles (the “**Amendment to Articles**”) to provide for the following:

- (f) all holders of Class A Shares, Class B Shares, Class I Shares and Class J Shares will have a one-time right (“**Redemption Right**”) to surrender their Shares for redemption on October 31, 2013 (the “**Redemption Date**”) by delivering a notice of redemption in the form specified by the Corporation on or before October 1, 2013 (the “**Redemption Notice Deadline**”). Subject to (b) below, the Corporation shall redeem all such properly surrendered Shares at a price per Share equal to 100% of the NRV per Class A Share, Class B Share, Class I Share or Class J Share (as applicable) on the Exchange Date (the “**Redemption Price**”). The Corporation will pay the Redemption Price to the holders of such surrendered Shares on or before November 30, 2013 (the “**Redemption Payment Date**”);
- (g) the Corporation will not accept for redemption on the Redemption Date more than:
 - (i) 15% of the number of issued and outstanding Class A Shares immediately preceding the Redemption Date);
 - (ii) 15% of the number of issued and outstanding Class B Shares immediately preceding the Redemption Date);
 - (iii) 15% of the number of issued and outstanding Class I Shares immediately preceding the Redemption Date);
 - (iv) 15% of the number of issued and outstanding Class J Shares immediately preceding the Redemption Date);unless such limitations are waived by the Corporation at its sole discretion;
- (h) the creation of a new class of voting Common Shares (the “**New Common Shares**”);
- (i) following the redemption date for the Class A Shares, Class B Shares, Class I Shares and Class J Shares, the automatic conversion of all remaining non-redeemed Class A Shares, Class B Shares, Class I Shares and Class J Shares for the New Common Shares on a specified date (the “**Exchange**”);

Date”) at a conversion ratio of 1 to 1 for each Class A Share and for each of the Class B Shares, Class I Shares and Class J Shares at a ratio equal to the quotient obtained by dividing the NRV per share of that Class by the NRV per Class A Share on the last business day of the month immediately preceding the Exchange Date;

- (j) for the period between the Effective Date (as defined below) and the Exchange Date, the rights of the holders of Class A Shares, Class B Shares, Class I Shares and Class J Shares will be similar to such rights as set out in the current Articles, except that (i) such holders will not have any annual or monthly redemption rights other than the Redemption Right; and (ii) holders of Class B Shares, Class I Shares and Class J Shares will not have any monthly conversion rights other than the automatic conversion on the Exchange Date.

The Transition Resolution – Appointment of Timbercreek and New Management Agreement

Further, pursuant to the Proposed Transition the Board has proposed that Timbercreek be appointed as the manager of the Corporation and that the Corporation terminate the current management agreement dated December 29, 2011 between the Corporation and Timbercreek Asset Management Ltd. (“**TAML**”). It is proposed that the Shareholders consider, and if thought fit, pass the Transition Resolution to approve, among other things, the entering into of the New Management Agreement with Timbercreek that will provide for:

- (a) the appointment of Timbercreek to provide management services to the Corporation;
- (b) the payment by the Corporation to Timbercreek of a management fee equal to 0.85% per annum of the gross assets of the Corporation;
- (c) the term of the New Management Agreement to be for a period of 10 years, and automatically renewed for successive 5 year terms thereafter, unless:
 - (i) terminated by the Corporation upon approval of a 2/3 majority of the votes cast by the independent directors of the Corporation:
 - a. at the conclusion of the initial term or any renewal term, upon 12 months’ prior written notice to Timbercreek;
 - b. at any time, in the event that there is (i) a material breach of the New Management Agreement by Timbercreek that is not remedied within 60 days of written notice to Timbercreek (or such longer period as may be reasonably required to remedy such breach, provided such longer period does not exceed 120 days), and that has a material adverse effect on the business, operations or affairs of the Corporation, (ii) Timbercreek 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 Timbercreek or if Timbercreek makes an assignment for the benefit of its creditors, commits any act of bankruptcy or declares itself or is declared to be insolvent (each, a “**Termination for Cause**”);
 - c. upon 12 months’ prior written notice to the Manager, such notice to be delivered at any time after the fourth anniversary of the commencement of the initial term (the “**Early Termination Date**”), and upon payment of an amount equal to three times the total amount of fees earned by Timbercreek in the previous twelve months (the “**Early Termination Fee**”). Notwithstanding the foregoing, if less than three years remains in the initial term, or any renewal term, as applicable, the Early Termination Fee payable in the event of termination by the Corporation other than a Termination for Cause shall be all fees to which the Manager would have been entitled for the period commencing on the termination date and ending at the expiry of the initial term or renewal term, as the case may be, based on the fees earned in the previous 12 months. In the event of any termination by the Corporation prior to the Early Termination Date, in addition to the Early Termination Fee, Timbercreek shall be entitled to payment of all fees to

which it would have otherwise been entitled up to and including the Early Termination Date, based on the fees earned in the 12 months prior to termination. Upon the wind-up of the Corporation approved by a special resolution of Shareholders, no Termination Fee shall be payable to the Corporation.

(ii) terminated by Timbercreek:

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

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

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

As a further condition, Timbercreek shall maintain employees having the requisite experience and skill to perform the obligations of Timbercreek under the New Management Agreement, and shall cause such employees to devote such time and attention to the obligations of Timbercreek contained in the New Management Agreement as shall reasonably be required in order to perform its obligations.

Current Management Agreement

The following is a summary of the principal features of the current management agreement dated December 29, 2011 between the Manager and the Corporation (the "**Current Management Agreement**").

Pursuant to the Current Management Agreement, the Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Corporation and to exercise the care, diligence and skill of a reasonably prudent person in similar circumstances. The Manager will not be liable in any way for any default, failure or defect in the Portfolio held by the Corporation if it has satisfied the duties and the standard of care, diligence and skill set forth in the Current Management Agreement. The Manager will incur liability, however, in cases of wilful misconduct, bad faith, negligence, or breach of the Manager's standard of care or by any material breach or default by it of its obligations under the Current Management Agreement.

In addition, the Manager and each of its directors, officers, employees and partners will be indemnified by the Corporation to the fullest extent permitted by law for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced, or other claim that is made against the Manager, or any of its officers, directors, employees or partners, in the exercise of its duties as manager of the Corporation, except those resulting from the Manager's wilful misconduct, bad faith or negligence or breach of the Manager's standard of care or material breach or default by the Manager of its obligations under the Current Management Agreement or a breach of fiduciary duty by the Manager.

The management services to be provided by the Manager under the Current Management Agreement are not exclusive to the Corporation and nothing in the Current Management Agreement prevents the Manager from providing similar management services to other investment funds and other clients or from engaging in other activities.

Pursuant to the Current Management Agreement, unless the Manager resigns or is removed or the Manager and the Corporation mutually agree to terminate the Current Management Agreement, the Manager will continue as Manager until the termination of the Corporation. The Manager may resign if the Corporation is in breach or default of the provisions of the Current Management Agreement and, if capable of being cured, any such breach or default has not been cured within 30 days of notice of such breach or default to the Corporation. The Manager is deemed to have resigned if the Manager becomes bankrupt or insolvent. The Manager may be removed as Manager of the Corporation if the Manager is in material breach or default of the provisions of the Current Management Agreement and, if capable of being cured, any such breach or default has not been cured within 30 days of notice of such breach or default to the Manager. In such cases, the Board shall give notice thereof to the shareholders of the Corporation and the shareholders of the Corporation may, by a resolution passed by at least 66 2/3% of the votes cast by shareholders of the Corporation voting thereon at a meeting called and held for such purpose, direct the Board to remove the Manager as manager of the Corporation and appoint a successor manager. The Manager may also resign as Manager of the Corporation and terminate the Current Management Agreement upon not less than 120 days written notice to the Corporation, or the Corporation may terminate the Current Management Agreement upon not less than 120 days written notice to the Manager.

For acting as manager and portfolio advisor of the Corporation, the Manager receives from the Corporation a management fee equal to 1% per annum of the net assets of the Corporation, calculated daily, aggregated and paid monthly in arrears, plus applicable taxes. The Manager may also provide day-to-day administration of certain individual mortgages in the Portfolio in instances where those mortgages are syndicated and the Corporation is a participant in such syndicated mortgages. In these instances, the Manager may act as the mortgage servicing agent for such syndicated mortgages and may receive a servicing fee of up to 5 basis points of the value of each such syndicated mortgage. This servicing fee shall not be payable by the Corporation. The Manager is reimbursed for all reasonable costs and expenses incurred by the Manager on behalf of the Corporation. Since January 1, 2012, the beginning of the most recently completed financial year, \$4,751,992 has been paid, or is payable, by the Corporation to the Manager.

The Manager initiated the founding and organization of the Corporation and was a “promoter” of the Corporation within the meaning of the securities legislation of certain provinces of Canada. The offices of the Manager and of Timbercreek are located at 1000 Yonge Street, Suite 500, Toronto, Ontario M4W 2K2.

Mortgage Brokerage Agreement

The Corporation and Timbercreek have not been licensed by the Financial Services Commission of Ontario as mortgage brokerages under the *Mortgage Brokerages, Lenders and Administrators Act, 2006* (Ontario) (the “**Mortgage Brokerages Act**”), and therefore, if the Transition Resolution is approved and the directors decide to proceed with the Proposed Transition, TAML, a licensed mortgage brokerage under the Mortgage Brokerages Act, will continue to provide mortgage brokerage services to the Corporation pursuant to a mortgage brokerage agreement (the “**Mortgage Brokerage Agreement**”) to be entered into between Timbercreek and TAML.

The Mortgage Brokerage Agreement will provide for:

- (a) TAML to provide mortgage brokerage services to the Corporation, including without limitation, presenting to the Corporation through the Mortgage Advisory Committee any available loan that meets the investment guidelines of the Corporation;
- (b) the existing Mortgage Advisory Committee will continue to approve all mortgage investments by the Corporation;
- (c) TAML to remit to the Corporation all revenue generated from the mortgage loan origination and placement activities directly or indirectly carried on by TAML in respect of first mortgage loans funded by the Corporation; and
- (d) TAML to use an asset allocation model substantially similar to the model set out in the Current Management Agreement to manage the risk profile of the Corporation’s portfolio of investments.

Any fees payable to TAML pursuant to the Mortgage Brokerage Agreement shall be paid by Timbercreek. There is no additional fee payable by the Corporation to TAML and Timbercreek will not charge the Corporation the fee payable by Timbercreek to TAML (if any) as a disbursement or as expenses under the New Management Agreement. TAML will also continue to allocate investment opportunities to the Corporation and other entities managed by TAML in accordance with its current allocation policy. For more details of the Mortgage Brokerage Agreement and TAML's allocation policy, please see "Manager of the Corporation" and "Risk Factors – Fair Allocation" of Exhibit B.

The Transition Resolution – Director Election

In connection with the Proposed Transition, the Board has also nominated Messrs. Ed Boomer, Ugo Bizzarri and Andrew Jones for election as directors of the Corporation and that if the Proposed Transition is implemented, such election be effective one day after the appointment of Timbercreek as the manager of the Corporation. Mr. Ed Boomer is a current director of Timbercreek Mortgage Investment Corporation and the Chief Investment Officer of Partners REIT. Mr. Ugo Bizzarri is the Chief Financial Officer of the Corporation and the Founding Managing Director, Portfolio Management and Investments and a director of Timbercreek. Mr. Andrew Jones is the Vice-President of the Corporation and the Managing Director, Debt Investments of Timbercreek. For more information on Messrs. Ed Boomer, Ugo Bizzarri and Andrew Jones, please refer to "*Directors and Executive Officers – Officers and Directors of the Corporation*" of Exhibit B. For additional disclosure on the directors and executive officers of the Corporation prepared in accordance with National Instrument 51-102F5 *Information Circular* and compensation of the executive officers of the Corporation prepared in accordance with National Instrument 51-102F6 *Statement of Executive Compensation*, please refer to "*Director and Executive Officers*" and "*Executive Compensation*" of Exhibit B.

The implementation of the Proposed Transition shall be subject at all times to the discretion of the Board. Even if the Transition Resolution is approved by Shareholders, the Board may decide not to proceed with the Proposed Transition, Amendment to Articles and the New Management Agreement. Factors to be considered by the Board may include the percentage of Dissent Shares exercised, regulatory changes and other factors that may be deemed relevant by the Board. All changes and consequences relating to the Proposed Transition and Amendment to Articles, including the transactions set out above, will only take effect after the filing of such amended Articles with Industry Canada, (such date of filing the "**Effective Date**").

The full text of the Transition Resolution is attached as Exhibit A.

BENEFITS OF THE PROPOSED TRANSITION

Continued Operation and Strong Returns

Since inception, the Corporation has consistently outperformed its targeted return and has not incurred any loss of principal. The Proposed Transition would allow the Corporation to continue to execute on its current investment strategy, which is to invest in Customized First Mortgages that generate attractive returns in order to pay stable distributions to investors.

If the Transition Resolution is not approved, however, and the CSA's Proposed Mortgage Investment Restrictions are enacted, the Corporation would be restricted from investing in Customized First Mortgages which would materially adversely affect the Corporation's investment objectives and strategy. Further, the CSA's proposed amendments contemplate a 24 month period during which investment funds will be required to divest of holdings in non-guaranteed mortgages. If enforced, such a restriction would require that the Corporation begin divesting its portfolio of mortgages, potentially at a discount, adversely impacting the value per share.

Elimination of Trailer Fee

If the Transition Resolution is approved, the Corporation will no longer pay trailer fees to brokers of record in respect of the New Common Shares. Eliminating the trailer fee will result in more income available for distribution to Shareholders.

Based on the current expected distributable income after taking into effect the elimination of the trailer fee and the expected additional costs to which the Corporation would be subject to as a reporting issuer under the Public Company Regime, the Manager expects distributions will increase.

Shareholders Granted Voting Rights

Under the Investment Funds Regime, only the Voting Shares of the Corporation, which are currently held by individuals employed by the Manager, have the right to vote on ordinary resolutions, including the election of directors. If the Transition Resolution is approved, New Common Shareholders will have voting rights on all Shareholder approval matters, including the election of directors. Voting on such matters will be facilitated through annual general meetings where Shareholders will have the ability to attend, vote and discuss other business matters with management if they so desire. As an investment fund, there is currently no requirement for the Corporation to hold annual meetings.

Remain Pro-Active and Avoid Regulatory Uncertainty

Timbercreek was the first asset management company to provide shareholders access to mortgage assets through a publicly traded investment fund. The investment strategy, governance and reporting standards that were established during the launch of Timbercreek Mortgage Investment Corporation (“TMC”) in 2008 were designed to, among other things, mitigate risk, improve transparency and ensure alignment of interest between TMC and the investors. Many of these standards established by Timbercreek have been adopted by new entrants in the public markets. Timbercreek, therefore, feels it is important to be a leader in responding to the recent proposed regulatory changes so that we may set standards on the best approach to this transition.

The Manager is also proactively addressing the proposed regulatory changes in order to avoid any concern by shareholders about the impacts the Proposed Mortgage Investment Restrictions may have on their investment in the Corporation. By addressing this quickly in a manner that the Manager and the Board believe is in the best interest of Shareholders, the Manager believes it will maintain or possibly improve shareholder and market confidence in the Corporation. The Manager has discussed the Proposed Transition with the Ontario Securities Commission to ensure that the plan meets the requirements of Canadian securities regulators for the Corporation to cease to be classified as an investment fund, thereby mitigating any risk that it will be adversely affected by the Proposed Mortgage Investment Restrictions.

Increased Frequency of Reporting

Under the Public Company Regime, the Corporation would comply with NI 51-102 continuous disclosure requirements. For a detailed comparison of the differences between the current continuous disclosure requirements under NI 81-106 and those required under NI 51-102, please refer to Exhibit C. One of the key distinctions, however, is that financial statements will be provided on a quarterly basis rather than semi-annually and management expects to conduct quarterly conference calls to discuss the financial reports with Shareholders following the release of each quarterly report.

Potential for Analyst Coverage

Financial institutions in Canada typically do not provide research coverage of investment fund issuers. As the Proposed Transition would result in the Corporation reporting as a more typical reporting issuer under the Public Company Regime, the Corporation expects that research analysis coverage of the Corporation would be more likely.

Special Transaction Privileges in Advance of Regular Redemption Date

In light of the elimination of the annual and monthly share redemption rights, the Amendment to Articles set out in the Transition Resolution provides shareholders with the opportunity for a final one-time right to redeem their shares on the Redemption Date, being October 31, 2013. The Redemption Right provides shareholders the right to redeem at the NRV per Share on the Redemption Date, in advance of the regularly scheduled annual redemption date, which would otherwise be February 28, 2014.

Potential to Facilitate Future Growth for the Corporation

As a Public Company Regime issuer, it is expected that the Corporation will be able to issue a more diversified range of securities to investors, which will help facilitate growth of the Corporation, as considered appropriate by the Board in the context of current market conditions and the performance of the Corporation. Should the opportunity arise to make an acquisition that is determined to be in the interests of the Corporation, the increased ability to raise capital will also make such acquisitions more feasible.

Elimination of Redemption Feature Provides More Stability for the Corporation

The Amendment to Articles set out in the Transition Resolution will result in the removal of the annual redemption feature which the Manager believes will provide more long term stability for the Corporation. Although redemption rights can provide liquidity to investors, the long term effects can negatively impact the Corporation and its returns to Shareholders, as the Corporation is required to build cash reserves leading up to a redemption date, which results in extended periods of times that the Corporation is not utilizing such cash and negatively impacts yield. Also, if the Corporation is not able to replace the diminishing capital, the underlying asset base will deplete over time, providing less diversification for investors and increasing the risk profile of the portfolio.

In the case of the Corporation, redemptions are currently limited to 15% of the total outstanding shares of the Corporation in any one year.

STRUCTURE AND EVOLUTION OF MORTGAGE INVESTMENT CORPORATIONS

Mortgage investment corporations (“MICs”) are investment vehicles that enable investors to invest in a pool of mortgages. Typically, shares of a MIC are qualified investments under the Tax Act for RDSPs, RRSPs, RRIFs, TFSAs, or RESPs. The enactment of section 130.1 of the Tax Act allowed corporations, established for the purpose of buying and selling mortgages, to pass-through income earned on its investments to its shareholders without the imposition of corporate tax. Prior to the establishment of MICs, investors were generally limited to accessing mortgages by owning a portion of one syndicated mortgage. MICs make investment in residential mortgages more accessible to individual investors and provide another alternative method to invest in real estate.

In the early stages, regulatory restrictions on the listing of blind pools of mortgages forced the initial issuers in the industry, such as the Corporation, to utilize the investment fund structure. As the non-bank mortgage lending industry has matured, there is increasingly a compelling argument to use a more typical corporate finance structure such as that provided by the Public Company Regime, given the benefits of such a structure (as set out in “*Benefits of the Proposed Transition*”). This is also a view that is supported by securities regulators, as evidenced by the Proposed Mortgage Investment Restriction, whereby the regulators have suggested that no investment funds should invest in non-guaranteed mortgages, as well as *CSA Staff Notice 31-323 – Guidance Relating to the Registration Obligations of Mortgage Investment Entities* (“**Notice 31-323**”), guidance provided by the CSA which suggests that mortgage investment entities who originate and manage, rather than passively invest in mortgages, should not be classified as investment funds.

Indeed, the MIC industry today features issuers classified both under the Investment Funds Regime and the Public Company Regime.

Given the foregoing, the Board of the Corporation is of the view that the “Publicly Traded Corporation” structure will be the preferred structure for non-bank mortgage lending entities as the industry continues to evolve and mature. The Transition Resolution, if passed and implemented, will result in the Corporation moving from the “Publicly Traded Investment Fund” structure to the “Publicly Traded Corporations” structure.

Investing in mortgages through a MIC provides investors access to stable cash flows generated by interest payments, while their capital is secured by real estate assets. MICs with portfolios holding relatively short-duration mortgages, similar to the Corporation’s, also provide inflation protection as they are able to adjust lending rates in accordance with changes in market rates, resulting in a higher yield for investors as interest rates rise.

MICs in Canada are generally structured in one of three ways:

1. Private Entities
2. Publicly traded investment funds
3. Publicly traded corporations

Private MICs

Private MICs raise capital by way of private placements relying on prospectus exemptions (typically the Accredited Investor and Minimum Investment exemptions, as those terms are defined in National Instrument 45-106 *Prospectus and Registration Exemptions*). As corporations, private MICs are obligated to provide annual audited statements to shareholders, but are not subject to the same level of disclosure requirements as public reporting issuers.

Publicly Traded Investment Funds

MICs that are structured as publicly traded investment funds trade on a public market and raise capital and provide continuous disclosure pursuant to investment fund prospectus and continuous disclosure requirements. These requirements include, but are not limited to, audited annual financial statements, semi-annual unaudited financial statements, quarterly summaries of investment portfolio filings and semi-monthly publications of net asset value per share. Publicly traded investment funds, like other investment fund products, also do not typically hold annual general meetings involving public shareholders.

Publicly Traded Corporations

Publicly traded MICs that are subject to the traditional Public Company Regime raise capital and provide continuous disclosure pursuant to the same requirements as typical REITs, banks and other public companies. These requirements include, among other things, annual audited financial statements, quarterly unaudited financial statements, annual and quarterly management's discussion and analysis, and an annual information form. Common shareholders of public companies have voting rights and are able to exercise these voting rights at annual general meetings where they elect the board of directors and approve certain other matters presented to shareholders.

VOTES AND MINIMUM REQUIREMENTS

To be approved, the Transition Resolution must receive the affirmative vote of not less than two-thirds of the votes cast thereon by each of (i) the holders of Class A Shares voting separately as a class, (ii) the holders of Class B Shares voting separately as a class, (iii) the holders of Class I Shares voting separately as a class, (iv) the holders of Class J Shares voting separately as a class, (v) the holders of Voting Shares voting separately as a class and (vi) the holders of all Shares voting together as a single class.

For the Meeting, a quorum is present if (i) 10% of the outstanding Class A Shares; (ii) 10% of the outstanding Class B Shares; (iii) 10% of the outstanding Class I Shares; (iv) 10% of the outstanding Class J Shares; and (v) 10% of the outstanding Voting Shares are represented in person or by proxy at the Meeting.

For additional details on the voting rights of each class of Shares, please refer to "*Securities and Principal Holders Thereof – Restricted Securities*" below.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS FOR SHAREHOLDERS

In the opinion of McCarthy Tétrault LLP, the following is a summary of the principal Canadian federal income tax considerations under the Tax Act and the regulations thereunder (the "**Regulations**") in respect of the proposed reorganization of the share capital of the Corporation pursuant to the Amendment to Articles generally applicable to a Shareholder who, for the purposes of the Tax Act and at all relevant times, (i) holds Class A Shares, Class B Shares, Class I Shares and Class J Shares, and will hold New Common Shares, as capital property; (ii) deals at arm's length and is not affiliated with the Corporation; and (iii) is an individual (other than a trust) resident in Canada (a "**Holder**").

Generally, Shares will be considered to be capital property to a Holder unless such Shares are held in the course of carrying on a business of trading or dealing in securities or were acquired in one or more transactions considered to be an adventure in the nature of trade. Certain Holders who might not otherwise be considered to hold Shares as capital property may, in certain circumstances, be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have their Shares and every other “Canadian security” (as defined in the Tax Act) owned by such Holder in the taxation year of the election and in all subsequent taxation years deemed to be capital property.

This summary is not applicable to a Shareholder: (i) that is a “financial institution” for purposes of the mark-to-market rules contained in the Tax Act; (ii) that is a “specified financial institution” or “restricted financial institution”, each as defined in the Tax Act; (iii) who has acquired Shares upon the exercise of an employee stock option; (iv) that holds an interest which is or would constitute a “tax shelter investment”, as defined under the Tax Act; (v) that has made a “functional currency” election under the Tax Act to report its Canadian tax results in a currency other than the Canadian currency; or (vi) who has entered into a “synthetic disposition arrangement” or a “derivative forward agreement” (as these terms are defined in the proposed amendments contained in the Notice of Ways and Means Motion that accompanied the federal budget tabled by the Minister of Finance (Canada) on March 21, 2013) in respect of Shares. All such Shareholders should consult their own tax advisors.

This summary is based upon the facts set out in the Information Circular, the current provisions of the Tax Act and the Regulations, and counsel’s understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the “CRA”) in force as of the date hereof. This summary also takes into account all specific proposals to amend the Tax Act and the Regulations (the “**Proposed Amendments**”) publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and assumes that all Proposed Amendments will be enacted in the form proposed. However, there can be no assurance that the Proposed Amendments will be enacted in the form proposed or at all. Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action or decision, nor does it take into account provincial, territorial or foreign income tax considerations, which may differ from the Canadian federal income tax considerations discussed below.

This summary is based upon the assumption that the Corporation will qualify as a MIC at all relevant times. The Corporation has advised counsel that it intends to meet all of the requirements under the Tax Act to qualify as a MIC throughout its current taxation year and for all of its future taxation years. Counsel express no opinion as to the status of the Corporation as a MIC.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Accordingly, Holders should consult their own tax advisors for advice as to the tax consequences to them in respect of the Amendment to Articles having regard to their own particular circumstances.

Amendment to Articles

The Amendment to Articles will likely result in a disposition of the Class A Shares, Class B Shares, Class I Shares and Class J Shares for purposes of the Tax Act; however, no tax ruling has been obtained by the Corporation to confirm that result and no certainty can be provided in this regard.

A Holder (including a Dissenting Shareholder) of Class A Shares, Class B Shares, Class I Shares or Class J Shares will be deemed to have disposed his or her Class A Shares, Class B Shares, Class I Shares or Class J Shares on the Amendment to the Articles and will not realize a capital gain or a capital loss on such deemed disposition. Each such Holder will be considered to have disposed of the Class A Shares, Class B Shares, Class I Shares or Class J Shares, as the case may be, for proceeds of disposition equal to the aggregate adjusted cost base of the Class A Shares, Class B Shares, Class I Shares or Class J Shares, respectively, to such Holder, determined immediately before the Amendment to the Articles, and to have acquired Class A Shares, Class B Shares, Class I Shares or Class J Shares, respectively, at an aggregate cost equal to such deemed proceeds of disposition.

The aggregate paid-up capital for tax purposes (“PUC”) of the Class A Shares, the Class B Shares, the Class I Shares and the Class J Shares will be equal to the aggregate PUC of the Class A Shares, Class B Shares, the Class I Shares and the Class J Shares, respectively, calculated immediately before the Amendment to Articles takes effect.

Redemption of Shares

On the redemption of Class A Shares, Class B Shares, Class I Shares or Class J Shares in accordance with the Redemption Right, a Holder will be deemed to receive a dividend equal to the amount, if any, by which the Redemption Price exceeds the PUC of the Holder’s Shares redeemed. Any such deemed dividend would be required to be included in the Holder’s income as interest payable on a bond issued by the Corporation, unless and to the extent that the Corporation elects that all or part of the dividend be a capital gains dividend (to the extent the Corporation has realized sufficient capital gains in the year). The gross-up and dividend tax credit applicable to taxable dividends received by individuals from a taxable Canadian corporation will not apply to dividends paid by the Corporation. Capital gains dividends received by a Holder will be treated as a capital gain of the Holder from the disposition of capital property in the year. See “*Taxation of Capital Gains and Capital Losses*” below for the treatment of any capital gain.

The Holder will also be considered to have disposed of the relevant Shares for proceeds of disposition equal to the Redemption Price (less the deemed dividend, if any, referred to above). The Holder will realize a capital gain (or capital loss) to the extent that such adjusted proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Holder’s Shares disposed of. See “*Taxation of Capital Gains and Capital Losses*” below for the treatment of any capital gain or capital loss.

Exchange of Class A Shares, Class B Shares, Class I Shares and Class J Shares for New Common Shares

On the automatic exchange of Class A Shares, Class B Shares, Class I Shares and Class J Shares for New Common Shares on the Exchange Date, a Holder will not realize any capital gain or capital loss. Such Holder will be considered to have acquired the New Common Shares received on the exchange at an aggregate cost equal to the aggregate adjusted cost base of his or her Class A Shares, Class B Shares, Class I Shares or Class J Shares, as the case may be, exchanged.

The aggregate PUC of the New Common Shares after the exchange will be equal to the sum of the aggregate PUC of the Class A Shares, Class B Shares, Class I Shares and Class J Shares determined immediately before the exchange.

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a “**taxable capital gain**”) realized by a Holder in a taxation year will be included in the Holder’s income for the year, and one-half of any capital loss (an “**allowable capital loss**”) realized by a Holder in a taxation year must be deducted against taxable capital gains realized by the Holder in the year. Allowable capital losses in excess of taxable capital gains realized in a taxation year may be carried back up to three taxation years or carried forward indefinitely and deducted against net taxable capital gains realized in such years, to the extent and in the circumstances specified in the Tax Act. Capital gains realized may give rise to a liability for alternative minimum tax under the Tax Act.

Dissenting Shareholders

A Dissenting Shareholder will be deemed to receive a dividend equal to the amount, if any, by which any payment made by the Corporation (other than any interest awarded by a court) exceeds the PUC of the Dissenting Shareholder’s Shares immediately before the Amendment to Articles. Any such deemed dividend would be treated in the manner as described above under the heading “*Redemption of Shares*”. The Dissenting Shareholder will also be considered to have disposed of the Shares for proceeds of disposition equal to the amount of any payment made by the Corporation (less the deemed dividend referred to above, if any, and any interest awarded by a court). The Dissenting Shareholder will realize a capital gain (or capital loss) to the extent that such adjusted proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Dissenting Shareholder’s Shares disposed of. See “*Taxation of Capital Gains and Capital Losses*” above for the treatment of any capital gain or capital loss.

A Dissenting Shareholder will also be required to include any interest awarded by a court in computing such Dissenting Shareholder's income.

TSX CONDITIONAL APPROVAL

The TSX has conditionally approved the listing of the Common Shares to be issued upon the automatic conversion of the Class A, Class B, Class I and Class J Shares. Listing is subject to the Corporation's fulfilling all of the requirements of the TSX.

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE DIRECTORS OF THE CORPORATION HAVE UNANIMOUSLY APPROVED THE PROPOSED TRANSITION, THE AMENDMENT TO ARTICLES AND THE DIRECTOR ELECTION AND UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE TRANSITION RESOLUTION AT THE MEETING FOR THE REASONS SET FORTH ABOVE.

THE INDEPENDENT DIRECTORS HAVE MET SEPARATELY AND APPROVED THE PRINCIPAL TERMS OF THE NEW MANAGEMENT AGREEMENT DESCRIBED HEREIN, AND DETERMINED THAT THE APPOINTMENT OF TIMBERCREEK AS MANAGER PURSUANT TO THE NEW MANAGEMENT AGREEMENT IS IN THE BEST INTERESTS OF THE CORPORATION. THE INDEPENDENT DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE TRANSITION RESOLUTION AND THE APPOINTMENT OF TIMBERCREEK AS MANAGER PURSUANT TO THE NEW MANAGEMENT AGREEMENT.

TIMELINE

Summary of Key Dates and Times

The following is a summary of the expected key dates relevant to the Meeting and the Transition Resolution. Such dates are subject to change as described in this Information Circular.

Proxy Due Date.....	10:00 a.m. (Toronto time) on September 10, 2013 ⁽¹⁾
Meeting Date	10:00 a.m. (Toronto time) on September 12, 2013
Effective Date	currently intended to be September 13, 2013 ⁽²⁾
Redemption Notice Deadline.....	October 1, 2013
Redemption Date	October 31, 2013
Redemption Payment Date	on or before November 30, 2013
Exchange Date.....	currently intended to be November 30, 2013 ⁽²⁾

- (1) Shareholders should contact their broker or other intermediary through which their Shares are held in advance of the Meeting, as brokers and other intermediaries may set deadlines earlier than September 10, 2013 for the receipt of voting instruction forms or proxies.
- (2) Actual date will be confirmed by a press release and a material change report to be filed by the Corporation

DISSENT RIGHTS

The following description of the Dissent Rights is not a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the fair value of its Dissent Shares and is qualified in its entirety by the reference to the full text of section 190 of the CBCA, which is attached to this Information Circular as Exhibit D. A Dissenting Shareholder who intends to exercise Dissent Rights should carefully consider and comply with the provisions of section 190 of the CBCA.

It is recommended that Shareholders wishing to avail themselves of their Dissent Rights seek legal advice, as failure to comply strictly with the provisions of Section 190 of the CBCA may prejudice any such rights.

Section 190 of the CBCA provides Shareholders with the right to dissent from certain resolutions of a corporation which effect extraordinary corporate transactions or fundamental changes. Accordingly, any Registered Shareholder who dissents from the Transition Resolution in compliance with the Dissent Rights will be entitled, in the event the Transition Resolution becomes effective, to be paid by the Corporation the fair value of the Shares held by such Dissenting Shareholder determined as of the close of business on the day before the Transition Resolution is adopted, on the same terms as provided for under section 190 of the CBCA.

The Dissent Rights provide that a Shareholder may only make a claim under such Dissent Rights with respect to all the Shares held by the Shareholder on behalf of any one Beneficial Shareholder and registered in the Shareholder's name. One consequence of this is that a Registered Shareholder may only exercise the Dissent Rights in respect of the Shares which are registered in that Registered Shareholder's name. In many cases, Shares beneficially owned by a person are registered either: (a) in the name of an intermediary that such person deals with in respect of such shares; or (b) in the name of a clearing agency (such as CDS) of which the intermediary is a participant. Accordingly, a Beneficial Shareholder will not be entitled to exercise their Dissent Rights directly (unless the Shares are re-registered in the Beneficial Shareholder's name). A Beneficial Shareholder who wishes to exercise their Dissent Rights should immediately contact the intermediary with whom the Beneficial Shareholder deals in respect of his, her or its Shares and either: (i) instruct the intermediary to exercise the Dissent Right on the Beneficial Shareholder's behalf (which, if the Shares are registered in the name of CDS or other clearing agency, would require that the Shares first be re-registered in the name of the intermediary); or (ii) instruct the intermediary to re-register the Shares in the name of the Beneficial Shareholder, in which case the Beneficial Shareholder would become a Registered Shareholder and would have to exercise the right to dissent directly.

The Dissent Rights provide that a Registered Shareholder who wishes to dissent from the Transition Resolution must provide notice of dissent (a "Notice of Dissent") to the offices of the Corporation at 1000 Yonge Street, Suite 500, Toronto, Ontario, Canada M4W 2K2, at or before the date of the Meeting or any adjournment or postponement thereof.

The filing of a Notice of Dissent does not deprive a Registered Shareholder of the right to vote at the Meeting; however, the Dissent Rights provide, in effect, that a Registered Shareholder who has submitted a Notice of Dissent and who votes in favour of the Transition Resolution will be deprived of further rights of dissent. The Dissent Rights do not provide, and the Corporation will not assume, that a vote against the Transition Resolution or an abstention constitutes a Notice of Dissent, but a Registered Shareholder need not vote his, her or its Shares against the Transition Resolution in order to dissent.

Similarly, the revocation of a proxy conferring authority on the proxy holder to vote in favour of the Transition Resolution does not constitute a Notice of Dissent; however, any proxy granted by a Registered Shareholder who intends to dissent, other than a proxy that instructs the proxy holder to vote against the Transition Resolution, should be validly revoked in order to prevent the proxy holder from voting such Shares in favour of the Transition Resolution and thereby causing the Registered Shareholder to forfeit his, her or its Dissent Rights.

The Corporation is required, within ten (10) days after the Shareholders adopt the Transition Resolution, to notify each Dissenting Shareholder that the Transition Resolution has been adopted. Such notice is not required to be sent to any Dissenting Shareholder who has voted for the Transition Resolution or who has withdrawn his, her or its Notice of Dissent. A Dissenting Shareholder who has not withdrawn his, her or its notice of dissent must then, within twenty (20) days after receipt of notice that the Transition Resolution has been adopted or, if the Dissenting Shareholder does not receive such notice, within twenty (20) days after he, she, or it learns that the Transition Resolution has been adopted, send to the Corporation a demand for payment (a "**Payment Demand**"), containing his, her or its name and address, the number and class of Shares in respect of which he, she or it dissented, and a demand for payment of the fair value of such Shares.

Within thirty (30) days after a Payment Demand is made, the Dissenting Shareholder must send to the Corporation or the Transfer Agent the certificates representing the Shares in respect of which he, she or it has dissented. A Dissenting Shareholder who fails to send certificates representing the Shares in respect of which he, she or it has dissented forfeits

his, her or its right to dissent. The Corporation or the Transfer Agent will endorse on any share certificate received from a Dissenting Shareholder a notice that the holder is a Dissenting Shareholder and will forthwith return the share certificates to the Dissenting Shareholder. After making a Payment Demand, a Dissenting Shareholder ceases to have any rights as a Shareholder, other than the right to be paid the fair value of his, her or its Shares as determined under the Dissent Rights, unless: (i) the Dissenting Shareholder withdraws the Payment Demand before the Corporation makes the Offer to Pay; (ii) the Corporation fails to make a timely Offer to Pay to the Dissenting Shareholder and the Dissenting Shareholder withdraws his, her or its Payment Demand; or (iii) the Board of the Corporation revokes the Transition Resolution, in all of which cases the Dissenting Shareholder's rights as a Shareholder are reinstated as of the date of the Payment Demand.

The Corporation is required, not later than seven (7) days after the later of the Effective Date or the date on which the Corporation received a Payment Demand from a Dissenting Shareholder, to send to the Dissenting Shareholder who submitted the Payment Demand in accordance with the CBCA either (i) a written offer to pay for the Shares in respect of which he, she or it has dissented in an amount considered by the Board to be the fair value thereof, accompanied by a statement showing the manner in which such fair value was determined (an "**Offer to Pay**"), or (ii) a notice that, under the CBCA, the Corporation is unable to lawfully pay a Dissenting Shareholder for the Shares in respect of which he, she or it dissented in accordance with Section 190 of the CBCA.. Every written Offer to Pay made by the Corporation to a Dissenting Shareholder must be on the same terms.

Unless the Corporation as provided notice that it is unable to make the payment provided for in the Offer to Pay in accordance with the CBCA, the Corporation must pay for the Shares of a Dissenting Shareholder within ten (10) days after an Offer to Pay has been accepted by such Dissenting Shareholder, but any such Offer to Pay lapses if the Corporation does not receive an acceptance thereof within thirty (30) days after the Offer to Pay has been made.

Under Section 190 of the CBCA, if the Corporation fails to make an Offer to Pay or if a Dissenting Shareholder fails to accept an offer which has been made, the Corporation may, within fifty (50) days after the Effective Date or within such further period as the court may allow, apply to the court to fix a fair value for the Shares of any remaining Dissenting Shareholders. If the Corporation fails to apply to the court, a Dissenting Shareholder may apply to the court for the same purpose within a further period of twenty (20) days or within such further period as the court may allow.

SECURITIES AND PRINCIPAL HOLDERS THEREOF

Authorized and Outstanding Securities

As of the date of this Information Circular, the authorized capital of the Corporation consisted of an unlimited number of Class A Shares, an unlimited number of Class B Shares, an unlimited number of Class I Shares, an unlimited number of Class J Shares and an unlimited number of Voting Shares. As of the date of this Information Circular, there were 36,895,771 Class A Shares, 219,559 Class B Shares, 513,700 Class I Shares, 221,000 Class J Shares and 99 Voting Shares issued and outstanding.

Holdings of Directors

As of the date of this Information Circular, the number of securities of each class of Shares of the Corporation beneficially owned, or controlled or directed, directly or indirectly by each director or proposed director of the Corporation is as follows:

Name	Number and Class of Shares held
Robert Douglas	Nil.
Steven Scott	Nil.
W. Glenn Shyba	Nil.
R. Blair Tamblyn	6,000 Class A Shares
Ugo Bizzarri	10,275 Class A Shares

Name	Number and Class of Shares held
Andrew Jones	4,500 Class A Shares
David Melo	550 Class A Shares

Holdings of Principals

As of the date of this Information Circular, the directors and officers of Timbercreek held, together with Timbercreek, 96,225 Class A Shares and 45,000 Class B Shares of the Corporation.

Restricted Securities

The Class Shares are “non-voting securities”, a type of “restricted securities” within the meaning of such terms as defined in NI 51-102, as the Class Shares do not carry a right to vote generally, except as mandated in special circumstances and by law and the rights and restrictions of the Voting Shares include voting rights superior to those of the Class Shares. The Voting Shares are “restricted securities” within the meaning of such term as defined in NI 51-102 as the rights and restrictions of the Class Shares include superior rights to participate in the earnings or assets of the Corporation.

As of the date of this Information Circular:

1. the approximate percentage of aggregate voting rights attached to each class of Share for the purposes of a vote of all Shareholders of the Corporation, as is required for approval of the Transition Resolution, is as follows:
 - Class A Shares: 97.48%
 - Class B Shares: 0.58%
 - Class I Shares: 1.36%
 - Class J Shares: 0.58%
 - Voting Shares: 0.0003%

Pursuant to the Articles, holders of Class Shares are entitled to vote only on certain matters. Under the Articles, the following acts (each, a “**Shareholder Matter**”) require the approval of the holders of Class Shares:

- (1) a change to the fundamental investment objectives or investment restrictions of the Corporation, unless such changes are necessary to maintain the Corporation’s status as a “mortgage investment corporation” for purposes of the Tax Act or otherwise to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (2) 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 (as defined below) 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;
- (3) any increase in the basis of calculating the management fee paid to the Manager or the rate per annum of the management fee;
- (4) the sale of all or substantially all of the assets of the Corporation other than in the ordinary course of its activities and other than in connection with the termination of the Corporation;

- (5) any amendment, modification or variation in the provisions or rights attaching to the Class A Shares, Class B Shares, Class I Shares, Class J Shares or Voting Shares;
- (6) any cessation of the Corporation's mortgage investment business and termination of the Corporation, other than, subject to applicable law, a winding-up of the Corporation by the Manager if the Manager believes that it is no longer economically practical to continue the Corporation or that it would be in the best interests of shareholders of the Corporation to wind-up the affairs of the Corporation;
- (7) a reorganization with, or transfer of assets to, another entity, if:
 - i. the Corporation ceases to continue after the reorganization or transfer of assets; and
 - ii. the transaction results in holders of Class A Shares, Class B Shares, Class I Shares and Class J Shares becoming securityholders in the other entity;
- (8) a reorganization with, or acquisition of assets of, another entity, if:
 - i. the Corporation continues after the reorganization or acquisition of assets; and
 - ii. the transaction results in the securityholders of the other entity holding a majority of the outstanding securities of the Corporation; or
- (9) any offering of Shares at a price per Share the net proceeds of which is less than 100% of the NRV per Class A Share, NRV per Class B Share, NRV per Class I Share or NRV per Class J Share, as the case may be, as at
 - (a) the date immediately prior to the date an engagement letter is entered into with respect to such offering, or
 - (b) the date immediately prior to the date of pricing of such offering, or (c) in the case of a direct sale of Shares by the Corporation not made through an underwriter or an agent engaged by the Corporation, at the time the subscription is agreed to by the Corporation.

Each Class A Share, Class B Share, Class I Share and Class J Share will have one vote at such a meeting. Items (1) through (4) require approval by resolution passed by at least 66 $\frac{2}{3}$ % of the votes cast by holders of Class Shares voting together as a single class. Items (5) and (6) require approval by resolution passed by at least 66 $\frac{2}{3}$ % of the votes cast by the holders of each class of Class Shares required to vote on the matter, voting separately with their respective class. Item (7) requires approval by resolution passed by at least a simple majority of votes cast by the holders of each class of Class Share entitled to vote thereon voting separately with their respective class, unless a greater majority is required by law. Items (8) and (9) will require approval by resolution passed by at least a simple majority of votes cast by holders of Class Shares, voting together as a single class.

The holders of Voting Shares are entitled to vote on all matters except Shareholder Matters. The Amendment to Articles and the New Management Agreement are each considered a Shareholder Matter. While the holders of Voting Shares have the right under the Articles to elect directors, and as such, the Director Election is not a Shareholder Matter, given that if the Transition Resolution is approved and implemented, the holders of the New Common Shares would have voting rights on the election of directors, the Board has determined that it is appropriate to, in connection with the Proposed Transition, obtain the approval of the Shareholders in respect of the Director Election.

However, in addition to the voting rights provided under the Articles, the CBCA provides all Shareholders of the Corporation with the right to vote on any amendment to the Articles. Each Share entitles the holder thereof to one vote on all matters to be acted upon at the Meeting voting separately as a class or together with the holders of other classes of Shares, as applicable.

As such, in accordance with the foregoing voting rights provided under the Articles and the CBCA, the approval of the Transition Resolution must receive the affirmative vote of not less than two-thirds of the votes cast thereon by (i) the holders of Class A Shares voting separately as a class, (ii) the holders of Class B Shares voting separately as a class, (iii) the holders of Class I Shares voting separately as a class, (iv) the holders of Class J Shares voting separately as a

class, (v) the holders of Voting Shares voting separately as a class and (vi) the holders of all Shares voting together as a single class.

Record Date

The Record Date for the determination of Shareholders entitled to receive notice of the Meeting has been fixed at August 8, 2013. In accordance with the provisions of the CBCA, the Corporation will prepare a list of holders of Shares as of the Record Date. Each holder of Shares named in the list will be entitled to vote the shares shown opposite his or her name on the list at the Meeting. All such holders of record of Shares are entitled either to attend the Meeting and vote thereat in person the Shares held by them in accordance with the voting rights described herein or, provided a completed and executed proxy shall have been delivered to the Transfer Agent within the time specified in the attached Notice of Meeting, to attend and vote thereat by proxy the Shares held by them in accordance with the voting rights described herein. Please see “*How to Vote*” for more details.

Principal Holders

To the knowledge of the Corporation, no person, firm or corporation beneficially owns, directly or indirectly, or exercises control or direction over 10% or more of the voting rights attached to any of the following classes of shares of the Corporation: Class A Shares, Class B Shares, Class I Shares, Class J Shares or Voting Shares, other than as follows:

<u>Name</u>	<u>Number and Class of Shares held</u>
Mclean & Partners Tactical Monthly Income Pool	65,000 Class I Shares ¹
Stephen & Michelin Tait	74,700 Class I Shares ²
Elliottfarrar Financial Services Limited	25,000 Class J Shares ³

¹ approximately 12.65% of the currently issued and outstanding Class I Shares.

² approximately 45.54% of the currently issued and outstanding Class I Shares.

³ approximately 11.31% of the currently issued and outstanding Class J Shares.

COSTS OF THE MEETING

All costs of the Proposed Transition, consisting primarily of soliciting dealer fees, soliciting broker fees, financial advisory fees and legal fees, which are expected to be approximately \$0.05 per Share (based on an estimated 25% of Shareholders participating in the meeting, and solicitation fees being paid in respect of 45% of Shares voted), will be borne by the Corporation, subject to the following sentence. The Manager shall be responsible for any expenses over \$0.05 per Share, up to a maximum amount of \$250,000.

SOLICITATION DEALERS, SOLICITATION FEES AND ADVISORY FEES

The Corporation has retained TD Securities Inc., CIBC World Markets Inc. and Raymond James Ltd. to form a soliciting dealer group to solicit votes in favour of the Transition Resolution and to act as financial advisors to the Corporation in respect of the Proposed Transition. The Corporation will pay a solicitation dealer fee of \$75,000, plus an additional \$575,000 in the event the Transition Resolution is approved and the Proposed Transition, Amendment to Articles and New Management Agreement are effected.

In addition, the Corporation will pay a fee to properly designated soliciting brokers equal to \$0.18 in respect of each Class A Share or Class J Share that is (i) voted in favour of the Transition Resolution and (ii) not redeemed pursuant to the Redemption Right. Solicitation fees will not be paid in respect of Shares if they have not been voted in favour of the Transition Resolution, even if they are not redeemed. The fees to properly designated brokers will only be paid if the transactions contemplated under the Transition Resolution are approved and effected.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The Corporation currently has no equity compensation plans in place.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No director, senior officer or insider of the Corporation or associate or affiliate of such person has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, except for (i) the fact that Messrs Tamblyn, Bizzarri, Jones and Melo who are directors and/or officers of the Corporation and are also directors and/or officers of Timbercreek and as such, are interested in the New Management Agreement and the Transition Resolution and (ii) the fact that Messrs Tamblyn, Bizzarri and Jones are all direct or indirect shareholders of Timbercreek and as such, are interested in the New Management Agreement and the Transition Resolution.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the Corporation's executive officers, directors, employees, former executive officers, former directors or former employees, as of the date hereof, is indebted to the Corporation. In addition, none of the indebtedness of these individuals to another entity has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as described herein, no Informed Person (as such term is defined in NI 51-102) of the Corporation, nor any associate or affiliate of an Informed Person of the Corporation, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Corporation, except for the fact that Messrs Tamblyn, Bizzarri and Jones are all direct or indirect shareholders of Timbercreek and as such, are interested in the New Management Agreement and the Transition Resolution.

AUDITORS

KPMG LLP, Chartered Accountants are the auditors of the Corporation. They were appointed on January 17, 2012.

DIRECTORS AND OFFICERS OF THE MANAGER

The name, municipality of residence, office and principal occupation of each of the directors and officers of the Manager applicable to the Corporation are set out below:

Name and Municipality of Residence	Position with the Manager	Principal Occupation
R. Blair Tamblyn <i>Toronto, Ontario</i>	Director (Chairman), President and Chief Executive Officer (and CEO of the Corporation)	Director, Chief Executive Officer and Founding Managing Director of Timbercreek Asset Management Inc.
Ugo Bizzarri <i>Toronto, Ontario</i>	Director, Founding Managing Director, Portfolio Management and Investments (and CFO of the Corporation)	Director, Founding Managing Director, Portfolio Management and Investments of Timbercreek Asset Management Inc.
Andrew Jones <i>Toronto, Ontario</i>	Managing Director, Debt Investments	Managing Director, Debt Investments of Timbercreek Asset Management Inc.
David Melo	Chief Compliance Officer and	Managing Director, Finance and Chief

<i>Toronto, Ontario</i>	Managing Director, Finance	Compliance Officer of Timbercreek Asset Management Inc.
Carrie Morris <i>Toronto, Ontario</i>	Managing Director, Capital Markets & Corporate Communications and Secretary	Director, Managing Director, Capital Markets & Corporate Communications of Timbercreek Asset Management Inc.
Chris Humeniuk <i>Toronto, Ontario</i>	Member of Mortgage Advisory Committee	President, Community Trust Corporation
Ken Lipson <i>Toronto, Ontario</i>	Member of Mortgage Advisory Committee	Consultant
Pamela Spackman <i>Toronto, Ontario</i>	Member (Chair) of Mortgage Advisory Committee	Consultant

Mortgage Advisory Committee

All mortgage investments made by the Corporation are first approved by an independent Mortgage Advisory Committee. The Mortgage Advisory Committee is an advisory committee appointed by the Manager pursuant to the Current Management Agreement consisting of at least two independent members within the meaning of applicable securities laws. The members of the Mortgage Advisory Committee are Chris Humeniuk, Ken Lipson and Pamela Spackman (Chair).

Mortgage loans that are determined to be satisfactory by the Manager upon completion of its due diligence will be presented to the Mortgage Advisory Committee together with a comprehensive due diligence report. The Mortgage Advisory Committee will consider each investment opportunity presented to it by the Manager 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. Following its analysis of the mortgage investment opportunities, the Mortgage Advisory Committee will make a recommendation to the Manager. Only with a positive recommendation from the Mortgage Advisory Committee will the Manager consider whether or not to allocate assets of the Corporation to such opportunities. In the most recently completed financial year, the Corporation paid approximately \$71,734 to the Mortgage Advisory Committee representing the Corporation's pro-rata share of the fees paid to the Mortgage Advisory Committee.

Except as otherwise disclosed herein, neither the Manager, any Informed Person (as such term is defined in NI-51-102) of the Manager, any member of the Management Advisory Committee, nor any affiliate or associate thereof, owes any outstanding indebtedness to, or has engaged in any transaction or arrangement with, the Corporation at any time since the start of the Corporation's most recently completed financial year.

TRANSITION TO IFRS

If the Transition Resolution is approved, as part of the Public Company Regime, the Corporation will adopt International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and prepare financial statements and related disclosures in accordance with IFRS. Exhibit E sets out the (i) annual financial statements and Management's Discussion and Analysis ("**MD&A**") for the period ended December 31, 2012, with comparables to the period from December 1, 2011 (date of incorporation) to December 31, 2011; (ii) interim financial statements and MD&A for the period ended March 31, 2013, which have been prepared in accordance with IFRS; and (iii) interim financial statements and MD&A for the period ended June 30, 2013, which have been prepared in accordance with IFRS.

ADDITIONAL

Additional information, including financial information, relating to the Corporation, including the Corporation's comparative annual audited financial statements and MD&A are available on SEDAR at www.sedar.com. Copies of the financial statements and MD&A may also be obtained on request, at no cost, by calling toll-free 1-866-898-8868, by contacting the Manager at info@timbercreek.com, or through the Manager's website at www.timbercreek.com.

DIRECTORS' APPROVAL

The contents of this Information Circular and the sending thereof to the shareholders of the Corporation have been approved by the Board.

DATED at Toronto, Ontario as of August 12, 2013.

BY ORDER OF THE BOARD OF DIRECTORS



R. Blair Tamblyn
Chairman and Chief Executive Officer

**EXHIBIT A
THE RESOLUTIONS**

TRANSITION RESOLUTION

BE IT RESOLVED as a special resolution that:

1. The transition (the “**Proposed Transition**”) by Timbercreek Senior Mortgage Investment Corporation (the “**Corporation**”) from the Canadian securities regulatory regime for investment funds, including but not limited to compliance with continuous disclosure under National Instrument 81-106 and prospectus disclosure prepared under National Instrument 41-101F2, to the Canadian securities regulatory regime for reporting issuers that are not investment funds, including but not limited to compliance with continuous disclosure under National Instrument 51-102 and prospectus disclosure prepared under National Instrument 41-101F1, is hereby approved.
2. The articles of incorporation of the Corporation, as amended (the “**Articles**”) be amended in the following manner:
 - A. Paragraph 3 of the Articles be deleted in its entirety and be replaced with the provisions set out in Schedule 1 attached hereto.
 - B. Paragraph 7 of the Articles be deleted in its entirety and be replaced with the provisions set out in Schedule 2 attached hereto.
3. The Articles be amended to make such other consequential amendments as may be necessary to give effect to and implement the foregoing resolutions;
4. The appointment of Timbercreek Asset Management Inc. (“**Timbercreek**”) as the new manager of the Corporation is hereby authorized and approved;
5. The entering into of a new Management Agreement (the “**Management Agreement**”) between the Corporation and Timbercreek and the transactions contemplated under the Management Agreement are hereby authorized and approved;
6. The entering into of a termination agreement (the “**Termination Agreement**”) between the Corporation and Timbercreek Asset Management Ltd. (the “**Manager**”) for the termination of the management agreement dated December 29, 2011 between the Corporation and the Manager is hereby authorized and approved;
7. Ed Boomer, Ugo Bizzarri and Andrew Jones be elected as directors of the Corporation, such election to be effective one day after the effective date of the Management Agreement;
8. Any one officer or director of the Corporation be and is hereby authorized to execute and deliver the Management Agreement and the Termination Agreement with such alterations, amendments and variations thereto as such officer or director may approve, such approval to be conclusively evidenced by such officer’s or director’s execution and delivery thereof;
9. Any one officer or director of the Corporation be and is hereby authorized and directed for and on behalf of the Corporation to do and perform all acts and things and to execute and deliver all documents, certificates, instruments and agreements, whether under the corporate seal of the Corporation or otherwise, and to take all such steps as in the opinion of the officer or director may be necessary or advisable in order to carry out and give full effect to any of the foregoing resolution, the execution and delivery of such applications, documents, certificates, instruments and agreements by such director or officer being conclusive evidence of such determination; and

10. Notwithstanding that the foregoing resolutions have been duly approved by the shareholders of the Corporation, the directors of the Corporation, in their sole discretion, are hereby authorized and empowered to elect not to implement the amendments to the Articles or any other transactions contemplated by any of the foregoing resolutions at any time before it is acted upon without further approval from the shareholders of the Corporation.

EXHIBIT A (SCHEDULE 1)

The Corporation is authorized to issue an unlimited number of Common Shares, Class A Shares, Class B Shares, Class I Shares, Class J Shares and Voting Shares.

A. INTERPRETATION

- (a) Unless otherwise provided herein, in the event that any day on or by which any action is required to be taken hereunder is not a Business Day, then such action shall be required to be taken on the next succeeding day that is a Business Day.
- (b) Unless otherwise provided herein, the term “close of business” means 4:00 p.m. (Toronto time) or such other time as may be established by the Manager.
- (c) As used herein:
 - (i) “**Act**” means the *Canada Business Corporations Act*, as amended from time to time;
 - (ii) “**Business Day**” means any day on which the TSX is open for business;
 - (iii) “**Class A Exchange Ratio**” has the meaning set forth in Section E2;
 - (iv) “**Class B Exchange Ratio**” has the meaning set forth in Section E2;
 - (v) “**Class I Exchange Ratio**” has the meaning set forth in Section E2;
 - (vi) “**Class J Exchange Ratio**” has the meaning set forth in Section E2;
 - (vii) “**Class Net Redemption Value**” means, in respect of a class of Class Shares, the net redemption value for that class of Class Shares calculated as:
 - (A) the Class Net Redemption Value last calculated for that class of Class Shares (except for the first calculation, in respect of which this value will be the NAV applicable to that class of Class Shares); plus
 - (B) the increase in assets attributable to that class of Class Shares as a result of the issuance of additional Class Shares of that class since the last calculation; minus
 - (C) the decrease in the assets attributable to that class of Class Shares as a result of the redemption or exchange of Class Shares out of that class since the last calculation; plus or minus
 - (D) the Proportionate Share of the Net Change in Corporation Assets attributable to that class of Class Shares since the last calculation; minus
 - (E) any Share Class Expenses attributable to that class since the last calculation; plus
 - (F) the costs associated with the establishment, structuring and periodic offering of securities of the Corporation attributable to that class of Class Shares, amortized monthly over a period of five years. These expenses (which include Class Share issue but not selling expenses) will be included in the calculation of Class Net Redemption Value until the Corporation reaches total assets sufficient to achieve its long term investment strategies;

- (viii) “**Class Shares**” means any or all of the Class A Shares, Class B Shares, Class I Shares and Class J Shares, as the context may require;
- (ix) “**Distributions**” means any distributions paid in any form by the Corporation on any class of Shares, including without limitation (a) dividends, (b) payments made on a reduction of stated capital, or (c) any combination of any such distributions;
- (x) “**Exchange Features**” means, collectively, the Class A Exchange Feature, Class B Exchange Feature, the Class I Exchange Feature and the Class J Exchange Feature as such terms are defined in Section E(1) below, and “**Exchange Feature**” means any of the Class A Exchange Feature, Class B Exchange Feature, the Class I Exchange Feature and the Class J Exchange Feature, as the context may require;
- (xi) “**Exchange Ratio**” means, as applicable, the Class A Exchange Ratio, the Class B Exchange Ratio, the Class I Exchange Ratio or the Class J Exchange Ratio;
- (xii) “**Investment Objectives**” means the investment objectives of the Corporation as defined and set forth in paragraph 7 (Other Provisions) of the articles of the Corporation;
- (xiii) “**Investment Restrictions**” means the investment restrictions of the Corporation as defined and set forth in paragraph 7 (Other Provisions) of the articles of the Corporation;
- (xiv) “**Lender Fees**” means all mortgage origination and placement fees generated in connection with mortgage loans funded by the Corporation;
- (xv) “**Management Agreement**” means the management agreement to be entered into between the Manager and the Corporation, as it may be supplemented, amended and/or restated from time to time in accordance with its terms;
- (xvi) “**Management Fee**” means the management fee payable to the Manager equal to 0.85% per annum of the gross assets of the Corporation (without deduction of any liabilities, but less any amounts reflected as assets that are held by third parties pursuant to a syndicated mortgage loan), calculated, aggregated and paid monthly in arrears, plus applicable taxes;
- (xvii) “**Manager**” means Timbercreek Asset Management Inc., its successors or assigns, or such other manager appointed by the Corporation from time to time;
- (xviii) “**NAV**” means the net asset value of the Corporation, being the value of the consolidated assets of the Corporation less (1) the consolidated liabilities of the Corporation and (2) the stated capital of the Voting Shares of the Corporation;
- (xix) “**Net Change in Corporation Assets**” means all mortgage interest, Lender Fees plus other income accrued by the Corporation as of the relevant date of calculation or Valuation Date less the Shared Expenses of the Corporation to be accrued by the Corporation as of such relevant date of calculation or Valuation Date;
- (xx) “**NRV**” means the net redemption value of the Corporation, which is equal to the sum of the Class Net Redemption Value for each class of Class Shares;
- (xxi) “**NRV per Class A Share**” means the quotient obtained by dividing the Class Net Redemption Value of the Class A Shares by the total number of Class A Shares (immediately before any applicable Share redemption or subscription) then outstanding at the close of business on the relevant date of calculation or the Valuation Date;

- (xxii) “**NRV per Class B Share**” means the quotient obtained by dividing the Class Net Redemption Value of the Class B Shares by the total number of Class B Shares (immediately before any applicable Share redemption or subscription) then outstanding at the close of business on the relevant date of calculation or the Valuation Date;
- (xxiii) “**NRV per Class I Share**” means the quotient obtained by dividing the Class Net Redemption Value of the Class I Shares by the total number of Class I Shares (immediately before any applicable Share redemption or subscription) then outstanding at the close of business on the relevant date of calculation or the Valuation Date;
- (xxiv) “**NRV per Class J Share**” means the quotient obtained by dividing the Class Net Redemption Value of the Class J Shares by the total number of Class J Shares (immediately before any applicable Share redemption or subscription) then outstanding at the close of business on the relevant date of calculation or the Valuation Date;
- (xxv) “**NRV per Share**” means, as applicable, NRV per Class A Share, NRV per Class B Share, NRV per Class I Share or NRV per Class J Share;
- (xxvi) “**Portfolio**” means the portfolio of first mortgage loan investments of the Corporation;
- (xxvii) “**Proportionate Share**” means, for a class of Class Shares, the amount calculated by multiplying the Net Change in Corporation Assets by a fraction, the numerator of which is the Class Net Redemption Value for that class of Class Shares on the day immediately preceding relevant date of calculation or Valuation Date and the denominator of which is the NRV on the day immediately preceding relevant date of calculation or Valuation Date;
- (xxviii) “**Redemption Date**” means October 31, 2013 or such later date as may be specified by the Corporation by written notice to the holders of the Class A Shares, Class B Shares, Class I Shares and Class J Shares;
- (xxix) “**Redemption Notice Deadline**” means October 1, 2013 or such later date as may be specified by the Corporation by written notice to the holders of the Class A Shares, Class B Shares, Class I Shares and Class J Shares;
- (xxx) “**Redemption Payment Date**” means on or before November 30, 2013;
- (xxxi) “**Redemption Price**” means (i) for Class A Shares, the price per Class A Share equal to 100% of the NRV per Class A Share on the Redemption Date; (ii) for Class B Shares, the price per Class B Share equal to 100% of the NRV per Class B Share on the Redemption Date; (iii) for Class I Shares, the price per Class I Share equal to 100% of the NRV per Class I Share on the Redemption Date; (iv) for Class J Shares, the price per Class J Share equal to 100% of the NRV per Class J Share on the Redemption Date;
- (xxxii) “**Related Persons**” has the meaning ascribed to that term in the Tax Act as it relates to the description of the number of shares that may be held by shareholders of a “mortgage investment corporation”, as such term is defined in the Tax Act;
- (xxxiii) “**Share Class Expenses**” are the expenses of the Corporation allocable to a specific class of Class Shares. Specifically, for Class A Shares, these Share Class Expenses include any trailer fee paid to registered dealers, designees of the registered dealers or other persons that the Corporation may deem appropriate in respect of Class A Shares and, for Class J Shares, the trailer fee that the Manager may arrange for the Corporation to pay to registered dealers whose clients hold Class J Shares, designees of the registered dealers or other persons that the Corporation may deem appropriate;

- (xxxiv) “**Shared Expenses**” are expenses of the Corporation which are not Share Class Expenses, including but not limited to audit, taxation, legal, transfer agent, director, Independent Review Committee and other costs associated with operating the Corporation;
- (xxxv) “**Shares**” means any or all of the Common Shares, Class A Shares, Class B Shares, Class I Shares and Class J Shares, as the context may require;
- (xxxvi) “**Tax Act**” means the *Income Tax Act* (Canada);
- (xxxvii) “**TSX**” means the Toronto Stock Exchange or any successor thereto; and
- (xxxviii) “**Valuation Date**” means, for the purposes of calculating NAV and NRV, the last business day of each calendar month.

B. VOTING SHARES

The rights, privileges, restrictions and conditions attaching to the Voting Shares are as follows:

1. Priority

In the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or on the occurrence of any other event as a result of which holders of Voting Shares are entitled to a distribution of assets of the Corporation for the purpose of winding-up its affairs, Voting Shares shall rank equally with each other, subsequent to the Common Shares, Class A Shares, Class B Shares, Class I Shares and Class J Shares, but in priority to any other shares of the Corporation ranking junior to the Voting Shares.

2. Voting Rights

The holders of the Voting Shares shall be entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Corporation (except where the holders of a specified class or classes of Shares, other than Voting Shares, are entitled to vote separately or collectively as a class in the Act) and each Voting Share shall confer the right to one vote in person or by proxy at all such meetings of shareholders of the Corporation.

3. Distributions

The holders of the Voting Shares shall not be entitled to any Distributions.

4. Retraction

- (a) The Corporation may, at its option, retract all or, from time to time, any part of the outstanding Voting Shares on payment to the holders thereof, for each share to be retracted, of the sum that is one-twelfth(1/12) of the NRV per Class A Share. Before retracting any Voting Shares, the Corporation shall provide to each person who is a registered holder of Voting Shares to be retracted, notice of the intention of the Corporation to retract such shares. On or after the date so specified for retraction, the Corporation shall pay the retraction price to the registered holders of the Voting Shares to be retracted in such manner as may be determined by the Corporation. In case the outstanding Voting Shares are to be retracted only in part at any time, the shares to be retracted shall be selected by the directors of the Corporation in their sole discretion. From and after the date specified for retraction in such notice, the applicable Voting Shares shall be retracted and cancelled and the holders of the Voting Shares called for retraction shall not be entitled to any rights in respect thereof, except to receive the

retraction price, subject to any applicable restrictions in the Act and the prior rights of the holders of any other shares of the Corporation.

- (b) If the retraction of any of the Voting Shares to be retracted would be contrary to any provisions of the Act or any other applicable laws, would be contrary to the prior rights of the holders of any other shares of the Corporation or would directly or indirectly result in a breach of Section F, the Corporation shall be obligated to retract only the maximum number of Voting Shares that the Corporation determines it is then permitted to retract, such retractions to be made from the holder(s) of Voting Shares and at the time determined by the Corporation in its sole discretion.

5. Repurchase

- (a) The Corporation may, at its option, repurchase all or, from time to time, any part of the outstanding Voting Shares held by one or more holders of Voting Shares on payment to the holders thereof, for each share to be repurchased, of the sum that is one-twelfth(1/12) of the NRV per Class A Share. Before repurchasing any Voting Shares, the Corporation shall provide to each registered holder whose Voting Shares are to be repurchased (for clarification, the Corporation may select one holder to exercise this repurchase right without exercising the repurchase right in respect of another holder), notice of the intention of the Corporation to repurchase such Voting Shares. On or after the date so specified for repurchase, the Corporation shall pay the repurchase price to the registered holders of the Voting Shares to be repurchased in such manner as may be determined by the Corporation in its sole discretion. In case the outstanding Voting Shares are to be repurchased only in part at any time, the Voting Shares to be repurchased shall be selected by the directors of the Corporation in their sole discretion. From and after the date specified for repurchase in such notice, the applicable Voting Shares shall be repurchased and cancelled and the holders of the Voting Shares called for repurchase shall not be entitled to any rights in respect thereof, except to receive the repurchase price, subject to any applicable restrictions in the Act and the prior rights of the holders of any other shares of the Corporation.
- (b) If the repurchase of any of the Voting Shares to be repurchased would be contrary to any provisions of the Act or any other applicable laws, would be contrary to the prior rights of the holders of any other shares of the Corporation or would directly or indirectly result in a breach of Section F, the Corporation shall be obligated to repurchase only the maximum number of Voting Shares that the Corporation determines it is then permitted to repurchased, such repurchase to be made from the holder(s) of Voting Shares and at the time determined by the Corporation in its sole discretion.

6. Redemption

- (a) Subject to Section B6(b), a holder of Voting Shares shall be entitled to require the Corporation to redeem at any time and from time to time all or any number of the Voting Shares registered in the name of such holder on the books of the Corporation at a price per share that is one-twelfth(1/12) of the NRV per Class A Share. A holder of Voting Shares exercising his option to have the Corporation redeem, shall give notice to the Corporation in the form specified by the Corporation. The holder of any Voting Shares may, with the consent of the Corporation, revoke such notice prior to the date specified for retraction. Upon payment of the retraction price of the Voting Shares to be redeemed by the Corporation, the holders thereof shall cease to have any rights in respect thereof and the Voting Shares so redeemed shall be cancelled; and
- (b) If the redemption of any of the Voting Shares to be redeemed would be contrary to any provisions of the Act or any other applicable laws, would be contrary to the prior rights of the holders of any other shares of the Corporation or would directly or indirectly result

in a breach of Section F, the Corporation shall be obligated to redeem only the maximum number of Voting Shares that the Corporation determines it is then permitted to redeem, such redemptions to be made *pro rata* according to the number of Voting Shares requested by each such holder to be redeemed by the Corporation.

7. **Liquidation, Dissolution or Winding-up**

Subject to the prior rights of the holders of Common Shares, Class A Shares, Class B Shares, Class I Shares and Class J Shares, in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or on the occurrence of any other event as a result of which holders of Voting Shares are entitled to a distribution of assets of the Corporation for the purpose of winding-up its affairs, the holders of Voting Shares shall be entitled to receive only the amount received by the Corporation as the consideration for the issue of the Voting Shares.

C. COMMON SHARES

The rights, privileges, restrictions and conditions attaching to the Common Shares are as follows:

1. **Priority**

In the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or on the occurrence of any other event as a result of which holders of Shares are entitled to a distribution of assets of the Corporation for the purpose of winding-up its affairs, the Common Shares shall rank equally with each class of Class Shares and in priority to the Voting Shares and any other shares of the Corporation ranking junior to the Shares.

2. **Voting Rights**

- (a) The holders of the Common Shares shall be entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Corporation, and each Common Share shall confer the right to one vote in person or by proxy at all such meetings of shareholders of the Corporation.
- (b) Any of the following matters shall require approval by a resolution passed by at least 66 $\frac{2}{3}$ % of the votes cast by the holders of the Common Shares at a meeting called and held for the consideration of such matter:
 - (i) a change in the Manager, other than (A) a change resulting in an affiliate of the Manager assuming such position, or (B) a termination of the Management Agreement in accordance with its terms, or (C) a change in accordance with the terms of the Management Agreement for which shareholder approval is not required;
 - (ii) any increase in the basis of calculating the Management Fee paid to the Manager or the rate per annum of the Management Fee; and
 - (iii) a reorganization with, or transfer of assets to, another entity, if:
 - (1) the Corporation ceases to continue after the reorganization or transfer of assets; and
 - (2) the transaction results in holders of Common Shares becoming securityholders in the other entity;
 - (iv) a reorganization with, or acquisition of assets to, another entity, if:
 - (1) the Corporation continues after the reorganization or acquisition of assets;and

(2) the transaction results in securityholders of the other entity holding a majority of the total number of outstanding securities of the Corporation.

3. Distributions

- (a) Subject to Section C(3)(c) and Section C(3)(d) below, the holders of the Common Shares shall be entitled to receive and the Corporation shall pay thereon Distributions as and when declared from time to time by the board of directors of the Corporation on the Common Shares, out of the assets of the Corporation properly applicable to the payment of Distributions, in an amount determined by the directors of the Corporation in their absolute discretion. The board of directors of the Corporation may in their discretion declare Distributions on the Common Shares to the exclusion of the Class Shares.
- (b) Subject to Section C(3)(c) and Section C(3)(d) below, Distributions will be paid in cash, by cheque, money order or bank draft.
- (c) Notwithstanding the foregoing, the board of directors of the Corporation may, for fiscal planning or other tax efficiency reasons, in its discretion declare that an additional Distribution will be payable to holders of Common Shares of record on December 31. Each such additional Distribution may be satisfied by the issuance of additional Common Shares and/or cash and/or other property of the Corporation. Immediately following payment of any such additional Distribution in Common Shares, the number of Common Shares outstanding after the Distribution will be consolidated such that each shareholder will hold after the consolidation the same number of Common Shares as the shareholder held before the additional Distribution. In such case, each certificate representing one or more Common Shares prior to the Distribution of additional Common Shares shall be deemed to represent the same number of Common Shares after the Distribution of additional Common Shares and consolidation. Notwithstanding the foregoing, where tax is required to be withheld from a shareholder's participation in the additional Distribution, the consolidation will result in such shareholder holding that number of Common Shares equal to (i) the number of Common Shares held by such shareholder prior to the Distribution plus the number of Common Shares received by such shareholder in connection with the additional Distribution (net of any taxes withheld) prior to the consolidation multiplied by (ii) the fraction obtained by dividing the aggregate number of Common Shares prior to the Distribution by the aggregate number of Common Shares that would be outstanding following the additional Distribution and before the consolidation if no withholding were made in respect of any part of the additional Distribution payable to any shareholder. Any such shareholder will be required to surrender the share certificate(s), if any, representing such shareholder's original Common Shares, in exchange for a certificate representing such shareholder's post-consolidation Common Shares.
- (d) Notwithstanding the foregoing, if the board of directors of the Corporation determine that it is in the best interests of the Corporation and the shareholders of the Corporation, the board of directors of the Corporation may declare Distributions payable in kind (including, but not limited to any assets of the Corporation) in an amount determined by the directors of the Corporation in their absolute discretion.

4. Liquidation, Dissolution or Winding-Up

In the event of the liquidation, dissolution or winding-up of the Corporation, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary, after satisfaction of all liabilities of the Corporation (or the establishment of reserves or other provisions therefor), the Common Shares shall rank equally with each class of Class Shares and in priority to the Voting Shares, and the holders of the Common Shares shall be entitled to receive from the assets of the Corporation for

each Common Share an amount, in cash or property, equal to the net assets of the Corporation less any entitlement of any issued and outstanding Class Shares (as determined in accordance with Section E6) divided by the number of Common Shares issued and outstanding at the time. After payment to the holders of the Shares of the amounts so payable to them, they shall be entitled to share in any further distribution of the assets of the Corporation together with any other class or series of shares entitled to share therein

5. No Fractions

The Corporation may not issue fractions of Common Shares.

6. Termination of the Corporation

The Corporation may be terminated at any time with the approval of the shareholders of the Corporation in accordance with applicable laws.

D. CLASS A SHARES, CLASS B SHARES, CLASS I SHARES AND CLASS J SHARES

The rights, privileges, restrictions and conditions attaching to the Class A Shares, Class B Shares, Class I Shares and Class J Shares are as follows:

1. Priority

In the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or on the occurrence of any other event as a result of which holders of Class Shares are entitled to a distribution of assets of the Corporation for the purpose of winding-up its affairs, each class of Class Shares shall rank equally with each other class of Class Shares and the Common Shares and in priority to the Voting Shares and any other shares of the Corporation ranking junior to the Shares.

2. No Voting Rights

- (a) Subject to any applicable laws, the holders of the Class Shares, shall not be entitled to receive notice of, to attend or to vote at any meeting of the shareholders of the Corporation..
- (b) At any meetings of holders of Class Shares, or a class thereof, required pursuant to applicable laws, holders of Class Shares, shall have one vote for each Class Share held;
- (c) The holders of each class of Class Shares are not entitled to vote separately as a class on an amendment to the articles of the Corporation, except as required by applicable laws.

3. Distributions

- (a) Subject to Section D(3)(c) and Section D(3)(d) below, the holders of each class of Class Shares shall be entitled to receive and the Corporation shall pay thereon Distributions as and when declared from time to time by the board of directors of the Corporation on that class of Class Shares, out of the assets of the Corporation properly applicable to the payment of Distributions, in an amount determined by the directors of the Corporation in their absolute discretion. For each class of Class Shares, any Distributions declared will be payable out of that class of Class Shares *pro rata* portion of the funds available with respect to all classes of Class Shares. The board of directors of the Corporation may in their discretion declare Distributions on the Common Shares to the exclusion of the Class Shares.

- (b) Subject to Section D(3)(c) and Section D(3)(d) below, Distributions will be paid in cash, by cheque, money order or bank draft.
- (c) Notwithstanding the foregoing, the board of directors of the Corporation may, for fiscal planning or other tax efficiency reasons, in its discretion declare that an additional Distribution will be payable to holders of Class Shares of record on December 31. Each such additional Distribution may be satisfied by the issuance of additional Class Shares and/or cash and/or other property of the Corporation. Immediately following payment of any such additional Distribution in Class Shares, the number of Class Shares of each applicable class outstanding after the Distribution will be consolidated such that each shareholder will hold after the consolidation the same number and class of Class Shares as the shareholder held before the additional Distribution. In such case, each certificate representing one or more Class Shares prior to the Distribution of additional Class Shares shall be deemed to represent the same number and class of Class Shares after the Distribution of additional Class Shares and consolidation. Notwithstanding the foregoing, where tax is required to be withheld from a shareholder's participation in the additional Distribution, the consolidation will result in such shareholder holding that number of Class Shares equal to (i) the number and class of Class Shares held by such shareholder prior to the Distribution plus the number and class of Class Shares received by such shareholder in connection with the additional Distribution (net of any taxes withheld) prior to the consolidation multiplied by (ii) the fraction obtained by dividing the aggregate number of Class Shares of the applicable class outstanding prior to the Distribution by the aggregate number of Class Shares of the applicable class that would be outstanding following the additional Distribution and before the consolidation if no withholding were made in respect of any part of the additional Distribution payable to any shareholder. Any such shareholder will be required to surrender the Class Share certificate(s), if any, representing such shareholder's original Class Shares, in exchange for a certificate representing such shareholder's post-consolidation Class Shares.
- (d) Notwithstanding the foregoing, if the board of directors of the Corporation determine that it is in the best interests of the Corporation and the shareholders of the Corporation, the board of directors of the Corporation may declare Distributions payable in kind (including, but not limited to any assets of the Corporation) in an amount determined by the directors of the Corporation in their absolute discretion.

4. Redemption

- (a) Subject to Section D(5), the holders of Class A Shares, the holders of Class B Shares, the holders of Class I Shares, and the holders of the Class J Shares shall be entitled, subject to and upon compliance with the provisions hereof, to surrender all or any part of the Class A Shares, Class B Shares, Class I Shares or Class J Shares registered in the name of such holder for redemption on or before the Redemption Date, with payment to be made on or before the Redemption Payment Date at a price per Class Share equal to the Redemption Price. Any Distributions declared and unpaid to holders of Class A Shares, Class B Shares, Class I Shares or Class J Shares (as applicable) of record on or before the Redemption Date in respect of such Class Shares tendered for redemption on such Redemption Date will also be paid to such redeeming holders on the Redemption Payment Date.
- (b) Each holder of Class A Shares, Class B Shares, Class I Shares or Class J Shares (as applicable) who elects to present and surrender to the Corporation for redemption on the Redemption Date all or any Class A Shares, Class B Shares, Class I Shares or Class J Shares (as applicable) registered in the name of that holder must, by no later than the Redemption Notice Deadline, deliver a notice of redemption in the form specified by the Corporation, at such place or places in Canada as shall be specified by the Corporation. Payment for such Class A Shares, Class B Shares, Class I Shares or Class J Share so

deposited shall be calculated as of the Redemption Date and shall be made on or before the Redemption Payment Date.

- (c) Subject to Section D(5), the Corporation shall redeem on the Redemption Date all of the Class A Shares, Class B Shares, Class I Shares and Class J Shares properly surrendered pursuant to the redemption privilege in this Section D(4) at a price per Share equal to the applicable Redemption Price. On or before the Redemption Payment Date, the Corporation shall pay or cause to be paid the Redemption Price in cash, by cheque, money order or bank draft. From and after the Redemption Date, the Class A Shares, Class B Shares, Class I Shares and Class J Shares tendered for redemption shall cease to be entitled to any participation in the assets of the Corporation and the holders thereof shall not be entitled to exercise any of their other rights as shareholders in respect thereof other than the right to receive payment of the Redemption Price for each Class A Share, Class B Share, Class I Share and Class J Share so redeemed. Class A Shares, Class B Shares, Class I Shares and Class J Shares which have been surrendered to the Corporation for redemption and which have been redeemed on the Redemption Date shall be deemed to be outstanding until, but not after, the close of business on the Redemption Date.

5. Other Redemption Provisions

- (a) The Corporation will not accept for redemption on the Redemption Date more than:
- i. 15% of the number of issued and outstanding Class A Shares immediately preceding the Redemption Date;
 - ii. 15% of the number of issued and outstanding Class B Shares immediately preceding the Redemption Date;
 - iii. 15% of the number of issued and outstanding Class I Shares immediately preceding the Redemption Date; or
 - iv. 15% of the number of issued and outstanding Class J Shares immediately preceding the Redemption Date;

In the event that the number of Class A Shares, Class B Shares, Class I Shares and Class J Shares tendered for redemption pursuant to Section D(5) exceeds the limit set forth above, the Corporation will redeem such Class A Shares, Class B Shares, Class I Shares and Class J Shares tendered for redemption and not withdrawn on a pro rata basis (rounded down to the nearest whole number of Class A Shares, Class B Shares, Class I Shares and Class J Shares (as applicable)). The Corporation will notify in writing each holder of Class A Shares, Class B Shares, Class I Shares and Class J Shares (as applicable) of the number of Class Shares held by such holder of Class Shares that are entitled to be redeemed by the Corporation on such pro rata basis. The calculation and determination by the Corporation of such number as set out in such notice shall be final.

- (b) Notwithstanding the limitations on redemption set forth in Section D(5)(a), the board of directors of the Corporation may, in their sole discretion, waive the limitation in respect of the Shares tendered for redemption on the Redemption Date.

6. Liquidation, Dissolution or Winding-Up

In the event of the liquidation, dissolution or winding-up of the Corporation, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary, after satisfaction of all liabilities of the

Corporation (or the establishment of reserves or other provisions therefor), the Class Shares shall rank equally with each other and the Common Shares and in priority to the Voting Shares, and the holders of (i) the Class A Shares shall be entitled to receive from the assets of the Corporation for each Class A Share an amount, in cash or property, equal to the pro rata portion of the NAV attributable to the Class A Shares, (ii) the Class B Shares shall be entitled to receive from the assets of the Corporation for each Class B Share an amount, in cash or property, equal to the pro rata portion of the NAV attributable to the Class B Shares, (iii) the Class I Shares shall be entitled to receive from the assets of the Corporation for each Class I Share an amount, in cash or property, equal to the pro rata portion of the NAV attributable to the Class I Shares, and (iv) the Class J Shares shall be entitled to receive from the assets of the Corporation for each Class J Share an amount, in cash or property, equal to the pro rata portion of the NAV attributable to the Class J Shares. After payment to the holders of the Shares of the amounts so payable to them, they shall be entitled to share in any further distribution of the assets of the Corporation together with any other class or series of shares entitled to share therein.

7. No Fractions

The Corporation may not issue fractions of Class A Shares, Class B Shares, Class I Shares or Class J Shares.

8. Termination of the Corporation

The Corporation may be terminated at any time with the approval of the shareholders in accordance with applicable laws.

E. ADDITIONAL PROVISIONS ATTACHING TO THE CLASS A SHARES, CLASS B SHARES, CLASS I SHARES AND CLASS J SHARES

1. Automatic Conversion Feature

(a) On November 30, 2013, or such other date that may be specified by the Corporation by way of a written notice to the holders of the Shares (the “**Exchange Date**”), (A) all Class A Shares shall, without further action by the holders of the Class A Shares, be automatically be converted into Common Shares (the “**Class A Exchange Feature**”), (B) all Class B Shares shall, without further action by the holders of the Class B Shares, be automatically be converted into Common Shares (the “**Class B Exchange Feature**”), (B) all Class I Shares shall, without further action by the holders of the Class I Shares, be automatically be converted into Common Shares (the “**Class I Exchange Feature**”), and (C) all Class J Shares shall, without further action by the holders of the Class J Shares, be automatically be exchanged for Common Shares (the “**Class J Exchange Feature**”) as follows.

(b) Procedure – On the Exchange Date, each holder of Class A Shares, each holder of Class B Shares, each holder of Class I Shares and each holder of Class J Shares shall be deemed to have irrevocably surrendered the applicable Class Shares for automatic conversion. Pursuant to the Class A Exchange Feature, a holder of Class A Shares will receive that number of Common Shares as is equal to the number of Class A Shares held by such holder immediately before such conversion. Pursuant to the Class B Exchange Feature, a holder of Class B Shares will receive that number of Common Shares as is equal to the number of Class B Shares held by such holder multiplied by the applicable Class B Exchange Ratio (rounded down in accordance with Section E(3)). Pursuant to the Class I Exchange Feature, a holder of Class I Shares will receive that number of Common Shares as is equal to the number of Class I Shares held by such holder multiplied by the applicable Class I Exchange Ratio (rounded down in accordance with Section E(3)). Pursuant to the Class J Exchange Feature, a holder of Class J Shares will receive that number of Class A Shares as is equal to the number of Class J Shares held by such holder

multiplied by the applicable Class J Exchange Ratio (rounded down in accordance with Section E(3)).

- (c) Holders of Class A Shares, Class B Shares, Class I Shares and Class J Shares (as applicable) who surrender such Class Shares pursuant to the respective Exchange Features will continue to be holders of record of such Class Shares up to but not including the Exchange Date and will be entitled to receive Distributions in respect of such securities up to that date.

2. Determination of Exchange Ratio

The exchange ratio for the Class A Shares (the “**Class A Exchange Ratio**”) shall be 1. The exchange ratio for the Class B Shares (the “**Class B Exchange Ratio**”) is determined by dividing the NRV per Class B Share on the last Business Day of the calendar month immediately preceding the Exchange Date (the “**Exchange Ratio Determination Date**”) by the NRV per Class A Share on such Exchange Ratio Determination Date. The exchange ratio for the Class I Shares (the “**Class I Exchange Ratio**”) is determined by dividing the NRV per Class I Share on the Exchange Ratio Determination Date by the NRV per Class A Share on such Exchange Ratio Determination Date. The exchange ratio for the Class J Shares (the “**Class J Exchange Ratio**”) is determined by dividing the NRV per Class J Share on the Exchange Ratio Determination Date by the NRV per Class A Share on such Exchange Ratio Determination Date. Each Exchange Ratio will be calculated to such number of decimal places as the Corporation may from time to time determine.

3. Fractions

The Corporation will not issue fractional Common Shares pursuant to the Class A Exchange Feature, Class B Exchange Feature, the Class I Exchange Feature or the Class J Exchange Feature, nor will it pay to the relevant shareholders any amount of cash in lieu thereof. Accordingly, Common Shares issued pursuant to the Class A Exchange Feature, Class B Exchange Feature, the Class I Exchange Feature and the Class J Exchange Feature will be rounded down to the nearest whole number of Common Shares.

4. Share Certificates

On and from the Exchange Date, any share certificates representing the Class A Shares, Class B Shares, Class I Shares or Class J Shares shall automatically represent such number of Common Shares that have been exchanged in accordance with the Class A Exchange Ratio, Class B Exchange Ratio, the Class I Exchange Ratio or the Class J Exchange Ratio (as applicable), and shall give the holder of such share certificates the right to exchange such share certificates for a share certificate representing such number of Common Shares that have been exchanged pursuant to this Section E. Other than the foregoing, any share certificate representing the Class A Shares, Class B Shares, Class I Shares or Class J Shares shall not give the holder of such share certificate any rights or interest in the Corporation.

F. RESTRICTIONS ON OWNERSHIP OF SHARES

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

In the event that (i) the exercise by any holder of Class Shares of any redemption right associated with any class of Class Shares, or (ii) any repurchase of Shares by the Corporation, (iii) the exercise by any holder of any Exchange Feature associated with Class A Shares, Class B Shares, Class I Shares or Class J Shares, or (iv) as determined by the board of directors of the Corporation

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

EXHIBIT A – SCHEDULE 2

MANNER IN WHICH THE CORPORATION WILL CARRY ON ITS BUSINESS AND EXERCISE ITS POWERS

The Corporation will carry on its business and exercise its powers in accordance with its investment objectives (the “**Investment Objectives**”) and investment restrictions (the “**Investment Restrictions**”) set forth below.

1. Investment Objectives

The Investment Objectives of the Corporation are, with a primary focus on capital preservation, to acquire and maintain a diversified portfolio of first mortgage loan investments that generates attractive, stable returns in order to permit the Corporation to pay monthly Distributions to its shareholders.

2. Investment Restrictions

- (a) The Corporation will not make any investment or conduct any activity that would result in the Corporation failing to qualify as a "mortgage investment corporation" within the meaning of the Tax Act;
- (b) The Corporation will not invest in asset backed commercial paper or in securitized pools of mortgage loans, including securitized pools of sub-prime mortgage loans;
- (c) The Corporation will not invest in securities other than: (i) first mortgages secured by real property, or (ii) on a temporary basis only, interim investments consisting of cash and cash equivalents (as defined in National Instrument 81-102 - *Mutual Funds*). For greater certainty, the Corporation is not precluded from owning securities of its subsidiaries or affiliates that otherwise comply with the Investment Objectives and these Investment Restrictions;
- (d) The Corporation will not borrow money in excess of 40% of the aggregate value of the assets of the Corporation at any time;
- (e) The Corporation will not guarantee securities or obligations of any person or company;
- (f) The Corporation will not engage in securities lending;
- (g) The Corporation will not engage in derivative transactions for any purpose, other than derivative transactions to hedge interest rate risk and not for speculative purposes;
- (h) At the time of funding, the Corporation will not invest more than 10% of the aggregate of (a) all existing mortgage investments and interim investments comprising the Portfolio; plus (b) all mortgage investments previously approved and mortgage investments committed by or on behalf of the Corporation, including any mortgage investments held in or committed to be funded under any warehouse facility; plus (c) in the context of a mortgage loan approval review, the proposed mortgage investment being considered for approval; plus (d) cash and cash equivalents (together, the “Aggregate Funded and Committed Assets”) in any one real property;
- (i) At the time of funding, the maximum Loan-to-Value of any one mortgage loan comprising the Aggregate Funded and Committed Assets shall not exceed 70% , where “Loan-to-Value” means the ratio, expressed as a percentage, determined by $A/B \times 100$ where:

A = the principal amount of the Corporation's interest in the mortgage, together with all other equal and prior ranking mortgages on the subject property, and

B = the appraised market value of the subject property securing such mortgage at the time of funding such mortgage or its most recent renewal, whichever occurs later;

- (j) At the time of funding, the total value of the liabilities associated with the Aggregate Funded and Committed Assets will not exceed 70% of the total market value of the Aggregate Funded and Committed Assets;
- (k) At the time of funding, not more than 30% of the Aggregate Funded and Committed Assets can be allocated to an investment with any one borrower;
- (l) At the time of funding, not more than 25% of the Aggregate Funded and Committed Assets will be invested in mortgage investments secured by non-income producing properties; and
- (m) The term to maturity on each mortgage investment comprising the Aggregate Funded and Committed Assets shall not exceed 60 months.

3. Exceptions

The Manager may make exceptions to the investment restrictions contained in Section 2(h), 2(i), 2(j), 2(k), 2(l) and 2(m) provided that:

- (a) each individual exception, excluding the effect of any subsequent exception, is to be remedied by the Manager within 120 days from the date of funding of the subject mortgage; and
- (b) in the aggregate, at any given time, permitted exceptions to such investment restrictions do not represent more than 15% of the gross assets of the Corporation.

EXHIBIT B INFORMATION CONCERNING THE CORPORATION

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

Corporate Structure

Details of Incorporation

Timbercreek Senior Mortgage Investment Corporation is a federal corporation incorporated under the *Canada Business Corporations Act* pursuant to articles of incorporation dated as of December 1, 2011. The Corporation’s head and registered office is at 1000 Yonge Street, Suite 500, Toronto, Ontario M4W 2K2.

Timbercreek Asset Management Inc. provides management services to the Corporation and has entered into the Mortgage Services Agreement with Timbercreek Asset Management Ltd. (“TAML”), a wholly-owned subsidiary of Timbercreek Asset Management Inc., pursuant to which TAML will provide the Licensed Services, including without limitation, mortgage brokerage services and mortgage administration services, to the Corporation.

On January 17, 2012, the articles of the Corporation were amended to: (i) ascribe new rights, privileges, restrictions and conditions to the Class A Shares, Class B Shares, Class I Shares, Class J Shares and the Voting Shares of the Corporation; and (ii) add the manner in which the Corporation may carry on its business and exercise its powers. On January 18, 2012, the articles of the Corporation were amended to modify certain definitions used in the articles with respect to the Corporation’s investment objectives and investment restrictions. On November 15, 2012, the articles of the Corporation were further amended to modify certain provisions with respect to the Corporation’s investment restrictions.

On May 6, 2013, the articles of the Corporation were amended to (i) incorporate additional investment restrictions regarding the manner in which the Corporation may carry on its business and exercise its powers, which investment restrictions are the same as those previously included in the Asset Allocation Model criteria used by the Manager to manage the overall risk of the Portfolio; and (ii) an amendment to prohibit any offering of any Class A Share, Class B Share, Class I Share, or Class J Share at a price per such share the net proceeds of which is less than 100% of the NRV per Class A Share, NRV per Class B Share, NRV per Class I Share or NRV per Class J Share, as the case may be. See “*Investment Restrictions*”.

Upon receiving approval from Shareholders, and on such date as determined by the Board, the Corporation’s articles will be amended to, among other things, (i) provide the holders of Class A Shares, Class B Shares, Class I Shares and Class J Shares with a one-time redemption right (the “**Special Redemption**”), which right will replace all existing redemption rights of such Class A Shares, Class B Shares, Class I Shares and Class J Shares (ii) create a new class of voting common shares (referred to in this Prospectus as Common Shares) and (iii) provide for the automatic conversion of all remaining non-redeemed Class A Shares, Class B Shares, Class I Shares and Class J Shares for Common Shares on a specified date at (a) a conversion ratio of 1 to 1 for each Class A Share and (b) a conversion ratio, for each of the Class B Shares, Class I Shares and Class J Shares, equal to the quotient obtained by dividing the NRV per share of such class by the NRV per Class A Share on the last business day of the month immediately preceding the Exchange Date.

The Corporation currently has one subsidiary, Timbercreek Senior Mortgage Investment Fund, a trust formed under the laws of the province of Ontario. Timbercreek Senior Mortgage Investment Fund has no assets and is currently inactive.

Status of the Corporation and the Reorganization

Prior to the Reorganization, the Corporation operated as an investment fund, as that term is defined in NI 81-106, and filed public disclosure pursuant thereto. Pursuant to the Reorganization, the Corporation has been transitioned into a non-investment fund reporting issuer, and will now file public disclosure pursuant to NI 51-102. To provide Shareholders with an understanding of the Corporation’s characteristics as they are required to be disclosed under NI 51-102, this prospectus schedule has been prepared in the form of Form 41-101F1, as required for a prospectus by a non-investment fund reporting issuer.

The Corporation invests and reinvests its assets in Customized First Mortgages. The Corporation is not considered to be a mutual fund under applicable Canadian securities legislation.

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

THE BUSINESS

General

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

This segment of the Canadian borrower market is typically under-serviced by Canadian financial institutions which are reluctant to dedicate resources for these smaller, shorter-term mortgage investments and cannot typically provide the customization required to meet the borrower’s needs.

The Corporation was established to meet the needs of this under-serviced sector of the Canadian mortgage market by leveraging Timbercreek’s extensive real estate management platform that includes:

- capabilities to underwrite real estate investments;
- systems and procedures to directly service mortgages placed by the Corporation (see “*Manager of the Corporation – Mortgage Servicing by TAML*”);
- expertise in structured financing; and
- a network of real estate investors that provide sustained deal flow to the Manager.

With this strong platform and lending expertise, the Corporation is able to meet customization needs of these borrowers in terms of:

- *Timing*: mortgages can be issued in as little as two weeks to meet short deadlines for qualified real estate investments;
- *Terms*: while Canadian financial institutions typically only offer 5 – 10 year fixed mortgages, the Corporation can provide shorter-terms with early repayment options; and
- *Payment*: mortgages structured by the Corporation typically require interest-only payments while mortgages provided by Canadian financial institutions typically require a combination of interest and principal repayment.

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

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

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

The Portfolio consists of a diversified pool of mortgages, or interests therein, meeting the criteria established in the Corporation's investment restrictions. The mortgage loans comprising the Portfolio typically include the following attributes:

1. Interest only loans with a typical duration of 24 to 48 months;
2. First mortgage positions and syndicated first mortgage positions;
3. Mortgages invested primarily in large urban markets across Canada, providing geographic diversification of the Portfolio;
4. Mortgages secured by the properties to which they relate and typically include corporate and/or personal guarantees of the borrowers; and
5. All loans are uninsured conventional mortgage loans.

As of the date hereof, the Manager believes that the Portfolio is well diversified.

TAML focuses specifically on originating and servicing for the Corporation Customized First Mortgage loans with a current target, based on recent historical returns. The current Portfolio generated an aggregate annualized yield of approximately 6.55% per Common Share, based on a closing price on August 12, 2013 of \$9.16 per Class A Share (and based on an Exchange Ratio of 1 Class A shares for 1 Common Share), net of fees and expenses of the Corporation, for the period ending June 30, 2013. In addition, all Lender Fees generated by TAML in connection with mortgage loans funded by the Corporation will be paid to the Corporation to enhance the income of the Corporation and, hence, the return on investment for investors. The Corporation is targeting a long-term aggregate annual yield equal to the 2-Yr GOC Yield plus 350 basis points (net of all fees and expenses of the Corporation).

Investment Objectives

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

Please refer to "*Overview of the Sector the Corporation Invests In — Investment Rationale of the Corporation*" for a discussion of the rationale of the Corporation and "*Overview of the Sector the Corporation Invests In — Competitive Advantages of the Corporation*" for a discussion of the competitive advantages the Corporation has in pursuit of its investment objectives.

Investment Strategies

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

The Portfolio targets Customized First Mortgages where the principal amount of the loan, at the time of the commitment, together with all other equal and prior ranking mortgages ("Loan-to-Value") does not exceed 70%. For greater certainty, the Customized First Mortgages in which the Corporation invests may from time to time include subordinate positions in syndicated first mortgages. The Portfolio may, from time to time, also contain interim investments consisting of cash and cash equivalents.

The Portfolio is focused on investments in Customized First Mortgages to qualified real estate investors requiring funding during the transitional phase of the investment process. Real estate investors typically use short-term loans to bridge a period of up to five years where they require temporary capital for property repairs, redevelopment of a property, or for the purchase of another investment. These short-term loans are typically repaid with longer term debt obtained from Canadian financial institutions once the applicable transitional period is over or the restructuring is complete.

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

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

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 portfolio. Timbercreek has established preferred lender status with many active real estate investors by providing the following levels of service:

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

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

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

- 100% of the mortgage assets in the Portfolio will be first mortgages;
- At the time of funding, not more than 10% of the Aggregate Funded and Committed Assets can be allocated to an investment in any one real property;
- At the time of funding, not more than 30% of the Aggregate Funded and Committed Assets can be allocated to an investment with any one borrower;
- At the time of funding, not more than 25% of the Aggregate Funded and Committed Assets can be allocated to an investment in mortgages which are secured by non-income producing non-residential assets. "Non-income producing" assets are mortgage loans in respect of which: (i) 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; or (ii) construction loans;

- The term to maturity on each mortgage investments comprising the Aggregate Funded and Committed Assets shall not exceed 60 months. The target term to maturity on any one mortgage investment, shall be between 24-48 months;
- 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	70%
Retail Buildings	40%
Industrial Buildings	40%
Office Buildings	50%
Self-Storage Buildings	15%
Hotels	15%
Unimproved Land	15%
Parking Facilities	10%
Other	10%;

- At the time of funding, the maximum Loan-To-Value of any one mortgage loan comprising the Aggregate Funded and Committed Assets shall not exceed 70%;
- At the time of funding, the total value of the liabilities associated with the Aggregate Funded and Committed Assets will not exceed 70% of the total market value of the Aggregate Funded and Committed Assets; and
- At the time of funding, not less than 50% of the assets of the Company will consist of residential mortgages and cash and cash equivalents.

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

The Mortgage Advisory Committee will review mortgage investment opportunities with a view to assessing the strength of the security covenants of such mortgage investment opportunities, and with a view to assessing the payment default risks associated with such mortgage investment opportunities. Following the analysis of the mortgage investment opportunities, the Mortgage Advisory Committee will make a recommendation to the Manager. Only with a positive recommendation of a majority of the members of the Mortgage Advisory Committee can the Manager consider whether or not to allocate assets to such opportunities. The Mortgage Advisory Committee is also responsible for approving any extensions or modifications to loans that were previously approved.

In considering the adequacy of the underlying real estate that is offered as security on a proposed loan, the Mortgage Advisory Committee will rely on a review of (among other things): (i) the real estate valuations – supported by third party appraisals; (ii) the environmental risks – supported by third party environmental reports; (iii) the covenants of the borrower and/or guarantor; (iv) the exit strategy for the proposed loan; (v) the default risk of the proposed loan; and (v) the structural integrity of the real estate that is offered as security for a proposed loan, supported by third party structural/engineering reports (where necessary).

Exceptions to the Asset Allocation Model may be made by Timbercreek provided that: (i) each individual exception, excluding the effect of any subsequent exceptions, is to be remedied by the Manager within 120 days from the date of funding of the subject mortgage; and (ii) in the aggregate at any given time, permitted exceptions to this Asset Allocation Model are not to represent more than 15% of the gross assets of the Company. Company assets will not be invested in: (i) loans made against the security of property owned or against which the senior mortgage interest is held by any affiliate of the Company or the Manager; or (ii) any other non arms-length loans.

Lender Fees

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

Borrowing Strategy

The Corporation may utilize leverage from time to time at the discretion of the Manager through a credit facility arranged by the Manager with one or more arm's length commercial banks or other sources. Subject to complying with rules to qualify as a MIC, such leverage in the aggregate will not exceed 40% of the aggregate value of the assets of the Corporation at any time. The maximum amount of leverage that the Corporation could employ through a credit facility is 1.4 to 1. It is expected that the terms, conditions, interest rate, fees and expenses of and under any credit facility will be typical of credit facilities of this nature and that the lender will require the Corporation to provide a security interest in the assets of the Corporation in favour of the lender to secure such borrowings.

On March 22, 2012, the Corporation entered into the Credit Facility in an amount up to \$105 million, bearing interest at either the prime rate of interest plus 1% or bankers' acceptances with a stamping fee of 2% of the face amount of the bankers' acceptances. On October 19, 2012, the Credit Facility was amended to increase the facility amount to \$130 million and to add an option to increase the facility by another \$60 million, subject to certain terms and conditions. As of the date hereof, the Corporation has drawn approximately \$38 million under the Credit Facility. The Manager presently expects that the Corporation will from time to time utilize leverage under the Credit Facility representing approximately 30% of the aggregate value of the assets of the Corporation, with the remaining portion of the Credit Facility being reserved for general working capital purposes and to bridge timing differences resulting from loan maturities and new loan origination. The Credit Facility matures on March 22, 2014. The Credit Facility is secured by a general security agreement over the Corporation's assets.

In connection with the Reorganization, the Credit Facility has been amended to include a one-time "non-qualifying" mortgage allowance of \$25 million, maturing on December 30, 2013. The "non-qualifying" allowance together with the existing qualified advances will allow the Corporation to fulfill its payment obligations that may arise under the Special Redemption. In addition, a modification has been made to the financial covenants to reflect the impact of the Special Redemption to ensure the Corporation is compliant following final payment.

The Corporation does not guarantee securities or obligations of any person or company and the Corporation does not engage in securities lending.

Investment Process

The Manager has entered into the Mortgage Services Agreement with TAML for TAML to provide the Licensed Services to the Corporation. TAML utilizes an investment process that is characterized by a top-down approach to identifying high-quality mortgage investments, beginning with a macro-level economic analysis of various geographic markets and

properties, followed by the identification of individual mortgage investment opportunities and the evaluation of their attributes. In TAML's opinion, high-quality mortgage investments are those: (i) where the Corporation has a clear exit strategy; (ii) where the mortgage is secured by real property that is reasonably liquid; and (iii) where the borrower has a reasonable amount of equity invested in the specific asset which is securing the loan.

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

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

Following its analysis of the mortgage investment opportunities, the Mortgage Advisory Committee will make a recommendation to the Manager. Only with a positive recommendation from the Mortgage Advisory Committee will the Manager consider whether or not to allocate assets of the Corporation to such opportunities. The Manager will consider overall asset allocation and risk analysis before giving final approval of funding.

Once funded by the Corporation, TAML will regularly monitor the status of each loan funded by the Corporation and that of the borrower. TAML also communicates regularly with borrowers to understand how their asset is performing and to discuss their repayment strategies. The Manager believes that a strong relationship between TAML and the borrower is critical to the success of the loan and to the development of a good quality and repeat borrower.

When assessing the mortgage investment opportunity, the Manager and the Corporation will consider each mortgage investment on a stand-alone basis as well as in the context of the Aggregate Funded and Committed Assets to determine whether the investment meets the requirements of the Asset Allocation Model (on a stand-alone basis as well as in the context of the Aggregate Funded and Committed Assets), or is otherwise considered worthy of consideration due to their particularly attractive features. See "*Risk Factors — Fair Allocation*" and "*Manager of the Corporation— Policies and Procedures of Manager*".

History

Since inception in January 2012, the Portfolio has grown to \$354 million. Over this time the Corporation has invested in 81 mortgages that have been originated and underwritten by Timbercreek's origination and investment management platform, for a total value of approximately \$658,677,524. Over the same time period, the Corporation have also received approximately \$226,045,531 million in mortgage repayments. Since inception, the Company has been focused on improving diversification by geography and asset type.

OVERVIEW OF THE SECTOR THAT THE CORPORATION INVESTS IN

Canadian Mortgage Lending Industry

The investment real estate market in Canada is comprised of residential (including multi-residential), office, retail and industrial real property, as well as unimproved land. Real estate investors are typically either large institutional investors,

such as pension funds and public companies, or smaller entrepreneurial investors, such as privately managed funds and individuals. Most investors in the Canadian real estate industry require some form of mortgage financing to acquire or develop real estate.

Since the global credit crisis of 2008, the amount of mortgage debt available for investment real estate has been reduced. Financial institutions, pension funds, insurance companies, and other institutional lenders have reduced their availability of commercial mortgage debt for a variety of reasons. This may be explained, in part, as a result of regulated institutions reducing their leverage, financial regulators forcing institutions to carry larger capital reserves, allocations needing to be reduced due to the decline in value of equity portfolios, or interest rates for conventional loans being below a lender's cost of capital. In addition, more consistent and rigid lending practices have developed primarily based on the underlying fundamentals of properties – specifically, the strength of the locations, leasing and sponsorship, supporting more sustainable fundamentals further exacerbating access to mortgage debt.

The most significant change, however, has been the virtual elimination of the commercial mortgage-backed securities (“CMBS”) market which was a key source of commercial real estate term loans accounting for over 25% of new commercial real estate debt in Canada in 2006. Although there have been several CMBS issuances in the United States in the recent past, the Canadian market has not seen a successful resurgence of the CMBS market after 2007. In addition, the United States CMBS market has experienced some recent market volatility, which will likely further delay any significant resurgence. With available mortgage capital shrinking, the remaining lenders have been able to become more conservative and selective in which mortgages they choose to fund while still meeting their investment mandates.

Investment real estate valuations in Canada have remained strong in spite of the recent fluctuations in world capital markets. In Canada, there is a continued strong demand for investment real estate which is largely due to the fact that there has been little addition to the supply of investment-grade real estate. The demand has persisted in part due to the fact that many real estate investment trusts (“REITs”) raised significant amounts of new capital for acquisitions and along with pension funds, continue to acquire real estate assets. The demand from these investors has led to very strong demand for investment-grade real estate. Though this activity has pushed real estate prices higher, there appears to be continued discipline amongst investors in requiring strong fundamentals, stability of property cash flows and reasonable assumptions related to future growth. In addition, the availability of institutional mortgage capital continues to be limited – further forcing real estate investors to take a disciplined approach to investing in order to be able to secure mortgage financing from those sources. If this trend continues, it will help maintain stable property values in the foreseeable future. The resulting stability in respect of valuations continues to provide an attractive market for mortgage lending against investment-grade real estate assets across Canada.

The factors enumerated above have created an opportunity for non-conventional lenders to charge premium interest rates for high quality mortgage loans which, prior to the credit crisis, were available at low conventional rates from a variety of sources. The reduction of the availability of mortgage capital since the credit crisis has contributed to the increased number of investment opportunities available to non-conventional lenders which should contribute to a lending environment conducive to the future growth of the Corporation.

INVESTMENT RESTRICTIONS

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

1. the Corporation will not make any investment or conduct any activity that would result in the Corporation failing to qualify as a "mortgage investment corporation" within the meaning of the Tax Act;
2. the Corporation will not invest in ABCP or in securitized pools of mortgage loans, including securitized pools of sub-prime mortgage loans;
3. the Corporation will not invest in securities other than: (i) first mortgages secured by real property, or (ii) on a temporary basis only, interim investments consisting of cash and cash equivalents. For greater certainty, the Corporation is not precluded from owning securities of its subsidiaries or affiliates that otherwise comply with the Corporation's investment objectives and these restrictions;

4. the Corporation will not borrow money in excess of 40% of the aggregate value of the assets of the Corporation at any time;
5. the Corporation will not guarantee securities or obligations of any person or company;
6. the Corporation will not engage in securities lending;
7. the Corporation will not engage in derivative transactions, other than derivative transactions to hedge interest rate risk and not for speculative purposes;
8. at the time of funding, the Corporation will not invest more than 10% of the Aggregate Funded and Committed Assets in any one real property;
9. at the time of funding, the maximum Loan-To-Value of any one mortgage loan comprising the Aggregate Funded and Committed Assets shall not exceed 70%;
10. at the time of funding, the total value of the liabilities associated with the Aggregate Funded and Committed Assets will not exceed 70% of the total market value of the Aggregate Funded and Committed Assets;
11. at the time of funding, not more than 30% of the Aggregate Funded and Committed Assets can be allocated to an investment with any one borrower;
12. at the time of funding, not more than 25% of the Aggregate Funded and Committed Assets will be invested in mortgage investments secured by non-income producing properties; and
13. the term to maturity on each mortgage investment comprising the Aggregate Funded and Committed Assets shall not exceed 60 months.

These investment restrictions may not be changed without the approval of the holders of Common Shares by a special resolution; provided that exceptions to such investment restrictions of the Corporation may be made by the Manager provided that: (i) each individual exception, excluding the effect of any subsequent exceptions, is to be remedied by the Manager within 120 days from the date of funding of the subject mortgage; and (ii) in the aggregate, at any given time, permitted exceptions to the investment restrictions do not represent more than 15% of the total assets of the Corporation.

THE PORTFOLIO

As of June 30, 2013, the Corporation had \$392,731,994 in mortgage assets outstanding with an average size of approximately \$7.3 million and an average loan-to-appraised value of 47% (based on an appraisal performed by an arm's length third party at the time of funding each mortgage loan). The value of the real estate may change from the date of appraisal (see "Risk Factors – Changes in Real Estate Values"). The following table illustrates, as of June 30, 2013, the number, value and percentage of mortgage loans comprising the Portfolio by property type relative to the allocation targeted by the Manager ("**Target Allocation**") and the maximum allocation levels specified in the Corporation's investment restrictions:

Property Type	Portfolio Mortgages (#)	Value⁽¹⁾⁽²⁾ (\$)	%⁽²⁾	Target Allocation	Asset Allocation Model Allocation
Residential and multi-residential	41	232,956,398	55	60%	Less than 70%
<i>Multi family</i>	32	156,056,890	37	—	—
<i>Retirement</i>	4	43,484,491	10	—	—
<i>Other</i>	3	31,585,706	8	—	—
<i>Single family</i>	2	1,829,311	1	—	—
Retail	8	54,056,857	13	10%	Less than 40%
Office	11	47,001,433	11	10%	Less than 50%
Unimproved land	4	16,118,101	4	5%	Less than 15%
Industrial	3	24,342,500	6	10%	Less than 40%
Self-storage, hotels	2	18,186,880	4	2.5%	Less than 15%
Parking Facilities and Other	0	0	0	2.5%	Less than 10%
Cash Reserve	—	24,098,385	6	—	—
Total Assets	69	416,830,379	100%	100%	—
Operating Line	—	61,000,000	—	—	—
Total Assets:	69	355,830,379	100%	100%	—

Notes:

- (1) The value is equal to the fair value (being the outstanding principal) on all such mortgage investments plus cash and cash equivalents.
(2) These amounts have been rounded.

The following table illustrates, as of June 30, 2013, the number, value and percentage of the mortgage loans comprising the Portfolio by geographic location relative to the Target Allocation and the Corporation's investment restrictions:

Geographic Location of Property	Portfolio Mortgages (#)	Value⁽¹⁾⁽²⁾ (\$)	%⁽²⁾	Target Allocation	Asset Allocation Model Allocation
Ontario	39	251,392,195	60	55%	Less than 80%
Alberta	11	33,513,892	8	10%	Less than 50%
Quebec	7	69,404,857	17	15%	Less than 35%
British Columbia	5	22,839,703	5	10%	Less than 50%
Atlantic provinces	1	2,399,253	1	5%	Less than 25%
Manitoba and Saskatchewan	4	4,317,603	1	5%	Less than 25%
Other	2	8,864,491	2	–	Less than 10%
Cash Reserve	–	24,098,385	6	–	–
Total Assets:	69	416,830,379	100%	100%	
Operating Line	–	61,000,000			
Total Net Assets:	69	355,830,379			

Notes:

- (1) The value is equal to the fair value (being the outstanding principal) on all such mortgage investments plus cash and cash equivalents.
- (2) These amounts have been rounded.

The following table illustrates, as of June 30, 2013, the number, outstanding principal amount and percentage of mortgage loans comprising the Portfolio categorized by loan-to-appraised value:

Loan-to-Appraised Value⁽¹⁾	Portfolio Mortgages (#)	Portfolio Outstanding Principal⁽²⁾ (\$)	%
Less than 56%	29	163,316,172	41
56% - 60.99%	7	53,340,417	14
61% - 65.99%	27	167,635,205	43
66% - 70.99%	6	8,440,200	2
Total:	69	392,731,994	100.00

Notes:

- (1) Based on an appraisal performed by an arm's length third party at the time of funding each mortgage loan. The value of the real estate may change from the date of appraisal. See "Risk Factors – Changes in Real Estate Values".
- (2) The value is equal to the fair value (being the outstanding principal) on all such mortgage investments.

The following table illustrates, as of June 30, 2013, the number, outstanding principal amount and percentage of mortgage loans comprising the Portfolio categorized by contractual interest rate:

Interest Rate (excluding fees earned by the Fund)	Portfolio Mortgages (#)	Portfolio Outstanding Principal⁽¹⁾ \$	%⁽²⁾
Less than or equal to 5%	7	22,078,982	5
5.00% - 5.49%	0	0	0
5.50% - 5.99%	6	61,171,500	16
6.00% - 6.49%	6	27,564,592	7
6.50% - 6.99%	8	53,868,798	14
7.00% - 7.49%	19	101,798,979	26
7.50% - 7.99%	20	118,661,331	30
8.00% - 8.49%	1	3,000,000	1
8.50% - 8.99%	2	4,587,811	1
Greater than or equal to 9%	0	0	0
Total:	69	392,731,994	100.00

Notes:

(1) The value is equal to the fair value (being the outstanding principal) on all such mortgage investments.

(2) These amounts have been rounded.

The following table illustrates, as of June 30, 2013, the number and outstanding principal of mortgage loans comprising the Portfolio categorized by year of maturity:

Year of Maturity	Portfolio Mortgages (#)	Portfolio Outstanding Principal⁽¹⁾ \$
2013	6	9,943,632
2014	23	91,611,669
2015	29	215,642,259
2016	11	75,534,434
2017	0	0
Total:	69	392,731,994

Notes:

(1) The value is equal to the fair value (being the outstanding principal) on all such mortgage investments.

The following table illustrates, as of June 30, 2013, the number and outstanding principal of mortgage loans comprising the Portfolio categorized by average duration:

Average duration of mortgages	Portfolio Mortgages (#)	Portfolio Outstanding Principal⁽¹⁾
		\$
0 – 6 months	2	2,306,500
7 – 12 months	5	5,946,750
13 – 18 months	10	27,411,489
19 – 24 months	17	74,874,340
25 – 30 months	16	104,748,534
31 – 36 months	19	177,444,380
36 months +	0	0
Total:	69	392,731,994

Notes:

(1) The value is equal to the fair value (being the outstanding principal) on all such mortgage investments.

From January 1, 2013 to July 31, 2013, the Corporation has advanced 31 new mortgage investments and funded existing mortgage commitments totalling approximately \$228.2 million and received repayment and partial pay downs on 30 mortgage investments totaling approximately \$170.3 million.

FEES AND EXPENSES

Management Fees and Operating Expenses

For acting as manager of the Corporation, the Manager will receive from the Corporation a Management Fee equal to 0.85% per annum of the gross assets of the Corporation, paid monthly in arrears, plus applicable taxes. Any fees payable to TAML pursuant to the Mortgage Services Agreement will be paid by the Manager. There is no additional fee payable by the Corporation to TAML and the Manager will not charge the Corporation the fee payable by the Manager to TAML (if any) as a disbursement or as expenses under the Management Agreement.

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

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

Certain other fees associated with mortgage loans are generally paid by the borrowers thereunder. For instance: (i) a third party mortgage broker who presents lending opportunities to Timbercreek is compensated for its services by the mortgage loan borrower, and (ii) the Servicing Agents whose duties are the day-to-day administration of individual mortgages are

compensated for their services out of amounts paid by the mortgage loan borrowers in connection with the loans in which the Corporation invests. Moreover, the costs of initially establishing a mortgage loan (for example, legal expenses, administrative fees, etc.) are generally paid by the mortgage loan borrower.

TAML may provide day-to-day administration of certain individual mortgages in the Portfolio in instances where these mortgages are syndicated and the Corporation is a participant in such syndicated mortgages. In these instances, a subsidiary of TAML may act as the mortgage servicing agent for such syndicated mortgages and may receive a servicing fee of up to 5 basis points of the value of the portion of the mortgage that has been syndicated to a third party and is not held by the Corporation. This servicing fee shall not be payable by the Corporation.

RISK FACTORS

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

No Assurance of Achieving Investment Objectives or Paying Distributions

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

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

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

Changes in Real Estate Values

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

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

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

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

Concentration and Composition of the Portfolio

The Portfolio will be invested in Customized First Mortgages (the Corporation may also hold cash and cash equivalents). Given the concentration of the Corporation's exposure to the mortgage lending sector, the Corporation will be more susceptible to adverse economic or regulatory occurrences affecting that sector than an investment fund that is not concentrated in a single sector. Investments in mortgages are relatively illiquid. Such illiquidity will tend to limit the Corporation's ability to vary its Portfolio promptly in response to changing economic or investment conditions.

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

No Guarantees or Insurance

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

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

Competition

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

Sensitivity to Interest Rates

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

Fluctuations in Distributions

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

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

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

Availability of Investments

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

Risks Related to Mortgage Defaults

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

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

Foreclosure and Related Costs

One or more borrowers could fail to make payments according to the terms of their loan, and the Corporation could therefore be forced to exercise its rights as mortgagee. The recovery of a portion of the Corporation's assets may not be possible for an extended period of time during this process and there are circumstances where there may be complications in the enforcement of the Corporation's rights as mortgagee. Legal fees and expenses and other costs incurred by the Corporation in enforcing its rights as mortgagee against a defaulting borrower are usually recoverable from the borrower

directly or through the sale of the mortgaged property by power of sale or otherwise, although there is no assurance that they will actually be recovered. In the event that these expenses are not recoverable, they will be borne by the Corporation.

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

Litigation Risks

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

Qualification as a MIC

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

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

Reliance on the Manager, TAML and the Mortgage Advisory Committee

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

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

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

The Corporation may be Unable to fund Investments

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

Borrowing and Leverage

The Corporation intends to borrow funds using its Customized First Mortgages as security in order to maximize the amount of capital deployed. In this respect, the Corporation has entered into the Credit Facility. The Corporation's leverage in the aggregate will not exceed 40% of the aggregate value of the assets of the Corporation at any time. In the event that the Corporation is not able to meet its obligations under such loans, including under the Credit Facility, pertaining to the payment of interest or the repayment of principal, the Corporation could incur substantial costs if the Corporation is forced to sell assets to repay the loan or to otherwise protect the investments of the Corporation while managing the repayment of such loan. In addition, the Corporation could lose some or all of its assets as a result of lenders exercising their rights of foreclosure and sale or under the security arrangements made with respect to such loan, including in respect of the Credit Facility.

The interest expense and banking fees incurred in respect of any credit facilities, including the Credit Facility, of the Corporation may exceed the incremental capital gains/losses and income generated by the incremental investments in Customized First Mortgages made with the proceeds of leverage. Accordingly, any event which adversely affects the value of Customized First Mortgages would be magnified to the extent that leverage is employed to purchase such Customized First Mortgages. In addition, the Corporation may not be able to renew any credit facility on acceptable terms or at all. There can be no assurance that the borrowing strategy employed by the Corporation will enhance returns. Any such loan will not be guaranteed by the Manager or secured by any of its assets.

Conflicts of Interest

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

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

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

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

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

Fair Allocation

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

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

Restrictions on Ownership and Repurchase of Shares

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

Change in Legislation

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

Ability to Manage Growth

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

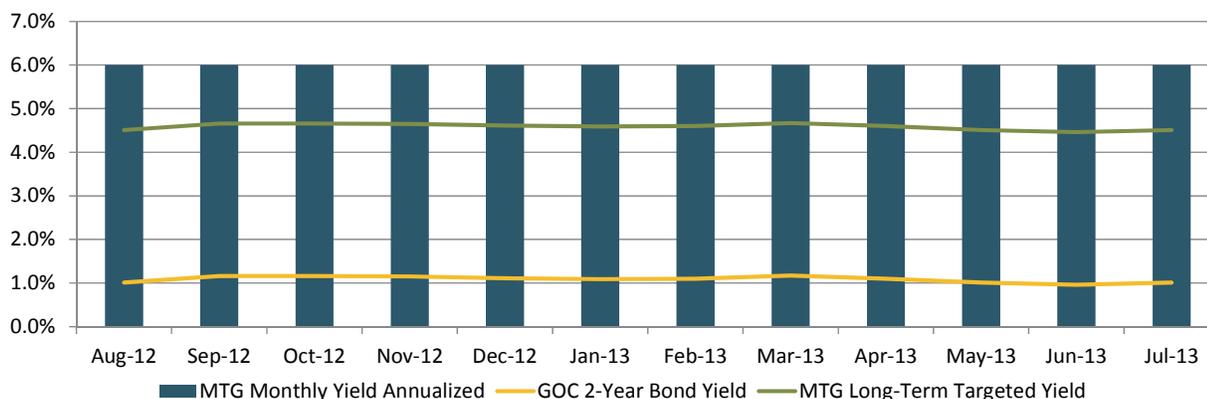
Environmental Matters

The Corporation may in the future take possession, through enforcement proceedings, of properties that secured defaulted mortgage loans to recover its investment in such mortgage loans. Prior to taking possession of properties which secure a mortgage investment, the Manager will assess the potential environmental liability associated with such investment and determine whether it is significant, having regard to the value of the property. If the Manager subsequently determines to take possession of the property, the Corporation could be subject to environmental liabilities in connection with such real property, which could exceed the value of the property. As part of the due diligence performed in respect of the Corporation's proposed mortgage investments, the Manager may obtain a Phase I Environmental Audit on the underlying real property provided as security for a mortgage, when it has determined that a Phase I Environmental Audit is appropriate. However, there can be no assurance that any such Phase I Environmental Audit will reveal any or all existing or potential environmental liabilities necessary to effectively insulate the Corporation from potential liability for a materially adverse environmental condition at any mortgaged property. If hazardous substances are discovered on a property of which the Corporation has taken possession, the Corporation may be required to remove such substances and clean up the property. The Corporation may also be liable to tenants and other users of neighbouring properties and may find it difficult or not possible to resell the property prior to or following such clean-up.

DIVIDENDS AND DISTRIBUTION POLICY

Although the long-term targeted aggregate annual yield (net of all fees and expenses of the Corporation) of the Manager is the two-year Government of Canada bond yield (the "2-Yr GOC Yield") plus 350 basis points, for the period ending December 31, 2013, the Manager is targeting, based on recent historical returns and the current Portfolio, to deliver a return on the Common Shares consistent with the previous nine months cash distributions on the Class A Shares, which would result in an annualized yield of approximately 6.55% per Common Share, based on a closing price on August 12, 2013 of \$9.16 per Class A Share, (and based on an Exchange Ratio of 1 Class A shares for 1 Common Share), net of fees and expenses of the Corporation. For the 12 month period ending July 31, 2013, the average 2 Yr GOC Yield was 1.09%. The Manager will manage the Corporation so as to seek to achieve the targeted yields set forth above, however, no assurance is given that the Corporation will achieve them. See "Risk Factors".

The historical distributions to the holders of Class A Shares are shown below, where the graph illustrates, on a monthly basis, the annualized yield (after fees and expenses of the Corporation) per Class A Share relative to the Manager's targeted yield and the 2-Yr GOC Yield since inception of the Corporation over the last 12 months.



Notes:

- (1) The yield in the graph, depicted by each bar in the graph, is calculated based on the monthly distribution per Class A Share annualized (i.e., multiplied by 12) divided by the Class A Share issue price of \$10.

The holders of Common Shares are entitled to receive distributions as and when declared from time to time on that class of Shares by the directors of the Corporation, acting in their sole discretion, out of the assets of the Corporation properly available for the payment of dividends. Declared distributions will be paid within 15 days following the end of each month. Notwithstanding the above, the Corporation has the right to determine a record date that is other than the last business day of each month.

The historical distributions to the holders of Class A Shares, Class B Shares, Class I Shares and Class J Shares are shown below.

Record Date	Payment Date	Dividend per Class A Share	Dividend per Class B Share	Dividend per Class I Share	Dividend per Class J Share
February 29, 2012 ⁽¹⁾	March 15, 2012	\$0.050			
March 30, 2012	April 13, 2012	\$0.050			
April 30, 2012	May 15, 2012	\$0.050			
May 31, 2012	June 15, 2012	\$0.050			
June 29, 2012	July 13, 2012	\$0.050			\$0.052
July 31, 2012	August 15, 2012	\$0.050		\$0.054	\$0.052
August 31, 2012	September 14, 2012	\$0.050		\$0.054	\$0.052
September 28, 2012	October 15, 2012	\$0.050		\$0.054	\$0.052
October 31, 2012	November 15, 2012	\$0.050		\$0.054	\$0.052
November 30, 2012	December 14, 2012	\$0.050		\$0.054	\$0.052
December 31, 2012	January 15, 2013	\$0.050		\$0.054	\$0.052
January 31, 2013	February 15, 2013	\$0.050	\$0.054	\$0.054	\$0.052
February 28, 2013	March 15, 2013	\$0.050	\$0.054	\$0.054	\$0.052
March 28, 2013	April 15, 2013	\$0.050	\$0.054	\$0.054	\$0.052
April 30, 2013	May 15, 2013	\$0.050	\$0.054	\$0.054	\$0.052
May 31, 2013	June 14, 2013	\$0.050	\$0.054	\$0.054	\$0.052
June 28, 2013	July 15, 2013	\$0.050	\$0.054	\$0.054	\$0.052
July 31, 2012	August 15, 2013	\$0.050	\$0.054	\$0.054	\$0.052

⁽¹⁾No dividends were paid in the period from incorporation, in December 2011, to February 29, 2012.

On April 18, 2012, the Corporation implemented the DRIP which provides eligible holders of Class A Shares with a method to purchase additional Class A Shares by reinvesting the cash distributions received from the Corporation at a potential discount to Market Price and without having to pay commissions, service charges or brokerage fees.

As amended following the Reorganization, the DRIP will permit the Board of Directors of the Corporation the discretion to acquire Common Shares in the open market at prevailing prices (not exceeding 115% of the average market price) or issued from treasury at 95% of the average market price. The average market price is defined in the DRIP as the volume weighted average trading price of Common Shares on the TSX for the 10 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.

CONSOLIDATED CAPITALIZATION

Set forth in the table below is the capitalization of the Corporation as at August 12, 2013 and at such date as adjusted to give effect to the Reorganization and exchange of each of the Class A Shares, Class B Shares, Class I Shares and Class J Shares for Common Shares at the applicable Exchange Ratio.

	Authorized	Outstanding as at July 31, 2013⁽¹⁾⁽³⁾	Outstanding as at July 31, 2013 after giving effect to the Reorganization⁽²⁾⁽³⁾
Share Capital			
Class A Shares	Unlimited	\$349,597,853 ⁽³⁾ (36,895,771 shares)	Nil
Class B Shares	Unlimited	\$2,112,370 ⁽³⁾ (219,559 shares)	Nil
Class I Shares	Unlimited	\$5,130,121 ⁽³⁾ (513,700 shares)	Nil
Class J Shares	Unlimited	\$2,036,631 ⁽³⁾ (221,000 shares)	Nil
Voting Shares	Unlimited	\$99 (99 shares)	Nil
Common Shares	Unlimited	Nil	\$358,877,074 ⁽³⁾ (37,894,054 shares)
Total Capitalization		\$ 358,877,074⁽³⁾	\$358,877,074⁽³⁾

Notes:

- (1) Based on the Class B Exchange Ratio, Class I Exchange Ratio and Class J Exchange Ratio as at July 31, 2013
- (2) Assuming no redemption
- (3) These amounts have been rounded.

Immediately prior to the Reorganization, the Corporation had 36,895,771 Class A Shares, 219,559 Class B Shares, 513,700 Class I Shares, 221,000 Class J Shares and 99 Voting Shares issued and outstanding. Subsequent to the Reorganization and assuming all of the Class A Shares, Class B Shares, Class I Shares and Class J Shares have been exchanged for Common Shares and none of the Class A Shares, Class B Shares, Class I Shares or Class J Shares have been redeemed, and assuming the Corporation has repurchased the Voting Shares, the Corporation will have 37,894,054 Common Shares issued outstanding.

PRINCIPAL HOLDERS OF THE COMMON SHARES

To the knowledge of the Corporation, no person, firm or corporation beneficially owns, directly or indirectly, or exercises control or direction over 10% or more of the voting rights attached to the Common Shares.

PRIOR SALES

The following table sets out the prior sales of Shares by the Corporation for the 12 month period prior to the date of this prospectus schedule.

<u>Issue Type</u>	<u>Class of Shares</u>	<u>Date</u>	<u>Price per Share</u>	<u>Quantity</u>	<u>Gross Proceeds⁽¹⁾</u>
DRIP	A	August 15, 2012	\$9.51 ⁽²⁾	5,198	\$49,433
DRIP	A	September 14, 2012	\$9.50 ⁽²⁾	5,522	\$52,459
DRIP	A	October 15, 2012	\$9.48 ⁽²⁾	5,742	\$54,434
DRIP	A	November 15, 2012	\$9.48 ⁽²⁾	6,964	\$66,019
Share Exchange	A	November 30, 2012	-	101,490 ⁽³⁾	-
DRIP	A	December 14, 2012	\$9.31 ⁽²⁾	20,513	\$190,976
DRIP	A	January 15, 2013	\$9.32 ⁽²⁾	22,091	\$205,896
DRIP	A	February 15, 2013	\$9.31 ⁽²⁾	10,827	\$100,803
DRIP	A	March 15, 2013	\$9.27 ⁽²⁾	10,844	\$100,526
DRIP	A	April 15, 2013	\$9.02 ⁽²⁾	11,339	\$102,279
DRIP	A	May 15, 2013	\$8.95 ⁽²⁾	11,792	\$105,546

Notes:

(1) These amounts have been rounded.

(2) Ascribed value. These values have been rounded.

(3) Class A Shares issued upon the exchange of 99,500 Class J Shares at an exchange rate of 1.02 Class A Shares for each Class J Share.

Prior to the Reorganization, the Class A Shares were listed for trading on the TSX under the symbol “MTG”. Upon the completion of the Reorganization, the Class A Shares were de-listed from the TSX and the Common Shares were listed for trading on the TSX under the symbol “MTG”. The following table summarizes the high and low prices of the Class A Shares and volume of trading for the Class A Shares on the TSX on a monthly basis for the 12 month period prior to the date of this prospectus schedule:

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
August 2012	\$10.14	\$9.92	916,543
September 2012	\$10.05	\$9.93	833,410
October 2012	\$10.00	\$9.97	574,647
November 2012	\$9.99	\$9.66	2,141,585
December 1, 2012	\$9.89	\$9.63	173,281
January 2013	\$9.98	\$9.50	609,646
February 2013	\$9.92	\$9.72	415,746
March 2013	\$9.90	\$9.33	607,619
April 2013	\$9.65	\$9.19	804,004
May 2013	\$9.57	\$9.01	786,596
June 2013	\$9.30	\$8.70	872,493
July 2013	\$9.23	\$8.76	634,864
August 1-12, 2013	\$9.21	\$9.06	165,750

On August 12, 2013, the date of this prospectus schedule, the closing price of the Corporation’s Class A Shares on the TSX was \$9.16.

CANADIAN INCOME TAX CONSIDERATIONS

The following is a general summary, as of the date hereof, of the principal Canadian federal income tax consequences generally applicable to the acquisition, holding and disposition of Common Shares by an investor who acquires Common Shares pursuant to an offering. This summary only applies to an investor who is an individual (other than a trust) and who, for the purposes of the Tax Act, is a resident of Canada, deals at arm's length and is not affiliated with the Corporation and holds the Common Shares as capital property. The Common Shares will generally be considered to constitute capital property to an investor unless the investor either holds the Common Shares in the course of carrying on a business of trading or dealing in securities or has acquired the Common Shares in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain investors who are resident in Canada and whose Common Shares do not otherwise qualify as capital property may, in certain circumstances, make an irrevocable election to have their Common Shares and every other "Canadian security" (as defined in the Tax Act) owned by them deemed to be capital property.

This summary does not apply to an investor (i) that is a "specified financial institution" or a "financial institution" both as defined in the Tax Act; (ii) an interest in which constitutes a "tax shelter investment" within the meaning of the Tax Act; or (iii) who reports its Canadian tax results in a "functional currency" (which excludes Canadian dollars).

This summary is based on the current provisions of the Tax Act, the regulations thereunder (the "Regulations"), all specific amendments to the Tax Act and the Regulations publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof (the "Proposals"), the facts contained in this prospectus schedule, a certificate of an officer of the Corporation as to certain factual matters, and counsel's understanding of the current administrative practices and assessing policies of the CRA that have been published in writing by it prior to the date hereof. Except for the Proposals, this summary does not take into account or anticipate any change in law, whether by legislative, governmental or judicial decision or action, or any changes in the administrative practices and assessing policies of the CRA, nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations, which may differ significantly from the tax considerations described herein. No assurance can be given that the Proposals will be enacted in the form proposed or at all.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Common Shares. It is not intended to constitute tax advice to any prospective investor. The income tax consequences of acquiring, holding and disposing of Common Shares will vary depending on the investor's particular circumstances, including the province in which the investor resides or carries on business. Investors are urged to consult their own tax advisers with respect to their particular circumstances.

Status of the Corporation

A. Classification under Tax Act

This summary is based upon the assumption that the Corporation will qualify as a MIC at all relevant times. If the Corporation were to not qualify as a MIC at any time, the income tax considerations would be materially different from those described below.

B. MIC Requirements

The following requirements must be met throughout a taxation year in order for the Corporation to qualify as a MIC for that taxation year:

Canadian Corporation. The Corporation must be a "Canadian corporation", as defined in the Tax Act, which generally means a corporation incorporated or resident in Canada;

Undertaking. The Corporation's only undertaking was the investing of its funds. The Corporation cannot have managed or developed any real or immovable property;

Prohibited Foreign Investment. None of the property of the Corporation consisted of debts owing to the Corporation secured on real or immovable property situated outside Canada, debts owing to the Corporation by non-resident persons unless such debts were secured on real or immovable property situated in Canada, shares of the capital stock of corporations not resident in Canada, or real or immovable property situated outside Canada or any leasehold interest in such property;

Shareholder Requirements. The Corporation had at least 20 shareholders. In addition, no shareholder (together with Related Persons, see below) of the Corporation at any time in the year owned, directly or indirectly, more than 25% of the issued shares of any class of the Corporation. Special rules apply for the purposes of counting shareholders that are registered pension plans or DPSPs;

Preferred Shareholders. Holders of preferred shares (if any) of the Corporation had the right, after payment to them of their preferred dividends and payment of dividends in a like amount per share to the holders of the Common Shares, to participate *pari passu* (equally) with the holders of the Common Shares in any further payment of dividends;

50% Asset Test. The cost amount for tax purposes to the Corporation of its property in the form of or as a combination of money, debts secured on certain specified residential properties, and funds on deposit with a bank or other corporation who is a member of and whose relevant deposits are insured by the Canada Deposit Insurance Corporation or by the Régie de l'assurance-dépôts du Québec-insured institution or credit union (such debts and deposits referred to as "Required Property") constituted at least 50% of the cost amount to the Corporation of all of its property;

25% Asset Test. The cost amount for tax purposes to the Corporation of its property in the form of interests in real or immovable property (including leaseholds but excepting real or immovable property acquired by foreclosure after default by the mortgagor) did not exceed 25% of the cost amount to the Corporation of all of its property; and

Debt to Equity Ratio. Where at any time in the year the cost amount to the Corporation of its money and Required Property represented less than two-thirds of the aggregate cost amount to the Corporation of all of its property, the Corporation's liabilities may not exceed 75% of the cost amount to the Corporation of all its property. Where, however, throughout the year the cost amount to the Corporation of its money and Required Property represented two-thirds or more of the aggregate cost amount to the Corporation of all of its property, the Corporation's liabilities may not exceed 83.33% of the cost amount to the Corporation of all its property.

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

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

C. Eligibility for Investment

If issued on the date hereof, the Common Shares would be qualified investments under the Tax Act for a trust governed by a RRSP, a RRIF, a DPSP, a RDSP, a TFSA and a RESP (each, a "Plan" and collectively, "Plans"), provided that the Corporation qualifies as a MIC throughout a taxation year and further provided that at any time in the relevant calendar year, the Corporation does not hold any indebtedness, whether by way of mortgage or otherwise, of a person who is an annuitant, a beneficiary, an employer, or a subscriber under the Plan, or of any other person who does not deal at arm's length with that person. The Common Shares will also be qualified investments for such Plans if they are listed on a designated stock exchange for the purposes of the Tax Act (which currently includes the TSX).

Notwithstanding that the Common Shares may be qualified investments for a trust governed by a TFSA, a RRSP or a RRIF, the holder of a TFSA or annuitant under the RRSP or RRIF will be subject to a penalty tax if such securities are a "prohibited investment" for the TFSA, RRSP or RRIF, as applicable. The Common Shares will generally be a "prohibited investment" if the holder of a TFSA or annuitant under the RRSP or RRIF does not deal at arm's length with the Corporation for purposes of the Tax Act or the holder of the TFSA or annuitant under the RRSP or RRIF has a "significant interest" (within the meaning of the Tax Act) in the Corporation or a corporation, partnership or trust with which the Corporation does not deal at arm's length for purposes of the Tax Act. A "significant interest" in a corporation generally means ownership of 10% or more of the issued shares of any class of the capital stock of the corporation (or of any related

corporation), either alone or together with persons with which the shareholder does not deal at arm's length for purposes of the Tax Act. The Department of Finance (Canada) has recently indicated that it will recommend amendments to the Tax Act that will narrow the scope of the prohibited investment rules. However, no draft legislation has been released as of the date hereof. Holders of a TFSA, RRSP and RRIF should consult their own advisors in this regard.

Taxation of the Corporation

The Corporation will be considered to be a public corporation either on the basis that it qualifies as a MIC or on the basis that Common Shares are listed on a designated stock exchange (which currently includes the TSX).

As a public corporation, the Corporation is subject to tax at the full general corporate income tax rates on its taxable income. However, provided the Corporation qualifies as a MIC, the Corporation may deduct in computing its income for a taxation year the amount of its taxable dividends (other than capital gains dividends) paid to its shareholders as follows:

- (a) all taxable dividends, other than capital gains dividends, paid by the Corporation to its shareholders during the year (to the extent not deductible in computing the Corporation's income for the previous year) or within 90 days after the end of the year; and
- (b) one-half of all capital gains dividends paid by the Corporation to its shareholders during the period commencing 91 days after the commencement of the year and ending 90 days after the end of the year.

The Corporation must elect to have a dividend qualify as a capital gains dividend. The Corporation may elect that dividends paid during a 12-month period commencing 91 days after the commencement of a taxation year and ending 90 days after the end of the year be capital gains dividends to the extent of the Corporation's capital gains for the year less any applicable capital losses. The election must be made in respect of the full amount of a dividend and can only be made if the Corporation qualifies as a MIC throughout the taxation year.

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

Taxation of Shareholders

A. Distributions

A Shareholder is required to include in its income, as interest payable on a bond issued by the Corporation, any amount received by the Shareholder from the Corporation as or on account of a taxable dividend (other than capital gains dividends).

Capital gains dividends received by a holder of Common Shares (whether paid in cash or reinvested in Common Shares) will be treated as a capital gain of the Shareholder from a disposition of capital property in the year in which the dividend is received. See "*Disposition of Shares*" below for the tax treatment of capital gains.

The gross-up and dividend tax credit applicable to taxable dividends received by individuals from a taxable Canadian corporation will not apply to dividends paid by the Corporation.

The amount of a dividend reinvested in additional Common Shares will be the cost amount of such Common Shares and will be averaged with the cost amount of other Common Shares of such class owned by the Shareholder in determining the adjusted cost base of a Shareholder's Common Shares.

B. Disposition of Shares

A sale or other disposition of an Common Share by a Shareholder (other than to the Corporation), including deemed dispositions, will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition of the Common Share exceed (or are exceeded by) the Shareholder's adjusted cost base of such Common Share and any reasonable disposition costs.

In general, one-half of a capital gain (“taxable capital gains”) realized in the year by a Shareholder on the disposition of Common Shares will be included in the Shareholder’s income for the year, and one-half of a capital loss (“allowable capital losses”) realized in the year on such disposition will be deducted from the Shareholder’s taxable capital gains, if any, realized in such year. Allowable capital losses in excess of taxable capital gains for a particular year may generally be carried back three years or forward indefinitely and deducted against net taxable capital gains realized in such years, subject to the detailed rules in the Tax Act.

Shareholders realizing capital gains on the disposition of Common Shares or receiving capital gains dividends on Common Shares may be subject to alternative minimum tax under the Tax Act.

The exchange of Class A Shares, Class B Shares, Class I Shares or Class J Shares into Common Shares will not result in a capital gain (or capital loss) for an exchanging Shareholder.

Taxation of Registered Plans

Dividends received by a Plan on Common Shares that are a qualified investment for such a Plan will be exempt from income tax in the Plan, as will capital gains realized by the Plan on the disposition of such Common Shares. Withdrawals from Plans, other than a TFSA and an RESP in some cases, are generally subject to tax under the Tax Act. Refer to “*Canadian Income Tax Considerations – Eligibility for Investment*”.

Tax Implications of the Corporation’s Distribution Policy

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

DIRECTORS AND EXECUTIVE OFFICERS

Officers and Directors of the Corporation

Assuming the completion of the Reorganization, the following table sets forth the name, province and country of residence and position of the directors and executive officers of the Corporation, and his or her position and office with the Corporation, and respective principal occupation during the five preceding years.

<u>Name and Municipality of Principal Residence</u>	<u>Position with the Corporation</u>	<u>Principal Occupation</u>
<i>Corporation</i>		
Robert Douglas ⁽¹⁾⁽²⁾ <i>Ontario, Canada</i>	Director (appointed December 1, 2011)	Managing Director, Real Estate Investments for OPTrust. President of OPTrust Realty Inc.
Steven Scott ⁽¹⁾⁽²⁾ <i>Ontario, Canada</i>	Director (appointed December 1, 2011) (Chair – Audit Committee)	President and Chief Executive Officer of The Access Group of Companies

Name and Municipality of Principal Residence	Position with the Corporation	Principal Occupation
W. Glenn Shyba ⁽¹⁾⁽²⁾ <i>Ontario, Canada</i>	Director (appointed December 1, 2011)	Principal, Origin Merchant Partners
Ed Boomer <i>Toronto, Ontario</i>	Director (expected to be appointed on September 14, 2013)	Founder & President of Reference Realty Inc.
R. Blair Tamblyn <i>Ontario, Canada</i>	Director (Chairman) (appointed December 1, 2011) and Chief Executive Officer	Director, Chief Executive Officer and Founding Managing Director of the Manager
Ugo Bizzarri <i>Ontario, Canada</i>	Director (expected to be appointed on September 14, 2013), Chief Financial Officer	Director, Founding Managing Director, Portfolio Management and Investments of the Manager
Andrew Jones <i>Toronto, Ontario</i>	Director (expected to be appointed on September 14, 2013), Vice-President	Managing Director, Debt Investments of the Manager
David Melo <i>Ontario, Canada</i>	Vice President	Managing Director, Finance and Chief Compliance Officer of the Manager

(1) Member of the Audit Committee of the board of directors of the Corporation.

(2) Independent director of the board of directors of the Corporation.

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

Biographies

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

Robert Douglas - Mr. Douglas is Managing Director, Real Estate Investments for OPTrust. He is also President of OPTrust Realty Inc., OPTrust's wholly owned real estate subsidiary. With assets of \$14.7 billion, OPTrust invests and manages one of Canada's largest pension funds and administers the Ontario Public Service Employees Union pension plan, a defined benefit plan with almost 84,000 members and retirees. Mr. Douglas joined OPTrust in 2004 to develop and implement a real estate investment strategy. He is responsible for an internal investment team of 9 which is currently managing a real estate portfolio valued at \$2.1 billion with assets in Canada, the United States, and other international markets. From 1998 to 2004, Mr. Douglas held the positions of Associate Portfolio Manager and Portfolio Manager, Real Estate for the Healthcare of Ontario Pension Plan (HOOPP). Mr. Douglas holds an Honors Bachelor of Arts Degree in Geography (Urban Development) from the University of Western Ontario in London, Ontario and is a Chartered Financial Analyst. Mr. Douglas also previously served as a member of the Board of Directors of Landmark Apartment Trust of America, a publicly registered, non-traded REIT, that owns and operates over 27,000 apartment units across the United States.

Steven Scott - Mr. Scott has, since August 2000, been the President and Chief Executive Officer of The Access Group of Companies focusing on the ownership, acquisition, development and management of self storage, infill residential and commercial real estate in Canada. The Access Group of Companies is comprised of: (i) Access Self Storage Inc. (ASSI) which is the third largest self storage company in Canada with over 30 locations and over 2 million square feet; (ii) 789169 Ontario Inc. operating as AMR Homes, which specializes in in-fill housing developments within the greater Toronto area; and (iii) 967686 Ontario Inc. operating as Access Commercial, which holds and manages industrial, retail and commercial real estate. Mr. Scott is a member of the board and the treasurer of the Canadian Self Storage Association (CSSA). He is

also an independent director of HSBI Benefits Inc. (a private company) and a director of Storage Capital Inc., a specialized lender to the self storage industry. Mr. Scott worked in public accounting prior to joining ASSI and is a chartered accountant having articulated with Deloitte & Touche. Mr. Scott holds a Bachelor of Commerce degree from Dalhousie University.

W. Glenn Shyba – Mr. Shyba is a Founder and Principal of Origin Merchant Partners which is an independent investment bank that provides value added corporate finance, mergers and acquisitions and merchant banking services across several core industries. He has spent over 20 years in the commercial real estate industry in Canada and is focused on the principal investing side.

Prior to Origin Merchant Partners, Mr. Shyba was Executive Vice President and Chief Operating Officer at Osmington Inc., (“Osmington”) one of Canada’s most active and successful private commercial real estate owners and developers. Mr. Shyba has extensive transactional experience having had corporate responsibility for in excess of \$2.0B in acquisitions and dispositions, and for the 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, Mr. Shyba was Vice President, Development at Bramalea Inc. He also participated in the development of Canada’s first property valuation software program for commercial real estate.

Mr. Shyba holds a Bachelor of Commerce degree from the University of British Columbia.

R. Blair Tamblyn – Mr. Tamblyn is the Chief Executive Officer and Chairman of the Board of the Corporation. He is also a Director, President and Chief Executive Officer of the Manager, a Director, Chief Executive Officer and Founding Managing Director of the Manager and Chairman of the Board of TMC. Mr. Tamblyn has over 14 years’ of experience working with the public and private capital markets and has led the origination, structuring, capitalization and execution of all public and private Timbercreek funds that as of July 31, 2013, managed approximately \$3.2 billion in assets. Prior to founding the Manager in 1999, Mr. Tamblyn worked with Connor, Clark & Company. Mr. Tamblyn is a graduate of the University of Western Ontario, and is a graduate of the Rotman School of Business Director Education Program.

Ugo Bizzarri – Mr. Bizzarri is the Chief Financial Officer of the Corporation. Mr. Bizzarri is also a Founding Managing Director, Portfolio Management and Investments and a Director of the Manager and Chief Financial Officer of TMC. Mr. Bizzarri has 20 years’ experience in the valuation, acquisition and disposition of investment-grade cash-flowing real estate, and as such leads the Timbercreek team that is responsible for the acquisition and disposition of direct real estate, and the underwriting and funding of commercial mortgage investments that are secured by direct real estate. In this capacity, over the past 6 years Mr. Bizzarri and his team have constructed and managed a diversified debt portfolio of over \$800 million in Timbercreek-sponsored commercial mortgage investments and have been responsible for underwriting, financing and acquiring approximately \$2.1 billion worth of multi-residential real estate on behalf of Timbercreek and its partners. Prior to co-founding the Manager, Mr. Bizzarri was in Portfolio Management at OTPPB where he played a leadership role in the strategic planning, corporate transactions/restructuring and property acquisitions for the Real Estate Group of OTPPB. Mr. Bizzarri is a graduate of the Richard Ivey School of Business and is a Chartered Financial Analyst.

Andrew Jones – Mr. Jones is the Vice President of the Corporation. Mr. Jones is also Managing Director, Debt Investments of the Manager. Mr. Jones’ primary responsibility is to oversee the origination and structuring of Timbercreek-sponsored commercial mortgage investments. Since joining Timbercreek in 2008 Mr. Jones has originated over \$2 billion in commercial real estate debt investments across various real estate sectors, with substantial time devoted to originating loans for the TMC and MTG portfolios. Mr. Jones has been a registered mortgage broker for over 14 years, carries a mortgage broker licence in three provinces and is the broker of record on behalf of the Manager. Prior to joining the Manager, Mr. Jones was a co-founder and Managing Partner of Canadian Mortgage Strategies and Investments (CMSI), a commercial mortgage brokerage firm with offices in Toronto, Montreal, Edmonton and Vancouver. Prior to founding CMSI, Mr. Jones served as Vice President, Canada ICI Commercial Mortgages Inc. and also held the positions of Vice President, Finance at Residential Equities REIT and Vice President Finance at Dundee Realty Corporation. Mr. Jones is a graduate of the Vancouver School of Economics at UBC and has worked in the commercial real estate and mortgage business for over 20 years.

Ed Boomer – Mr. Boomer is the Chief Investment Officer for Partners REIT (TSX: PAR.UN) and the founder and principal of Reference Realty Inc. which focuses on facilitating acquisition and operation of real estate properties (primarily retail) directly and on behalf of institutional and private owners and operators. Prior to founding Reference Realty Inc., Mr. Boomer was the Managing Director, Canadian Operations, for Kimco Realty Corporation (“**Kimco**”) and was responsible for all aspects of Kimco’s operations in Canada. Mr. Boomer has over eighteen years of real estate experience. Prior to joining Kimco, Mr. Boomer was the Vice-President & Territory Risk Manager with GE Real Estate. Mr. Boomer is on the

Board of Trustees and Audit Committee of InnVest Real Estate Investment Trust. Mr. Boomer holds a Bachelor of Arts degree from York University's Glendon College (Economics), a law degree from Queen's University and is a member of the Law Society of Upper Canada.

David Melo – Mr. Melo is the Vice President of the Corporation. Mr. Melo joined the Manager in November 2004, and is Managing Director, Finance and Chief Compliance Officer of the Manager. Mr. Melo's responsibilities include overseeing the financial and tax reporting, treasury and corporate financings at the Manager. Mr. Melo was formerly an Audit Manager at KPMG LLP in the Financial Institutions and Real Estate Audit Practice. During his time at the firm, he had the opportunity to audit private and public real estate companies and was involved in due diligence assignments with respect to client acquisitions and dispositions. Mr. Melo holds a Bachelor of Commerce, Honours from McMaster University and holds the Chartered Accountant designation.

Directors of the Corporation

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

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

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

Except as set forth below, no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

- (a) is, as at the date of this Prospectus, or has been within the ten (10) years before the date of this Prospectus, 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 Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

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

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

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The senior management team of the Corporation consists of individuals employed by the Manager. Pursuant to the Management Agreement, the Manager directs the affairs and manages the business and administers or arranges for the administration of the Corporation's day-to-day operations. There are no employment agreements between members of senior management and the Corporation, and the Corporation does not pay any compensation to any individuals serving as officers, directly or indirectly. In consideration for the services provided to the Corporation, the Manager is paid a Management Fee equal to 0.85% per annum of the gross assets of the Corporation, paid monthly in arrears, plus applicable taxes.

Although certain individuals hold titles as our officers, these officers are employees of the Manager. The board of directors of the Manager has sole responsibility for determining the compensation of the employees of the Manager, including those serving as officers of the Corporation. The Board, rather than a compensation committee, is therefore responsible for compensation matters, specifically in the form of remuneration of the Manager.

Summary Compensation Table

Securities legislation requires disclosure of the compensation received by each Named Executive Officer of the Corporation for each of its three most recently completed financial years. "Named Executive Officer" is defined by securities legislation to mean: (i) the Chief Executive Officer; (ii) the Chief Financial Officer; (iii) each of the three most highly compensated executive officers of the Corporation, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the Chief Executive Officer and Chief Financial Officer, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year; and (iv) each individual who would be a "Named Executive Officer" under paragraph (iii) but for the fact that the individual was neither an executive officer of the Corporation or its subsidiaries, nor acting in a similar capacity, at the end of the most recently completed financial year.

During the year ended December 31, 2012, the Corporation had three Named Executive Officers (all of whom are employees of the Manager). The following table and notes thereto provide a summary of the compensation paid by the Manager to each Named Executive Officer of the Corporation that is attributable to time spent by such Named Executive Officer on the activities of the Corporation for the financial year ended December 31, 2012 (the Corporation's first year of operation).

Name and Principal Position of Named Executive Officer	Year	Salary ⁽¹⁾ (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation		All Other Compensation ⁽³⁾ (\$)	Total Compensation (\$)
					Annual Incentive Plans ⁽²⁾ (\$)	Long-Term Incentive Plans (\$)		
R. Blair Tambllyn	2012	95,000	Nil	Nil	28,125	Nil	Nil	123,125
	2011 ⁽⁴⁾	7,400			Nil			7,400
Ugo Bizzarri	2012	95,000	Nil	Nil	28,125	Nil	Nil	123,125
	2011 ⁽⁴⁾	7,400			Nil			7,400
Andrew Jones	2012	240,000	Nil	Nil	65,625	Nil	37,500	343,125
	2011 ⁽⁴⁾	18,500			1,000		37,500	57,000

Notes:

- (1) Represents the portion of salary paid by the Manager attributable to time spent on the activities of the Corporation.
- (2) Represents the portion of annual bonus paid by the Manager attributable to time spent on the activities of the Corporation.
- (3) None of the Named Executive Officers receives any compensation for acting as member of the Board. See "– Directors Compensation" below.
- (4) The Corporation was formed on December 1, 2011. Compensation amounts in respect of 2011 are given for the one month period to December 31, 2011.

Principal Elements of Compensation

The compensation of the Named Executive Officers includes three major elements: (1) base salary; and (2) an annual cash bonus. The Manager determines executive compensation with input from senior management of the Manager. There is no specific formula for determining the amount of each element, nor is there a formal approach applied by the Manager for determining how one element of compensation fits into the overall compensation objectives in respect of the activities of the Corporation. Objectives and performance measures may vary from year to year as determined to be appropriate by the Manager.

The role of the Board in determining compensation is limited. The Board has determined that, generally, processes and controls are in place to mitigate any risks and, overall, such risks are not significant and not reasonably likely to have a material adverse effect on the Corporation. Although the Board has not adopted any policies in this regard, in the event that a Named Executive Officer or director of the Corporation purchases financial instruments that are designed to hedge or offset a decrease in market value of our equity securities granted as compensation or held, directly or indirectly, by the Named Executive Officer or director, such purchases must be disclosed in the insider reporting filings of a Named Executive Officer or director.

The Named Executive Officers do not benefit from medium term incentives or pension plan participation. Perquisites and personal benefits are not a significant element of compensation of the Named Executive Officers.

The two principal elements of compensation are described below.

Base Salaries

Base salaries are paid by the Manager and are intended to provide an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries are determined on an individual basis, taking into consideration the past, current and potential contribution to the success of the Corporation, the position and responsibilities of the Named Executive Officers and competitive industry pay practices for other mortgage investment corporations and corporations of comparable size. The Manager does not engage compensation consultants or advisors for the purposes of performing benchmarking or apply specific criteria for the selection of comparable mortgage lending businesses.

Annual Cash Bonuses

Annual cash bonuses are paid by the Manager and are awarded primarily based upon qualitative and quantitative performance standards, and reward performance of the Corporation or the Named Executive Officer individually. The determination of the performance of the Corporation may vary from year to year depending on economic conditions and conditions in the mortgage lending industry, and may be based on measures such as share price performance, the meeting of financial targets against budget and balance sheet performance. Individual performance factors vary, and may include completion of specific projects or transactions and the execution of day to day management responsibilities.

Director Compensation

A member of the Board who is not an independent director does not receive any remuneration from the Corporation for serving as a member of the Board or any Board committee. The Corporation pays independent directors' fees of \$20,000 per independent director per annum. The Audit Committee members receive an additional fee of \$1,250 per annum and the Chair of the Audit Committee receives an additional fee of \$2,500 per annum. No compensation is paid for directors attending any meetings of the Board or any Board committee.

Directors' compensation is subject to such amendments as the directors may determine from time to time. Members of the Board or any Board committee are entitled to reimbursement of their out-of-pocket expenses incurred in acting as a member of the Board or any Committee. The directors of the Corporation may also be entitled to additional remuneration from the Corporation for the performance of additional services and special projects for the Corporation. The amount of any such remuneration shall be determined by the independent directors.

The table below sets forth the compensation paid to members of the Board, in their capacities as directors of the Corporation, for the financial year ended December 31, 2012.

Name of Director ⁽¹⁾	Fees (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	All Other Compensation (\$)	Total Compensation (\$)
Robert Douglas	20,000	Nil	Nil	Nil	20,000
Steven Scott	20,000	Nil	Nil	Nil	20,000
W. Glenn Shyba	20,000	Nil	Nil	Nil	20,000
Ed Boomer	20,000	Nil	Nil	Nil	20,000

Notes:

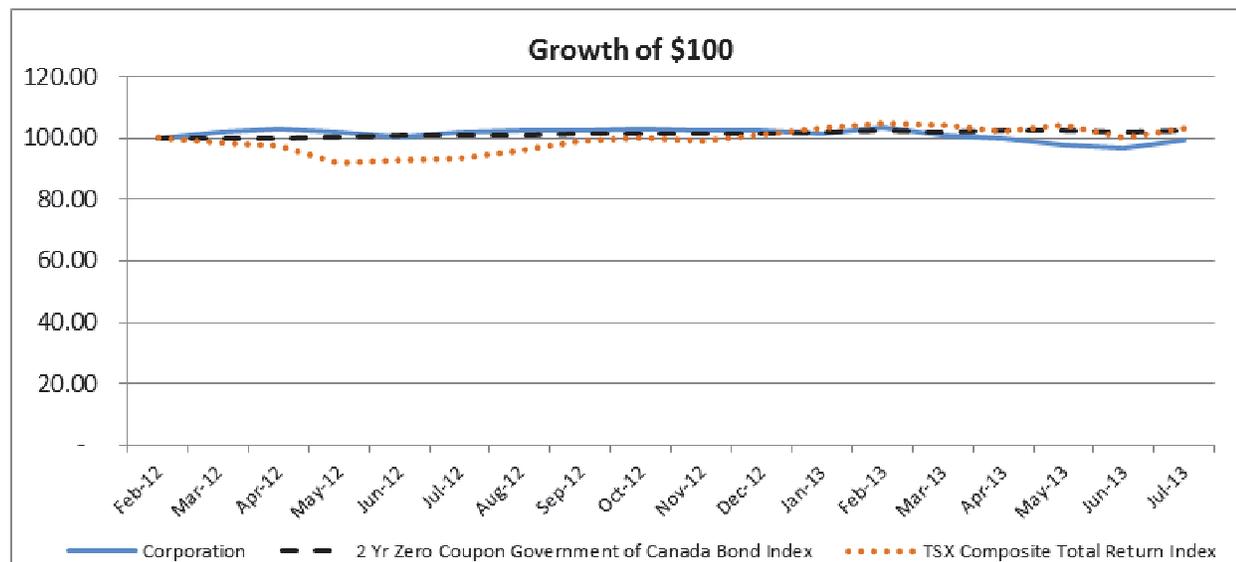
(1) Only independent directors are included in this table as a member of the Board who is not an independent director does not receive any remuneration for serving as a member of the Board or any Board committee.

Insurance Coverage and Indemnification

We have obtained insurance policies that cover corporate indemnification of our directors and officers and our individual directors and officers in certain circumstances. In addition, our by-laws also provide for the indemnification of our directors and officers from and against liability and costs in respect of any action or suit against them in connection with the execution of their duties or office, either for us or any affiliated entity, subject to certain customary limitations.

Performance Graph

The following graph compares the Corporation's cumulative total shareholder return since the Corporation has been a reporting issuer, based on an investment of \$100 at the start of that period and assuming dividends were reinvested. During the period, the total cumulative shareholder return for \$100 invested in Class A shares was \$99.23 or -0.77%, as compared to \$102.49 or 2.49% for the 2 Year Zero Coupon Government of Canada Bond Index and \$103.31 or 3.31% for the TSX Composite Total Return Index.



As discussed above under “Executive Compensation – Compensation Discussion and Analysis”, the senior management team of the Corporation consists of individuals employed by the Manager. Although certain individuals hold titles as our officers, these officers are employees of the Manager. There are no employment agreements between members of senior management and the Corporation, and the Corporation does not pay any compensation to any individuals serving as officers, directly or indirectly. The Board, rather than a compensation committee, is responsible for compensation matters, specifically in the form of remuneration of the Manager. Ultimately, the board of directors of the Manager, and not the

Board, has sole responsibility for determining the compensation of the employees of the Manager, including those serving as officers of the Corporation.

Share-based and Option-based Awards

The Corporation does not grant share-based or option-based awards to executive officers. As discussed above, the Corporation does not pay any compensation to any individuals serving as officers of the Corporation, directly or indirectly.

CORPORATE GOVERNANCE

Board of Directors

The Board is responsible for oversight of our business and affairs. The Board discharges its responsibilities directly and through one committee – the Audit Committee. That committee operates under a mandate that will be reviewed, and if necessary, updated annually. In fulfilling its responsibilities, the Board delegates day-to-day authority to the Manager, 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 Corporation and deliver to the Board ongoing reports on the status of our business and operations. In addition, in accordance with applicable legal requirements and historical practice, all matters of a material nature will be presented to the Board for approval. A copy of the Board mandate is attached as Schedule “B”.

Corporate Strategy

The Manager is responsible for the development of our long term strategy, and the role of the Board is to review, question, validate and propose changes to that strategy, in order to arrive at an approved strategy to be implemented. The Board will review our long term strategy on an ongoing basis.

Composition of the Board

The Board is comprised of 7 directors. The Board is of the view that that its current size permits a diversity of experience and knowledge and is the appropriate size to foster and promote effective participation, decision making and oversight.

The Board is comprised of a majority of independent directors. It has not established fixed term limits for directors as it is of the view that such a policy would have the effect of forcing directors to resign from the Board who have developed, over a period of service, increased insight into our business and who, therefore, can be expected to provide an increasing contribution to the Board.

Other Public Corporation Directorships

Edward W. Boomer is a director of InnVest Real Estate Investment Trust.

Director Independence

Of the members of the Board, four are independent under NI 58-101, being Robert Douglas, Steven Scott, W. Glenn Shyba and Ed Boomer. For the purposes of NI 58-101, a director is independent if he or she has no direct or indirect material relationship with the Corporation. A “material relationship” is defined as a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of such member’s independent judgment, and certain relationships are deemed to be material. Consequently, a majority of the members of the Board are independent.

The Board has determined that R. Blair Tamblyn, Ugo Bizzarri and Andrew Jones are not independent by virtue of their positions as, respectively, Chief Executive Officer of the Corporation and the Manager, Chief Financial Officer of the Corporation and Founding Manager Director, Portfolio Management and Investments of the Manager and Vice President of the Corporation and Managing Director, Debt Investments of the Manager and their ownership of securities of the Manager. R. Blair Tamblyn is the Chair of the Board and Robert Douglas is the independent lead director.

The Board has established procedures to enable it to function independently of management and to facilitate open and candid discussion among the independent directors. The Board intends to hold in camera independent director meetings following every scheduled Board meeting as well as following special Board meetings as deemed necessary.

Conflicts of Interest

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

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

Succession Planning

Management succession will be an ongoing activity to be reviewed by the Board, with input from the Manager, as appropriate. This planning process will include, on a continuous basis, the Chief Executive Officer's recommendation of a possible successor in the event of an unexpected incapacitation of the Chief Executive Officer.

Roles of the Chair of the Board, Committee Chair and the CEO

While the Board has not adopted written position descriptions for the Chair of the Board, the Audit Committee chair or the Chief Executive Officer of the Corporation, the roles of each are understood. The responsibilities of the Chair of the Board include the efficient organization and operation of the Board. The Chair of the Board is also responsible for ensuring that effective communication exists between the Board and management and that the Board effectively carries out its mandate. Similarly, the Audit Committee chair is responsible for the effective organization and operation of the Audit Committee. The Chair of the Board will chair meetings of the independent directors and assume other responsibilities which the non-management directors may designate from time to time.

The Chief Executive Officer reports formally to the Board, and, where appropriate, to the Audit Committee, as well as less formally through discussions with members of the Board and the Audit Committee, to advise the Board and the Audit Committees on a timely basis of courses of action that are being considered and are being followed. The Chief Executive Officer establishes the strategic and operational orientation of the Corporation and, in so doing, provides leadership and vision for the effective overall management, profitability, increase in shareholder value and growth of the Corporation and for conformity with policies agreed upon by the Board. The Chief Executive Officer is directly accountable to the Board for all activities of the Corporation. The corporate objectives for which the Chief Executive Officer of the Corporation is responsible will be determined by strategic and financial plans initiated by the Chief Executive Officer, and developed with input from the Board.

Director Attendance

Board members are expected to attend all Board meetings and meetings of Board committees on which they serve. The following table shows meeting attendance records for all current Board members in 2012 and 2013.

Name of Board Member	Board Meeting	Audit Committee Meeting
R. Blair Tamblyn	12/12	3/3
W. Glenn Shyba	12/12	3/3
Robert Douglas	11/12	3/3
Steven Scott	12/12	3/3

Orientation and Continuing Education

We will establish a practice with respect to the orientation and education of new directors. They will be given the opportunity to meet with senior management and other directors to familiarize themselves with our business and activities and their responsibilities as directors. Directors will be provided with our recent regulatory filings, such as our annual information form and proxy material, the reporting requirements of the directors, information with respect to the Audit Committee and its written charter and certain policies and procedures of the Board.

On a continuing basis, management will provide periodic presentations to the Board to ensure that our directors are fully informed with respect to our business, and directors are free to contact the Chief Executive Officer and the Chief Financial Officer at any time to discuss any aspect of our business.

Ethical Business Conduct

We have not adopted a formal code of business conduct and ethics. The Board is of the view that the fiduciary duties placed on individual directors by the Corporation's governing legislation and common law together with corporate statutory restrictions on an individual director's participation in Board decisions in which the director has an interest are sufficient to ensure that the Board operates independently of management and in the best interests of the Corporation. Further, to encourage and promote a culture of ethical business conduct, the mandate of the Board requires that the Board be satisfied with the integrity of the Chief Executive Officer and other executive officers and that these officers are creating a culture of integrity throughout the Corporation.

Nomination of Directors

The Board does not currently have a nominating committee. The Manager and members of the Board may recommend suitable individuals for nomination as directors. To ensure objectivity in the nomination process, the independent directors review and approve any director nominations proposed by the Manager.

The Board and the Manager are responsible for determining the appropriate criteria for selecting and assessing potential directors and selects candidates for nomination to the Board accordingly. At such time as it is determined that a new director is desirable, the Board and the Manager will engage in various activities to ensure an effective process for selecting candidates for nomination, including developing criteria for the selection of a new director, developing and maintaining a director skills matrix (identifying the desired competencies, independence, expertise, skills, background and personal qualities that are being sought in potential candidates), identifying and recommending individuals qualified and suitable to become directors, the Chair of the Board and/or the Chief Executive Officer will meet with potential new candidates prior to nomination to discuss the time commitments and performance expectations of the position and formal approval will be sought and obtained from the Board in respect of candidates for nomination.

Compensation

The Board does not currently have a compensation committee. As a result of our arrangements with the Manager, the Corporation does not employ any individuals (and has no employment contracts with any individuals), and thus the Board has determined that there is no need for a separate compensation committee. The compensation of the Manager is determined based on the provisions of the Management Agreement, which can only be amended with the approval of a majority of the independent directors, and if increased, with the approval by a special resolution of Shareholders.

The Board, as a whole, is responsible for implementing a process for reviewing the adequacy and form of compensation of directors of the Corporation and ensuring that compensation realistically reflects the responsibilities and risk involved in being a director of the Corporation. The Board requires that remuneration be at a level that will attract and motivate competent members. Compensation is also based on the compensation of directors of similarly situated issuers. In order to ensure an objective process for determining compensation, the Board, through the Manager, reviews compensation paid to directors of various mortgage investment corporations and publicly traded companies.

Assessments

The Board is responsible for implementing a process for assessing the effectiveness of the Board as a whole, the Audit Committee and the contribution of individual directors. In carrying out its responsibilities, the Board is required to periodically review the mandate of the Audit Committee and will make an assessment of the effectiveness of the directors. The Board has determined that the number of directors of the Corporation is appropriate for the Board to function at this

time and that the Board is properly constituted to reflect the investment of all Shareholders in the Corporation. On an ongoing basis, the Board will review the size and composition of the Board.

AUDIT COMMITTEE

Audit Committee Charter

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

In accordance with NI 52-110, the Audit Committee has implemented procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by directors, officers, employees and others of concerns regarding questionable accounting or auditing matters. In this regard, the Board and the Audit Committee have established a Whistleblower Policy outlining such confidential reporting process where all such complaints are referred to the Chair of the Audit Committee for investigation and then the results are reported to the full Audit Committee, after which the Audit Committee determines what action should be taken with respect to any complaint.

The Audit Committee Charter is attached as Schedule “A”.

Composition of the Audit Committee

The Audit Committee is comprised of three members. Each member of the Audit Committee is independent and is financially literate in that each has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by our financial statements.

Relevant Education and Experience

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

Pre-Approval Policies and Procedures

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

External Auditor Service Fees (By Category)

The following table sets out, by category, the fees billed by KPMG LLP, our external auditors, in the fiscal year ended December 31, 2012, the first fiscal year of the Corporation, for the services noted:

Category	Year Ended December 31, 2012
Audit fees ⁽¹⁾	\$95,519
Audit-related fees ⁽²⁾	\$38,087
Tax fees ⁽³⁾	\$45,680
All other fees	\$96,728
Total:	\$276,014

Notes:

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

MANAGER OF THE CORPORATION

The Manager and TAML

The office of the Manager and TAML is located at 1000 Yonge Street, Suite 500, Toronto, Ontario M4W 2K2. Pursuant to the terms of the Management Agreement, the Manager will act as the manager of the Corporation and will provide or will arrange for the provision of all administrative services required by the Corporation. The Manager has entered into the Mortgage Services Agreement with TAML pursuant to which TAML will provide the Licensed Services to the Corporation. For more details on the Mortgage Services Agreement, see “Organization and Management of the Corporation”. TAML is a licensed mortgage brokerage firm in British Columbia, Alberta and Ontario and also is registered as an Investment Fund Manager, Portfolio Manager and Exempt Market Dealer with the Ontario Securities Commission.

The Manager is an investment management company that employs a conservative and risk-averse approach to real estate-based investments. Timbercreek has over twelve years of real estate investment management expertise and as of June 30, 2013, managed approximately \$3.2 billion in real estate assets and employ over 500 professionals in 18 offices across Canada and in the United States, the United Kingdom, Europe and Australia dedicated to managing this real estate on its behalf. This real estate experience allows Timbercreek to have a deep understanding and perception of the trends, risks and opportunities associated with mortgage investments and the underlying real estate security, which enables Timbercreek to better assess investment opportunities and manage risks for the Corporation. The Manager’s lending business leverages its real estate management infrastructure and expertise by providing knowledge of local market and economic trends, new lending opportunities and, if necessary, the management of properties.

The Manager is also dedicated to seeking to ensure that there is a robust platform in place to support the on-going growth of Timbercreek’s private lending activity and has assembled a comprehensive team of 12 mortgage specialists that are dedicated to origination, analysis, funding and servicing of all mortgage loans investments.

Timbercreek Mortgage Specialists

<u>Name</u>	<u>Service</u>	<u>Years of Experience</u>
Andrew Jones	Origination	21
Karen Leeson	Origination	27
Julie Neault	Origination	17
Charles Lingren	Origination	8
Paul Jones	Underwriting	13
Patrick Smith	Underwriting	14
Kristoffer Ljubic	Underwriting	7
Alexandra Mulkeytych	Underwriting	2
Robert Kansun	Underwriting	1
Laura Wheller	Funding	22
Kimberly Casey	Funding	8
Todd Reid	Servicing	5

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

Promoter

TAML initiated the founding and organization of the Corporation and, was a “promoter” of the Corporation within the meaning of the securities legislation of certain provinces of Canada. The Manager will receive fees from the Corporation and will be entitled to reimbursement of expenses incurred in relation to the Corporation as described under “*Fees and Expenses*”.

Duties and Services to be Provided by the Manager

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

The Manager’s duties include, without limitation: (i) authorizing the payment of operating expenses incurred on behalf of the Corporation; (ii) preparing financial statements and financial and accounting information as required by the Corporation; (iii) ensuring that Shareholders are provided with financial statements (including quarterly and annual financial statements) and other reports as are required by applicable law from time to time; (iv) ensuring that the Corporation complies with regulatory requirements; (v) preparing the Corporation’s reports to Shareholders and the Canadian securities regulatory authorities; (vi) recommending to the Corporation’s board of directors the amount of distributions to be made by the Corporation to Shareholders; and (vii) negotiating contractual agreements with third-party providers of services, including registrars, transfer agents, auditors and printers.

Details of the Management Agreement

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

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

1. terminated by the Corporation upon approval of a 2/3 majority of the votes cast by the independent directors of the Corporation:
 - (a) at the conclusion of the initial term or any renewal term, upon 12 months’ prior written notice to the Manager;
 - (b) 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) and that has a material adverse effect on the business, operations or affairs of the Corporation, (ii) the Manager commits any act of bad faith, wilful malfeasance, gross negligence or reckless disregard of its duties, or (iii) any bankruptcy, insolvency or liquidation proceedings are taken against the Manager or if the Manager makes an assignment for the benefit of its creditors, commits any act of bankruptcy or declares itself or is declared to be insolvent (each a “**Termination for Cause**”); and
 - (c) upon 12 months’ prior written notice to the Manager, such notice to be delivered at any time after the fourth anniversary of the commencement of the initial term (the “**Early Termination Date**”), and upon payment of an amount equal to three times the total amount of fees earned by the Manager in the previous twelve months (the “**Early Termination Fee**”). Notwithstanding the foregoing, if less than three years remains in the initial term, or any renewal term, as applicable, the Early Termination Fee payable in the event of termination by the Corporation other than a Termination for Cause shall be all

fees to which the Manager would have been entitled for the period commencing on the termination date and ending at the expiry of the initial term, or renewal term, as the case may be, based on the fees earned in the previous 12 months. In the event of any termination by the Corporation prior to the Early Termination Date, in addition to the Early Termination Fee, the Manager is entitled to payment of all fees to which it would have otherwise been entitled up to and including the Early Termination Date, based on the fees earned in the 12 months prior to termination. Upon the wind-up of the Corporation approved by a special resolution of Shareholders, no Termination Fee shall be payable to the Corporation;

2. terminated by the Manager:

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

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

The Management Agreement provides for certain non-competition restrictions in respect of its activities outside of the business of the Corporation. The non-competition restrictions provide, among other things, that the Manager shall not create or act as manager for a mortgage investment entity with substantially similar investment objectives and policies as the Corporation. Other than as stated above, the management services to be provided by the Manager under the Management Agreement are not exclusive to the Corporation and nothing in the Management Agreement prevents the Manager from providing similar management services to other investment funds and other clients or from engaging in other activities.

Details of the Mortgage Services Agreement

The Mortgage Services Agreement is entered into between the Manager and TAML provides for:

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

Officers and Directors of the Manager and TAML

The following table sets forth the name, municipality of residence and position of the directors and executive officers of the Manager and TAML applicable to the Corporation.

Name and Municipality of Principal Residence	Position with the Manager or TAML	Principal Occupation
<i>Manager</i>		
R. Blair Tamblyn <i>Toronto, Ontario</i>	Director (Chairman), Chief Executive Officer and President and Founding Managing Director of the Manager	Director, Chief Executive Officer and Founding Managing Director of the Manager
Ugo Bizzarri <i>Toronto, Ontario</i>	Director, Founding Managing Director, Portfolio Management and Investments of the Manager	Director, Founding Managing Director, Portfolio Management and Investments of the Manager
Carrie Morris <i>Toronto, Ontario</i>	Managing Director, Capital Markets & Corporate Communications and Secretary of the Manager	Director, Managing Director, Capital Markets & Corporate Communications of the Manager
Andrew Jones <i>Toronto, Ontario</i>	Managing Director, Debt Investments of the Manager	Managing Director, Debt Investments of the Manager
David Melo <i>Toronto, Ontario</i>	Managing Director, Finance and Chief Compliance Officer of the Manager	Managing Director, Finance and Chief Compliance Officer of the Manager
Chris Humeniuk <i>Toronto, Ontario</i>	Member of Mortgage Advisory Committee of TAML	President, Community Trust Company
Ken Lipson <i>Toronto, Ontario</i>	Member of Mortgage Advisory Committee of TAML	Consultant
Pamela Spackman <i>Toronto, Ontario</i>	Member (Chair) of Mortgage Advisory Committee of TAML	Consultant

The backgrounds of the persons listed in the above table are described below, except that the backgrounds of Mr. Bizzarri, Mr. Tamblyn, Mr. Jones and Mr. Melo are described under “*Directors and Executive Officers — Officers and Directors of the Corporation*”.

Biographies

Carrie Morris – Ms. Morris is a Director and Managing Director, Capital Markets & Corporate Communications of the Manager. Ms. Morris is also the acting Corporation Secretary for TMC. Her primary responsibilities include coordinating all capital markets activities including new product development, investor relations and shareholder communications. Ms. Morris is also responsible for corporate secretarial functions, corporate governance and for assisting with regulatory compliance efforts. Ms. Morris holds a Masters of Business Administration from McMaster University.

Chris Humeniuk – Mr. Humeniuk is a member of the Mortgage Advisory Committee. Mr. Humeniuk is also President, Community Trust Company (Community Trust). Prior to joining Community Trust, Mr. Humeniuk co-founded CMSI along with Mr. Andrew Jones and held the position of Managing Director from inception through to June 2010. Prior to co-founding CMSI, Mr. Humeniuk served as a mortgage broker at Canada ICI Commercial Mortgages (1999–2002), at ICI Mortgage Services Limited (1997-1999), and at Dominion Mortgage Corporation (1995-1996). Mr. Humeniuk was also employed as an account manager by Forsgate Funding Corporation, a private real estate lending and development company (1990-1995). Overall, Mr. Humeniuk has over 15 years of real estate and mortgage experience. Mr. Humeniuk is a graduate of the University of Western Ontario (Degree in Economics).

Ken Lipson — Mr. Lipson is a member of the Mortgage Advisory Committee. Mr. Lipson is also the Chief Financial Officer of TMDL Asset Management Inc. (TMDL), a developer and owner operator of multi-family and seniors property assets. Prior to TMDL, Mr. Lipson co-founded Hampton Realty Partners, was a president of Quorum REIT Canada (2002-2005) and a director of Transportation Lease Systems Inc. (2005-2010). Mr. Lipson has a BA from the University of Toronto and earned an MBA at the Richard Ivey School of Business at the University of Western Ontario and has worked in the real estate business for over 24 years.

Pamela Spackman – Ms. Spackman is a member and the Chair of the Mortgage Advisory Committee. Ms. Spackman has been active in the commercial real estate finance sector since 1986. Most recently she was appointed to the board of directors for Gazit America Inc. (as Chair of Corporate Governance Committee and a member of the Audit Committee), a publicly traded company on the TSX focused on investment in entrepreneurial real estate opportunities. From 2000 – 2008, Ms. Spackman was President & Chief Executive Officer of Column Canada Financial Corp. (“Column Canada”), a wholly owned subsidiary and the Canadian lending arm of Credit Suisse Group (“Credit Suisse”) and Director at Credit Suisse. As Chief Executive Officer of Column Canada, Ms. Spackman directed the origination, structuring and securitization of commercial mortgage loans for Credit Suisse commercial mortgage-backed securities program. Prior to working with Credit Suisse, Ms. Spackman was Vice President, Mortgage Investments directly responsible for the creation and management of the commercial mortgage-lending program for British Columbia Investment Management Corporation (bcIMC).

Mortgage Advisory Committee

The Mortgage Advisory Committee is an advisory committee appointed by TAML of at least two independent members within the meaning of applicable securities laws. The members of the Mortgage Advisory Committee are Chris Humeniuk, Ken Lipson and Pamela Spackman (Chair). TAML will identify and present mortgage investment opportunities to the Mortgage Advisory Committee. The Mortgage Advisory Committee will review all mortgage investment opportunities prior to investment with a view to assessing the strength of the security covenants of such mortgage investment opportunities, and with a view to assessing the payment default risks associated with such mortgage investment opportunities. Following the analysis of the mortgage investment opportunities, the Mortgage Advisory Committee will make a recommendation to the Manager. Only with a positive recommendation of a majority of the members of the Mortgage Advisory Committee will the Manager consider whether or not to allocate assets to such opportunities. The Manager will consider overall asset allocation and risk analysis before giving final approval of funding. The Mortgage Advisory Committee is also responsible for approving any extensions or modifications to loans that were previously approved.

Mortgage Servicing by TAML

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

Conflict of Interest Matters

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

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

Policies and Procedures of Manager and TAML

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

In addition, Timbercreek's general 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, while also addressing related conflicts of interest, the Board has approved a standing instruction to TAML that governs the allocation of different mortgage investment opportunities to each of TAML's Client accounts that have investment objectives and restrictions that are compatible with such opportunities. Pursuant to this standing instruction, TAML is required to provide the Board with a report of all mortgages allocated to TAML's Client accounts during each calendar quarter within 30 days of the end of the calendar quarter. See "*Risk Factors – Fair Allocation*".

CUSTODIANS, AUDITORS, REGISTRARS AND TRANSFER AGENTS

Custodian

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

Auditors

The auditors of the Corporation are KPMG LLP. The address of the auditors is Bay Adelaide Centre, 333 Bay Street, Suite 4600, Toronto, Ontario.

Registrar and Transfer Agent

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

DESCRIPTION OF THE COMMON SHARES

Description of the Common Shares

The Corporation is authorized to issue an unlimited number of Common Shares, a summary of the terms and conditions of which, as they will exist upon completion of the Reorganization (and based on the Class B Exchange Ratio as of July 31, 2013), is set forth below. As of August 12, 2013, assuming completion of the Reorganization, there are issued and outstanding 37,894,054 Common Shares.

Voting Rights

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

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

- i. a change in the Manager, other than (A) a change resulting in an affiliate of the Manager assuming such position, (B) a termination of the Management Agreement between the Manager and the Corporation, or (C) a change in accordance with the terms of the Management Agreement;
- ii. any increase in the basis of calculating management fees paid to the Manager;
- iii. a reorganization with, or transfer of assets to, another entity, if:
 - (1) the Corporation ceases to continue after the reorganization or transfer of assets; and
 - (2) the transaction results in holders of Common Shares becoming securityholders in the other entity; and
- iv. a reorganization with, or acquisition of assets to, another entity, if:
 - (1) the Corporation continues after the reorganization or acquisition of assets; and
 - (2) the transaction results in securityholders of the other entity holding a majority of the total number of outstanding securities of the Corporation.

Dividend Rights

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

Rights upon Dissolution or Winding Up

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

Restrictions on Ownership

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

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

Amendments

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

WINDING-UP OF THE CORPORATION

The Corporation may wind-up its affairs at any time at the discretion and with the approval of Shareholders by a special resolution passed at a duly convened meeting of Shareholders called for the purpose.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

There are no legal or administrative proceedings to which the Corporation is or was a party or which are known by the Corporation to be contemplated since the beginning of the most recently completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the Corporation’s executive officers, directors, employees, former executive officers, former directors or former employees, as of the date hereof, is indebted to the Corporation. In addition, none of the indebtedness of these individuals to another entity has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation.

MATERIAL CONTRACTS

Contracts material to investors in the Corporation that have been or that will have been entered into by the Corporation on or prior to the closing date of the Reorganization are the:

- (a) the Corporation’s Articles of Amendment and By-laws;
- (b) Management Agreement described under “*Manager of the Corporation — Duties and Services to be Provided by the Manager*” and “*Manager of the Corporation — Details of the Management Agreement*”;
- (c) Credit Facility described under “*The Business — Leverage*”; and

- (d) Custodian Agreement referred to under “*Custodians, Auditors, Registrars and Transfer Agents — Custodian*”.

Copies of the foregoing agreements, after the execution thereof as applicable, may be inspected during business hours at the principal office of the Corporation.

FINANCIAL STATEMENTS AND MD&A

The following selected financial data for (i) the three-month period ended March 31, 2013 is derived from (and is qualified in its entirety by) our unaudited interim financial statements for the period ended March 31, 2013 attached at Appendix E to the Circular which were prepared in accordance with IFRS (ii) the six-month period ended June 30, 2013 is derived from (and is qualified in its entirety by) our unaudited interim financial statements for the period ended June 30, 2013 attached at Appendix E to the Circular which were prepared in accordance with IFRS and (iii) the years ended December 31, 2012 is derived from (and is qualified in its entirety by) our audited financial statements attached at Appendix E to the Circular, which have been audited by KPMG LLP, our independent auditors, and prepared in accordance with IFRS. The following selected financial data, and the financial statements in their entirety attached as Appendix E to the Circular, should be read in conjunction with the Management’s Discussion and Analysis for the three months ended March 31, 2013, the six months ended June 30, 2013 and the twelve months ended December 31, 2013 which are also attached at Appendix E to the Circular.

Expressed in Canadian dollars

	June 30, 2013
ASSETS	
Mortgage investments including mortgage syndications	\$506,267,658
Restricted cash	\$3,726
Other assets	\$2,245,884
TOTAL ASSETS	\$508,517,268
EQUITY – voting shares	\$99
LIABILITIES	\$155,547,483
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES	\$352,969,686

For the six months ended June 30, 2013

REVENUES	
Net interest income	\$14,944,291
Expenses:	
Management fees	\$1,984,308
Servicing Fees	\$805,292
General and Administrative	\$477,774
Income from Operations	\$3,267,374
Financing costs:	
Interest on credit facility	\$1,145,585
Issuance costs of redeemable shares	\$3,237,891
Dividends to holders of redeemable shares	\$11,379,215
NET LOSS AND COMPREHENSIVE LOSS	\$(5,498,895)

Reporting to Shareholders

The Corporation will make available to Shareholders such financial statements and other continuous disclosure documents as are required by applicable law, including consolidated unaudited interim and consolidated audited annual financial

statements that will include the accounts of the Corporation and a consolidated statement of investments. The Corporation shall make available to each Shareholder annually, within the time periods prescribed by law, information necessary to enable such Shareholder to complete an income tax return with respect to the amounts payable by the Corporation.

EXPERTS

The matters referred to under “*Canadian Income Tax Considerations*” and certain other legal matters relating to the securities offered hereby will be passed upon by McCarthy Tétrault LLP on behalf of the Corporation. As of the date hereof, the partners and associates of McCarthy Tétrault LLP, as a group, beneficially own less than 1% of the outstanding Shares of the Corporation.

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

GLOSSARY OF TERMS

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

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

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

“**Aggregate Funded and Committed Assets**” means (a) all existing mortgage investments and interim investments comprising the Portfolio; plus (b) all mortgage investments previously approved and mortgage investments committed by or on behalf of the Corporation, including any mortgage investments held in or committed to be funded under any warehouse facility; plus (c) in the context of a mortgage loan approval review, the proposed mortgage investment being considered for approval; plus (d) cash and cash equivalents.

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

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

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

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

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

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

“**CDS Participant**” has the meaning set forth under “*Description of the Common Shares — Book-Entry Only System*”.

“**Circular**” means the management information circular of the Corporation dated August 12, 2013 to which this Prospectus Schedule is attached.

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

“**CMBS**” has the meaning set forth under “*Overview of the Sector that the Corporation Invests In — Canadian Mortgage Lending Industry*”.

“**Common Share**” means one common share of the Corporation and “**Common Shares**” means more than one common share in the Corporation.

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

“**Credit Facility**” means the \$130 million credit facility agreement entered into on March 22, 2012, as amended on October 19, 2012, between the Corporation and a syndicate of lenders which matures on March 22, 2014 and is

subject to an interest rate equal to the bank's prime rate of interest plus 1% or bankers' acceptances with a stamping fee of 2% of the face amount of the bankers' acceptances.

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

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

“**Custodian Agreement**” means the agreement entered into between the Corporation and the Custodian on January 19, 2012.

“**Customized First Mortgages**” means first mortgage loans that typically involve slightly longer terms, lower loan-to-value characteristics and a higher debt service coverage ratio than the mortgage loans of TMC and therefore command a lower interest rate.

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

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

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

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

“**Exchange Ratio**” has the meaning ascribed thereto in the articles of the Corporation.

“**IFRS**” means International Financial Reporting Standards.

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

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

“**Loan-to-Value**” has the meaning set forth under “Investment Strategies”.

“**Management Agreement**” means the management agreement to be entered into between the Corporation and the Manager pursuant to the Reorganization.

“**Manager**” means Timbercreek Asset Management Inc. and/or, where the context requires, TAML, its wholly-owned subsidiary.

“**Management Fee**” means a management fee equal to 0.85% per annum of the gross assets of the Corporation.

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

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

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

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

“**NI 81-101**” means National Instrument 81-101 “Mutual Fund Prospectus Schedule Disclosure” and Companion Policy promulgated by the Canadian securities regulatory authorities.

“**NI 81-102**” means National Instrument 81-102 “Mutual Funds” and related Companion Policy promulgated by the Canadian securities regulatory authorities.

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

“**Plan**” has the meaning set forth under “*Canadian Income Tax Considerations – Status of the Corporation – Eligibility for Investment*”.

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

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

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

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

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

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

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

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

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

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

“**Servicing Agents**” has the meaning set forth under “*Manager of the Corporation — Mortgage Servicing by TAML*”.

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

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

“**Special Redemption**” has the meaning set forth under “*The Corporation – Corporate Structure – Details of Incorporation*”.

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

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

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

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

“**Timbercreek**” means, collectively, the Manager and its affiliates, including without limitation, TAML.

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

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

“**Trading Price**” means the volume weighted average trading price on the TSX or such other stock exchange on which the Common Shares may be listed for the ten trading days immediately preceding the relevant date.

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

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

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

SCHEDULE A
AUDIT COMMITTEE CHARTER
OF
TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

1.0 PURPOSE

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

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

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

2.0 MEMBERSHIP AND ORGANIZATION

2.1 Composition

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

2.2 Appointment and Removal of Audit Committee Members

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

2.3 Chair

The Board shall appoint a Chair of the Audit Committee. The Chair shall: be a member of the Audit Committee, preside over all Audit Committee meetings, coordinate the Audit Committee's compliance with this mandate, work with management to develop the Audit Committee's annual work-plan, meeting agendas and provide reports of the Audit Committee to the Board. The Chair may vote on any matter requiring a vote and shall provide a second vote in the case of a tie vote.

2.4 Financial Literacy

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

2.5 Service on Multiple Audit Committees

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

3.0 MEETINGS

3.1 Meetings

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

3.2 Notices of Meetings

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

3.3 Secretary and Minutes

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

3.4 Quorum

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

3.5 Resident Canadian Majority

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

3.6 Access to Management and Outside Advisors

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

4.0 ACCOUNTABILITIES AND RESPONSIBILITIES

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

(1) Financial Reporting

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

- ix. review results of the Corporation's whistleblowing program; and
 - x. review any other matters, related to the financial statements, that are brought forward by the internal auditors, external auditors, management or which are required to be communicated to the Audit Committee under accounting policies, auditing standards or applicable law.
- (d) Review of Public Disclosure — The Audit Committee must be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the disclosure in the MD&A and annual and interim profit or loss press releases, and must periodically assess the adequacy of such procedures.

(2) **External Auditors**

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

rotation and that the engagement team collectively possesses the experience and competence to perform an appropriate audit.

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

- (13) **Review of Charter** – The Audit Committee will review and reassess this Charter at least once annually to determine whether revisions are necessary. The Audit Committee shall periodically self-assess its performance and effectiveness in fulfilling its role.
- (14) **Minutes** – The minutes of all meetings of the Audit Committee shall be provided to the Board. The Audit Committee shall appoint a secretary who shall record the proceedings of the meetings.

5.0 REPORTING TO THE BOARD

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

SCHEDULE B
MANDATE
OF THE BOARD OF DIRECTORS OF
TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

1.0 MANDATE

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

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

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

2.0 STRUCTURE

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

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

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

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

3.0 BOARD MEETINGS

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

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

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

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

5.0 MEASURES FOR RECEIVING SHAREHOLDER FEEDBACK

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

6.0 ORIENTATION OF NEW DIRECTORS AND CONTINUING EDUCATION

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

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

EXHIBIT C
COMPARISON OF CANADIAN SECURITIES REGULATORY REGIME
FOR INVESTMENT FUNDS AND PUBLIC COMPANIES

The continuous disclosure obligations for an investment fund are governed primarily by National Instrument 81-106 *Investment Fund Continuous Disclosure* (“**NI 81-106**”), while the continuous disclosure obligations for a public company are governed primarily by National Instrument 51-102 *Continuous Disclosure Requirements* (“**NI 51-102**”). While the two continuous disclosure regimes are similar and both require periodic disclosure to investors on an annual and interim basis, there are a number of specific key differences as outlined in the table below. Further, as an investment fund, the Corporation currently undertakes prospectus offerings under National Instrument 41-101 *General Prospectus Requirements*, using NI 41-101F2 *Information Required in an Investment Fund Prospectus* (“**NI 41-101F2**”), the long form prospectus for an investment fund. As a public company, the Corporation will be required to use NI 41-101F1 *Information Required in a Prospectus* (“**NI 41-101F1**”), the long form prospectus for a public company. A comparison of the key differences is also included in the table. All capitalized terms, unless otherwise defined herein, have the meanings ascribed to such terms as set out in the Information Circular.

	Investment Fund Regime	Public Company Regime
Continuous Disclosure Comparison		
1. Key legislation	NI 81-106	NI 51-102
2. Focus of disclosure	Investor returns and portfolio management; investor focused data (e.g. net asset value (“NAV”) and management expense ratio (“MER”).	Financial condition of revenue-generating operations. Focus is on the operational level. Because the Public Company Regime focuses on operational matters, it does not have a prescribed framework for the reporting of investment portfolio performance and NAV, the way that the investment fund regime does.
3. Corporate Governance Requirements	Investment funds must have a manager and an independent review committee, which are subject to prescribed criteria and disclosure obligations. Reference: National Instrument 81-107 <i>Independent Review Committee for Investment Funds</i> and Form 81-101F2 <i>Contents of Annual Information Form</i> (“ NI 81-101F2 ”)	A public company has broad-based corporate governance requirements applicable to all aspects of governance. A public company must, at a minimum, have an independent audit committee. In addition, a public company should either have a compensation committee and a nominating committee, or describe what steps the board takes to encourage an objective compensation and nomination process if it does not have the relevant committees. A public company must make prescribed disclosure regarding its committees and corporate governance practices in its annual information form. The Corporation currently has an independent audit committee. It does not have a nomination committee. The Manager and members of the Board may recommend suitable individuals for nomination as directors. To ensure objectivity in the nomination process, the independent directors of the Board review and approve any director nominations proposed by the Manager. (See “ <i>Corporate Governance – Nomination of Directors</i> ” in Exhibit B of the Information

	Investment Fund Regime	Public Company Regime
		<p>Circular)</p> <p>The Board does not currently have a compensation committee. As a result of the Corporation’s arrangements with the Manager, the Corporation does not employ any individuals (and has no employment contracts with any individuals), and thus the Board has determined that there is no need for a separate compensation committee. (See “<i>Corporate Governance – Compensation</i>” in Exhibit B of the Information Circular)</p> <p>Reference: National Instrument 52-110 <i>Audit Committees</i>, National Instrument 58-101 <i>Disclosure of Corporate Governance Practices</i> and National Policy 58-201 <i>Corporate Governance Guidelines</i>.</p>
4. Audit and Accounting Standards	<p>Acceptable Accounting Principles: Canadian generally accepted accounting principles applicable to public enterprises.</p> <p>Acceptable Auditing Standards: Canadian Generally Accepted Auditing Standards (“GAAS”)</p>	<p>Acceptable Accounting Principles: IFRS.</p> <p>Acceptable Auditing Standards: GAAS.</p>
5. Annual Financial Statements	<p>Filing Deadline: Within 90 days after the investment fund’s financial year-end.</p> <p>The annual financial statements must include:</p> <ol style="list-style-type: none"> 1. a statement of net assets as of the end of the financial year; 2. a statement of operations; 3. a statement of changes in net assets; 4. a statement of cash flows; 5. a statement of investment portfolio as of the end of the financial year; and 6. notes to the annual financial statements. <p>Reference: Section 2.1 of NI 81-106</p>	<p>Filing Deadline: Within 90 days after the public company’s financial year-end.</p> <p>The annual financial statements must include:</p> <ol style="list-style-type: none"> 1. an income statement; 2. a statement of retained earnings; 3. a cash flow statement; 4. a balance sheet as at the end of the financial year; and 5. notes to the financial statements; <p>Reference: NI 51-102 Section 4.1</p>
6. Interim Financial Statements	<p>Filing Deadline: Within 60 days after the end of a period of at least three months that ends six months before the end of a financial year.</p> <p>Frequency: Once a year.</p> <p>Information required to be included in the interim financial statements are similar to those required in the annual financial statements.</p> <p>Reference: Section 2.3 of NI 81-106</p>	<p>Filing Deadline: Within 45 days after the end of each of the first three quarters of each financial year.</p> <p>Frequency: Three times a year.</p> <p>Information required to be included in the interim financial statements are similar to those required in the annual financial statements.</p> <p>Reference: Section 4.3 of NI 51-102</p>
7. Annual Management Report	<p>Filing Deadline: Within 90 days after the investment fund’s financial year-end.</p> <p>An investment fund needs to file, together with the annual financial statements, an annual Management Report of Fund Performance</p>	<p>Filing Deadline: Within 90 days after the public company’s financial year-end.</p> <p>A public company needs to file, together with the annual financial statements, an annual Management Discussion & Analysis (“MD&A”), setting out a</p>

	Investment Fund Regime	Public Company Regime
	<p>("MRFP"), setting out high level information about the fund's portfolio and market performance.</p> <p><u>Overall focus:</u> The MRFP focuses primarily on an investment fund's market performance and investor return and various risks, and compares trends over the last 10 financial years.</p> <p>A MRFP includes</p> <ul style="list-style-type: none"> • management discussion of fund performance; • financial highlights; • past performance; • summary of investment portfolio; and • other material information. <p>Reference: Form 81-106F1 <i>Contents of Annual and Interim Management Report of Fund Performance ("NI 81-106F1")</i> (Part B) and may not incorporate by reference any other document.</p>	<p>detailed discussion of the company's operational performance</p> <p><u>Overall focus:</u> The MD&A focuses primarily on a public company's operational level results and financial condition and compares trends over the last 8 quarters.</p> <p>An MD&A requires a disclosure of more diversified, specific information about the company's operation and performance, including</p> <ul style="list-style-type: none"> • prescribed financial data derived from current annual financial statements and quarterly reports for each of the last 8 quarters, discussion of factors that have caused period to period variations; • analysis of the company's liquidity; • capital resources; • discussion of any off-balance sheet arrangement reasonably likely to have a current or future effect on the financial performance; • analysis of each of the company's critical accounting estimates; • discussion of the nature and extent of companies use of financial instruments and their business purposes; and • if applicable, MD&A must include the disclosure required by National Instrument 52-109 <i>Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109")</i>. <p>Reference: Form 51-102F1 <i>Management's Discussion and Analysis ("NI 51-102F1")</i></p>
8. Interim Management Report	<p>Filing Deadline: Within 60 days after the end of a period of at least three months that ends six months before the end of a financial year.</p> <p>An investment fund needs to file, together with the interim financial statements, an interim MRFP. Information required to be included in the interim MRFP is similar to information required in the annual MRFP.</p> <p>Reference: NI 81-106F1 (Part C)</p>	<p>Filing Deadline: Within 45 days after the end of each of the first three quarters of each financial year.</p> <p>A public company needs to file, together with the interim financial statements, an interim MD&A. Information required to be included in the interim MD&A is similar to information required in the annual MD&A.</p> <p>Reference: NI 51-102F1</p>
9. Quarterly Portfolio Disclosure	<p>Filing Deadline: Must post to the investment fund's website within 60 days of the end of each quarter.</p> <p>A quarterly portfolio disclosure must include:</p> <ul style="list-style-type: none"> • a summary of investment portfolio prepared in accordance with Item 5 of Part B of Form 81-106F1; and • the total net asset value of the investment. 	<p>No corresponding requirements for a public company to prepare separate quarterly disclosure in addition to the interim financial statements and interim MD&A.</p>

	Investment Fund Regime	Public Company Regime
	Reference: NI 81-106F1 (Part B) Item 5	
10. Annual Information Form	<p>Filing Deadline: Within 90 days of its financial year-end.</p> <p>The prescribed content for an Annual Information Form of an investment fund requires the following disclosures that are not generally found in the Annual Information Form of a public company:</p> <ul style="list-style-type: none"> • Investment Restrictions • Valuation of Portfolio Securities • Calculation of Net Asset Value; and • Purchases and Switches <p>Reference: NI 81-101F2</p>	<p>Filing Deadline: Within 90 days of its financial year-end.</p> <p>The prescribed content for an Annual Information Form of a public company requires the following disclosures that are not generally found in the Annual Information Form of an investment fund:</p> <ul style="list-style-type: none"> • Description of Business • Risk Factors • Additional Information; and • Information Circular Disclosure. <p>Reference: NI 51-102F2</p> <p>Disclosure of executive compensation pursuant to NI 51-102F6 is required with the AIF or a management information circular prepared in connection with an annual meeting of the shareholders.</p>
11. CEO/CFO Certifications	There are no corresponding CEO/CFO certification obligations for an investment fund.	<p>Filing Deadline: Concurrent with the filing of the annual and interim financial statements, as applicable</p> <p>Annual and interim financial statements of a public company must be reviewed and approved by the board of directors, and certified by filing a certificate signed by the CEO and the CFO, certifying as to</p> <ul style="list-style-type: none"> • the accuracy and fair representation • no misrepresentation • disclosure controls and procedures; and • internal controls over financial reporting. <p>Reference: NI 52-109F1 <i>Certification of Annual Filings Full Certificate</i> and NI 52-109F2 <i>Certification of Interim Filings Full Certificate</i></p>
12. NAV and Management Expense Ratio calculations	<p>An investment fund must, upon calculating the net asset value (“NAV”) of the investment fund under this section, make the following information available to the public at no cost:</p> <ul style="list-style-type: none"> • the net asset value of the investment fund; and • the net asset value per security of the investment fund unless the investment fund is a scholarship plan. <p>An investment fund may also disclose its calculation of Management Expense Ratio as set out in NI 81-106.</p> <p>Reference: Parts 14 and 15 of NI 81-106</p>	The concept of calculating NAV and MER is not found in the public company regime.
Prospectus Disclosure Comparison		
1. Long Form	The disclosure required in an investment fund prospectus is set out in NI 41-102F2 and the form	Certain additional disclosure required in a public company prospectus include

	Investment Fund Regime	Public Company Regime
Prospectus Disclosure	<p>and structure is similar to a public company prospectus.</p> <p>For key differences between the form of an investment fund prospectus and a public company prospectus, please see corresponding section under “Public Company Regime” on the right.</p> <p>Reference: NI 41-101F2 <i>Information Required in an Investment Fund Prospectus</i></p>	<ul style="list-style-type: none"> • disclosure of historical, current and prospective information about the general business of the public company; • executive compensation, including disclosure of information relating to indebtedness of directors and executive officers in accordance with NI 51-102F5 and NI 51-102F6, which information is also required annually in either the management information circular provided in respect of an annual meeting, or with the annual information form; • disclosure of corporate governance and audit committee information; and • incorporation of disclosure prescribed in MD&A and Annual Information Form for public companies. <p>Reference: NI 41-101F1 <i>Information Required in a Prospectus</i></p>

EXHIBIT D
DISSENT PROVISIONS FROM CANADA BUSINESS CORPORATIONS ACT

190. (1) Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

- (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;
- (b) amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;
- (c) amalgamate otherwise than under section 184;
- (d) be continued under section 188;
- (e) sell, lease or exchange all or substantially all its property under subsection 189(3); or
- (f) carry out a going-private transaction or a squeeze-out transaction.

(2) **Further right** - A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

(2.1) **If one class of shares** - The right to dissent described in subsection (2) applies even if there is only one class of shares.

(3) **Payment for shares** - In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

(4) **No partial dissent** - A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one Beneficial Shareholder and registered in the name of the dissenting shareholder.

(5) **Objection** - A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

(6) **Notice of resolution** - The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

(7) **Demand for payment** - A dissenting shareholder shall, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing

- (a) the shareholder's name and address;
- (b) the number and class of shares in respect of which the shareholder dissents; and
- (c) a demand for payment of the fair value of such shares.

(8) **Share certificate** - A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

(9) **Forfeiture** - A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

(10) **Endorsing certificate** - A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

(11) **Suspension of rights** - On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where

- (a) the shareholder withdraws that notice before the corporation makes an offer under subsection (12),
- (b) the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or
- (c) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9),

in which case the shareholder's rights are reinstated as of the date the notice was sent.

(12) **Offer to pay** - A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

- (a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or
- (b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

(13) **Same terms** - Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

(14) **Payment** - Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

(15) **Corporation may apply to court** - Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

(16) **Shareholder application to court** - If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

(17) **Venue** - An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

(18) **No security for costs** - A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

(19) **Parties** - On an application to a court under subsection (15) or (16),

- (a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and
- (b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

(20) **Powers of court** - On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

(21) **Appraisers** - A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

(22) **Final order** - The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

(23) **Interest** - A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

(24) **Notice that subsection (26) applies** - If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(25) **Effect where subsection (26) applies** - If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

- (a) withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or
- (b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(26) **Limitation** - A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

- (a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or
- (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

EXHIBIT E
FINANCIAL STATEMENTS AND MD&A

Financial Statements of

**TIMBERCREEK SENIOR
MORTGAGE INVESTMENT
CORPORATION**

Year ended December 31, 2012 and period from
December 1, 2011 (date of formation) to December 31, 2011



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Timbercreek Senior Mortgage Investment Corporation

We have audited the accompanying financial statements of Timbercreek Senior Mortgage Investment Corporation (the "Company"), which comprise the statements of financial position as at December 31, 2012 and December 31, 2011, and the statements of net loss and comprehensive loss, changes in net assets attributable to holders of redeemable shares and cash flows for the year ended December 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2012 and December 31, 2011, and its results of operations and cash flows the year ended December 31, 2012 and the period from December 1, 2011 (date of formation) to December 31, 2011 in accordance with International Financial Reporting Standards.

Chartered Accountants, Licensed Public Accountants

August 12, 2013
Toronto, Canada

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Statements of Financial Position

December 31, 2012 and 2011

	December 31, 2012	December 31, 2011
Assets		
Mortgage investments, including mortgage syndications (note 4)	\$ 373,909,605	\$ —
Restricted cash (note 5)	1,404,562	—
Other assets	734,308	—
Cash and cash equivalents	—	99
Total assets	376,048,475	99
Equity		
Voting share capital (note 7)	99	99
Total equity	99	99
Liabilities		
Credit facility (note 6)	33,601,500	—
Non-recourse mortgage syndication liabilities (note 4)	41,600,000	—
Mortgage funding holdbacks	357,800	—
Dividends payable (note 8(c))	1,586,505	—
Due to Manager (note 10(a))	12,280	—
Prepaid mortgage interest	1,400,501	—
Accounts payable and accrued expenses	1,433,021	—
Total liabilities (excluding net assets attributable to holders of redeemable shares)	79,991,607	—
Net assets attributable to holders of redeemable shares (note 8)	\$ 296,056,769	\$ —

Commitments and contingencies (note 13)
Subsequent events (notes 1 and 14)

See accompanying notes to the financial statements.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Statement of Net Loss and Comprehensive Loss

Year ended December 31, 2012

	2012
Interest income:	
Interest, including non-recourse mortgage syndications	\$ 12,281,134
Fees	1,030,191
	<u>13,311,325</u>
Interest expense on non-recourse mortgage syndications	(369,995)
Net interest income	<u>12,941,330</u>
Expenses:	
Management fees (note 9(a))	2,429,003
Servicing fees (note 9(b))	827,020
General and administrative	520,211
	<u>3,776,234</u>
Income from operations	9,165,096
Financing costs:	
Interest on credit facility (note 6)	996,037
Issuance costs of redeemable shares (note 8)	13,434,922
Dividends to holders of redeemable shares (note 8(c))	13,390,591
	<u>27,821,550</u>
Net loss and comprehensive loss	<u>\$ (18,656,454)</u>

See accompanying notes to the financial statements.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares

Year ended December 31, 2012

	Class A Shares	Class I Shares	Class J Shares	Total
Net assets attributable to holders of redeemable shares, beginning of year	\$ —	\$ —	\$ —	\$ —
Gross proceeds from issuance of redeemable shares	306,000,531	3,447,000	4,781,000	314,228,531
Net loss and comprehensive loss	(18,408,294)	(35,151)	(213,009)	(18,656,454)
Issuance of redeemable shares under dividend reinvestment plan	484,692	—	—	484,692
Exchange of redeemable shares	1,621,000	(150,000)	(1,471,000)	—
Net assets attributable to holders of redeemable shares, end of year	\$ 289,697,929	\$ 3,261,849	\$ 3,096,991	\$ 296,056,769

See accompanying notes to the financial statements.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Statement of Cash Flows

Year ended December 31, 2012

	2012
Operating activities:	
Net loss and comprehensive loss	\$ (18,656,454)
Amortization of lender fees	(813,928)
Restricted cash	(1,404,562)
Financing costs	27,821,550
Change in non-cash operating items:	
Interest receivable	(1,622,708)
Other assets	(734,308)
Accounts payable and accrued expenses	1,433,021
Due to Manager	12,280
Prepaid mortgage interest	1,400,501
Mortgage funding holdbacks	357,800
Lender fees	3,126,328
	<u>10,919,520</u>
Financing activities:	
Proceeds from issuance of Class A redeemable shares	306,000,531
Proceeds from issuance of Class I redeemable shares	3,447,000
Proceeds from issuance of Class J redeemable shares	4,781,000
Proceeds from credit facility	34,300,406
Interest paid on credit facility	(1,694,943)
Issuance costs	(13,434,922)
Dividends paid to holders of redeemable shares	(11,319,394)
	<u>322,079,678</u>
Investing activities:	
Net funding of mortgage investments	(435,792,330)
Net discharge of mortgage investments	102,793,033
	<u>(322,999,297)</u>
Decrease in cash and cash equivalents	(99)
Cash and cash equivalents, beginning of year	99
Cash and cash equivalents, end of year	<u>\$ —</u>

See accompanying notes to the financial statements.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

Timbercreek Senior Mortgage Investment Corporation (the "Company") is a mortgage investment company domiciled in Canada. The registered office of the Company is 1000 Yonge Street, Suite 500, Toronto, Ontario M4W 2K2.

The Company was incorporated as a federal corporation under the Canada Business Corporations Act by articles of incorporation dated December 1, 2011, and is authorized to issue an unlimited number of Class A, Class B, Class I, Class J and voting shares. The investment objective of the Company is, with a primary focus on capital preservation, to acquire and maintain a diversified portfolio of mortgage investments that generate income allowing the Company to pay monthly dividends to holders of redeemable shares. Timbercreek Asset Management Ltd., as manager of the Company (the "Manager"), is responsible for the day-to-day operations and providing all general management and administrative services of the Company's mortgage portfolio. The Manager is a wholly-owned subsidiary of Timbercreek Asset Management Inc.

The Company commenced operations on January 19, 2012 when it completed an initial public offering of Class A shares and issued subscription receipts, which were subsequently converted into Class A shares. As a result, the Company has not presented a statement of net loss and comprehensive loss, changes in net assets attributable to holders of redeemable shares and cash flows for the period ended December 31, 2011.

1. Proposed transition:

On March 27, 2013, the Canadian Securities Administrators ("CSA") issued a proposal for a number of regulatory changes that, if implemented, will impact issuers such as the Company who are classified as investment funds pursuant to Canadian securities laws. Amongst the proposed changes is a new restriction on investments in mortgages that are not fully and unconditionally guaranteed or insured. The proposal further suggests that investment funds that invest in such non-guaranteed mortgages be given a transition period of approximately 24 months to either divest their holdings or transition into the regulatory regime for issuers that are not investment funds.

In light of the impact the proposed amendments will have on investment funds and on the business of the Company from the transition from its current status as an investment fund to a non-investment fund (the "Proposed Transition"), the Board of Directors (the "Board") has determined it is in the best interests of the Company to proceed with the Proposed Transition.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

1. Proposed transition (continued):

In order to achieve the Proposed Transition, the Board has called a special meeting of shareholders (the "Meeting"). At the Meeting, all shareholders, including Class A, Class B, Class I, Class J and voting shareholders will be asked to consider, and if thought fit, to pass a resolution (the "Resolutions") with the following purposes:

- (i) the transition of the Company from the investment fund regime ("Investment Fund Regime") to the public company regime ("Public Company Regime");
- (ii) consequential amendments to certain provisions of the articles of incorporation of the Company, related to certain share rights attached to the shares to give effect to and implement such transition;
- (iii) consequential amendments to the management agreement; and
- (iv) the election of Ugo Bizzarri, Andrew Jones and Edward Boomer as directors of the Company.

Under the Public Company Regime, the Company would comply with National Instrument 51-102 continuous disclosure requirements, as opposed to the Investment Fund Regime which is required to comply with National Instrument 81-106 continuous disclosure requirements. If the Resolutions are approved, as part of the Public Company Regime, the Company will adopt International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and prepare financial statements and related disclosures in accordance with IFRS, along with a Management's Discussion and Analysis. One of the key distinctions between both regimes however, is that financial statements will be provided on a quarterly basis rather than semi-annually and management expects to conduct quarterly conference calls to discuss the financial reports with shareholders following the release of each quarterly report.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

1. Proposed transition (continued):

In anticipation of the Meeting, the following financial statements have been prepared in accordance with IFRS:

- Audited financial statements for the year ended December 31, 2012, period from December 1, 2011 (date of formation) to December 31, 2011;
- Unaudited condensed interim financial statements for the three months ended March 31, 2013 and 2012; and
- Unaudited condensed consolidated interim financial statements for the three months and six months ended June 30, 2013 and 2012.

The Company has adjusted amounts previously reported in its financial statements prepared in accordance with its previous basis of accounting, Canadian generally accepted accounting principles as defined in Part V of the CICA Handbook ("Canadian GAAP"). An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in note 16.

2. Basis of preparation:

(a) Statement of compliance:

These financial statements have been prepared in accordance with IFRS as issued by the IASB. The Company adopted this basis of accounting in 2012 as described in note 1. These IFRS financial statements are the first IFRS annual financial statements of the Company and IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1") has been applied, as discussed in note 16. The date of transition to IFRS is December 1, 2011.

These financial statements were approved by the Board of Directors on August 12, 2013.

(b) Basis of measurement:

These financial statements have been prepared on a historical cost basis.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

2. Basis of preparation (continued):

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the functional currency of the Company.

(d) Use of estimates and judgements:

In making estimates, the Manager relies on external information and observable conditions where possible, supplemented by internal analysis as required. There are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making those estimates and judgements in these financial statements. The significant estimates and judgements used in determining the recorded amount for assets and liabilities in the financial statements are as follows:

Mortgage investments:

The Company is required to make an assessment of the impairment of mortgage investments. Mortgage investments are considered to be impaired only if objective evidence indicates that one or more events ("loss events") have occurred after its initial recognition, that have a negative effect on the estimated future cash flows of that asset. The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and may not necessarily be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary.

3. Significant accounting policies:

(a) Cash and cash equivalents:

The Company considers highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value to be cash equivalents.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

3. Significant accounting policies (continued):

(b) Mortgage investments:

The mortgage investments are financial instruments and are classified as loans and receivables (see note 3(h)). These investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the mortgage investments are measured at amortized cost using the effective interest method, less any impairment losses. The mortgage investments are assessed on each reporting date to determine whether there is objective evidence of impairment. A financial asset is considered to be impaired only if objective evidence indicates that one or more events ("loss events"), have occurred after its initial recognition, that have a negative effect on the estimated future cash flows of that asset.

The Company considers evidence of impairment for mortgages investments at both a specific asset level and collective level. All individually significant mortgages investments are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identifiable at an individual mortgage level. Mortgage investments that are not individually significant are collectively assessed for impairment by grouping together mortgages investments with similar risk characteristics.

In assessing collective impairment, the Company reviews historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgements as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of specific mortgage investment is calculated as the difference between its carrying amount, including accrued interest, and the present value of the estimated future cash flows discounted at the investment's original effective interest rate. Losses are recognized in profit and loss and reflected in an allowance account against the mortgage investments. When a subsequent event causes the amount of an impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

3. Significant accounting policies (continued):

(c) Redeemable shares:

In addition to the voting shares, the Company is authorized to issue multiple classes of shares, which are redeemable at the holder's option and are subject to different fee structures. The Company classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The shares are classified as financial liabilities and presented as "net assets attributable to holders of redeemable shares" in the statements of financial position. Such shares can be put back to the Company on a monthly basis, subject to redemption and exchange privileges outlined in note 8.

For the purposes of the financial statements, net assets for each class of shares are calculated in accordance with IFRS. These amounts differ from the net asset value attributable to the share class used for shareholder reporting and pricing purposes, which are calculated in accordance with its prospectus and allow for the capitalization and amortization over 60 months of the organizational and structuring costs of the Company.

(d) Dividends to holders of redeemable shares:

Dividends payable to holders of redeemable shares are recognized in the statement of net loss and comprehensive loss as financing costs when they are authorized and no longer at the discretion of the Company.

(e) Interest and fee income:

Interest income is accounted for using the effective interest method. Lender fees received are an integral part of the yield on the mortgage investments and are amortized to profit and loss over the expected term of the specific mortgage investment using the effective interest rate method. Forfeited lender fees are recognized at the time a borrower has not fulfilled the terms and conditions of a lending commitment and payment has been received.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

3. Significant accounting policies (continued):

(f) Income taxes:

It is the intention of the Company to qualify as a mortgage investment corporation ("MIC") for Canadian income tax purposes. As such, the Company is able to deduct, in computing its income for a taxation year, dividends paid to its shareholders during the year or within 90 days of the end of the year. The Company intends to maintain its status as a MIC and pay dividends to its shareholders in the year and in future years to ensure that it will not be subject to income taxes. Accordingly, for financial statement reporting purposes, the tax deductibility of the Company's dividends results in the Company being effectively exempt from taxation and no provision for current or deferred taxes is required for the Company.

(g) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"), (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale, or (v) other liabilities. Financial instruments are recognized initially at fair value, plus in the case of financial instruments not at FVTPL any incremental direct transaction costs. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

3. Significant accounting policies (continued):

The Company has classified its financial instruments as follows:

	Classification	Measurement
Financial assets		
Mortgage investments, including mortgage syndications	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Other assets	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities		
Credit facility	Other financial liabilities	Amortized cost
Non-recourse mortgage syndication liabilities	Other financial liabilities	Amortized cost
Mortgage funding holdbacks	Other financial liabilities	Amortized cost
Dividends payable	Other financial liabilities	Amortized cost
Due to Manager	Other financial liabilities	Amortized cost
Prepaid mortgage interest	Other financial liabilities	Amortized cost
Accounts payable and accrued expenses	Other financial liabilities	Amortized cost

Net assets attributable to holders of redeemable shares are carried on the statements of financial position at net asset value. This presentation of net assets attributable to holders of redeemable shares reflects that, in total, the interests of the holders is limited to the net assets of the Company.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

3. Significant accounting policies (continued):

(h) Derecognition of financial assets and liabilities:

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire; or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred; or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Company is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Company enters into syndication transactions whereby it transfers mortgage investments recognized on its statements of financial position, but retains either all or substantially all of the risks and rewards of the transferred mortgage investments or a portion of them. If all or substantially all risks and rewards are retained, then the transferred mortgage investments are not derecognized.

In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities:

The Company derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expires.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

3. Significant accounting policies (continued):

(i) Future accounting standards:

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial period ended December 31, 2012 and, accordingly, have not been applied in preparing these financial statements. A summary of these new standards, amendments and interpretations that may impact the Company include:

(i) IAS 1, Presentation of Financial Statements - Amendment, ("IAS 1"):

In June 2011, the IASB published amendments to IAS 1 - Presentation of Items of Other Comprehensive Income ("OCI"), which are effective for annual periods beginning on or after July 1, 2012 and are to be applied retrospectively, with early adoption permitted. IAS 1 requires an entity to present separately items in the OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect the implementation of this standard to have a significant impact on the financial statements.

(ii) IFRS 9, Financial instruments, ("IFRS 9"):

The IASB issued a new standard, IFRS 9, which will ultimately replace International Accounting Standard 39, Financial Instruments - Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. On July 24, 2013, the IASB tentatively decided to defer the mandatory effective date of IFRS 9 and that the mandatory effective date should be left open pending the finalization of the impairment and classification and measurement requirements. IFRS 9 would still be available for early application. The Company has yet to assess the impact of the new standard on its financial statements.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

3. Significant accounting policies (continued):

(iii) IFRS 10, Consolidated Financial Statements ("IFRS 10"):

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Prior to the issuance of IFRS 10, consolidation was required when an entity had the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces Standing Interpretation Committee - 12, Consolidation - Special Purpose Entities and parts of IAS 27, Consolidated and Separate Financial Statements. The standard is effective for annual periods beginning on or after January 1, 2013 with earlier adoption permitted. The Company does not expect the implementation of this standard to have a significant impact on the financial statements.

(iv) IFRS 11, Joint Arrangements ("IFRS 11"):

In May 2011, the IASB issued IFRS 11, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The new standard redefines joint operations and joint ventures, requiring joint operations to be proportionately consolidated and joint ventures to be equity accounted. Under IAS 31, joint ventures could be proportionately accounted. The Company does not expect the implementation of this standard to have a significant impact on the financial statements.

(v) IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"):

In May 2011, the IASB issued IFRS 12, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. The Company does not expect the implementation of this standard to have a significant impact on the financial statements.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

3. Significant accounting policies (continued):

(vi) IFRS 13, Fair Value Measurement ("IFRS 13"):

IFRS 13 was issued by the IASB in May 2011 and is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. IFRS 13 sets out in a single IFRS framework the application of fair value to those assets and liabilities qualifying or permitted to be carried at fair value and provides enhanced disclosure requirements when fair value is applied. The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 13 to have a material impact on the financial statements.

(vii) IAS 32, Financial Instruments: Presentation ("IAS 32") and IFRS 7:

In December 2011, the IASB published Offsetting Financial Assets and Financial Liabilities and issued new disclosure requirements in IFRS 7. The effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014. The effective date for the amendments to IFRS 7 is annual periods beginning on or after January 1, 2013. These amendments are to be applied retrospectively. The Company intends to adopt the amendments to IFRS 7 in its financial statements for the annual period beginning on January 1, 2013, and the amendments to IAS 32 in its financial statements for the annual period beginning January 1, 2014. The Company does not expect the implementation of these standards to have a significant impact on the financial statements.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

4. Mortgage investments, including mortgage syndications:

The balances of mortgage investments are as follows:

December 31, 2012	Gross mortgage investments	Non-recourse mortgage syndication liabilities	Net
Mortgage investments, including mortgage syndications	\$ 374,599,297	\$ (41,600,000)	\$ 332,999,297
Interest receivable	1,622,708	–	1,622,708
	376,222,005	(41,600,000)	334,622,005
Unamortized lender fees	(2,312,400)	–	(2,312,400)
	\$ 373,909,605	\$ (41,600,000)	\$ 332,309,605

The mortgage investments are generally secured by a first priority charge on real property, bearing interest at a weighted average interest rate of 6.66% and mature between 2013 and 2016.

The mortgage investments are assessed at each reporting date to determine whether there is objective evidence of impairment. A mortgage investment is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of an investment, and that the loss event had a negative effect on the estimated future cash flows of that investment, that can be estimated reliably. As at December 31, 2012, no impairment losses have been recorded. A majority of the mortgage investments contain a prepayment option, whereby the borrower may repay the principal at any time after the first to 12 months without penalty or yield maintenance.

For the year ended December 31, 2012, the Company received total lender fees of \$3,126,328, which are amortized to interest income over the term of the mortgage investment using the effective interest rate method.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

4. Mortgage investments, including mortgage syndications (continued):

The unadvanced mortgage commitments under the existing mortgage portfolio amounted to \$65,752,840 as at December 31, 2012.

Principal repayments, net of mortgage syndications, based on contractual maturity dates are as follows:

2013	\$ 39,983,820
2014	100,254,644
2015	152,760,833
2016	40,000,000

Non-recourse mortgage syndication liabilities:

The Company has entered into certain mortgage participation agreements with various investors, using senior and subordinated participation, whereby the investors take the senior position and the Company retains the subordinated position. As the Company retains an option to repurchase the senior position, not the obligation, at a purchase price equal to the outstanding principal amount of the investor's proportionate share together with all accrued interest, and the Company has retained a residual portion of the credit and/or default risk as it is holding the residual interest in the mortgage investment, the Company has not met the derecognition criteria. As a result, the investor's portion of the loan is recorded as a mortgage investment with the transferred position recorded as a non-recourse mortgage syndication liability. The interest earned on the transferred participation interests and the related interest expense are recognized in profit and loss.

For those investments which have not met the derecognition criteria, the participation transactions have resulted in the Company recognizing the participating mortgages and corresponding non-recourse mortgage syndication liabilities on its statements of financial position. The carrying value of the transferred assets and corresponding non-recourse liabilities is \$41,600,000. The fair value of the transferred assets and non-recourse syndicated liabilities approximate their carrying values (see note 12(d)).

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

5. Restricted cash:

Restricted cash consists of cash received from borrowers in connection with interest reserves on certain mortgage investments.

6. Credit facility:

On March 22, 2012, the Company entered into a credit facility (the "Credit Facility") with a syndicate of lenders in an amount of up to \$105,000,000. On October 19, 2012, the Credit Facility was amended to increase the Credit Facility amount to \$130,000,000 and to add an option to increase the Credit Facility by another \$60,000,000 subject to certain terms and conditions. The leverage of the Company in aggregate cannot exceed 40% of the aggregate value of the assets of the Company at any time. The Company intends to utilize leverage representing approximately 30% of the aggregate value of assets of the Company at any time, with the remaining portion of the Credit Facility reserved for general working capital purposes. The Credit Facility expires in March 2014 and is subject to an interest rate equal to the bank's prime rate of interest plus 1% or bankers' acceptances ("BA") with a stamping fee of 2% of the face amount of such BA. The Credit Facility is secured by a general security agreement over the Company's assets. As at December 31, 2012, \$37,500,000 was outstanding on the Credit Facility and is partially offset against the cash and cash equivalents of \$3,199,594.

Interest paid related to the Credit Facility is included in financing costs using the effective interest rate method. For the year ended December 31, 2012, interest expense on the Credit Facility was \$996,037.

As at December 31, 2012, there were \$698,906 in unamortized financing costs related to the Credit Facility, which are offset against the Credit Facility. These costs are amortized to financing costs using the effective interest rate method.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

7. Equity:

The Company is authorized to issue unlimited voting shares. As at December 31, 2012, the Company had \$99 (December 31, 2011 – \$99; January 1, 2011 – nil) of issued and fully paid voting shares. The holders of the voting shares are entitled to receive notice of, and to attend and vote at all meetings of the shareholders of the Company. The holders of the voting shares are not entitled to receive any dividends. The holders of these shares are only entitled to a repayment of an amount up to par value upon the winding up of the Company and such payment is in priority to the holders of the Class A, B, I and J shares. The voting shares are redeemable and are held by certain employees and shareholders of Timbercreek Asset Management Inc.

8. Redeemable shares:

The Company has four classes of redeemable shares: Class A, Class B, Class I and Class J. All shares in a class rank equally with respect to dividends which are payable at the sole discretion of the Board of Directors and are entitled to one vote for each share owned at all meetings of shareholders at which the particular class of shares is entitled to attend and vote.

Class A shares are publicly listed on the Toronto Stock Exchange ("TSX") under the symbol "MTG" and may be issued under offerings that may be completed in the future. Class B shares are issued to fee-based and institutional investor accounts and are not listed on any stock exchange. The Company may issue Class B shares in the future under available prospectus exemptions. Class I shares and Class J shares may be issued by private placement from time to time to accredited investors, institutions, trusts, endowment funds and other discretionary pools of capital and are not listed on any stock exchange.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

8. Redeemable shares (continued):

During the year, Class A, Class I and Class J shares issued and outstanding changed as follows:

2012	Class A	Class I	Class J
Redeemable shares outstanding, beginning of year	—	—	—
Issued	30,812,583	344,700	478,100
Issuance of redeemable shares under dividend reinvestment plan	51,410	—	—
Exchanged	165,792	(15,000)	(147,100)
Redeemed	—	—	—
Redeemable shares outstanding, end of year	31,029,785	329,700	331,000

On January 19, 2012, the Company completed its initial public offering of 11,500,000 Class A shares, which included the exercise of the overallotment option of 15% of the aggregate number of Class A shares issued at closing, for gross proceeds of \$115,000,000. The Company also issued 3,720,000 subscription receipts for gross proceeds of \$37,200,000. The holders of these subscription receipts exchanged their subscription receipts for Class A shares on the close of business on January 19, 2012 for 3,915,297 Class A shares.

On June 1, 2012, the Company completed a private placement and issued 478,100 Class J shares for gross proceeds of \$4,781,000.

On July 3, 2012, the Company completed a public offering of 14,950,000 Class A shares, which included the exercise of the overallotment option of 15% of the aggregate number of Class A shares issued at closing, for gross proceeds of \$149,500,000. The Company also issued 430,000 subscription receipts for gross proceeds of \$4,300,530. The holders of these subscription receipts exchanged their subscription receipts for Class A shares on the close of business on July 3, 2012 for 447,285 Class A shares.

On July 17, 2012, the Company completed a private investment and issued 344,700 Class I shares for gross proceeds of \$3,447,000.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

8. Redeemable shares (continued):

During the year ended December 31, 2012, no Class B shares were issued.

In conjunction with the issuance of Class A, I and J shares during the year ended December 31, 2012, the Company incurred \$13,434,922 in issuance costs, related primarily to agent's commissions, legal, audit and other costs. Under IFRS, these issuance costs are included in profit and loss as the shares are considered debt instruments.

(a) Redemptions and exchanges:

(i) Monthly redemptions:

Subject to certain restrictions, Class A shares may be surrendered for redemption and transacted on the last business day of any month. Shareholders whose Class A shares are surrendered for redemption in any month, other than February, will be entitled to receive a price per Class A share equal to the lesser of: (a) 95% of the trading price, defined as the weighted average trading price on the TSX for a period of 10 trading days immediately preceding the relevant redemption date ("Trading Price"); or (b) the market price, being the closing price of the Class A shares on the TSX on the redemption date ("Market Price").

The Company shall not accept for redemption in the same calendar month shares representing more than 5% of the average number of shares outstanding for the 90-day period immediately preceding the applicable redemption date. Should the amount of shares tendered for redemption exceed the limit, the Company will redeem the shares tendered on a pro rata basis.

(ii) Annual redemptions:

Class A shares may be redeemed on the last business day of February each year at a price per share equal to the net redemption value per Class A share. The Company shall not accept for redemption in the same calendar year shares representing more than 15% of the average number of shares outstanding for the 180-day period immediately preceding the applicable redemption date. Should the amount of shares tendered for annual redemption exceed the limit, the Company will redeem the shares tendered on a pro rata basis.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

8. Redeemable shares (continued):

(iii) Monthly exchanges:

Subject to certain restrictions, Class B, Class I and Class J shares may be exchanged into Class A shares on the last business day of each month. The ratio upon which Class B, Class I and Class J shares will be exchanged into Class A shares is determined by dividing the net redemption value per Class B, Class I and Class J share by the net redemption value per Class A share on the relevant exchange date.

(b) Dividend reinvestment plan:

In April 2012, the Company instituted a dividend reinvestment plan ("DRIP") available to Class A shareholders. Under the DRIP, shareholders may enrol to have their cash dividends reinvested to purchase additional Class A shares. The Class A shares are issued from treasury at a price of 95% of the daily volume weighted average closing price on the TSX for the 10 trading days preceding payment, which price will not be less than the net redemption value per Class A share. For the year ended December 31, 2012, 51,410 Class A shares were issued under the DRIP, using reinvested dividends of \$484,692.

(c) Dividends to holders of redeemable shares:

The Company intends to pay dividends to holders of redeemable shares on a monthly basis within 15 days following the end of each month.

For the year ended December 31, 2012, the Company declared dividends of \$0.55 per Class A share for a total of \$13,118,513, \$0.324 per Class I share for a total of \$110,873 and \$0.364 per Class J share for a total of \$161,205. As at December 31, 2012, \$1,586,505 of dividends declared was payable to the holders of redeemable shares.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

9. Expenses:

(a) Management fees:

The Manager is responsible for the day-to-day operations of the Company, including administration of the Company's mortgage investments. The Company pays the Manager an annual management fee of 1.0% per annum for its services, based on the net asset value of the Company, calculated daily, aggregated and paid monthly in arrears, plus applicable taxes. For the year ended December 31, 2012, the Company incurred management fees of \$2,429,003.

(b) Servicing fees:

The Company pays each registered dealer a servicing fee equal to 0.50% annually of the net redemption value per Class A share held by clients of the registered dealer, calculated and paid at the end of each calendar quarter, commencing on June 30, 2012. At the discretion of the independent directors of the Company, the amount of the servicing fee on Class A shares may, at any time after January 2013, be reduced to a minimum of 0.40% annually of the net redemption value per Class A share. For the year ended December 31, 2012, the Company incurred servicing fees of \$822,111 for Class A shares.

The Company pays each registered dealer a servicing fee equal to 0.25% annually of the net redemption value per Class J share held by clients of the registered dealer, calculated and paid at the end of each calendar quarter, commencing on September 30, 2012. For the year ended December 31, 2012, the Company incurred servicing fees of \$4,909 for Class J shares.

(c) Operating expenses:

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

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

10. Related party transactions and balances:

- (a) As at December 31, 2012, no amount is payable by the Company to the Manager for management fees. In addition, \$12,280 remains payable to the Manager relating to costs paid on behalf of the Company as at December 31, 2012.
- (b) As at December 31, 2012, the Company and Timbercreek Mortgage Investment Corporation ("TMIC"), a related party by virtue of common management, have co-invested in 29 mortgage investments totalling \$392,869,519, which are secured primarily by multi-residential, office, retirement and other commercial properties. The Company's share in these investments is \$306,667,477 and included in this amount is a mortgage investment of \$6,779,296 to a limited partnership, which is co-owned by Timbercreek Four Quadrant Global Real Estate Partners ("T4Q"), a related party by virtue of common management. In addition, \$4,462 is receivable from TMIC in relation to these investments.
- (c) As at December 31, 2012, the Company, T4Q and Timbercreek Canadian Direct LP, a related party by virtue of common management, have co-invested in one mortgage investment secured by a retail property. The Company's share in this mortgage investment is \$24,000,000.
- (d) As at December 31, 2012, \$8,713 is payable to Timbercreek Asset Management Inc., a related party by virtue of common management.

11. Capital risk management:

The Company manages its capital structure in order to support ongoing operations while focusing on its primary objectives of preserving shareholder capital and generating a stable monthly cash dividend to holders of redeemable shares. The Company defines its capital structure to include Class A, Class B, Class I and Class J redeemable shares and the Credit Facility.

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

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

11. Capital risk management (continued):

The Company's investment restrictions and asset allocation model incorporate various restrictions and investment parameters to manage the risk profile of the mortgage investments. The investment restrictions also permit the Company to maintain constant leverage. The aggregate amount of borrowing by the Company may not exceed 40% of the total assets of the Company. In addition, the asset allocation model dictates the allocation of the mortgage investments based upon geographical, economic sector, term, borrower and loan-to-appraised value criteria. At December 31, 2012, the Company was in compliance with its investment restrictions and the asset allocation model parameters.

Pursuant to the terms of the Credit Facility, the Company is required to meet certain financial covenants, including a minimum interest coverage ratio, minimum total equity and maximum indebtedness of the Company. For the year ended December 31, 2012, the Company was in compliance with all financial covenants.

12. Financial instruments and risk management:

The Company is exposed to the symptoms and effects of global economic conditions and other factors that could adversely affect its business, financial condition and operating results. Many of these risk factors are beyond the Company's direct control. The Manager and Board of Directors plays an active role in monitoring the Company's key risks and in determining the policies that are best suited to manage these risks.

The Company's business activities, including its use of financial instruments, exposes the Company to various risks, the most significant of which are interest rate risk, credit risk, and liquidity risk.

(a) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of financial assets or financial liabilities will fluctuate because of changes in market interest rates. As at December 31, 2012, \$34,300,406 of the Credit Facility bears interest at variable rates. In addition, no mortgage investments bear interest at variable rates. The Company manages its sensitivity to interest rate fluctuations by generally entering into fixed rate mortgage and loan investments. In certain circumstances where the Company may enter into variable rate investments, it typically includes a "floor rate" to protect its negative exposure.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

12. Financial instruments and risk management (continued):

A 50-basis-point decrease in interest rates, with all other variables held constant, will increase net income by \$187,500 annually, arising mainly as a result of lower interest expense payable on the Credit Facility. A 50-basis-point increase in interest rates, with all other variables held constant, will decrease net income by \$187,500 annually, arising mainly as a result of higher interest expense due to variable interest rate of the Credit Facility.

The Company's interest receivable, other assets, accounts payable and accrued expenses, dividends payable and prepaid mortgage interest have no exposure to interest rate risk due to their short-term nature. Cash and cash equivalents carry a variable rate of interest and are subject to interest rate risk.

(b) Credit risk:

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

- (i) adhering to the investment restrictions and operating policies included in the asset allocation model (subject to certain duly approved exceptions);
- (ii) all mortgage investments are approved by the independent mortgage advisory committee before funding; and
- (iii) actively monitoring the mortgage investments and initiating recovery procedures, in a timely manner, where required.

The maximum exposure to credit risk at December 31, 2012 is represented by the carrying values of mortgage investments, which total \$334,622,005. The Company has recourse under these investments in the event of default by the borrower; in which case, the Company would have a claim against the underlying collateral.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

12. Financial instruments and risk management (continued):

(c) Liquidity risk:

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

The following are the contractual maturities of financial liabilities as at December 31, 2012, including expected interest payments:

	Contractual cash flows	Within a year	Following year	3 - 5 years	Over 5 years
Credit facility ⁽¹⁾	\$ 39,375,000	\$ –	\$ 39,375,000	\$ –	\$ –
Mortgage funding holdbacks	357,800	357,800	–	–	–
Dividends payable	1,586,505	1,586,505	–	–	–
Due to Manager	12,280	12,280	–	–	–
Prepaid mortgage interest	1,400,501	1,400,501	–	–	–
Accounts payable and accrued expenses	1,433,021	1,433,021	–	–	–
Unadvanced mortgage commitments		65,752,840	65,752,840	–	–
Net assets attributable to holders of redeemable shares ⁽²⁾	296,056,769	44,408,515	37,747,238	82,539,054	131,361,962
	\$ 405,974,716	\$ 114,951,462	\$ 77,122,238	\$ 82,539,054	\$ 131,361,962

⁽¹⁾Includes interest assuming outstanding balance is not repaid until maturity in March 2014.

⁽²⁾Excludes future dividends on redeemable shares.

Redeemable shares may be surrendered for redemption and transacted on the last business day of any month. However, Management does not expect that the contractual maturity disclosure above will be representative of the actual cash outflows, as holders of these instruments typically retain them for a longer period.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

12. Financial instruments and risk management (continued):

(d) Fair values:

(i) Mortgage investments and non-recourse mortgage syndication liabilities:

Fair value is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties under no compulsion to act. As there is no quoted price in an active market for these mortgage investments or non-recourse mortgage syndication liabilities, the Manager makes its determination of fair value based on its assessment of the current lending market for mortgage investments and non-recourse mortgage syndication liabilities of same or similar terms. Typically, the fair value of these mortgage investments and non-recourse mortgage syndication liabilities approximate their carrying values given the mortgage investments and non-recourse mortgage syndication liabilities consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties. As a result, the fair value of mortgage investments and non-recourse mortgage syndication liabilities is based on level 3 inputs.

(ii) Other financial assets:

The fair values of interest receivable, restricted cash, cash and cash equivalents, credit facility, accounts payable and accrued expenses, mortgage funding holdbacks, dividends payable and due to Manager approximate their carrying amounts due to their short-term maturities.

13. Commitments and contingencies:

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

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

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

14. Subsequent events:

On January 8, 2013, the Company completed its public offering of 5,916,446 Class A shares, for gross proceeds of approximately \$58,276,997. The Company also completed an offering of 220,559 Class B shares, for gross proceeds of approximately \$2,205,590.

15. Key management personnel compensation:

The Company paid \$79,237 to the individual members of the Board and independent review committee for their services to the Company. The compensation to the senior management of the Manager is paid through the management fees paid to the Manager (note 9).

16. Explanation of transition to IFRS:

As disclosed in note 2, these are the Company's first annual financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended December 31, 2012 along with the comparative information presented in these financial statements for the period from December 1, 2011 (date of formation) to December 31, 2011.

The Company was formed on December 1, 2011 and the transition date to IFRS is December 1, 2011 (the "Transition Date"). However, since the Company had no assets or liabilities on December 1, 2011, other than the proceeds from the issuance of the voting shares, a reconciliation between IFRS and Canadian generally accepted accounting principles ("Canadian GAAP") has not been presented as at that date.

The Company has adjusted amounts previously reported in its financial statements prepared in accordance with its previous basis of accounting, Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

16. Explanation of transition to IFRS (continued):

A reconciliation of the statements of financial position as at December 31, 2011 and a statement of cash flows for the period from December 1, 2011 (date of formation) to December 31, 2011 has not been presented as there was no effect of the transition to IFRS.

Reconciliation of statements of financial position as at December 31, 2012:

	Canadian GAAP as originally reported	Mortgage investments (note 16(a))	Non-recourse mortgage syndications (note 16(b))	Shares (note 16(c))	IFRS	IFRS presentation
Assets						
Mortgage investments	\$ 332,999,297	\$ (689,692)	\$ 41,600,000	–	\$ 373,909,605	Mortgage investments, including mortgage syndications
Cash and cash equivalents	–	–	–	–	–	Cash and cash equivalents
Restricted cash	1,404,562	–	–	–	1,404,562	Restricted cash
Accrued interest receivable	1,622,708	(1,622,708)	–	–	–	–
Financing costs	–	–	–	–	–	Financing costs
Other assets	734,308	–	–	–	734,308	Other assets
	\$ 336,760,875	\$ (2,312,400)	\$ 41,600,000	–	\$ 376,048,475	
Equity						
Equity	–	–	–	99	99	Voting share capital
	–	–	–	99	99	Total equity
Liabilities and Equity						
Credit facility	\$ 33,601,500	\$ –	\$ –	–	\$ 33,601,500	Credit facility
Non-recourse mortgage syndication liabilities	–	–	41,600,000	–	41,600,000	Non-recourse mortgage syndication liabilities
Accounts payable and accrued expenses	1,433,021	–	–	–	1,433,021	Accounts payable and accrued expenses
Prepaid mortgage interest	1,400,501	–	–	–	1,400,501	Prepaid mortgage interest
Mortgage funding holdbacks	357,800	–	–	–	357,800	Mortgage funding holdbacks
Dividends payable	1,586,505	–	–	–	1,586,505	Dividends payable
Due to Manager	12,280	–	–	–	12,280	Due to Manager
Unearned income	2,312,400	(2,312,400)	–	–	–	–
	40,704,007	(2,312,400)	41,600,000	–	79,991,607	Total liabilities (excluding net assets attributable to holders of redeemable shares)
Net assets, representing shareholders' equity	296,056,868	–	–	(296,056,868)	–	–
Net assets attributable holders of redeemable shares	–	–	–	296,056,769	296,056,769	Net assets attributable to holders of redeemable shares
	\$ 336,760,875	\$ (2,312,400)	\$ 41,600,000	–	\$ 376,048,475	

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

16. Explanation of transition to IFRS (continued):

Notes to reconciliation:

IFRS 1 sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retroactively with all adjustments to assets and liabilities taken to retained earnings unless certain optional exemptions are elected and mandatory exceptions are applied.

In preparing its IFRS financial statements, the Company has applied the mandatory exception from full retrospective application of IFRS for "estimates". This mandatory exception requires that estimates made at the Transition Date, and in the comparative reporting periods, be consistent with estimates made under Canadian GAAP, unless either the estimates are adjusted to reflect a revised accounting policy or there is objective evidence that the estimates made under Canadian GAAP were in error. The Company, however, has not elected any optional exemptions from the general requirement for the retrospective application of IFRS.

(a) Mortgage investments:

Under IFRS, the Company has elected to classify its mortgage investments as loans and receivable investments. These investments are recognized initially at fair value plus any directly attributable transaction costs and other amounts that are an integral part of the yield on the mortgage. Subsequent to initial recognition, the mortgage investments are measured at amortized cost using the effective interest method, less any impairment losses. Under IFRS, the directly attributable transaction costs are recognized using the effective interest method. Commitment fees received at the inception of mortgage investment are an integral part of the yield on the investment and, accordingly, it is deferred and recognized into income over the expected life of the investment using the effective interest method. As a result, unearned income is offset against the mortgage investments.

Under Canadian GAAP, the Company's mortgage investments were recorded at fair value. Any unrealized changes in the fair value of a mortgage investment were recorded in the statement of operations as an unrealized fair value adjustment. A realized change in the fair value of a mortgage as a result of a disposition or repayment was recorded as a realized fair value adjustment.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

16. Explanation of transition to IFRS (continued):

As at December 31, 2012, the Company has offset unearned income of \$2,312,400 against the mortgage investments in the statements of financial position.

As at December 31, 2012, the Company has reclassified accrued interest receivable of \$1,622,708 to mortgage investments to conform with current year's IFRS presentation.

(b) Non-recourse mortgage syndications:

Under Canadian GAAP, the Company had derecognized a portion of mortgage investments which were syndicated to various investors as these syndications met the de-recognition criteria described under Accounting Guideline - 12 Transfer of Receivables. However, under IFRS, certain of these non-recourse mortgage syndications have not met the de-recognition criteria described in IAS 39, Financial Instruments: Recognition and Measurement. Therefore, the Company has recorded the non-recourse syndicated portion of mortgage investments as mortgage investments with an offsetting recognition of the transferred position as a non-recourse mortgage syndication liability. The Company has also recorded interest income at the contractual rate of the mortgage investment on syndicated mortgage investments, while recording an offsetting expense relating to non-recourse mortgage syndications.

As at December 31, 2012, the Company has recorded syndicated mortgage investments of \$41,600,000. The company has recognized the same amount as non-recourse mortgage syndication liabilities. For the year ended December 31, 2012, the Company has recognized interest income and an offsetting interest expense on non-recourse mortgage syndications of \$369,995.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

16. Explanation of transition to IFRS (continued):

(c) Class A, I and J and voting shares:

Under Canadian GAAP, the Company accounted for its Class A, I and J shares as equity. Under IFRS, IAS 32 requires that shares of an entity which includes a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as a financial liability. The Company's Class A, I and J shares do not meet the criteria in IAS 32 for classification as equity and therefore, have been reclassified as financial liabilities on transition to IFRS. The voting shares of the Company meet the criteria for equity classification and are presented separately on the statements of financial position.

The Class A, I and J shares are initially measured at fair value net of issuance costs that are directly attributable to the issuance of shares. Subsequent to initial measurement, shares are measured at amortized cost. As at December 31, 2012, the Company has reclassified redeemable shares of \$296,056,769 from net assets, representing shareholders' equity to net assets attributable to holders of redeemable shares. Under IFRS, Class A, I and J shares are considered debt instruments, therefore, the Company has reclassified dividends made on Class A, I and J shares of \$ 13,390,591 for the year ended December 31, 2012 from the statement of changes in net assets attributable to holders of redeemable shares to the statement of net loss and comprehensive loss and presented them as financing costs.

Under Canadian GAAP, Class A, I and J shares were classified as equity with issuance costs recorded as a reduction of the equity raised. However, under IFRS these shares are classified as liabilities as they are redeemable on demand, therefore, issuance costs are recognized in profit and loss. For the year ended December 31, 2012, the Company has recognized \$13,434,922 of issuance costs in the statement of net loss and comprehensive loss, with proceeds from the issuance of shares presented on a gross basis in the statement of changes in net assets attributable to holders of redeemable shares and statement of cash flows.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Financial Statements (continued)

Year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011

16. Explanation of transition to IFRS (continued):

(d) Operating expenses:

As an investment fund reporting under National Instrument 81-106, the Company was required to report certain expenses separately on the statement of net loss and comprehensive loss. However, under National Instrument 51-102, there is no such requirement. As a result, for the year ended December 31, 2012 and 2011, the Company has combined transfer agent fees, directors' fees, custodian fees, independent review committee fees, audit fees, legal fees and other operating expenses as general and administrative expenses for presentation purposes.

In addition, interest paid relating to the Credit Facility has been reclassified as part of financing costs.

(e) Reconciliation of statement of cash flows from Canadian GAAP to IFRS:

Consistent with the Company accounting policy choice under IAS 7, Statement of Cash Flows, interest paid is classified as a financing activity and has been moved into the body of the statement of cash flows, where it was previously disclosed as supplemental cash flow information.



Timbercreek

Asset Management

Timbercreek Senior Mortgage Investment Corporation
Management's Discussion and Analysis
For the year ended December 31, 2012

Dated: August 12, 2013

1.

Forward-Looking Statements

Caution regarding forward-looking statements

The terms, the "Company", "we", "us" and "our" in the following Management's Discussion & Analysis ("MD&A") refer to Timbercreek Senior Mortgage Investment Corporation (the "Company") and its financial position and results of operations for the year ended December 31, 2012 (the "Year"). Financial data provided has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS. Copies of these documents have been included in this Circular, which will be filed electronically with securities regulators in Canada through the System for Electronic Document Analysis and Retrieval ("SEDAR") and may be accessed through the SEDAR website at www.sedar.com. Historical results and percentage relationships contained in the Company's audited annual financial statements and MD&A related thereto, including trends that might appear, should not be taken as indicative of future operations.

Forward-looking statement advisory

This MD&A may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. These statements are typically identified by expressions like "believe", "expects", "anticipates", "would", "will", "intends", "projected", "in our opinion" and other similar expressions. By their nature, forward-looking statements require us to make assumptions which include, among other things, that (i) the Company will have sufficient capital under management to effect its investment strategies and pay its targeted dividends to shareholders, (ii) the investment strategies will produce the results intended by the Manager, (iii) the markets will react and perform in a manner consistent with the investment strategies and (iv) the Company is able to invest in mortgages of a quality that will generate returns that meet and or exceed the Company's targeted investment returns.

Forward-looking statements are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will prove not to be accurate. We caution readers of this MD&A not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to, general market conditions, interest rates, regulatory and statutory developments, the effects of competition in areas that the Company may invest in and the risks detailed from time-to-time in the Company's public disclosures.

We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Company, investors and others should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the Company and Timbercreek Asset Management Ltd. (the "Manager") do not undertake, and specifically disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

This MD&A is dated August 12, 2013. Disclosure contained in this MD&A is current to that date, unless otherwise noted. Additional information on the Company, its dividend reinvestment plan and its mortgage investment portfolio is available on the Timbercreek Asset Management website at www.timbercreek.com. Additional information about the Company, including its Annual Information Form ("AIF"), can be found on the SEDAR website at www.sedar.com.

Proposed Transition

On March 27, 2013, the Canadian Securities Administrators ("CSA") issued a proposal for a number of regulatory changes that, if implemented, will impact issuers such as the Company who are classified as investment funds pursuant to Canadian securities laws. Among the proposed changes is a new restriction on investments in mortgages that are not fully and unconditionally guaranteed or insured. The proposal further suggests that investment funds that invest in such non-guaranteed mortgages be given a transition period of approximately 24 months to either divest their holdings or transition into the regulatory regime for issuers that are not investment funds.

In light of the impact the proposed amendments will have on investment funds and on the business of the Company from the transition from its current status as an investment fund, to a non-investment fund (the "Proposed Transition"), the Board of Directors (the "Board") has determined it is in the best interests of the Company to proceed with the Proposed Transition.

In order to achieve the Proposed Transition, the Board has called a special meeting of shareholders (the "Meeting"). At the Meeting, all shareholders, including Class A, Class B, Class I, Class J and voting shareholders will be asked to consider, and if thought fit, to pass a resolution (the "Resolutions") with the following purposes:

- the transition of the Company from the investment fund regime ("Investment Fund Regime") to the public company regime ("Public Company Regime");
- consequential amendments to certain provisions of the articles of incorporation of the Company, related to certain share rights attached to the shares to give effect to and implement such transition;
- consequential amendments to the management agreement; and
- the election of Ugo Bizzarri, Andrew Jones and Edward Boomer as directors of the Company.

Under the Public Company Regime, the Company would comply with National Instrument 51-102 continuous disclosure requirements, as opposed to the Investment Fund Regime which is required to comply with National Instrument 81-106 continuous disclosure requirements. If the Resolutions are approved, as part of the Public Company Regime, the Company will adopt IFRS as issued by the IASB and prepare financial statements and related disclosures in accordance with IFRS, along with an MD&A. One of the key distinctions between both regimes however, is that financial statements will be provided on a quarterly basis rather than semi-annually and management expects to conduct quarterly conference calls to discuss the financial reports with shareholders following the release of each quarterly report.

In anticipation of the Meeting, the Company has prepared the financial statements in accordance with IFRS for the following periods to meet the requirements of 51-102:

- Audited annual financial statements for the year ended December 31, 2012 and the period from December 1, 2011 (date of formation) to December 31, 2011;
- Unaudited condensed interim financial statements for the three months ended March 31, 2013; and
- Unaudited condensed consolidated interim financial statements for the three months and six months ended June 30, 2013.

The Company has also prepared MD&A's for the year ended December 31, 2012, three months ended March 31, 2013 and six months ended June 30, 2013.

The Company has previously filed audited annual financial statements in accordance with Part V of the Handbook and Canadian Institute of Chartered Accountants ("Canadian GAAP") and its Management Report of Fund Performance for the year ended December 31, 2012 in accordance NI 81-106.

Basis of Presentation

As described in the Proposed Transition above, the Company adopted IFRS as issued by the IASB as its basis of financial reporting commencing with the audited annual financial statements for the year ended December 31, 2012. The Company's date of transition to IFRS was December 1, 2011 (the date of formation). Financial data provided in this MD&A, for year ended December 31, 2012, has been prepared in accordance with IFRS. Where material, reconciliations between Canadian GAAP and IFRS values are reported in the notes to the audited annual financial statements of the Company.

The Company's reporting currency is the Canadian dollar.

Non-IFRS Measures

The Company prepares and releases audited annual financial statements and unaudited condensed interim financial statements in accordance with IFRS. In this MD&A, as a complement to results provided in accordance with IFRS, the Company discloses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS (collectively the "non-IFRS measures"). These non-IFRS measures are further described below. The Company has presented such non-IFRS measures because the Manager believes these non-IFRS measures are relevant measures of the ability of the Company to earn and distribute cash dividends to investors and to evaluate the Company's performance. These non-IFRS measures should not be construed as alternatives to net income (loss) or cash flows from operating activities determined in accordance with IFRS as indicators of the Company's performance.

- Income from operations – represents net income earned by the Company before financing costs;
- Income from operations per share – calculated by allocating income from operations to each class of shares divided by the weighted average number of shares for that class for the stated period;
- Expense ratio – represents total expenses (excluding financing costs) for the stated period expressed as an annualized percentage of the average of the beginning and ending balances of net mortgage investments;
- Net assets per share – represents net assets attributable to the relevant class divided by the number of shares outstanding at period end;
- Net interest income per share – represents net interest income to each class of shares divided by the weighted average number of shares for that class for the stated period;
- Average mortgage investment – represents the total mortgage investments divided by the total number of mortgage investments at the reporting date;
- Weighted average interest rate – represents the weighted average interest rate on the net mortgage investments as at the period end;
- Average lender fees – represents the cash lender fees received on new mortgage investments funded as a percentage of advances during the period; and
- Turnover ratio – represents total repayments during the period expressed as a percentage of the monthly weighted average net mortgage investments for the period.

Readers are cautioned not to view non-IFRS measures as alternatives to financial measures calculated in accordance with IFRS.

Business Overview

Timbercreek Senior Mortgage Investment Corporation (the "Company") is federally incorporated under the Canada Business Corporations Act by articles of incorporation dated December 1, 2011 and is authorized to issue an unlimited number of Class A, Class B, Class I, Class J and voting shares. The Company invests in mortgage investments selected and determined to be high quality by the Manager. The Company intends to qualify as a mortgage investment corporation ("MIC") as defined under Section 130.1(6) of the Income Tax Act (Canada).

The Company began operations on January 19, 2012 upon successful completion of initial public offering.

The fundamental investment objectives of the Company are to:

- Preserve the net asset value of the Company; and
- Provide shareholders with a stable stream of monthly dividends.

The Company intends on meeting its investment objectives by investing in a diversified portfolio of mortgage investments, consisting primarily of conventional mortgage loans secured directly by residential (including multi-residential and retirement), office, retail and industrial real property across Canada, primarily located in large urban markets and surrounding areas.

The Company's Class A shares are publicly listed on the Toronto Stock Exchange ("TSX") under the symbol "MTG", whereas Class B, Class I and Class J shares are privately held and there is no market through which these shares may be sold.

The Company has instituted a dividend reinvestment plan ("DRIP") available to Class A shareholders. Under the DRIP, shareholders may enroll to have their cash dividends reinvested to purchase additional Class A shares. The Class A shares are issued from treasury at a price of 95% of the daily volume weighted average closing price on the TSX for the 10 trading days preceding payment, the price of which will not be less than the net redemption value per Class A share. Shareholders who wish to enroll in the DRIP or who would like further information about the plan should contact Corporate Communications at 416-306-9967 ext. 7266.

Recent Developments and Outlook

Throughout 2012, the Manager continued to view Canadian investment grade real estate fundamentals as being stable and sustainable, contributing to an attractive lending environment.

Though the share prices of the Canadian public REITs have generally traded down over the past quarter, limiting their ability to raise new capital, the demand from other institutional investors as well as private investors has remained solid with valuations staying stable.

In the commercial mortgage industry we continue to see quality borrowers in the marketplace, with investment-grade assets. Though many of these borrowers have been presented with multiple options, the options often do not meet their requirements due to the more rigid policies of institutional lenders, and continued uncertainty in the banking sector as a result of new Basel III risk-weighted capital requirements. As well, the Canadian securitization market remained very quiet, with effectively no issuance of Commercial Mortgage Backed Securities ("CMBS") in 2013. The net result of these factors is a large gap in the supply-side of the market for high quality loans which is being increasingly filled by non-bank lenders.

With the recent rise in the medium-term Canada bond yields, the gap between institutional lenders has narrowed slightly with those of non-bank lenders, making the non-bank lenders more competitive. In addition, there is little competition for the Company's targeted loans from other non-bank lenders as most non-bank lenders have a higher cost of capital. Over the past six months, limited new capital has been raised by the public participants in the Canadian non-bank lending universe in general. Those few participants which have raised new capital have a low enough targeted yield to compete with the types of loans the Company targets, however, have raised an insignificant amount of new capital over the past 24 months. As a result of these factors, deal flow and lending opportunities have been abundant. The Manager is very comfortable that the Company can continue to meet its investment objectives in this environment, particularly as the Company is able to take advantage of the strategic relationship with Timbercreek Mortgage Investment Corporation ("TMIC") to offer flexible lending solutions to qualified borrowers.

Given the current availability of high quality loans and general market trends observed by the Manager, there has been no need to modify the Company's AAM during the Year. The Manager and the Mortgage Advisory Committee ("MAC") continue to place emphasis on investments secured by cash-flowing real estate assets, a geographically diversified portfolio and larger, individual mortgage investments secured by institutional quality real estate assets. This strategy is expected to continue throughout 2013 and beyond.

In summary, the Company has been competitive and successful in establishing itself as a market leader. The Manager believes this success is a result of being conservative and selective in making investments that meet the Company's investment objectives.

Financial Highlights

We are pleased to note that in its first year of operations, the Company's net assets attributable to holders of redeemable shares as at December 31, 2012 were \$296.1 million; funded 39 mortgage investments and finished the Year with net mortgage investments of \$333.0 million.

(\$000's, except per share and other non-financial data)

December 31, 2012

Statement of financial position highlights (as at)

Mortgage investments, including mortgage syndications	\$	373,910
Mortgage investments, net of mortgage syndications	\$	332,310
Total assets	\$	376,048
Credit facility	\$	33,602
Net assets attributable to Class A, I & J shareholders	\$	296,057
Net asset value per share:		
Class A	\$	9.34
Class I	\$	9.89
Class J	\$	9.36

Financial information (for the year ended)

Net interest income per share: *

Class A	\$	0.54
Class I	\$	0.32
Class J	\$	0.37

Dividends per share: *

Class A	\$	0.55
Class I	\$	0.32
Class J	\$	0.36

Mortgage investment information

Net mortgage investments **	\$	332,999
Average mortgage investment *	\$	10,406
Weighted average interest rate *		6.66%
Average lender fee *		0.72%
Turnover ratio *		52.61%

* Refer to Non-IFRS measures section

** Net mortgage investments represents total mortgage investments net of non-recourse mortgage syndication liabilities and interest receivable and gross of unamortized lender fees. This measure has been used through-out this MD&A, unless specified otherwise.

For the three months ended December 31, 2012 ("Q4 2012")

- The Company advanced eight new mortgage investments totaling \$90.4 million and received repayments and partial pay downs on six mortgage investments, totaling \$45.1 million, resulting in net mortgage investments of \$333.0 million as at December 31, 2012.
- Net interest income earned by the Company in Q4 2012 was \$5.5 million.
- The Company received non-refundable lender fees of \$0.8 million or 0.9% of new mortgage investments funded in Q4 2012.
- The Company generated income from operations of \$4.2 million or per Class A, Class I and Class J share of \$0.13 and \$0.13 and \$0.13, respectively.
- The Company paid dividends of \$0.15 per Class A share for a total of \$4.6 million, \$0.16 per Class I share for a total of \$0.1 million and \$0.16 per Class J share for a total of \$0.1 million.

For the year ended December 31, 2012 (the "Year")

- The Company completed its initial public offering of 15,415,297 Class A Shares for gross proceeds of \$152.2 million and a subsequent public offering of 15,397,285 Class A shares for gross proceeds of 153.8 million. The Company also completed offerings of 344,700 Class I shares, for gross proceeds of \$3.4 million and 478,100 Class J shares, for gross proceeds of \$4.8 million. Overall, the Company raised total gross proceeds of \$314.2 million in 2012.
- The Company advanced 39 new mortgage investments totaling \$435.8 million and received repayments and partial pay downs on 15 mortgage investments, totaling \$102.8 million, resulting in net mortgage investments of \$333.0 million as at December 31, 2012.
- The portfolio turnover rate was 52.61%. A high portfolio turnover rate maximizes the cash available for distribution to investors, while reducing repayment risk and the Company's responsiveness to a changing interest rate environment.
- The weighted average interest rate on the mortgage portfolio at December 31, 2012 was 6.66%.
- Net interest income earned by the Company for the Year was \$12.9 million.
- The Company received non-refundable lender fees of \$3.1 million or 0.7% of new mortgage investments funded in the Year.
- The Company generated income from operations of \$9.2 million or per Class A, Class I and Class J share of \$0.34 and \$0.23 and \$0.27, respectively.
- The Company paid dividends of \$0.55 per Class A share for a total of \$13.1 million, \$0.32 per Class I share for a total of \$0.1 million and \$0.36 per Class J share for a total of \$0.2 million.
- The Manager continues to be selective and has focused predominantly on mortgage investments that are secured by cash-flowing assets, with no modifications to the AAM required in the Year.

Investment Objectives

The investment objectives of the Company are, with a primary focus on capital preservation, to acquire and maintain a diversified portfolio of customized first mortgages (the "Portfolio") that generates attractive, stable returns in order to permit the Company to pay monthly dividends to its shareholders.

The Manager targets an aggregate annualized yield (net of all fees and expenses of the Company) equal to the 2-Year Government of Canada Bond Yield (the "2-Yr GOC") plus 350 basis points, which equated to 4.61% for the Year.

Investment Strategies

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

The Portfolio targets first mortgages where the principal amount of the loan, at the time of the commitment, together with all other equal and prior ranking mortgages ("Loan-to-Value") does not exceed 70%. For greater certainty, the first mortgages in which the Company invests may from time-to-time include subordinate positions in syndicated first mortgages. The Portfolio may, from time to time, also contain interim investments consisting of cash and cash equivalents.

The Portfolio is focused on investments in first mortgages to qualified real estate investors requiring funding during the transitional phase of the investment process. Real estate investors typically use short-term loans to bridge a period of up to five years where they require temporary capital for property repairs, redevelopment of a property, or for the purchase of another investment. These short-term loans are typically repaid with longer term debt obtained from Canadian financial institutions once the applicable transitional period is over or the restructuring is complete.

The Portfolio benefits from the Manager's existing origination and mortgage management platform that generates ongoing mortgage investment opportunities which are suitable for the Portfolio.

The Manager believes that these strategies combine to provide the Portfolio with superior opportunities to:

- obtain favorable 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 Portfolio's quick access to capital through efficient processing and management of opportunities;
- take advantage of yield benefits which arise from the Portfolio'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 practices of the Manager.

Leverage

The Company may utilize leverage from time-to-time at the discretion of the Manager through a credit facility arranged by the Manager. Subject to complying with rules to qualify as a MIC, the leverage will not exceed 40% of the aggregate value of the assets of the Company at any time.

Asset Allocation Model

The Manager uses an Asset Allocation Model ("AAM") in order to manage the risk profile of the Portfolio. The Manager actively and regularly evaluates the aggregate funded and committed assets for compliance with the AAM.

This model dictates the allocation of the Portfolio based upon geographical, economic sector, term, borrower and loan-to-appraised value criteria. The AAM criteria include, without limitation, the following:

- (a) 100% of the mortgage assets in the Portfolio will be first mortgages;
- (b) Not more than 10% of the aggregate funded and committed assets can be allocated to an investment in any one real property;
- (c) Not more than 30% of the aggregate funded and committed assets can be allocated to an investment with any one borrower;
- (d) Not more than 25% of the aggregate funded and committed assets can be allocated to investment in mortgages which are secured by non-income producing non-residential assets. "Non-income producing" assets are mortgage loans in respect of which the income servicing the mortgage is less than the monthly principal and interest payments, either at the time the loan is advanced or as projected based on leases in-place;
- (e) The term to maturity on each mortgage investment comprising the aggregate funded and committed assets shall not exceed 60 months. The target term to maturity on any one mortgage investment, shall be between 24 and 48 months;
- (f) Not more than the percentages set out below of the aggregate funded and committed assets can be invested in the corresponding regions:

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

- (g) Not more than the percentages set out below of the aggregate funded and committed assets can be invested in mortgages secured by the product type set out below:

Residential and Multi-Residential Buildings	70%
Retail Buildings	40%
Industrial Buildings	40%
Office Buildings	50%
Self-Storage Buildings	15%
Hotels	15%
Unimproved Land	15%
Parking Facilities	10%
Other	10%

- (h) At the time of funding, the maximum loan-to-value ratio of any one mortgage loan comprising the aggregate funded and committed assets shall not exceed 70%;

- (i) At the time of funding, the total value of the liabilities associated with the aggregate funded and committed assets will not exceed 70% of the total market value of the aggregate funded and committed assets; and
- (j) At the time of funding, not less than 50% of the assets of the Company will consist of residential mortgages and cash and cash equivalents.

Investment Restrictions

As a general rule, the assets of the Company will be invested in accordance with its investment objectives and, subject to certain exceptions described above, with reference to the AAM. However, the Company intends to continue to qualify as a MIC and is subject to certain other investment restrictions under applicable law that, among other things, limit the investments that may be made by the Company. The investment restrictions set out in the articles of the Company may not be changed without the approval of the shareholders by extraordinary resolution, unless such changes are necessary to maintain the Company's status as a MIC or otherwise to ensure compliance with applicable laws. A summary of the investment restrictions are as follows:

1. the Company will not make any investment or conduct any activity that would result in the Company failing to qualify as a MIC within the meaning of the Tax Act;
2. the Company will not invest in asset backed commercial papers ("ABCP") or in securitized pools of mortgage loans, including securitized pools of sub-prime mortgage loans;
3. the Company will not invest in securities other than: (i) first mortgages secured by real property, or (ii) on a temporary basis only, interim investments consisting of cash and cash equivalents. For greater certainty, the Company is not precluded from owning securities of its subsidiaries or affiliates that otherwise comply with the Company's investment objectives and these restrictions;
4. the Company will not borrow money in excess of 40% of the aggregate value of the assets of the Company at any time;
5. the Company will not guarantee securities or obligations of any person or company;
6. the Company will not engage in securities lending; and
7. the Company will not engage in derivative transactions, other than derivative transactions to hedge interest rate risk and not for speculative purposes.

Analysis of Financial Information for the Year

Statement of loss and comprehensive loss

	2012
Net interest income	\$ 12,941,330
Expenses	(3,776,234)
Income from operations	9,165,096
Financing costs:	
Interest on credit facility	(996,037)
Issuance costs of redeemable shares	(13,434,922)
Dividends to holders of redeemable shares	(13,390,591)
Net loss and comprehensive loss	\$ (18,656,454)

*Net interest income*¹

Net interest income earned by the Company for the Year was \$12.9 million and is made up of the following categories:

- (a) *Interest income* – The Company earned \$11.9 million in interest income on the mortgage investments. The gross interest income includes interest earned of \$0.4 million on the syndicated portions of mortgage investments. The average mortgage investment during the Year was \$10.4 million and the weighted average interest rate on the net mortgage investments at December 31, 2012 was 6.7%.
- (b) *Lender fee income* – The Company received non-refundable lender fees of \$3.1 million, or 0.7% of new mortgage investments. These lender fees are amortized using the effective interest rate method over the contractual term of the mortgage investments to lender fee income. For the Year, \$0.8 million of non-refundable lender fees were amortized to lender fee income. The Manager does not retain any portion of lender fees, unlike other competing MIC's, ensuring management interests are aligned with the Company.
- (c) *Other income* – The Company earned \$0.2 million in other income. Other income includes interest earned on cash and cash equivalents, administration and draw fees earned on mortgage fundings, prepayment penalties and exit fees earned on mortgage repayments and other miscellaneous fees. The Manager does not retain any portion of administration fees, draw fees or exit fees, thus maximizing the income of the Company.

Expenses

During the Year, the Company's expense ratio² was 1.1%. As the Company continues to grow its mortgage investment portfolio, its expense ratio will decrease as several of the operating costs of the Company do not increase in proportion to the size of the Company.

Management fees

The Company pays the Manager an annual management fee of 1.0% per annum for its services, based on the net asset value of the Company, calculated daily, aggregated and paid monthly in arrears, plus applicable taxes. For the Year, the Company incurred management fees of \$2.4 million.

Servicing fees

The Company pays each registered dealer a servicing fee equal to 0.50% annually of the net redemption value per Class A share held by clients of the registered dealer, calculated and paid at the end of each calendar quarter, commencing on June 30, 2012. At the discretion of the independent directors of the Company, the amount of the servicing fee on Class A shares may, at any time after January 2013, be reduced to a minimum of 0.40% annually of the net redemption value per Class A share. For the Year, the Company incurred servicing fees of \$0.8 million for Class A shares.

The Company pays each registered dealer a servicing fee equal to 0.25% annually of the net redemption value per Class J share held by clients of the registered dealer, calculated and paid at the end of each calendar quarter, commencing on September 30, 2012. For the Year, the Company incurred servicing fees of less than \$0.01 million for Class J shares.

General and administrative

The general and administrative expenses of \$0.5 million consist mainly of audit fees, professional fees, director fees and other operating costs associated with operating the Company and administration of the Portfolio. As the Company

¹ For analysis purposes, net interest income and its component parts are discussed net of payments made on account of mortgage syndications to provide the reader with a more representative reflection of the Company's performance.

² Defined in Non-IFRS Measures section

approaches its target size, operating expenses are expected to decrease relative to income. For the Year, general and administrative expenses equated to 0.2% of average mortgage investments.

Financing costs

Financing costs include interest paid on amounts drawn on the Credit Facility, stand-by fees charged on unutilized credit facility amounts and amortization of financing costs which were incurred on closing of the Credit Facility. Financing costs for the Year was \$1.0 million.

Issuance costs of redeemable shares

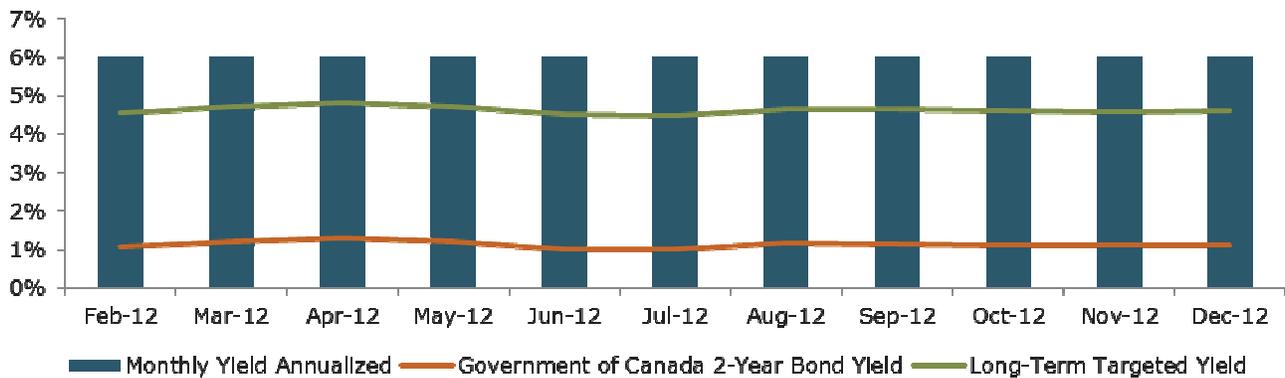
As the Class A, I and J shares are classified as liabilities under current IFRSs, the issuance costs are considered to be financing costs which are associated with periodic equity offerings are recognized in profit and loss. For the year ended December 31, 2012, the Company incurred issuance costs of \$13.4 million relating to issuance of Class A, I and J shares on total gross proceeds raised of \$314.2 million. The issuance costs include agent’s commissions, legal and professional costs and other costs relating to the issuance.

Dividends to holders of redeemable shares

The Company intends to pay dividends to holders of redeemable shares on a monthly basis within 15 days following the end of each month. For the Year, the Company paid dividends of \$0.55 per Class A share for a total of \$13.1 million, \$0.32 per Class I share for a total of \$0.1 million and \$0.36 per Class J share for a total of \$0.2 million.

As at December 31, 2012, \$1.6 million of dividends declared was payable to the shareholders.

The following chart depicts the annualized return based on dividends paid on Class A shares, relating to the 2-Yr GOC and the Company’s targeted yield of the 2-Yr GOC plus 350 basis points³.



³ The annualized return, 2-Yr GOC and long-term targeted yield are calculated on a monthly basis, but are presented above at quarter ends

Statement of Financial Position

*Mortgage investments*⁴

The balance of mortgage investments is as follows:

	December 31, 2012
Mortgage investments, including mortgage syndications	\$ 374,599,297
Non-recourse mortgage syndication liabilities	(41,600,000)
Net mortgage investments	332,999,297
Interest Receivable	1,622,708
	334,622,005
Unamortized lender fees	(2,312,400)
	\$ 332,309,605

For the Year, the Company advanced 39 mortgage investments totaling \$435.8 million and received repayments and partial pay downs on 15 mortgage investments, totaling \$102.8 million, resulting in net mortgage investments of \$333.0 million as at December 31, 2012 or a portfolio turnover rate of 52.6%. For the new mortgage investments advanced during the Year, the average mortgage investment was approximately \$10.4 million.

The weighted average interest rate on the Portfolio at December 31, 2012 was 6.7%.

The mortgage investments are assessed at each reporting date to determine whether there is objective evidence of impairment. A mortgage investment is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of an asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. As at December 31, 2012, no impairment losses have been recorded.

As at December 31, 2012, the Company's Portfolio was comprised of 32 mortgage investments which were allocated across the following categories:

(a) *Region*⁵:

	December 31, 2012	
	# of Loans	% of Portfolio
ON	19	63.7%
QC	5	21.8%
BC	2	1.7%
AB	3	10.3%
SK	3	2.5%
	32	100.0%

The Company maintains a diversified portfolio of mortgage investments across Canada, with its greatest concentration in Ontario and Quebec. At December 31, 2012, 85.5% of the mortgage portfolio was allocated across these two provinces (Ontario – 63.7%; Quebec – 21.8%). The Company has significant exposure to Ontario as it has benefited from sourcing

⁴ For analysis purposes "mortgage investments" and its component parts are discussed net of payments made on account of mortgage syndications to provide the reader with a more representative reflection of the Company's performance.

⁵ Percentages are calculated on net mortgage investments

mortgages secured by high-quality, cash flowing multi-family residential, retirement and office assets in good markets, enhanced by its ability to share mortgage investments with TMIC.

(b) *Maturity*⁴:

	December 31, 2012	
	# of Loans	% of Portfolio
Maturing 2013	7	12.0%
Maturing 2014	14	30.2%
Maturing 2015	10	45.8%
Maturing 2016	1	12.0%
	32	100.0%

The Company's portfolio turnover rate for the Year was strong at 52.6%. The Company's strong portfolio turnover helps generate lender fee income, all of which goes to the Company. The weighted average term to maturity as at December 31, 2012 is 3.06 years.

(c) *Asset Type*⁴:

	December 31, 2012	
	# of Loans	% of Portfolio
Retail	4	8.7%
Multi-family Residential	12	40.0%
Office	5	19.1%
Retirement	2	10.4%
Industrial	2	3.0%
Hotels	1	0.9%
Unimproved Land	1	4.0%
Other-Residential	3	13.2%
Single-family Residential	2	0.7%
	32	100.0%

The Company has developed a lending niche targeting cash-flowing assets with a specialty in multi-family residential. The Company has very little exposure to land development, single-family residential mortgages and construction loans, where demand is largely impacted by the strength or weakness of the Canadian housing market.

(d) *Interest rate*⁴:

	December 31, 2012	
	# of Loans	% of Portfolio
5.50% - 5.99%	5	27.9%
6.00% - 6.49%	4	8.8%
6.50% - 6.99%	6	23.2%
7.00% or Greater	17	40.1%
	32	100.0%

The weighted average interest rate, excluding lender fee income, on the mortgage portfolio at December 31, 2012 was 6.7%. The weighted average interest rate was greater than the Company's target return for the Year of 4.6%, which is equal to the 2-Yr GOC plus 350 basis points.

(e) *Loan-to-value*⁴:

	December 31, 2012	
	# of Loans	% of Portfolio
55% or Less	9	36.6%
56% - 60%	4	10.3%
61% - 65%	17	38.9%
66% - 70%	2	14.2%
	32	100.0%

The weighted average loan-to-value of the Portfolio at December 31, 2012 was 53.6%, well below the AAM's ceiling of 70%.

Net working capital

The Company's net working capital was negative \$1.0 million at December 31, 2012, primarily due to interest receivable of \$1.6 million which is offset by dividends payable of \$1.6 million and accounts payable and accrued expenses of \$1.4 million. The Company has available its credit facility to manage its working capital while ensuring idle cash is minimized.

Credit facility

On March 22, 2012, the Company entered into a credit facility agreement with a syndicate of lenders in an amount of up to \$105 million (the "Credit Facility"), bearing interest at either the prime rate of interest plus 1% or bankers' acceptances with a stamping fee of 2% of the face amount of the bankers' acceptances ("BA"). On October 19, 2012, the Credit Facility was amended to increase the facility amount to \$130 million and to add an option to increase the facility by another \$60 million, subject to certain terms and conditions. The leverage of the Company in aggregate cannot exceed 40% of the aggregate value of the assets of the Company at any time. The Company intends to utilize leverage representing approximately 30% of the aggregate value of assets of the Company at any time, with the remaining portion of the Credit Facility reserved for general working capital purposes. The Credit Facility expires in March 2014 and is secured by a general security agreement over the Company's assets. At December 31, 2012, \$37.5 million was outstanding on the Credit Facility and is offset against the cash and cash equivalents.

As at December 31, 2012, there were \$0.7 million in unamortized financing costs related to the Credit Facility, which are offset against the Credit Facility. These costs are amortized to interest expense using the effective interest rate method.

Net assets attributable to holders of redeemable shares

Under IFRS, IAS 32 requires that shares of an entity which include a contractual obligation for the issuer to repurchase or redeem the shares for cash or another financial asset, be classified as a financial liability. The Company's Class A, Class I and Class J shares do not meet the criteria in IAS 32 for classification as equity and therefore, have been reclassified as financial liabilities on transition to IFRS. Dividends to shareholders and issuance costs of shares have also been reclassified as financing costs in the statement of comprehensive loss on transition to IFRS, in accordance with this standard.

During the Year, the Company completed its initial public offering of 15,415,297 Class A Shares for gross proceeds of \$152.2 million and a subsequent public offering of 15,397,285 Class A shares for gross proceeds of 153.8 million. The Company also completed offerings of 344,700 Class I shares, for gross proceeds of \$3.4 million and 478,100 Class J shares, for gross proceeds of \$4.8 million.

Quarterly Financial Information

The following is a quarterly summary of the Company's results for the four most recently completed quarters:

	Q4 - 2012	Q3 - 2012	Q2 - 2012	Q1 - 2012
Net interest income	\$ 5,504,017	\$ 4,254,605	\$ 2,467,618	\$ 715,090
Expenses	1,333,041	1,339,424	693,459	410,310
Income from operations	4,170,976	2,915,181	1,774,159	304,780
Finance costs:				
Interest on credit facility	451,253	246,298	285,470	13,016
Issuance costs of redeemable shares	32,547	6,425,899	199,669	6,776,807
Dividends to holders of redeemable shares	4,757,355	4,754,253	2,337,453	1,541,530
	5,241,155	11,426,450	2,822,592	8,331,353
Net loss and comprehensive loss	\$ (1,070,179)	\$ (8,511,269)	\$ (1,048,433)	\$ (8,026,573)

The variations in net loss by quarter are directly related to the growth in equity of the Company during the periods. Specifically, the Company raised gross proceeds of approximately \$314.2 million in 2012. The proceeds from these offerings have been used to fund mortgage investments, the timing of which typically occur around periodic equity offerings and existing investment maturities, which vary throughout the year. Following each periodic equity offering the Company is subject to holding idle cash while it originates new mortgage investments or waits for the closing of existing mortgage investment commitments. The Company seeks to deploy this cash within 60 to 90 days of closing an equity offering.

Related Party Transactions

As at December 31, 2012, no amount is payable by the Company to the Manager for management fees. In addition, \$0.01 million remains payable to the Manager relating to costs paid on behalf of the Company as at December 31, 2012.

As at December 31, 2012, the Company and TMIC, a related party by virtue of common management, have co-invested in several mortgage investments totaling \$392.9 million, which are secured primarily by multi-family residential, office, retirement and other commercial properties. The Company's share in these investments is \$306.7 million, which included in this amount is a mortgage investment of \$6.8 million to a limited partnership, which is co-owned by Timbercreek Four Quadrant Global Real Estate Partners ("T4Q"), a related party by virtue of common management.

As at December 31, 2012, the Company, T4Q and Timbercreek Canadian Direct LP, a related party by virtue of common management, have co-invested in one mortgage investment secured by a retail property. The Company's share in this mortgage investment is \$24.0 million.

As at December 31, 2012, \$0.01 million is payable to Timbercreek Asset Management Inc., a related party by virtue of common management.

The Company paid \$0.1 million to the individual members of the Board and independent review committee for their services to the Company. The compensation to the senior management of the Manager is paid through the management fees paid to the Manager.

Commitments and Contingencies

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

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

Critical Accounting Estimates

The Company's accounting policies and use of estimates are described in the notes 2 and 3 of the audited annual financial statements for the year ended December 31, 2012. The Manager considers the following items to be the most critical in understanding the judgments and estimates that are involved in the preparation of the Company's annual financial statements, and the uncertainties which could materially impact its results, financial position and cash flows.

Mortgage investments

The Company is required to make an assessment of the impairment of mortgage investments. Mortgage investments are considered to be impaired only if objective evidence indicates that one or more events ("loss events") have occurred after its initial recognition, that have a negative effect on the estimated future cash flows of that asset. The estimation of future cash flows includes assumptions about local real estate market conditions, market interest rates, availability and terms of financing, underlying value of the security and various other factors. These assumptions are limited by the availability of reliable comparable market data, economic uncertainty and the uncertainty of future events. Accordingly, by their nature, estimates of impairment are subjective and are not necessarily comparable to the actual outcome. Should the underlying assumptions change, the estimated future cash flows could vary.

Future Changes in Accounting Policies

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial period ended December 31, 2012 and, accordingly, have not been applied in preparing these financial statements. A summary of these new standards, amendments and interpretations that may impact the Company include:

(a) IAS 1, Presentation of Financial Statements - Amendment ("IAS 1"):

In June 2011, the IASB published amendments to IAS 1 - Presentation of Items of Other Comprehensive Income, which are effective for annual periods beginning on or after July 1, 2012 and are to be applied retrospectively, with early adoption permitted. IAS 1 requires an entity to present separately items in the OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect the implementation of this standard to have a significant impact on the Company disclosures.

(b) IFRS 9, Financial instruments, ("IFRS 9"):

The IASB issued a new standard, IFRS 9, which will ultimately replace International Accounting Standard 39, Financial Instruments - Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. On July 24, 2013, the IASB tentatively decided to defer the mandatory effective date of IFRS 9 and that the mandatory effective date should be left open pending the finalization of the impairment and classification and measurement requirements. IFRS 9 would still be available for early application. The Company has yet to assess the impact of the new standard on its financial statements.

(c) IFRS 10, Consolidated Financial Statements ("IFRS 10"):

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Prior to the issuance of IFRS 10, consolidation was required when an entity had the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces Standing Interpretation Committee - 12, Consolidation - Special Purpose Entities and parts of IAS 27, Consolidated and Separate Financial Statements. The standard is effective for annual periods beginning on or after January 1, 2013 with earlier adoption permitted. The Company does not expect the implementation of this standard to have a significant impact on the Company disclosures.

(d) IFRS 11, Joint Arrangements ("IFRS 11"):

IFRS 11, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 11 redefines joint operations and joint ventures, requiring joint operations to be proportionately consolidated and joint ventures to be equity accounted. Under IAS 31, joint ventures could be proportionately accounted. The Company does not expect the implementation of this standard to have a significant impact on the Company disclosures.

(e) IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"):

In May 2011, the IASB issued IFRS 12, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. The Company does not expect the implementation of this standard to have a significant impact on the Company disclosures.

(f) IFRS 13, Fair Value Measurement ("IFRS 13"):

IFRS 13 was issued by the IASB in May 2011 and is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. IFRS 13 sets out in a single IFRS framework the application of fair value to those assets and liabilities qualifying or permitted to be carried at fair value and provides enhanced disclosure requirements when fair value is applied. The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 13 to have a material impact on the financial statements.

(g) IAS 32, Financial Instruments: Presentation ("IAS 32") and IFRS 7:

In December 2011, the IASB published Offsetting Financial Assets and Financial Liabilities and issued new disclosure requirements in IFRS 7. The effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014. The effective date for the amendments to IFRS 7 is annual periods beginning on or after January 1, 2013. These amendments are to be applied retrospectively. The Company intends to adopt the amendments to IFRS 7 in its financial statements for the annual period beginning on January 1, 2013, and the amendments to IAS 32 in its financial statements for the annual period beginning January 1, 2014. The Company does not expect the implementation of this standard to have a significant impact on the Company disclosures.

Responsibilities of Management and the Board of Directors

Management is responsible for the information disclosed in this MD&A, and has in place the appropriate information systems, procedures and controls to ensure that the information used internally by management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee and Board provide an oversight role with respect to all public financial disclosures by the Company, and have reviewed and approved this MD&A and the audited annual financial statements as at December 31, 2012.

Outstanding Share Data

As at July 31, 2013, the Company's authorized capital consists of an unlimited number of Class A, Class B, Class I, Class J shares and voting shares, of which 36,895,771; 219,559; 513,700; 221,000 and 99 are issued and outstanding respectively.

Capital Structure and Liquidity

Capital structure

The Company manages its capital structure in order to support ongoing operations while focusing on its primary objectives of preserving shareholder capital and generating a stable monthly cash dividend to shareholders. The Company defines its capital structure to include Class A, Class I and Class J shares and the Credit Facility.

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

Liquidity

Access to liquidity is an important as it allows the Company to implement its investment strategy. However, the Company intends to qualify as a MIC as defined under Section 130.1(6) of the Income Tax Act (Canada) and as a result is required to distribute not less 100% of the taxable income of the Company to its shareholders without being subject to corporate income taxes. Therefore, growth in the mortgage investments is managed through equity offerings and the Credit Facility.

The Company manages its liquidity position through various sources of cash flows including cash generated from operations, equity offerings and the Credit Facility. The Company routinely forecasts cash flow sources and requirements to ensure cash is efficiently utilized. In addition, the Company has the ability to borrow up to 40% of total assets to enhance the return of the Company and to manage the fluctuations in cash flows as a result of the timing of mortgage investment fundings and repayments, dividend payments and share redemptions.

The following are the contractual maturities of the financial liabilities as at December 31, 2012, including expected interest payments:

	Contractual cash flows	Within a year	Following year	3 - 5 years	Over 5 years
Credit facility	\$ 39,375,000	\$ -	\$ 39,375,000	\$ -	\$ -
Mortgage funding holdbacks	357,800	357,800	-	-	-
Dividends payable	1,586,505	1,586,505	-	-	-
Due to Manager	12,280	12,280	-	-	-
Prepaid mortgage interest	1,400,501	1,400,501	-	-	-
Accounts payable and accrued expenses	1,433,021	1,433,021	-	-	-
Unadvanced mortgage commitments	65,752,840	65,752,840	-	-	-
Net assets attributable to holders of redeemable shares	296,056,769	44,408,515	37,747,238	82,539,054	131,361,961
	\$ 405,974,716	\$114,951,462	\$ 77,122,238	\$ 82,539,054	\$ 131,361,961

Shares may be surrendered for redemption and transacted on the last business day of any month. Management does not expect that the contractual maturity disclosure above will be necessarily representative of the actual cash outflows, as shareholders of these instruments typically retain them for a longer period.

As at December 31, 2012, the Company's cash position was nil and the undrawn Credit Facility totalled \$96.4 million. The Company is confident that it will be able to finance its operations using the cash flow generated from operations and the proceeds raised in subsequent offerings.

Financial Instruments

The Company has designated its financial instruments as follows:

	Classification	Measurement
Financial assets		
Mortgage investments, including mortgage syndications	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Other assets	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities		
Credit facility	Other financial liabilities	Amortized cost
Non-recourse mortgage syndication liabilities	Other financial liabilities	Amortized cost
Prepaid mortgage interest	Other financial liabilities	Amortized cost
Mortgage funding holdback	Other financial liabilities	Amortized cost
Due to Manager	Other financial liabilities	Amortized cost
Dividends payable	Other financial liabilities	Amortized cost
Accounts payable and accrued expenses	Other financial liabilities	Amortized cost

Net assets attributable to holders of redeemable shares are carried on the consolidated statements of financial position at net asset value. In total the interests of the shareholders is limited to the net assets of the Company.

The fair values of restricted cash, cash and cash equivalents, credit facility, accounts payable and accrued expenses, mortgage funding holdbacks, dividends payable and due to Manager approximate their carrying amounts due to their short-term maturities.

The fair value of mortgage investments approximates their carrying values given the mortgage investments consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties.

Impact of Adoption to IFRS

These are the Company's first annual financial statements prepared in accordance with IFRS. The accounting policies set out in note 3 of the audited annual financial statements for the year ended December 31, 2012 have been applied in preparing the audited annual financial statements for the year ended December 31, 2012, along with the comparative information for the period from December 1, 2011 (date of formation) to December 31, 2011 and in the preparation of an opening IFRS balance sheet at the transition date.

The Company has adjusted amounts previously reported in its financial statements prepared in accordance with its previous basis of accounting Canadian GAAP. Detailed tables of adjustments to the statements of financial position, statement of comprehensive loss and statement of cash flows are included in the audited annual financial statements for the year ended December 31, 2012. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's balances are as follows:

(a) Mortgage investments:

Under IFRS, the Company has elected to classify its mortgage investments as loans and receivable investments. These investments are recognized initially at fair value plus any directly attributable transaction costs and other costs that are an integral part of the yield on the mortgage. Subsequent to initial recognition, the mortgage investments are measured at amortized cost using the effective interest method, less any impairment losses. Under IFRS, the directly attributable transaction costs are recognized using the effective interest method. Commitment fees received at the inception of mortgage investment is an integral part of the yield on the investment and, accordingly, it is deferred and recognized into income over the expected life of the investment using the effective interest method. As a result, unearned income is offset against the mortgage investments.

Under Canadian GAAP, the Company's mortgage investments were recorded at fair value. Any unrealized changes in the fair value of a mortgage investment were recorded in the statement of operations as an unrealized fair value adjustment. A realized change in the fair value of a mortgage as a result of a disposition or repayment was recorded as a realized fair value adjustment.

As at December 31, 2012, the Company has offset unearned income of \$2.3 million, against the mortgage investments in the statements of financial position.

(b) Non-recourse mortgage syndications:

Under Canadian GAAP, the Company had derecognized a portion of mortgage investments which were syndicated to various investors as these syndications met the de recognition criteria described under Accounting Guideline - 12 Transfer of Receivables. However, under IFRS, certain of these non-recourse mortgage syndications have not met the de-recognition criteria described in IAS 39, Financial Instruments: Recognition and Measurement. Therefore, the Company has recorded the non-recourse syndicated portion of mortgage investments as mortgage investments with an offsetting recognition of the transferred position as a non-recourse mortgage syndication liability. The Company has also recorded interest income at the contractual rate of the mortgage investment on syndicated mortgage investments, while recording an offsetting expense relating to non-recourse mortgage syndications.

As at December 31, 2012, the Company has recorded syndicated mortgage investments of \$41.6 million. The Company has recognized the same amount as non-recourse mortgage syndication liabilities. For the year ended December 31, 2012, the Company has recognized interest income and an offsetting interest expense on non-recourse mortgage syndications of \$0.1 million respectively.

(c) Class A, I, J and voting shares:

Under Canadian GAAP, the Company accounted for its Class A, I and J shares as equity. Under IFRS, IAS 32 requires that shares of an entity which includes a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as a financial liability. The Company's Class A, I and J shares do not meet the criteria in IAS 32 for classification as equity and therefore, have been reclassified as financial liabilities on transition to IFRS. The voting shares of the Company meet the criteria for equity classification and are presented separately on the statement of financial position.

The Class A, I and J shares are initially measured at fair value net of issuance costs that are directly attributable to the issuance of shares. Subsequent to initial measurement, shares are measured at amortized cost. As at December 31, 2012, the Company has reclassified shares of \$296.1 million from net assets, representing shareholders' equity to net assets attributable to holders of redeemable shares. Under IFRS, Class A, I and J shares are considered debt instruments, therefore, the Company has reclassified dividends made on Class A, I and J shares of \$ 13,390,591 for the year ended December 31, 2012 from the statement of changes in net assets

attributable to holders of redeemable shares to the statement of net loss and comprehensive loss and presented them as financing costs.

Under Canadian GAAP, Class A, I and J shares were classified as equity with issuance costs recorded as a reduction of the equity raised. However, under IFRS these shares are classified as liabilities as they are redeemable on demand, therefore, issuance costs are recognized in profit and loss. For the year ended December 31, 2012, the Company has recognized \$13.4 million of issuance costs in the statement of net loss and comprehensive loss, with proceeds from the issuance of shares presented on a gross basis in the statement of changes in net assets attributable to holders of redeemable shares and statement of cash flows.

(d) Operating expenses:

As an investment fund reporting under National Instrument 81-106, the Company was required to report certain expenses separately on the statement of comprehensive loss. However, under IFRS, there is no such requirement. As a result, for the year ended December 31, 2012, the Company has combined transfer agent fees, directors' fees, custodian fees, independent review committee fees, audit fees, legal fees and other operating expenses as general and administrative expenses for presentation purposes.

In addition, financing costs relating to the Credit Facility have been reclassified as part of financing costs.

(e) Reconciliation of consolidated statements of cash flows from Canadian GAAP to IFRS:

Consistent with the Company accounting policy choice under IAS 7, Statement of Cash Flows, interest paid is classified as a financing activity and has been moved into the body of the statement of cash flows, where it was previously disclosed as supplemental cash flow information.

Risks

The risks associated with investing in the Company remain as disclosed in Schedule B of the Management Information Circular dated August 12, 2013. Any changes to the Company over the year ended December 31, 2012 have not affected the overall risk of the Company.

Additional Information

Phone: Calling the Company at (416) 306-9967 ext. 7250 (collect if long distance), Carrie Morris, Managing Director, Capital Markets & Corporate Communications

Internet: Visiting SEDAR at www.sedar.com; or

Mail: Writing to the Company at:
Timbercreek Senior Mortgage Investment Corporation
Attention: Corporate Communications
1000 Yonge Street, Suite 500
Toronto, Ontario
M4W 2K2

Condensed Interim Financial Statements of

**TIMBERCREEK SENIOR
MORTGAGE INVESTMENT
CORPORATION**

Three months ended March 31, 2013 and 2012
(Unaudited)

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Condensed Interim Statements of Financial Position
(Unaudited)

	March 31, 2013	December 31, 2012
Assets		
Mortgage investments, including mortgage syndications (note 4)	\$ 424,364,488	\$ 373,909,605
Restricted cash (note 5)	1,377,032	1,404,562
Other assets	95,054	734,308
Total assets	425,836,574	376,048,475
Equity		
Voting share capital (note 7)	99	99
Total equity	99	99
Liabilities		
Credit facility (note 6)	11,145,826	33,601,500
Non-recourse mortgage syndication liabilities (note 4)	57,121,920	41,600,000
Mortgage funding holdbacks	631,148	357,800
Dividends payable (note 8(b))	1,895,780	1,586,505
Due to Manager (note 10(a))	-	12,280
Prepaid mortgage interest	1,478,217	1,400,501
Accounts payable and accrued expenses	1,204,652	1,433,021
Total liabilities (excluding net assets attributable to holders of redeemable shares)	73,477,543	79,991,607
Net assets attributable to holders of redeemable shares (note 8)	\$ 352,358,932	\$ 296,056,769

Commitments and contingencies (note 12)
Subsequent event (note 1)

See accompanying notes to the condensed interim financial statements.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Condensed Interim Statements of Net Loss and Comprehensive Loss
(Unaudited)

	Three months ended March 31,	
	2013	2012
Interest income:		
Interest, including non-recourse mortgage syndications	\$ 6,523,902	\$ 685,463
Fees	604,570	29,627
	<u>7,128,472</u>	<u>715,090</u>
Interest expense on non-recourse mortgage syndications	(561,628)	—
Net interest income	6,566,844	715,090
Expenses:		
Management fees (note 9(a))	986,630	329,145
Servicing fees (note 9(b))	399,063	—
General and administrative	269,161	81,167
	<u>1,654,854</u>	<u>410,312</u>
Income from operations	4,911,990	304,778
Financing costs:		
Interest on credit facility (note 6)	466,180	13,015
Issuance costs of redeemable shares (note 8)	3,241,288	6,776,808
Dividends to holders of redeemable shares (note 8(b))	5,671,469	1,541,530
	<u>9,378,937</u>	<u>8,331,353</u>
Net loss and comprehensive loss	\$ (4,466,947)	\$ (8,026,575)

See accompanying notes to the condensed interim financial statements.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Condensed Interim Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares

Three months ended March 31, 2013 and 2012
(Unaudited)

2013	Class A Shares	Class B Shares	Class I Shares	Class J Shares	Total
Net assets attributable to holders of redeemable shares, beginning of period	\$ 289,697,929	\$ -	\$ 3,261,849	\$ 3,096,991	\$ 296,056,769
Gross proceeds from issuance of redeemable shares	58,276,997	2,205,590	-	-	60,482,587
Net loss and comprehensive loss	(4,359,709)	(89,735)	(8,966)	(8,537)	(4,466,947)
Issuance of redeemable shares under dividend reinvestment plan	392,311	-	-	-	392,311
Redemption of redeemable shares	(105,788)	-	-	-	(105,788)
Exchange of redeemable shares	800,000	-	-	(800,000)	-
Net assets attributable to holders of redeemable shares, end of period	\$ 344,701,740	\$ 2,115,855	\$ 3,252,883	\$ 2,288,454	\$ 352,358,932
2012	Class A Shares	Class B Shares	Class I Shares	Class J Shares	Total
Net assets attributable to holders of redeemable shares, beginning of period	\$ -	\$ -	\$ -	\$ -	\$ -
Gross proceeds from issuance of redeemable shares	152,200,000	-	-	-	152,200,000
Net loss and comprehensive loss	(8,026,575)	-	-	-	(8,026,575)
Net assets attributable to holders of redeemable shares, end of period	\$ 144,173,425	\$ -	\$ -	\$ -	\$ 144,173,425

See accompanying notes to the condensed interim financial statements.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Condensed Interim Statements of Cash Flows
(Unaudited)

	Three months ended March 31,	
	2013	2012
Operating activities:		
Net loss and comprehensive loss	\$ (4,466,947)	\$ (8,026,575)
Restricted cash	27,530	(449,630)
Amortization of lender fees	(522,441)	(28,658)
Financing costs	9,378,937	8,331,353
Change in non-cash operating items:		
Interest receivable	(256,175)	(331,980)
Other assets	639,254	(69,118)
Accounts payable and accrued expenses	(228,369)	390,148
Due to Manager	(12,280)	4,081
Prepaid mortgage interest	77,716	449,630
Mortgage funding holdbacks	273,348	170,000
Lender fees	1,086,777	519,636
	<u>5,997,350</u>	<u>958,887</u>
Financing activities:		
Proceeds from issuance of Class A redeemable shares	58,276,997	152,200,000
Redemptions of Class A redeemable shares	(105,788)	-
Proceeds from issuance of Class B redeemable shares	2,205,590	-
Interest paid	(334,646)	(865,862)
Issuance costs of redeemable shares	(3,241,288)	(6,776,808)
Repayment of credit facility, net	(22,587,207)	-
Dividends paid to holders of redeemable shares	(4,969,882)	(770,765)
	<u>29,243,776</u>	<u>143,786,565</u>
Investing activities:		
Net funding of mortgage investments	(136,821,900)	(63,591,093)
Net discharge of mortgage investments	101,580,774	-
	<u>(35,241,126)</u>	<u>(63,591,093)</u>
Increase in cash and cash equivalents	-	81,154,359
Cash and cash equivalents, beginning of period	-	99
Cash and cash equivalents, end of period	\$ -	\$ 81,154,458

See accompanying notes to the condensed interim financial statements.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements

Three months ended March 31, 2013 and 2012
(Unaudited)

Timbercreek Senior Mortgage Investment Corporation (the "Company") is a mortgage investment company domiciled in Canada. The registered office of the Company is 1000 Yonge Street, Suite 500, Toronto, Ontario M4W 2K2.

The Company was incorporated as a federal corporation under the Canada Business Corporations Act by articles of incorporation dated December 1, 2011, and is authorized to issue an unlimited number of Class A, Class B, Class I, Class J and voting shares. The investment objective of the Company is, with a primary focus on capital preservation, to acquire and maintain a diversified portfolio of mortgage investments that generate income allowing the Company to pay monthly dividends to holders of redeemable shares. Timbercreek Asset Management Ltd., as manager of the Company (the "Manager"), is responsible for the day-to-day operations and providing all general management and administrative services of the Company's mortgage investments. The Manager is a wholly-owned subsidiary of Timbercreek Asset Management Inc.

The Company commenced operations on January 19, 2012 when it completed an initial public offering of Class A shares and issued subscription receipts, which were subsequently converted into Class A shares.

1. Proposed transition:

On March 27, 2013, the Canadian Securities Administrators ("CSA") issued a proposal for a number of regulatory changes that, if implemented, will impact issuers such as the Company who are classified as investment funds pursuant to Canadian securities laws. Amongst the proposed changes is a new restriction on investments in mortgages that are not fully and unconditionally guaranteed or insured. The proposal further suggests that investment funds that invest in such non-guaranteed mortgages be given a transition period of approximately 24 months to either divest their holdings or transition into the regulatory regime for issuers that are not investment funds.

In light of the impact the proposed amendments will have on investment funds and on the business of the Company from the transition from its current status as an investment fund to a non-investment fund (the "Proposed Transition"), the Board of Directors (the "Board") has determined it is in the best interests of the Company to proceed with the Proposed Transition.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements (continued)

Three months ended March 31, 2013 and 2012
(Unaudited)

1. Proposed transition (continued):

In order to achieve the Proposed Transition, the Board has called a special meeting of shareholders (the "Meeting"). At the Meeting, all shareholders, including Class A, Class B, Class I, Class J and voting shareholders will be asked to consider, and if thought fit, to pass a resolution (the "Resolutions") with the following purposes:

- (i) the transition of the Company from the investment fund regime ("Investment Fund Regime") to the public company regime ("Public Company Regime");
- (ii) consequential amendments to certain provisions of the articles of incorporation of the Company, related to certain share rights attached to the shares to give effect to and implement such transition;
- (iii) consequential amendments to the management agreement; and
- (iv) the election of Ugo Bizzarri, Andrew Jones and Edward Boomer as directors of the Company.

Under the Public Company Regime, the Company would comply with National Instrument 51-102 continuous disclosure requirements, as opposed to the Investment Funds Regime which is required to comply with National Instrument 81-106 continuous disclosure requirement. If the Resolutions are approved, as part of the Public Company Regime, the Company will adopt International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and prepare financial statements and related disclosures in accordance with IFRS, along with a Management's Discussion and Analysis. One of the key distinctions between both regimes however, is that financial statements will be provided on a quarterly basis rather than semi-annually and management expects to conduct quarterly conference calls to discuss the financial reports with shareholders following the release of each quarterly report.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements (continued)

Three months ended March 31, 2013 and 2012
(Unaudited)

1. Proposed transition (continued):

In anticipation of the Meeting, these condensed interim financial statements have been prepared in accordance with IFRS. In addition, the Company has prepared annual financial statements for the year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011 in accordance with IFRS. The accounting policies set out in the annual financial statements for the year ended December 31, 2012 have been applied consistently in preparing these condensed interim financial statements for the three month periods ended March 31, 2013 and 2012. Readers of these condensed interim financial statements should review the financial statements for the year ended December 31, 2012 for the impact of the Company's conversion to IFRS.

2. Basis of preparation:

(a) Statement of compliance:

These condensed interim financial statements of the Company have been prepared by management in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. The presentations of these condensed interim financial statements are based on accounting policies and practices in accordance with International Financial Reporting Standards ("IFRS"). The accompanying unaudited condensed interim financial statements should be read in conjunction with the notes to the Company's audited financial statements for the year ended December, 31, 2012, since they do not contain all disclosures required by IFRS for annual financial statements. These unaudited condensed interim financial statements reflect all normal and recurring adjustments which are in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

The condensed interim financial statements were approved by the Board on August 12, 2013.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements (continued)

Three months ended March 31, 2013 and 2012
(Unaudited)

2. Basis of preparation (continued):

(b) Accounting policies adopted in the period:

Except as described below, the accounting policies applied by the Company in these unaudited condensed interim financial statements are the same as those applied by the Company in its audited financial statements for the year ended December 31, 2012 prepared in accordance with IFRS.

Changes in accounting policies:

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

(i) IAS 1, Presentation of Financial Statements - Amendment ("IAS 1"):

In June 2011, the IASB published amendments to IAS 1 - Presentation of Items of Other Comprehensive Income ("OCI"), which are effective for annual periods beginning on or after July 1, 2012 and are to be applied retrospectively, with early adoption permitted. IAS 1 requires an entity to present separately items in the OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. The Company has adopted the amendments to IAS 1, Presentation of Items of Other Comprehensive Income, effective January 1, 2013. The adoption of this standard had no impact on these condensed interim financial statements.

(ii) IFRS 10, Consolidated Financial Statements ("IFRS 10"):

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Prior to the issuance of IFRS 10, consolidation was required when an entity had the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces Standing Interpretation Committee - 12, Consolidation - Special Purpose Entities and parts of IAS 27, Consolidated and Separate Financial Statements. The adoption of this standard had no impact on these condensed interim financial statements.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements (continued)

Three months ended March 31, 2013 and 2012
(Unaudited)

2. Basis of preparation (continued):

(iii) IFRS 11, Joint Arrangements ("IFRS 11"):

In May 2011, the IASB issued IFRS 11, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The new standard redefines joint operations and joint ventures, requiring joint operations to be proportionately consolidated and joint ventures to be equity accounted. Under IAS 31, joint ventures could be proportionately accounted. The adoption of this standard had no impact on these condensed interim financial statements.

(iv) IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"):

In May 2011, the IASB issued IFRS 12, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. The adoption of this standard had no impact on these condensed interim financial statements.

(v) IFRS 13, Fair Value Measurements ("IFRS 13"):

IFRS 13 was issued by the IASB in May 2011, which is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. IFRS 13 sets out in a single IFRS framework for the application of fair value to those assets and liabilities qualifying or permitted to be carried at fair value and provides enhanced disclosure requirements when fair value is applied. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of this standard had no impact on these condensed interim financial statements. Refer to note 11 for further details on the fair value methodologies and assumptions.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements (continued)

Three months ended March 31, 2013 and 2012
(Unaudited)

3. Critical accounting estimates, assumptions and judgments:

The preparation of condensed interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. There have been no changes in the critical accounting estimates and judgments which were set out in detail in note 2 of the Company's audited financial statements for the year ended December 31, 2012.

4. Mortgage investments, including mortgage syndications:

March 31, 2013	Gross mortgage investments	Non-recourse mortgage syndication liabilities	Net
Mortgage investments, including mortgage syndications	\$ 425,362,341	\$ (57,121,920)	\$ 368,240,421
Interest receivable	1,878,883	–	1,878,883
	427,241,224	(57,121,920)	370,119,304
Unamortized lender fees	(2,876,736)	–	(2,876,736)
	\$ 424,364,488	\$ (57,121,920)	\$ 367,242,568

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements (continued)

Three months ended March 31, 2013 and 2012
(Unaudited)

4. Mortgage investments, including mortgage syndications (continued):

December 31, 2012	Gross mortgage investments	Non-recourse mortgage syndication liabilities	Net
Mortgage investments, including mortgage syndications	\$ 374,599,297	\$ (41,600,000)	\$ 332,999,297
Interest receivable	1,622,708	–	1,622,708
	376,222,005	(41,600,000)	334,622,005
Unamortized lender fees	(2,312,400)	–	(2,312,400)
	\$ 373,909,605	\$ (41,600,000)	\$ 332,309,605

The mortgage investments are generally secured by a first priority charge on real property, bearing interest at a weighted average interest rate of 6.50% (December 31, 2012 – 6.66%) and mature between 2013 and 2016 (December 31, 2012 – 2013 and 2016).

A majority of the mortgages contain a prepayment option, whereby the borrower may repay the principal at any time after the first to 12 months without penalty or yield maintenance.

For the three months ended March 31, 2013, the Company received total lender fees of \$1,086,777 (March 31, 2012 – \$519,636), which are amortized to interest income over the term of the mortgage investment using the effective interest rate method.

The mortgage investments are assessed at each reporting date to determine whether there is objective evidence of impairment. A mortgage investment is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of an investment, and that the loss event had a negative effect on the estimated future cash flows of that investment, that can be estimated reliably. As at March 31, 2013, no impairment losses have been recorded.

The unadvanced mortgage commitments under the existing mortgage portfolio amounted to \$12,406,399 as at March 31, 2013 (December 31, 2012 – \$65,752,840).

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements (continued)

Three months ended March 31, 2013 and 2012
(Unaudited)

4. Mortgage investments, including mortgage syndications (continued):

Principal repayments, net of mortgage syndications, based on contractual maturity dates are as follows:

2013	\$ 12,715,627
2014	97,033,348
2015	172,255,575
2016	86,235,871

Non-recourse mortgage syndication liabilities:

The Company has entered into certain mortgage participation agreements with various investors, using senior and subordinated participation, whereby the investors take the senior position and the Company retains the subordinated position. As the Company retains an option to repurchase the senior position, not the obligation, at a purchase price equal to the outstanding principal amount of the investor's proportionate share together with all accrued interest, and the Company has retained substantially all of the default and/or credit risk as it is holding the residual interest in the mortgage investment, the Company has not met the derecognition criteria. As a result the investor's portion of the loan is recorded as a mortgage investment with the transferred position recorded as a non-recourse mortgage syndication liability. The interest earned on the transferred participation interests and the related interest expense is recognized in profit and loss. In addition, the Company sells certain pari passu interests in certain mortgage investments which meet the criteria for derecognition under IFRS. The difference between the carrying value of such interest sold and the proceeds on sale are recognized as gain or loss in profit and loss.

For those investments which have not met the derecognition criteria, the participation transactions have resulted in the Company recognizing the participating mortgages and corresponding non-recourse mortgage syndication liabilities on its statement of net assets. As at March 31, 2013, the carrying value of the transferred assets and corresponding non-recourse liabilities is \$57,121,920 (December 31, 2012 – \$41,600,000). The fair value of the transferred assets and non-recourse syndicated liabilities approximate their carrying values (see note 11(a)).

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements (continued)

Three months ended March 31, 2013 and 2012
(Unaudited)

5. Restricted cash:

Restricted cash consists of cash received from borrowers in connection with interest reserves on certain mortgage investments.

6. Credit facility:

On March 22, 2012, the Company entered into a credit facility (the "Credit Facility") with a syndicate of lenders in an amount of up to \$105,000,000. On October 19, 2012, the Credit Facility was amended to increase the Credit Facility amount to \$130,000,000 and to add an option to increase the Credit Facility by another \$60,000,000 subject to certain terms and conditions. The leverage of the Company in aggregate cannot exceed 40% of the aggregate value of the assets of the Company at any time. The Company intends to utilize leverage representing approximately 30% of the aggregate value of assets of the Company at any time, with the remaining portion of the Credit Facility reserved for general working capital purposes. The Credit Facility expires in March 2014 and is subject to an interest rate equal to the bank's prime rate of interest plus 1% or bankers' acceptances ("BA") with a stamping fee of 2% of the face amount of such BA. The Credit Facility is secured by a general security agreement over the Company's assets. At March 31, 2013, \$36,500,000 (December 31, 2012 – \$37,500,000) was outstanding on the Credit Facility and is partially offset against the cash and cash equivalents of \$24,786,801 (December 31, 2012 - \$3,199,594).

Interest paid related to the Credit Facility is included in financing costs using the effective interest rate method. For the three months ended March 31, 2013, interest expense on the Credit Facility was \$466,180 (three months ended March 31, 2012 – \$13,015).

As at March 31, 2013, there were \$567,373 (December 31, 2012 – \$698,906) in unamortized financing costs related to the Credit Facility, which are offset against the Credit Facility. These costs are amortized to financing costs using the effective interest rate method.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements (continued)

Three months ended March 31, 2013 and 2012
(Unaudited)

7. Equity:

The Company is authorized to issue unlimited voting shares. As at March 31, 2013, the Company had \$99 (December 31, 2012 – \$99) of issued and fully paid voting shares.

The holders of the voting shares are entitled to receive notice of, and to attend and vote at all meetings of the shareholders of the Company. The holders of the voting shares are not entitled to receive any dividends. The holders of these shares are only entitled to a repayment of an amount up to par value upon the winding up of the Company and such payment is in priority to the holders of the Class A, B, I and J shares. The voting shares are redeemable and are held by certain employees and shareholders of Timbercreek Asset Management Inc.

8. Redeemable shares:

The Company has four classes of redeemable shares: Class A, Class B, Class I and Class J. All shares in a class rank equally with respect to dividends and are entitled to one vote for each share owned at all meetings of holders of redeemable shares at which the particular class of shares is entitled to attend and vote.

Class A shares are publicly listed on the Toronto Stock Exchange ("TSX") under the symbol "MTG" and may be issued under offerings that may be completed in the future. Class B shares are issued to fee-based and institutional investor accounts and are not listed on any stock exchange. The Company may issue Class B shares in the future under available prospectus exemptions. Class I shares and Class J shares may be issued by private placement from time to time to accredited investors, institutions, trusts, endowment funds and other discretionary pools of capital and are not listed on any stock exchange.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements (continued)

Three months ended March 31, 2013 and 2012
(Unaudited)

8. Redeemable shares (continued):

During the three months ended March 31, 2013 and 2012, Class A, Class B, Class I and Class J shares issued and outstanding changed as follows:

2013	Class A	Class B	Class I	Class J
Redeemable shares outstanding, beginning of period	31,029,785	–	329,700	331,000
Issued	5,916,446	220,559	–	–
Issuance of redeemable shares under dividend reinvestment plan	43,762	–	–	–
Exchanged	81,600	–	–	(80,000)
Redeemed	(11,303)	–	–	–
Redeemable shares outstanding, end of period	37,060,290	220,559	329,700	251,000
2012	Class A	Class B	Class I	Class J
Redeemable shares outstanding, beginning of period	–	–	–	–
Issued	15,415,297	–	–	–
Redeemable shares outstanding, end of period	15,415,297	–	–	–

On January 19, 2012, the Company completed its initial public offering of 11,500,000 Class A shares, which included the exercise of the overallotment option of 15% of the aggregate number of Class A shares issued at closing, for gross proceeds of \$115,000,000. The Company also issued 3,720,000 subscription receipts for net proceeds of \$37,200,000. The holders of these subscription receipts exchanged their subscription receipts for Class A shares on the close of business on January 19, 2012 for 3,915,297 Class A shares.

On January 8, 2013, the Company completed a public offering of 5,916,446 Class A shares, for gross proceeds of \$58,276,997. The Company also completed an offering of 220,559 Class B shares, for gross proceeds of 2,205,590.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements (continued)

Three months ended March 31, 2013 and 2012
(Unaudited)

8. Redeemable shares (continued):

During the three months ended March 31, 2013, the Company exchanged 80,000 Class J shares totalling \$800,000 into 81,600 Class A shares. The Company also had redemptions of 11,303 Class A shares for a total of \$105,788.

In connection with the above-noted share offerings, the Company incurred \$3,241,288 in issuance costs. Under IFRS, Class A, B, I and J shares are considered debt instruments, and accordingly, the Company has recorded these issuance costs through profit and loss.

(a) Dividend reinvestment plan:

In April 2012, the Company instituted a dividend reinvestment plan ("DRIP") available to Class A shareholders. Under the DRIP, shareholders may enrol to have their cash dividends reinvested to purchase additional Class A shares. The Class A shares are issued from treasury at a price of 95% of the daily volume weighted average closing price on the TSX for the 10 trading days preceding payment, which price will not be less than the net redemption value per Class A share. For the three months ended March 31, 2013, 43,762 Class A shares were issued under the DRIP, using reinvested dividends of \$392,311 (2012 – nil).

(b) Dividends to holders of redeemable shares:

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

For the three months ended March 31, 2013, the Company declared dividends of \$0.15 (2012 – \$0.10) per Class A share for a total of \$5,537,971 (2012 – \$1,541,530), \$0.16 (2012 – nil) per Class B share for a total of \$35,731 (2012 – nil), \$0.16 (2012 – nil) per Class I share for a total of \$53,411 (2012 – nil) and \$0.16 (2012 – nil) per Class J share for a total of \$44,356 (2012 – nil).

As at March 31, 2013, \$1,895,780 (December 31, 2012 – \$1,586,505) of dividends declared were payable to shareholders.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements (continued)

Three months ended March 31, 2013 and 2012
(Unaudited)

9. Expenses:

(a) Management fees:

The Manager is responsible for the day-to-day operations of the Company, including administration of the Company's mortgage investments. The Company pays the Manager an annual management fee of 1.0% per annum for its services, based on the net asset value of the Company, calculated daily, aggregated and paid monthly in arrears, plus applicable taxes. For the three months ended March 31, 2013, the Company incurred management fees of \$986,630 (2012 – \$329,145).

(b) Servicing fees:

The Company pays each registered dealer a servicing fee equal to 0.50% annually of the net redemption value per Class A share held by clients of the registered dealer, calculated and paid at the end of each calendar quarter, commencing on June 30, 2012. At the discretion of the independent directors of the Company, the amount of the servicing fee on Class A shares may, at any time after January 2013, be reduced to a minimum of 0.40% annually of the net redemption value per Class A share. For the three months ended March 31, 2013, the Company incurred servicing fees of \$386,364 (2012 – nil) for Class A shares.

The Company pays each registered dealer a servicing fee equal to 0.25% annually of the net redemption value per Class J share held by clients of the registered dealer, calculated and paid at the end of each calendar quarter, commencing on September 30, 2012. For the three months ended March 31, 2013, the Company incurred servicing fees of \$12,699 for Class J shares.

(c) Operating expenses:

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

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements (continued)

Three months ended March 31, 2013 and 2012
(Unaudited)

10. Related party transactions and balances:

- (a) As at March 31, 2013, no amount is payable by the Company to the Manager for management fees (December 31, 2012 – \$12,280).
- (b) As at March 31, 2013, the Company and Timbercreek Mortgage Investment Corporation ("TMIC"), a related party by virtue of common management, have co-invested in 37 (December 31, 2012 – 29) mortgage investments totalling \$485,229,456 (December 31, 2012 – \$392,869,519), which are secured primarily by multi-family residential, office, retirement and other commercial properties. The Company's share in these investments is \$352,754,098 (December 31, 2012 – \$306,667,477), which included in this amount is a mortgage investment of \$6,975,149 (December 31, 2012 – \$6,779,296) to a limited partnership, which is co-owned by Timbercreek Four Quadrant Global Real Estate Partners ("T4Q"), a related party by virtue of common management.
- (c) As at March 31, 2013, the Company, T4Q and Timbercreek Canadian Direct LP, a related party by virtue of common management, have co-invested in one mortgage investment (December 31, 2012 – one) secured by a retail property. The Company's share in this mortgage investment is \$16,000,000 (December 31, 2012 – \$24,000,000).
- (d) As at March 31, 2013, no amount (December 31, 2012 – \$8,713) is payable to Timbercreek Asset Management Inc., a related party by virtue of common management.

11. Fair values of financial instruments:

The fair values of the Company's financial instruments were determined as follows.

- (a) Mortgage investments and non-recourse mortgage syndication liabilities:

There is no quoted price in an active market for the mortgage investments or non-recourse mortgage syndication liabilities; the Manager makes its determination of fair value based on its assessment of the current lending market for mortgage investments of same or similar terms. Typically, the fair value of these mortgage investments and non-recourse mortgage syndication liabilities approximate their carrying values given the amounts consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties. As a result, the fair value of mortgage investments is based on level 3 inputs.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Interim Financial Statements (continued)

Three months ended March 31, 2013 and 2012
(Unaudited)

11. Fair values of financial instruments (continued):

(b) Other financial assets and liabilities:

The fair values of interest receivable, restricted cash, cash and cash equivalents, credit facility, accounts payable and accrued expenses, mortgage funding holdbacks, dividends payable and due to Manager approximate their carrying amounts due to their short-term nature.

12. Commitments and contingencies:

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

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



Timbercreek Senior Mortgage Investment Corporation
Management's Discussion and Analysis
For the three months ended March 31, 2013 and 2012

Dated: August 12, 2013

1.

Forward-Looking Statements

Caution regarding forward-looking statements

The terms, the "Company", "we", "us" and "our" in the following Management Discussion & Analysis ("MD&A") refer to Timbercreek Senior Mortgage Investment Corporation (the "Company") and its financial position and results of operations for the three months ended March 31, 2013 (the "Period"). Financial data provided has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A should be read in conjunction with the Company's unaudited condensed interim financial statements for the three month periods ended March 31, 2013 and 2012 and the audited annual financial statements for the year ended December 31, 2012 and 2011, which have been prepared in accordance with IFRS. Copies of these documents have been included in this Circular, will be filed electronically with securities regulators in Canada through the System for Electronic Document Analysis and Retrieval ("SEDAR") and may be accessed through the SEDAR website at www.sedar.com. Historical results and percentage relationships contained in the Company's unaudited condensed interim financial statements and MD&A related thereto, including trends that might appear, should not be taken as indicative of future operations.

Forward-looking statement advisory

This MD&A may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. These statements are typically identified by expressions like "believe", "expects", "anticipates", "would", "will", "intends", "projected", "in our opinion" and other similar expressions. By their nature, forward-looking statements require us to make assumptions which include, among other things, that (i) the Company will have sufficient capital under management to effect its investment strategies and pay its targeted dividends to shareholders, (ii) the investment strategies will produce the results intended by the Manager, (iii) the markets will react and perform in a manner consistent with the investment strategies and (iv) the Company is able to invest in mortgages of a quality that will generate returns that meet and or exceed the Company's targeted investment returns.

Forward-looking statements are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will prove not to be accurate. We caution readers of this MD&A not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to, general market conditions, interest rates, regulatory and statutory developments, the effects of competition in areas that the Company may invest in and the risks detailed from time to time in the Company's public disclosures.

We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Company, investors and others should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the Company and Timbercreek Asset Management Ltd. (the "Manager") do not undertake, and specifically disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

This MD&A is dated August 12, 2013. Disclosure contained in this MD&A is current to that date, unless otherwise noted. Additional information on the Company, its dividend reinvestment plan and its mortgage portfolio is available on the Timbercreek Asset Management website at www.timbercreek.com. Additional information about the Company, including its Annual Information Form ("AIF"), can be found on the SEDAR website at www.sedar.com.

Proposed Transition

On March 27, 2013, the Canadian Securities Administrators ("CSA") issued a proposal for a number of regulatory changes that, if implemented, will impact issuers such as the Company who are classified as investment funds pursuant to Canadian securities laws. Among the proposed changes is a new restriction on investments in mortgages that are not fully and unconditionally guaranteed or insured. The proposal further suggests that investment funds that invest in such non-guaranteed mortgages be given a transition period of approximately 24 months to either divest their holdings or transition into the regulatory regime for issuers that are not investment funds.

In light of the impact the proposed amendments will have on investment funds and on the business of the Company from the transition from its current status as an investment fund to a non-investment fund (the "Proposed Transition"), the Board of Directors (the "Board") has determined it is in the best interests of the Company to proceed with the Proposed Transition.

In order to achieve the Proposed Transition, the Board has called a special meeting of shareholders (the "Meeting"). At the Meeting, all shareholders, including Class A, Class B, Class I, Class J and Voting shareholders will be asked to consider, and if thought fit, to pass a resolution (the "Resolutions") with the following purposes:

- the transition of the Company from the investment fund regime ("Investment Funds Regime") to the public company regime ("Public Company Regime");
- consequential amendments to certain provisions of the articles of incorporation of the Company, related to certain share rights attached to the shares to give effect to and implement such transition;
- consequential amendments to the management agreement; and
- the election of Ugo Bizzarri, Andrew Jones and Edward Boomer as directors of the Company.

Under the Public Company Regime, the Company would comply with National Instrument 51-102 continuous disclosure requirements, as opposed to the Investment Funds Regime which is required to comply with National Instrument ("NI 81-106") continuous disclosure requirements. If the Resolutions are approved, as part of the Public Company Regime, the Company will adopt International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and prepare financial statements and related disclosures in accordance with IFRS, along with a Management's Discussion and Analysis report. One of the key distinctions between both regimes however, is that financial statements will be provided on a quarterly basis rather than semi-annually and management expects to conduct quarterly conference calls to discuss the financial reports with shareholders following the release of each quarterly report.

In anticipation of the Meeting, the Company has prepared the financial statements in accordance with IFRS for the following periods to meet the requirements of 51-102:

- Audited annual financial statements for the years ended December 31, 2012 and the period from December 1, 2011 (date of formation) to December 31, 2011;
- Unaudited condensed interim financial statements for the three months ended March 31, 2013; and
- Unaudited condensed consolidated interim financial statements for the three months and six months ended June 30, 2013.

The Company has also prepared MD&A's for the year ended December 31, 2012, three months ended March 31, 2013 and six months ended June 30, 2013.

The Company has already filed audited annual financial statements in accordance with Part V of the Handbook of Canadian Institute of Chartered Accountants ("Canadian GAAP") and its Management Report of Fund Performance for the year ended December 31, 2012 in accordance NI 81-106.

Basis of presentation

As described in the Proposed Transition above, the Company adopted IFRS as issued by the IASB as its basis of financial reporting commencing with the audited annual financial statements for the year ended December 31, 2012. Financial data provided in this MD&A, for the three months ended March 31, 2013, has been prepared in accordance with IFRS. Where material, reconciliations between Canadian GAAP and IFRS values are reported in the notes to the audited annual financial statements of the Company.

The Company's reporting currency is the Canadian dollar.

Non-IFRS Measures

The Company prepares and releases audited annual financial statements and unaudited condensed interim financial statements in accordance with IFRS. In this MD&A, as a complement to results provided in accordance with IFRS, the Company discloses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS (collectively the "non-IFRS measures"). These non-IFRS measures are further described below. The Company has presented such non-IFRS measures because the Manager believes these non-IFRS measures are relevant measures of the ability of the Company to earn and distribute cash dividends to investors in the shares and to evaluate the Company's performance. These non-IFRS measures should not be construed as alternatives to net income (loss) or cash flows from operating activities determined in accordance with IFRS as indicators of the Company's performance.

- Income from operations – represents net income earned by the Company before financing costs;
- Income from operations per share – calculated by allocating income from operations to each class of shares divided by the weighted average number of shares for that class for the stated period;
- Expense ratio – represents total expenses (excluding financing costs) for the stated period expressed as an annualized percentage of the average of the beginning and ending balances of net mortgage investments;
- Net assets per share – represents net assets attributable to the relevant class divided by the number of shares outstanding at period end;
- Net interest income per share – represents net interest income to each class of shares divided by the weighted average number of shares for that class for the stated period;
- Average mortgage investment – represents the total mortgage investments divided by the total number of mortgage investments at the reporting date;
- Weighted average interest rate – represents the weighted average interest rate on the net mortgage investments as at the period end;
- Average lender fees – represents the cash lender fees received on new mortgage investments funded as a percentage of advances during the period; and
- Turnover ratio – represents total repayments during the period expressed as a percentage of the monthly weighted average net mortgage investments for the period.

Readers are cautioned not to view non-IFRS measures as alternatives to financial measures calculated in accordance with IFRS.

Business Overview

Timbercreek Senior Mortgage Investment Corporation (the "Company") is federally incorporated under the Canada Business Corporations Act by articles of incorporation dated December 1, 2011 and is authorized to issue an unlimited number of Class A, Class B, Class I, Class J and voting shares. The Company invests in mortgage investments selected and determined to be high quality by the Manager. The Company intends to qualify as a mortgage investment corporation ("MIC") as defined under Section 130.1(6) of the Income Tax Act (Canada).

The Company began operations on January 19, 2012 upon successful completion of initial public offering.

The fundamental investment objectives of the Company are to:

- Preserve the net asset value of the Company; and
- Provide shareholders with a stable stream of monthly dividends.

The Company intends on meeting its investment objectives by investing in a diversified portfolio of mortgage investments, consisting primarily of conventional mortgage loans secured directly by residential (including multi-family residential and retirement homes), office, retail and industrial real property across Canada, primarily located in large urban markets and surrounding areas.

The Company's Class A shares are publicly listed on the Toronto Stock Exchange ("TSX") under the symbol "MTG" whereas Class B, Class I and Class J shares are privately held and there is no market through which these shares may be sold.

The Company has instituted a dividend reinvestment plan ("DRIP") available to Class A shareholders. Under the DRIP, shareholders may enroll to have their cash dividends reinvested to purchase additional Class A shares. The Class A shares are issued from treasury at a price of 95% of the daily volume weighted average closing price on the TSX for the 10 trading days preceding payment, the price of which will not be less than the net redemption value per Class A share. Shareholders who wish to enroll in the DRIP or who would like further information about the plan should contact Corporate Communications at 416-306-9967 ext. 7266.

Recent Developments and Outlook

The Manager continues to view Canadian investment grade real estate fundamentals as being stable and sustainable, contributing to an attractive lending environment.

Though the share prices of the Canadian public REITs have generally traded down over the past quarter, limiting their ability to raise new capital, the demand from other institutional investors as well as private investors has remained solid with valuations staying stable.

In the commercial mortgage industry we continue to see quality borrowers in the marketplace, with investment-grade assets. Though many of these borrowers have been presented with multiple options, the options often do not meet their requirements due to the more rigid policies of institutional lenders, and continued uncertainty in the banking sector as a result of new Basel III risk-weighted capital requirements. As well, the Canadian securitization market remained very quiet, with effectively no issuance of Commercial Mortgage Backed Securities ("CMBS") in 2013. The net result of these factors is a large gap in the supply-side of the market for high quality loans which is being increasingly filled by non-bank lenders.

With the recent rise in the medium-term Canada bond yields, the gap between institutional lenders has narrowed slightly with those of non-bank lenders, making the non-bank lenders more competitive. In addition, there is little competition for the Company's targeted loans from other non-bank lenders as most non-bank lenders have a higher cost of capital. Over the past six months, limited new capital has been raised by the public participants in the Canadian non-bank lending universe in general. Those few participants which have raised new capital have a low enough targeted yield to compete with the types of loans the Company targets, however, have raised an insignificant amount of new capital over the past 24 months. As a result of these factors, deal flow and lending opportunities have been abundant. The Manager is very comfortable that the Company can continue to meet its investment objectives in this environment, particularly as the Company is able to take advantage of the strategic relationship with Timbercreek Mortgage Investment Corporation ("TMIC") to offer flexible lending solutions to qualified borrowers.

Given the current availability of high quality loans and general market trends observed by the Manager, there has been no need to modify the Company's Asset Allocation Model ("AAM") during the Period. The Manager and the Mortgage Advisory Committee ("MAC") continue to place emphasis on investments secured by cash-flowing real estate assets, a geographically diversified portfolio and larger, individual mortgage investments secured by institutional quality real estate assets. This strategy is expected to continue throughout 2013 and beyond.

In summary, the Company has been competitive and successful in establishing itself as a market leader. The Manager believes this success is a result of being conservative and selective in making investments that meet the Company's investment objectives.

Financial Highlights

We are pleased to note that the Company grew its net assets attributable to holders of redeemable shares by \$56.3 million to \$352.4 million as at March 31, 2013. Overall, the Company's net assets have grown by approximately 19% since December 31, 2012. The Company's continued growth has meant that larger individual mortgage investments are compatible with the Company's investment strategy and AAM, thus increasing the universe of potential investments.

(\$'000's, except per share and other non-financial data)	Three months ended		Year ended
	March 31, 2013	March 31, 2012	December 31, 2012
Statement of financial position highlights (as at)			
Mortgage investments, including mortgage syndications	\$ 424,364	\$ 63,100	\$ 373,910
Mortgage investments, net of mortgage syndications	\$ 367,243	\$ 63,100	\$ 332,310
Total assets	\$ 425,837	\$ 145,958	\$ 376,048
Credit facility	\$ 11,146	\$ -	\$ 33,602
Net assets attributable to Class A, B, I & J shareholders	\$ 352,359	\$ 144,173	\$ 296,057
Net assets per share:			
Class A	\$ 9.30	\$ 9.35	\$ 9.34
Class B	\$ 9.59	\$ -	\$ -
Class I	\$ 9.87	\$ -	\$ 9.89
Class J	\$ 9.26	\$ -	\$ 9.36
Financial information (for the period ended)			
Net interest income per share: *			
Class A	\$ 0.17	\$ 0.05	\$ 0.54
Class B	\$ 0.18	\$ -	\$ -
Class I	\$ 0.18	\$ -	\$ 0.32
Class J	\$ 0.16	\$ -	\$ 0.37
Dividends per share: *			
Class A	\$ 0.15	\$ 0.10	\$ 0.55
Class B	\$ 0.16	\$ -	\$ -
Class I	\$ 0.16	\$ -	\$ 0.32
Class J	\$ 0.16	\$ -	\$ 0.36
Mortgage investment information			
Net mortgage investments **	\$ 368,240	\$ 63,591	\$ 332,999
Average mortgage investment *	\$ 8,564	\$ 5,299	\$ 10,406
Weighted average interest rate *	6.50%	6.93%	6.66%
Average lender fee *	0.90%	0.82%	0.68%
Turnover ratio *	28.02%	0.00%	52.61%

* Refer to Non-IFRS measures section

** Net mortgage investments represents total mortgage investments net of non-recourse mortgage syndication liabilities and interest receivable and gross of unamortized lender fees. This measure has been used through-out this MD&A, unless specified otherwise.

For the three months ended March 31, 2013 (the "Period") and March 31, 2012 ("Q1 2012"):

- The Company advanced 16 new mortgage investments (Q1 2012 – 12) totaling \$120.3 million (Q1 2012 – \$63.6 million), had additional advances on existing mortgage investments totaling \$16.5 million (Q1 2012 – nil) and received repayments and partial pay downs on 12 mortgage investments (Q1 2012 – nil) totaling \$101.6 million (Q1 2012 – nil), resulting in net mortgage investments of \$368.2 million as at March 31, 2013 (December 31, 2012 – \$333.0 million).
- Net interest income earned by the Company in the Period was \$6.6 million (Q1 2012 – \$0.7 million), an increase of \$5.9 million, or over 8 times the amount from the same period last year, directly as a result of the growth in equity experienced by the Company which were placed in new mortgage investments.
- The Company received non-refundable lender fees of \$1.1 million (Q1 2012 – \$0.5 million) or 0.9% (Q1 2012 – 0.8%) of new mortgage investments funded in the Period.
- The Company generated income from operations of \$4.9 million (Q1 2012 – \$0.3 million) or per Class A, Class B, Class I and Class J share of \$0.13 (Q1 2012 – \$0.02), \$0.15 (Q1 2012 – nil), \$0.15 (Q1 2012 – nil) and \$0.13 (Q1 2012 – nil), respectively.
- The Company declared dividends of \$0.15 (Q1 2012 – \$0.10) per Class A share for a total of \$5.6 million (Q1 2012 – \$1.5 million), \$0.16 (Q1 2012 – nil) per Class B share for a total of \$0.03 million (Q1 2012 – nil), \$0.16 (Q1 2012 – nil) per Class I share for a total of \$0.04 million (Q1 2012 – nil) and \$0.16 (Q1 2012 – nil) per Class J share for a total of \$0.04 million (Q1 2012 – nil).
- The Company completed a public offering of 5,916,446 Class A Shares for gross proceeds of \$58.3 million. The Company also completed an offering of 220,559 Class B shares, for gross proceeds of \$2.2 million.

The Manager continues to be selective and has focused predominantly on mortgage investments that are secured by cash-flowing assets, while still exceeding its targeted return to shareholders.

Analysis of Financial Information for the Period

Statement of loss and comprehensive loss

	2013	2012	% Change
Net interest income	\$ 6,566,844	\$ 715,090	818.3%
Expenses	(1,654,854)	(410,312)	303.3%
Income from operations	4,911,990	304,778	1,511.7%
Financing costs:			
Interest on credit facility	(466,180)	(13,015)	3,481.9%
Issuance costs of redeemable shares	(3,241,288)	(6,776,808)	52.2%
Dividends to holders of redeemable shares	(5,671,469)	(1,541,530)	267.9%
Net loss and comprehensive loss	\$ (4,466,947)	\$ (8,026,575)	44.3%

Net interest income:¹

Net interest income earned by the Company for the Period increased to \$6.6 million from \$0.7 million, an increase of over 8 times that earned during the three months ended March 31, 2012. The increase in income was due to the Company increasing its portfolio of mortgage investments by approximately \$304.6 million, or 4.8 times, from March 31, 2012 to March 31, 2013. Income from operations is made up of the following:

¹ For analysis purposes, net interest income and its component parts are discussed net of payments made on account of mortgage syndications to provide the reader with a more representative reflection of the Company's performance.

- (a) *Interest income* – The Company earned \$6.0 million (March 31, 2012 – \$0.7 million) in interest income on the mortgage investments, net of interest expense on non-recourse mortgage syndications. The weighted average interest rate on the mortgage investments decreased over the Period, to 6.50% at March 31, 2013 from 6.66% at December 31, 2012, although still in line with the Company's targeted interest rate. While the average mortgage investment decreased over the Period, the number of mortgage investments in the portfolio increased to 43 at March 31, 2013 (December 31, 2012 – 32).
- (b) *Lender fee income* – The Company received non-refundable lender fees of \$1.1 million (Q1 2012 – \$0.5 million), or 0.9% (Q1 2012 – 0.8%) of new mortgage investments. These lender fees are amortized using the effective interest rate method over the expected life of the mortgage investments to lender fee income. For the Period, \$0.5 million (Q1 2012 – \$0.03 million) of non-refundable lender fees were amortized to lender fee income. The lender fees generated by the Company continue to be a significant component of income resulting from mortgage turnover. The Manager does not retain any portion of the lender fees, unlike other competing mortgage investment corporations, ensuring management interests are aligned with the Company.
- (c) *Other income* – The Company earned \$0.1 million (Q1 2012 – nil) in other income. Other income includes administration and draw fees earned on mortgage and loan advances, prepayment penalties and exit fees earned on mortgage and loan repayments and other miscellaneous fees. The Manager does not retain any portion of administration fees, draw fees or exit fees, thus maximizing the income of the Company.

Expenses

For the three months ended March 31, 2013, the Company's expense ratio² was 1.92% (Q1 2012 – 2.60%). As the Company continues to grow its mortgage investments, its expense ratio will decrease as several of the operating costs of the Company do not increase in proportion to the size of the Company.

Management fees

The Company pays the Manager an annual management fee of 1.0% per annum for its services, based on the net asset value of the Company, calculated daily, aggregated and paid monthly in arrears, plus applicable taxes. For the Period, the Company incurred management fees of \$1.0 million (Q1 2012 – \$0.3 million).

Servicing fees

The Company pays each registered dealer a servicing fee equal to 0.50% annually of the net redemption value per Class A share held by clients of the registered dealer, calculated and paid at the end of each calendar quarter, commencing on June 30, 2012. At the discretion of the independent directors of the Company, the amount of the servicing fee on Class A shares may, at any time after January 2013, be reduced to a minimum of 0.40% annually of the net redemption value per Class A share. For the Period, the Company incurred servicing fees of \$0.4 million (Q1 2012 – nil) for Class A shares.

The Company pays each registered dealer a servicing fee equal to 0.25% annually of the net redemption value per Class J share held by clients of the registered dealer, calculated and paid at the end of each calendar quarter, commencing on September 30, 2012. For the Period, the Company incurred servicing fees of \$0.01 million (Q1 2012 – nil) for Class J shares.

General and administrative

The general and administrative expenses of \$0.3 million (Q1 2012 – \$0.1 million) consist mainly of audit fees, professional fees, director fees and other operating costs associated with operating the Company and administration of the mortgage portfolio. As the Company achieves its target size, operating expenses continue to decrease relative to income, equating to 0.3% of average mortgage investments for the Period (Q1 2012 – 0.5%).

² Defined in Non-IFRS Measures section

Interest on credit facility

Financing costs include interest paid on amounts drawn on the credit facility from time-to-time throughout 2013, stand-by fees charged on unutilized credit facility amounts and amortization of financing costs which were incurred on closing of the credit facility. Financing costs for the Period included interest on the credit facility of \$0.5 million (Q1 2012 – \$0.01 million).

Issuance costs of redeemable shares

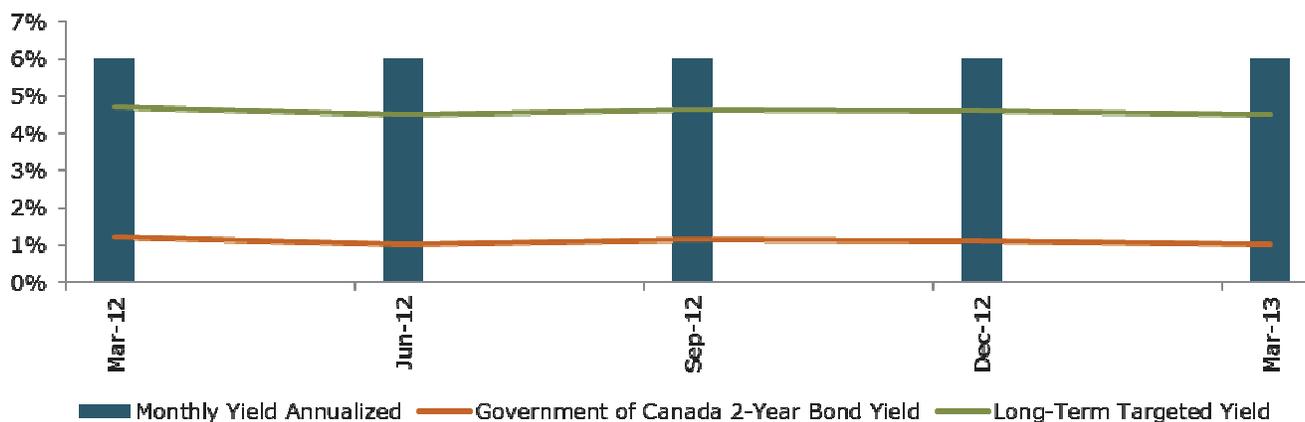
As the Class A, B, I and J shares are classified as liabilities under current IFRSs, the issuance costs are considered to be financing costs which are associated with periodic equity offerings are recognized in profit and loss. For the Period, the Company incurred issuance costs of \$3.2 million relating to issuance of Class A and B shares for total gross proceeds of \$60.5 million. The issuance costs include agent's commissions, legal and professional costs and other costs relating to the offering.

Dividends to holders of redeemable shares

The Company intends to pay dividends to holders of redeemable shares on a monthly basis within 15 days following the end of each month. For the Period, the Company paid dividends of \$0.15 (Q1 2012 – \$0.10) per Class A share for a total of \$5.6 million (Q1 2012 – \$1.5 million), \$0.16 (Q1 2012 – nil) per Class B share for a total of \$0.04 million (Q1 2012 – nil), \$0.16 (Q1 2012 – nil) per Class I share for a total of \$0.05 million (Q1 2012 – nil) and \$0.16 (Q1 2012 – nil) per Class J share for a total of \$0.04 million (Q1 2012 – nil).

As at March 31, 2013, \$1.9 million (December 31, 2012 – \$1.6 million) of dividends declared were payable to the shareholders.

The following chart depicts the annualized return based on dividends paid on Class A shares, in relation to the 2-Year Government of Canada Bond Yield ("2-Yr GOC") and the Company's targeted yield of the 2-Yr GOC plus 350 basis points.³



³ The annualized return, 2-Yr GOC and long-term targeted yield are calculated on a monthly basis, but are presented above at quarter ends

Statement of Financial Position

*Mortgage investments*⁴

The balance of mortgage investments is as follows:

	March 31, 2013	December 31, 2012
Mortgage investments, including mortgage syndications	\$ 425,362,341	\$ 374,599,297
Non-recourse mortgage syndication liabilities	(57,121,920)	(41,600,000)
	368,240,421	332,999,297
Interest receivable	1,878,883	1,622,708
Unamortized lender fees	(2,876,736)	(2,312,400)
	\$ 367,242,568	\$ 332,309,605

During the Period, the Company advanced 16 mortgage investments (Q1 2012 – 12) totaling \$120.3 million (Q1 2012 – \$63.6 million), had additional advances on existing mortgage investments totaling \$16.5 million (Q1 2012 – nil) and received repayments and partial pay downs on 12 mortgage investments (Q1 2012 – nil) totaling \$101.6 million (Q1 2012 – nil), resulting in net mortgage investments of \$368.2 million as at March 31, 2013 (March 31, 2012 – \$63.6 million) or a portfolio turnover rate of 28.0% (March 31, 2012 – nil). As at March 31, 2013, the average mortgage investment was approximately \$8.5 million (March 31, 2012 – \$5.3 million). Further, the new mortgage investments from the Period equate to approximately 32.7% of the Company's mortgage investments at Period end (March 31, 2012 – 100.0%).

The weighted average interest rate on the mortgage investments at March 31, 2013 was 6.50% (December 31, 2012 – 6.66%).

The Company enters into certain mortgage participation agreements with various investors, using senior and subordinated participation, whereby the investors take the senior position and the Company retains the subordinated first position. These agreements provide an option to the Company to repurchase the senior position, not the obligation, at a purchase price equal to the outstanding principal amount of the investor's proportionate share together with all accrued interest. During the Period, the non-recourse mortgage syndications have increased by \$15.5 million, as the Company is expanding its relationships with various investors, which provides the Company with flexibility through the ability to buy-back the existing investments.

The mortgage investments are assessed at each reporting date to determine whether there is objective evidence of impairment. A mortgage investment is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of an asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. As at March 31, 2013, no impairment losses have been recorded.

As at March 31, 2013, the Company's mortgage investments were comprised of 43 mortgage investments (December 31, 2012 – 32) which were allocated across the following categories:

⁴ For analysis purposes, "mortgage and loan investments" and its component parts are discussed net of mortgage syndications to provide the reader with a more representative reflection of the Company's performance.

(a) *Region*⁵:

	March 31, 2013		December 31, 2012	
	# of Loans	% of Portfolio	# of Loans	% of Portfolio
ON	26	64.1%	19	63.7%
QC	6	23.6%	5	21.8%
BC	2	1.6%	2	1.7%
AB	7	10.3%	3	10.3%
SK	2	0.4%	3	2.5%
	43	100.0%	32	100.0%

Given the Company has not achieved its target portfolio size, from time to time it may experience higher concentrations to particular regions if the Manager believes certain mortgage investments are great opportunities for the Company, while still adhering to its AAM. Currently the greatest concentration is in Ontario and Quebec. At March 31, 2013, 87.7% of the mortgage portfolio was allocated across these two provinces (Ontario – 64.1%; Quebec – 23.6%). This is a slight decrease in comparison to December 31, 2012 where 85.5% of the mortgage portfolio was allocated between these two provinces (Ontario – 63.7%; Quebec – 21.8%). The Company has continued to maintain significant exposure to Ontario as it has benefited from sourcing mortgages secured by high-quality, cash flowing multi-family residential, retirement and office assets in good markets, enhanced by its ability to share mortgage investments with TMIC.

(b) *Maturity*⁵:

	March 31, 2013		December 31, 2012	
	# of Loans	% of Portfolio	# of Loans	% of Portfolio
Maturing 2013	7	3.5%	7	12.0%
Maturing 2014	17	25.8%	14	29.5%
Maturing 2015	15	47.4%	10	46.5%
Maturing 2016	4	23.4%	1	12.0%
	43	100.0%	32	100.0%

The Company's portfolio turnover rate for the Period was strong at 28.0% (March 31, 2012 – nil). The Company's strong portfolio turnover helps generate fee income, all of which goes to the Company. The weighted average term to maturity as at March 31, 2013 is 2.5 years (December 31, 2012 – 3.1 years).

(c) *Asset Type*⁵:

	March 31, 2013		December 31, 2012	
	# of Loans	% of Portfolio	# of Loans	% of Portfolio
Retail	4	7.8%	4	8.7%
Multi-family residential	20	49.7%	12	40.0%
Office	6	13.0%	5	19.1%
Retirement	2	9.4%	2	10.4%
Industrial	2	2.7%	2	3.0%
Hotels	2	4.9%	1	0.9%
Unimproved land	2	2.0%	1	4.0%
Other-residential	3	9.9%	3	13.2%
Single-family residential	2	0.5%	2	0.7%

⁵ Percentages are calculated on net mortgage investments.

43	100.0%	32	100.0%
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The Company has developed a lending niche targeting cash-flowing assets with a specialty in multi-family residential. The Company has had very little exposure to land development, single-family residential mortgages and construction loans, where demand is largely impacted by the strength or mechanics of the Canadian housing market.

(d) *Interest rate*⁵:

	March 31, 2013		December 31, 2012	
	# of Loans	% of Portfolio	# of Loans	% of Portfolio
5.00% or Lower	1	6.2%	0	0.0%
5.01% - 5.49%	1	2.8%	0	0.0%
5.50% - 5.99%	4	26.6%	5	27.9%
6.00% - 6.49%	6	7.7%	4	8.8%
6.50% - 6.99%	7	14.7%	6	23.2%
7.00% or Greater	24	42.0%	17	40.1%
	43	100.0%	32	100.0%

The weighted average interest rate, excluding lender fee income, on the mortgage investments at March 31, 2013 was 6.50% (December 31, 2012 – 6.66%). The weighted average interest rate was greater than the Company's target return for the Period of 4.59% (December 31, 2012 – 4.61%), equal to the 2-Yr GOC plus 350 basis points.

(e) *Loan-to-value*⁵:

	March 31, 2013		December 31, 2012	
	# of Loans	% of Portfolio	# of Loans	% of Portfolio
55% or Less	16	38.4%	9	36.6%
56% - 60%	9	25.6%	4	10.3%
61% - 65%	17	34.0%	17	38.9%
66% - 70%	1	2.0%	2	14.2%
	43	100.0%	32	100.0%

The loan-to-value on the mortgage investments at March 31, 2013 was 52.6% (December 31, 2012 – 53.6%), well below the AAM's ceiling of 70%.

Net working capital

The net working capital decreased by \$0.8 million from December 31, 2012 to March 31, 2013 mainly due to a decrease in interest receivable by \$0.2 million and an increase in dividends payable of \$0.3 million. The Company has available its credit facility to manage its working capital while ensuring idle cash is minimized.

Credit facility

On March 22, 2012, the Company entered into a credit facility agreement with a syndicate of lenders in an amount of up to \$105 million (the "Credit Facility"), bearing interest at either the prime rate of interest plus 1% or bankers' acceptances ("BA") with a stamping fee of 2% of the face amount of such BA. On October 19, 2012, the Credit Facility was amended to increase the limit to \$130 million and to add an option to increase the limit by another \$60 million, subject to certain terms and conditions. The leverage of the Company in aggregate cannot exceed 40% of the aggregate value of the assets of the Company at any time. The Company intends to utilize leverage representing approximately 30% of the aggregate value of assets of the Company at any time, with the remaining portion of the Credit Facility reserved for general working capital purposes. The Credit Facility is secured by a general security agreement over the Company's assets, and expires in March 2014. At March 31, 2013, \$36.5 million (December 31, 2012 – \$37.5 million) was outstanding on the Credit Facility and is offset against the cash and cash equivalents.

As at March 31, 2013, there were \$0.6 million (December 31, 2012 – \$0.7 million) in unamortized financing costs related to the structuring of the Credit Facility, which are netted against the Credit Facility. These costs are amortized to financing costs using the effective interest rate method.

Net assets attributable to holders of redeemable shares

Under IFRS, IAS 32 requires that shares of an entity which include a contractual obligation for the issuer to repurchase or redeem the shares for cash or another financial asset, be classified as a financial liability. The Company's Class A, Class B, Class I and Class J shares do not meet the criteria in IAS 32 for classification as equity and therefore, have been reclassified as financial liabilities on transition to IFRS. Dividends to holders of redeemable shares and issuance costs of redeemable shares have also been reclassified as financing costs in the statement of net loss and comprehensive loss on transition to IFRS.

During the Period, the Company completed a public offering of 5,916,446 Class A Shares for gross proceeds of \$58.3 million. The Company also completed an offering of 220,559 Class B shares, for gross proceeds of \$2.2 million.

For the Period, 43,762 (Q1 2012 – nil) Class A shares were issued under the DRIP, using reinvested dividends of \$0.4 million (Q1 2012 – nil).

Quarterly Financial Information

The following is a quarterly summary of the Company's results on a quarterly basis since commencement of operations on January 19, 2012:

	Q1 - 2013	Q4 - 2012	Q3 - 2012	Q2 - 2012	Q1 - 2012
Net interest income	\$ 6,566,844	\$ 5,504,017	\$ 4,254,605	\$ 2,467,618	\$ 715,090
Expenses	(1,654,854)	(1,333,041)	(1,339,424)	(693,459)	(410,312)
Income from operations	4,911,990	4,170,976	2,915,181	1,774,159	304,778
Financing costs:					
Interest on credit facility	(466,180)	(451,253)	(246,298)	(285,470)	(13,015)
Issuance cost of redeemable shares	(3,241,288)	(32,547)	(6,425,899)	(199,669)	(6,776,808)
Dividends to holders of redeemable shares	(5,671,469)	(4,757,355)	(4,754,253)	(2,337,453)	(1,541,530)
	(9,378,937)	(5,241,155)	(11,426,450)	(2,822,591)	(8,331,353)
Net loss and comprehensive loss	\$ (4,466,947)	\$ (1,070,179)	\$ (8,511,269)	\$ (1,048,430)	\$ (8,026,575)

The variations in net loss by quarter are directly related to the growth in equity of the Company during this time. Specifically, the Company has raised gross proceeds of approximately \$374.7 million since Q1 – 2012. The proceeds from these offerings have been used to fund mortgage investments, the timing of which typically occur around periodic offerings and existing investment maturities, which vary throughout the year. Following each periodic equity offering, the Company is subject to holding idle cash while it originates new mortgage investments or waits for the closing of existing mortgage investment commitments. The Company seeks to deploy this cash within 60 – 90 days of closing an equity offering.

Related Party Transactions

As at March 31, 2013, the Company and TMIC, a related party by virtue of common management, have co-invested in several mortgage investments totalling \$485.2 million (December 31, 2012 – \$392.9 million), which are secured primarily by multi-family residential, office, retirement and other commercial properties. The Company's share in these investments is \$352.8 million (December 31, 2012 – \$306.7 million), which included in this amount is a mortgage investment of \$7.0 million (December 31, 2012 – \$6.8 million) to a limited partnership, which is co-owned by Timbercreek Four Quadrant Global Real Estate Partners ("T4Q"), a related party by virtue of common management.

As at March 31, 2013, the Company, T4Q and Timbercreek Canadian Direct LP, a related party by virtue of common management, have co-invested in one mortgage investment secured by a retail property. The Company's share in this mortgage investment is \$16.0 million (December 31, 2012 – \$24.0 million).

As at March 31, 2013, no amount (December 31, 2012 – \$0.01 million) is payable to Timbercreek Asset Management Inc., a related party by virtue of common management.

Commitments and Contingencies

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

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

Critical Accounting Estimates

The preparation of condensed interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The critical accounting estimates and judgments have been set out in detail in note 3 of the Company's audited annual financial statements for the year ended December 31, 2012.

The estimates deemed to be most significant, due to subjectivity and the potential risk of causing a material adjustment within the next financial year to the carrying amounts of assets and liabilities include the valuation of mortgage investments.

Adoption of New Accounting Standards

As of August 12, 2013, there have been no new or amended IFRS issued by the IASB since the last update provided by the Company in its financial statements and MD&A for the year ended December 31, 2012, that has an impact on the Company's fiscal years beginning after December 31, 2012. For a detailed description of the Company's accounting policies, refer to note 2 and 3 of the Company's annual audited financial statements for December 31, 2012.

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provision.

- The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not have an impact on the Company's financial statements.
- The Company does not have any joint arrangements and concluded that the adoption of IFRS 11 did not impact its financial statements.
- The Company has concluded that the adoption of IFRS 13 resulted in enhanced fair value disclosures relating to financial instruments as detailed in note 10 of the unaudited condensed interim financial statements for the three months ended March 31, 2013.

- The Company has adopted the amendments to IAS 1 effective January 1, 2013, although it has determined that it did not result in any impact to the condensed interim financial statements for the three months ended March 31, 2013.

Outstanding Share Data

As at July 31, 2013, the Company's authorized capital consists of an unlimited number of Class A, Class B, Class I, Class J shares and voting shares, of which 36,895,771; 219,559; 513,700; 221,000 and 99 are issued and outstanding respectively.

Capital Structure and Liquidity

Capital structure

The Company manages its capital structure in order to support ongoing operations while focusing on its primary objectives of preserving shareholder capital and generating a stable monthly cash dividend to shareholders. The Company defines its capital structure to include Class A, B, I and J shares and the Credit Facility.

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

Liquidity

Access to liquidity is an important element of the Company as it allows the Company to implement its investment strategy. However, The Company intends to qualify as a MIC as defined under Section 130.1(6) of the Income Tax Act (Canada) and as a result is required to distribute not less than 100% of the taxable income of the Company to its shareholders. Therefore, growth in the mortgage investments is managed through the equity offerings and Credit Facility.

The Company manages its liquidity position through various sources of cash flows including cash generated from operations, equity offerings and credit facility. The Company routinely forecasts cash flow sources and requirement to ensure cash is efficiently utilized. In addition, the Company has the ability to borrow up to 40% of total assets to enhance the return of the Company and to manage the fluctuations in cash flows as a result of timing of the mortgage investment fundings and repayments, dividend payments and redemptions of shares.

The following are the contractual maturities of financial liabilities as at March 31, 2013, including expected interest payments:

	Contractual cash flows	Within a year	Following year	3 - 5 years	Over 5 years
Credit facility	\$ 11,591,659	\$ -	\$ 11,591,659	\$ -	\$ -
Mortgages funding holdbacks	631,148	631,148	-	-	-
Dividends payable	1,895,780	1,895,780	-	-	-
Prepaid mortgage interest	1,478,217	1,478,217	-	-	-
Accounts payable and accrued expenses	1,204,652	1,204,652	-	-	-
Unadvanced mortgage commitments	12,406,399	12,406,399	-	-	-
Net assets attributable to holders of redeemable shares	352,358,932	52,853,840	44,925,764	98,235,798	156,343,530
	\$ 381,566,787	\$ 70,470,036	\$ 56,517,423	\$ 98,235,798	\$ 156,343,530

Redeemable shares may be surrendered for redemption and transacted on the last business day of any month. However, the redemptions are restricted to 15% of the average number of shares outstanding. The Manager does not expect that the contractual maturity disclosure above will be necessarily representative of the actual cash outflows, as holders of these instruments typically retain them for a longer period.

As at March 31, 2013, the Company's cash position was \$1.4 million and undrawn credit facility of \$118.9 million. The Company is confident that it will be able to finance its operations using the cash flow generated from operations and the proceeds raised in subsequent offerings.

Financial Instruments

The Company has designated its financial instruments as follows:

	Classification	Measurement
Financial assets		
Mortgage investments, including mortgage syndications	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Other assets	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities		
Credit facility	Other financial liabilities	Amortized cost
Non-recourse mortgage syndication liabilities	Other financial liabilities	Amortized cost
Prepaid mortgage and loan interest	Other financial liabilities	Amortized cost
Mortgage funding holdbacks	Other financial liabilities	Amortized cost
Due to Manager	Other financial liabilities	Amortized cost
Dividends payable	Other financial liabilities	Amortized cost
Accounts payable and accrued expenses	Other financial liabilities	Amortized cost

Net assets attributable to holders of redeemable shares are carried on the statements of financial position at net asset value. In total, the interests of the shareholders are limited to the net assets of the Company.

The fair values of restricted cash, cash and cash equivalents, credit facility, accounts payable and accrued expenses, mortgage funding holdbacks, dividends payable and due to Manager approximate their carrying amounts due to their short-term nature.

The fair value of mortgage investments approximates to their carrying values given the mortgage investments consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties.

Responsibilities of Management and the Board of Directors

Management is responsible for the information disclosed in this MD&A, and has in place the appropriate information systems, procedures and controls to ensure that the information used internally by management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Company, and have reviewed and approved this MD&A and the unaudited financial statements as at March 31, 2013.

Risks

The risks associated with investing in the Company remain as disclosed in Schedule B of the Management Information Circular dated August 12, 2013.

Additional Information

Phone: Calling the Company at (416) 306-9967 ext. 7250 (collect if long distance), Carrie Morris, Managing Director Capital Markets & Corporate Communications

Internet: Visiting SEDAR at www.sedar.com; or

Mail: Writing to the Company at:
Timbercreek Senior Mortgage Investment Corporation
Attention: Corporate Communications
1000 Yonge Street, Suite 500
Toronto, Ontario
M4W 2K2

Condensed Consolidated Interim Financial Statements of

**TIMBERCREEK SENIOR
MORTGAGE INVESTMENT
CORPORATION**

Three months and six months ended June 30, 2013 and 2012
(Unaudited)

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Condensed Consolidated Interim Statements of Financial Position
(Unaudited)

	June 30, 2013	December 31, 2012
Assets		
Mortgage investments including mortgage syndications (note 5)	\$ 506,267,658	\$ 373,909,605
Restricted cash (note 6)	3,726	1,404,562
Other assets	2,245,884	734,308
Total assets	508,517,268	376,048,475
Equity		
Voting share capital (note 8)	99	99
Total equity	99	99
Liabilities		
Credit facility (note 7)	36,424,732	33,601,500
Non-recourse mortgage syndication liabilities (note 5)	114,292,008	41,600,000
Mortgage funding holdbacks	1,124,054	357,800
Dividends payable (note 9(b))	1,904,587	1,586,505
Due to Manager (note 11(a))	7,864	12,280
Prepaid mortgage interest	947,802	1,400,501
Accounts payable and accrued expenses	846,436	1,433,021
Total liabilities (excluding net assets attributable to holders of redeemable shares)	155,547,483	79,991,607
Net assets attributable to holders of redeemable shares (note 9)	\$ 352,969,686	\$ 296,056,769

Commitments and contingencies (note 13)
Subsequent event (notes 1 and 9(b))

See accompanying notes to the condensed consolidated interim financial statements.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Condensed Consolidated Interim Statements of Net Loss and Comprehensive Loss
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Interest income:				
Interest, including non-recourse mortgage syndications	\$ 7,395,113	\$ 2,250,448	\$ 13,919,015	\$ 2,935,911
Fees	420,706	286,227	1,025,276	315,854
	7,815,819	2,536,675	14,944,291	3,251,765
Interest expense on non-recourse mortgage syndications	(851,493)	(69,056)	(1,413,121)	(69,056)
Net interest income	6,964,326	2,467,619	13,531,170	3,182,709
Expenses:				
Management fees (note 10(a))	997,678	410,550	1,984,308	739,695
Servicing fees (note 10(b))	406,229	149,062	805,292	149,062
General and administrative	208,613	133,846	477,774	215,011
	1,612,520	693,458	3,267,374	1,103,768
Income from operations	5,351,806	1,774,161	10,263,796	2,078,941
Financing costs:				
Interest on credit facility (note 7)	679,404	285,470	1,145,585	298,486
Issuance costs of redeemable shares (note 9)	(3,397)	199,669	3,237,891	6,976,477
Dividends to holders of redeemable shares (note 9(b))	5,707,746	2,337,452	11,379,215	3,878,982
	6,383,753	2,822,591	15,762,691	11,153,945
Net loss and comprehensive loss	\$ (1,031,947)	\$ (1,048,430)	\$ (5,498,895)	\$ (9,075,004)

See accompanying notes to the condensed consolidated interim financial statements.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Condensed Consolidated Interim Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares

Six months ended June 30, 2013 and 2012
(Unaudited)

2013	Class A Shares	Class B Shares	Class I Shares	Class J Shares	Total
Net assets attributable to holders of redeemable shares, beginning of period	\$ 289,697,929	\$ –	\$ 3,261,849	\$ 3,096,991	\$ 296,056,769
Gross proceeds from issuance of redeemable shares	58,276,997	2,205,590	1,840,000	–	62,322,587
Decrease in net assets attributable to holders of redeemable shares	(5,370,435)	(94,561)	(21,025)	(12,874)	(5,498,895)
Issuance of redeemable shares under dividend reinvestment plan	711,544	–	–	–	711,544
Redemption of redeemable shares	(105,788)	–	–	–	(105,788)
Repurchase of redeemable shares	(516,531)	–	–	–	(516,531)
Exchange of redeemable shares	1,110,000	(10,000)	–	(1,100,000)	–
Net assets attributable to holders of redeemable shares, end of period	\$ 343,803,716	\$ 2,101,029	\$ 5,080,824	\$ 1,984,117	\$ 352,969,686

2012	Class A Shares	Class B Shares	Class I Shares	Class J Shares	Total
Net assets attributable to holders of redeemable shares, beginning of period	\$ –	\$ –	\$ –	\$ –	\$ –
Gross proceeds from issuance of redeemable shares	152,200,000	–	–	4,781,000	156,981,000
Decrease in net assets attributable to holders of redeemable shares	(8,926,336)	–	–	(148,668)	(9,075,004)
Issuance of redeemable shares under dividend reinvestment plan	42,484	–	–	–	42,484
Net assets attributable to holders of redeemable shares, end of period	\$ 143,316,148	\$ –	\$ –	\$ 4,632,332	\$ 147,948,480

See accompanying notes to the condensed consolidated interim financial statements.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Condensed Consolidated Interim Statements of Cash Flows (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Operating activities:				
Net loss and comprehensive loss	\$ (1,031,947)	\$ (1,048,430)	\$ (5,498,895)	\$ (9,075,004)
Amortization of lender fees	(419,296)	(149,682)	(941,737)	(178,340)
Restricted cash	1,373,306	281,831	1,400,836	(167,799)
Financing costs	6,383,753	2,822,591	15,762,691	11,153,945
Change in non-cash operating items:				
Interest receivable	(337,521)	(544,813)	(593,696)	(876,793)
Other assets	(2,150,830)	59,101	(1,511,576)	(10,017)
Accounts payable and accrued expenses	(358,218)	225,102	(586,587)	619,332
Due to Manager	7,864	–	(4,416)	–
Prepaid mortgage interest	(530,415)	(282,170)	(452,699)	167,460
Mortgage funding holdbacks	492,906	(100,000)	766,254	70,000
Lender fees	515,307	823,400	1,602,084	1,343,036
	3,944,909	2,086,930	9,942,259	3,045,820
Financing activities:				
Proceeds from issuance of Class A redeemable shares	–	–	58,276,993	152,200,000
Redemption of Class A redeemable shares	–	–	(105,785)	–
Proceeds from issuance of Class B redeemable shares	–	–	2,205,590	–
Proceeds from issuance of Class I redeemable shares	1,840,000	–	1,840,000	–
Proceeds from issuance of Class J redeemable shares	–	4,781,000	–	4,781,000
Proceeds from (repayment of) credit facility	25,147,269	38,824,398	2,560,062	37,971,551
Interest paid	(547,767)	(179,426)	(882,413)	(192,442)
Repurchase of redeemable shares for cancellation	(516,531)	–	(516,531)	–
Issuance costs of redeemable shares	3,397	(199,669)	(3,237,891)	(6,976,477)
Dividends to holders of redeemable shares	(5,379,707)	(2,269,885)	(10,349,588)	(3,040,650)
	20,546,661	40,956,418	49,790,437	184,742,982
Investing activities:				
Funding of mortgage investments	(83,867,141)	(132,224,988)	(220,689,041)	(195,816,081)
Discharge of mortgage investments	59,375,571	8,027,180	160,956,345	8,027,180
	24,491,570	(124,197,808)	(59,732,696)	(187,788,901)
Increase in cash and cash equivalents	–	(81,154,460)	–	(99)
Cash and cash equivalents, beginning of period	–	81,154,460	–	99
Cash and cash equivalents, end of period	\$ –	\$ –	\$ –	\$ –

See accompanying notes to the condensed consolidated interim financial statements.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements

Three months and six months ended June 30, 2013 and 2012
(Unaudited)

Timbercreek Senior Mortgage Investment Corporation (the "Company") is a mortgage investment company domiciled in Canada. The registered office of the Company is 1000 Yonge Street, Suite 500, Toronto, Ontario M4W 2K2.

The Company was incorporated as a federal corporation under the Canada Business Corporations Act by articles of incorporation dated December 1, 2011, and is authorized to issue an unlimited number of Class A, Class B, Class I, Class J and voting shares. The investment objective of the Company is, with a primary focus on capital preservation, to acquire and maintain a diversified portfolio of mortgage investments that generate income allowing the Company to pay monthly dividends to holders of redeemable shares. Timbercreek Asset Management Ltd., as manager of the Company (the "Manager"), is responsible for the day-to-day operations and providing all general management and administrative services of the Company's mortgage portfolio. The Manager is a wholly owned subsidiary of Timbercreek Asset Management Inc.

The Company commenced operations on January 19, 2012 when it completed an initial public offering of Class A shares and issued subscription receipts, which were subsequently converted into Class A shares. There were no operations in 2011.

1. Proposed transition:

On March 27, 2013, the Canadian Securities Administrators ("CSA") issued a proposal for a number of regulatory changes that, if implemented, will impact issuers such as the Company who are classified as investment funds pursuant to Canadian securities laws. Among the proposed changes is a new restriction on investments in mortgages that are not fully and unconditionally guaranteed or insured. The proposal further suggests that investment funds that invest in such non-guaranteed mortgages be given a transition period of approximately 24 months to either divest their holdings or transition into the regulatory regime for issuers that are not investment funds.

In light of the impact the proposed amendments will have on investment funds and on the business of the Company from the transition from its current status as an investment fund to a non-investment fund (the "Proposed Transition"), the Board of Directors (the "Board") has determined it is in the best interests of the Company to proceed with the Proposed Transition.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements (continued)

Three months and six months ended June 30, 2013 and 2012
(Unaudited)

1. Proposed transition (continued):

In order to achieve the Proposed Transition, the Board has called a special meeting of shareholders (the "Meeting"). At the Meeting, all shareholders, including Class A, Class B, Class I, Class J and voting shareholders will be asked to consider, and if thought fit, to pass a resolution (the "Resolutions") with the following purposes:

- (i) the transition of the Company from the investment fund regime ("Investment Funds Regime") to the public company regime ("Public Company Regime");
- (ii) consequential amendments to certain provisions of the articles of incorporation of the Company, as amended related to certain share rights attached to the shares to give effect to and implement such transition;
- (iii) consequential amendments to the management agreement; and
- (iv) the election of Ugo Bizzarri, Andrew Jones and Edward Boomer as directors of the Company.

Under the Public Company Regime, the Company would comply with National Instrument 51-102 continuous disclosure requirements, as opposed to the Investment Funds Regime which is required to comply with National Instrument 81-106 continuous disclosure requirements. If the Resolutions are approved, as part of the Public Company Regime, the Company will adopt International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and prepare financial statements and related disclosures in accordance with IFRS, along with a Management's Discussion and Analysis. One of the key distinctions between both regimes however, is that financial statements will be provided on a quarterly basis rather than semi-annually and management expects to conduct quarterly conference calls to discuss the financial reports with shareholders following the release of each quarterly report.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements (continued)

Three months and six months ended June 30, 2013 and 2012
(Unaudited)

1. Proposed transition (continued):

In anticipation of the Meeting, these condensed consolidated interim financial statements have been prepared in accordance with IFRS. In addition, the Company has prepared annual consolidated financial statements for the year ended December 31, 2012 and period from December 1, 2011 (date of formation) to December 31, 2011 and unaudited condensed interim financial statements for the three months ended March 31, 2013 and 2012 in accordance with IFRS. The accounting policies set out annual financial statements for the year ended December 31, 2012 have been applied consistently in preparing these condensed interim financial statements for the three months and six months ended June 30, 2013 and 2012. Readers of these condensed interim financial statements should see the consolidated financial statements for the year ended December 31, 2012 for the impact of the Company's conversion to IFRS.

2. Basis of preparation:

(a) Statement of compliance:

These condensed consolidated interim financial statements of the Company have been prepared by management in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. The presentations of these condensed consolidated interim financial statements are based on accounting policies and practices in accordance with International Financial reporting Standards ("IFRS"). The accompanying unaudited condensed interim financial statements should be read in conjunction with the notes to the Company's audited financial statements for the year ended December, 31, 2012, since they do not contain all disclosures required by IFRS for annual financial statements. These unaudited condensed consolidated interim financial statements reflect all normal and recurring adjustments which are in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

The condensed consolidated interim financial statements were approved by the Board of Directors on August 12, 2013.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements (continued)

Three months and six months ended June 30, 2013 and 2012
(Unaudited)

2. Basis of preparation (continued):

(b) Principles of consolidation:

These condensed consolidated interim financial statements include the accounts of the Company and a wholly owned subsidiary of the Company, Timbercreek Senior Mortgage Trust. All intercompany transactions and balances are eliminated upon consolidation.

3. Accounting policies adopted in the period:

Except as described below, the accounting policies applied by the Company in these unaudited condensed consolidated interim financial statements are the same as those applied by the Company in its audited financial statements for the year ended December 31, 2012 prepared in accordance with IFRS.

Changes in accounting policies:

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

(a) IAS 1, Presentation of Financial Statements - Amendment ("IAS 1"):

In June 2011, the IASB published amendments to IAS 1 – Presentation of Items of Other Comprehensive Income ("OCI"), which are effective for annual periods beginning on or after July 1, 2012 and are to be applied retrospectively, with early adoption permitted. IAS 1 requires an entity to present separately items in the OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. The Company has adopted the amendments to IAS 1, Presentation of Items of Other Comprehensive Income, effective January 1, 2013. The adoption of this standard had no impact on these condensed consolidated interim financial statements.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements (continued)

Three months and six months ended June 30, 2013 and 2012
(Unaudited)

3. Accounting policies adopted in the period (continued):

(b) IFRS 10, Consolidated Financial Statements ("IFRS 10"):

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Prior to the issuance of IFRS 10, consolidation was required when an entity had the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces Standing Interpretation Committee - 12, Consolidation - Special Purpose Entities and parts of IAS 27, Consolidated and Separate Financial Statements. The adoption of this standard had no impact on these condensed consolidated interim financial statements.

(c) IFRS 11, Joint Arrangements ("IFRS 11"):

In May 2011, the IASB issued IFRS 11, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The new standard redefines joint operations and joint ventures, requiring joint operations to be proportionately consolidated and joint ventures to be equity accounted. Under IAS 31, joint ventures could be proportionately accounted. The adoption of this standard had no impact on these condensed consolidated interim financial statements.

(d) IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"):

In May 2011, the IASB issued IFRS 12, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. The adoption of this standard had no impact on these condensed consolidated interim financial statements.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements (continued)

Three months and six months ended June 30, 2013 and 2012
(Unaudited)

3. Accounting policies adopted in the period (continued):

(e) IFRS 13, Fair Value Measurements ("IFRS 13"):

IFRS 13 was issued by the IASB in May 2011, which is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. IFRS 13 sets out in a single IFRS framework for the application of fair value to those assets and liabilities qualifying or permitted to be carried at fair value and provides enhanced disclosure requirements when fair value is applied. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of this standard had no impact on these condensed consolidated interim financial statements. Refer to note 11 for further details on the fair value methodologies and assumptions.

4. Critical accounting estimates, assumptions and judgements:

The preparation of condensed interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. There have been no changes in the critical accounting estimates and judgments which were set out in detail in note 2 of the Company's audited financial statements for the year ended December 31, 2012.

5. Mortgage investments, including mortgage syndications:

June 30, 2013	Gross mortgage investments	Non-recourse mortgage syndication liabilities	Net
Mortgage investments, including mortgage syndications	\$ 507,024,001	\$ (114,292,008)	\$ 392,731,993
Interest receivable	2,216,404	–	2,216,404
	509,240,405	(114,292,008)	394,948,397
Unamortized lender fees	(2,972,747)	–	(2,972,747)
	\$ 506,267,658	\$ (114,292,008)	\$ 391,975,650

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements (continued)

Three months and six months ended June 30, 2013 and 2012
(Unaudited)

5. Mortgage investments, including mortgage syndications (continued):

December 31, 2012	Gross mortgage investments	Non-recourse mortgage syndication liabilities	Net
Mortgage investments, including mortgage syndications	\$ 374,599,297	\$ (41,600,000)	\$ 332,999,297
Interest receivable	1,622,708	–	1,622,708
	376,222,005	(41,600,000)	334,622,005
Unamortized lender fees	(2,312,400)	–	(2,312,400)
	\$ 373,909,605	\$ (41,600,000)	\$ 332,309,605

The mortgage investments are generally secured by a first priority charge, bearing interest at a weighted average interest rate of 6.73% (December 31, 2012 – 6.66%) and mature between 2013 and 2016 (December 31, 2012 – 2013 and 2016).

A majority of the mortgages contain a prepayment option, whereby the borrower may repay the principal at any time after the first 12 months without penalty or yield maintenance.

For the three months and six months ended June 30, 2013, the Company received total lender fees of \$515,307 and \$1,602,084 (2012 – \$823,400 and \$1,343,036), respectively, which are amortized to interest income over the term of the mortgage investment using the effective interest rate method.

The mortgage investments are assessed at each reporting date to determine whether there is objective evidence of impairment. A mortgage investment is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of an investment, and that the loss event had a negative effect on the estimated future cash flows of that investment, that can be estimated reliably. As at June 30, 2013, no impairment losses have been recorded.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements (continued)

Three months and six months ended June 30, 2013 and 2012
(Unaudited)

5. Mortgage investments, including mortgage syndications (continued):

The unadvanced mortgage commitments under the existing mortgage portfolio amounted to \$18,906,645 as at June 30, 2013 (December 31, 2012 – \$65,752,840). Principal repayments, net of mortgage syndications, based on contractual maturity dates are as follows:

2013	\$ 9,943,631
2014	93,724,169
2015	213,529,760
2016	75,534,433

Non-recourse mortgage syndication liabilities:

The Company has entered into certain mortgage participation agreements with various investors, using senior and subordinated participation, whereby the investors take the senior position and the Company retains the subordinated position. As the Company retains an option to repurchase the senior position, not the obligation, at a purchase price equal to the outstanding principal amount of the investor's proportionate share together with all accrued interest, and the Company has retained a residual portion of the credit and/or default risk as it is holding the residual interest in the mortgage investment, the Company has not met the derecognition criteria. As a result, the investor's portion of the loan is recorded as a mortgage investment with the transferred position recorded as a non-recourse mortgage syndication liability. The interest earned on the transferred participation interests and the related interest expense is recognized in profit and loss. In addition, the Company sells pari-pasu interests in certain mortgage investments which meet the criteria for de-recognition under IFRS. The difference between the carrying value of such interest sold and the proceeds on sale are recognized as gain or loss in profit and loss.

For those investments which have not met the de-recognition criteria, the participation transactions have resulted in the Company recognizing the participating mortgages and corresponding non-recourse mortgage syndication liabilities on its statements of financial position. As at June 30, 2013, the carrying value of the transferred assets and corresponding non-recourse liabilities is \$114,292,008 (December 31, 2012 – \$41,600,000). The fair value of the transferred assets and non-recourse syndicated liabilities approximate their carrying values (see note 12(a)).

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements (continued)

Three months and six months ended June 30, 2013 and 2012
(Unaudited)

6. Restricted cash:

Restricted cash consists of cash received from borrowers in connection with the interest reserve on mortgage investments.

7. Credit facility:

On March 22, 2012, the Company entered into a credit facility (the "Credit Facility") with a syndicate of lenders in an amount of up to \$105,000,000. On October 19, 2012, the Credit Facility was amended to increase the Credit Facility amount to \$130,000,000 and to add an option to increase the Credit Facility by another \$60 million subject to certain terms and conditions. The leverage of the Company in aggregate cannot exceed 40% of the aggregate value of the assets of the Company at any time. The Company intends to utilize leverage representing approximately 30% of the aggregate value of assets of the Company at any time, with the remaining portion of the Credit Facility reserved for general working capital purposes. The Credit Facility expires in March 2014 and is subject to an interest rate equal to the bank's prime rate of interest plus 1% or bankers' acceptances ("BA") with a stamping fee of 2% of the face amount of such BA. The Credit Facility is secured by a general security agreement over the Company's assets. At June 30, 2013 \$61,000,000 (December 31, 2012 - \$37,500,000) was outstanding on the Credit Facility and is offset against cash and cash equivalents of \$24,189,534 (December 31, 2012 - \$3,199,594).

Interest paid related to the Credit Facility is amortized to financing costs using the effective interest rate method. For the three months and six months ended June 30, 2013, interest expense on the Credit Facility was \$679,404 and \$1,145,585 (2012 - \$285,470 and \$298,486), respectively.

As at June 30, 2013, there were \$385,734 (December 31, 2012 - \$698,906) in unamortized financing costs related to the Credit Facility, which are offset against the Credit Facility. These costs are amortized to interest expense using the effective interest rate method.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements (continued)

Three months and six months ended June 30, 2013 and 2012
(Unaudited)

8. Equity:

The Company is authorized to issue unlimited voting shares. As at June 30, 2013, the Company has \$99 (December 31, 2012 – \$99) of issued and fully paid voting shares.

The holders of the voting shares are entitled to receive notice of, and to attend and vote at all meetings of the shareholders of the Company. The holders of the voting shares are not entitled to receive any dividends. The holders of these shares are only entitled to a repayment of an amount up to par value upon the winding up of the Company and such payment is in priority to the holders of the Class A, B, I and J shares. The voting shares are redeemable and are held by certain employees and shareholders of Timbercreek Asset Management Inc.

9. Redeemable shares:

The Company has four classes of redeemable shares: Class A, Class B, Class I and Class J. All shares in a class rank equally with respect to dividends and are entitled to one vote for each share owned at all meetings of holders of redeemable shares at which the particular class of shares is entitled to attend and vote.

Class A shares are publicly listed on the Toronto Stock Exchange ("TSX") under the symbol "MTG" and may be issued under offerings that may be completed in the future. Class B shares are issued to fee-based and institutional investor accounts and are not listed on any stock exchange. The Company may issue Class B shares in the future under available prospectus exemptions. Class I shares and Class J shares may be issued by private placement from time to time to accredited investors, institutions, trusts, endowment funds and other discretionary pools of capital and are not listed on any stock exchange.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements (continued)

Three months and six months ended June 30, 2013 and 2012
(Unaudited)

9. Redeemable shares (continued):

During the six months ended June 30, 2013 and 2012, Class A, Class B, Class I and Class J shares issued and outstanding changed as follows:

2013	Class A	Class B	Class I	Class J
Redeemable shares outstanding, beginning of period	31,029,784	–	329,700	331,000
Issued	5,916,446	220,559	184,000	–
Issuance of redeemable shares under dividend reinvestment plan	79,071	–	–	–
Exchanged	113,250	(1,000)	–	(110,000)
Redeemed	(11,302)	–	–	–
Repurchase	(57,278)	–	–	–
Redeemable shares outstanding, end of period	37,069,971	219,559	513,700	221,000

2012	Class A	Class B	Class I	Class J
Redeemable shares outstanding, beginning of period	–	–	–	–
Issued	15,415,297	–	–	478,100
Issuance of redeemable shares under dividend reinvestment plan	4,414	–	–	–
Exchanged	–	–	–	–
Redeemed	–	–	–	–
Redeemable shares outstanding, end of period	15,419,711	–	–	478,100

On January 19, 2012, the Company completed its initial public offering of 11,500,000 Class A shares, which included the exercise of the overallotment option of 15% of the aggregate number of Class A shares issued at closing, for gross proceeds of \$115,000,000. The Company also issued 3,720,000 subscription receipts for net proceeds of \$37,200,000. The holders of these subscription receipts exchanged their subscription receipts for Class A shares on the close of business on January 19, 2012 for 3,915,297 Class A shares.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements (continued)

Three months and six months ended June 30, 2013 and 2012
(Unaudited)

9. Redeemable shares (continued):

On June 1, 2012, the Company completed a private placement and issued 478,100 Class J shares for gross proceeds of \$4,781,000.

On July 3, 2012, the Company completed a public offering of 14,950,000 Class A shares, which included the exercise of the overallotment option of 15% of the aggregate number of Class A shares issued at closing, for gross proceeds of \$149,500,000. The Company also issued 430,000 subscription receipts for gross proceeds of \$4,300,530. The holders of these subscription receipts exchanged their subscription receipts for Class A shares on the close of business on July 3, 2012 for 447,285 Class A shares.

On July 17, 2012, the Company completed a private placement and issued 344,700 Class I shares for gross proceeds of \$3,447,000.

On January 8, 2013, the Company completed a public offering of 5,916,446 Class A shares, for gross proceeds of \$58,276,997. The Company also completed an offering of 220,559 Class B shares, for gross proceeds of \$2,205,590.

In connection with the above-noted share offerings, the Company had a recovery of \$3,397 and incurred \$3,237,891 in issuance costs for the three months and six month ended June 30, 2013 (2012 - \$199,669 and \$6,976,477), respectively. Under IFRS, Class A, B, I and J shares are considered debt instruments, and accordingly, the Company has recorded these costs through profit and loss.

(a) Dividend reinvestment plan:

In April 2012, the Company instituted a dividend reinvestment plan ("DRIP") available to Class A shareholders. Under the DRIP, shareholders may enrol to have their cash dividends reinvested to purchase additional Class A shares. The Class A shares are issued from treasury at a price of 95% of the daily volume weighted average closing price on the TSX for the 10 trading days preceding payment, which price will not be less than the net redemption value per Class A share. For the six months ended June 30, 2013, 79,071 (2012 - 4,414) Class A shares were issued under the DRIP, using reinvested dividends of \$711,544 (2012 - \$42,484).

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements (continued)

Three months and six months ended June 30, 2013 and 2012
(Unaudited)

9. Redeemable shares (continued):

(b) Dividends to holders of redeemable shares:

The Company intends to pay dividends to the holders of redeemable shares on a monthly basis within 15 days following the end of each month.

	Three months ended June 30, 2013		Six months ended June 30, 2013	
	Dividends per share	Total	Dividends per share	Total
Class A	\$ 0.15	\$ 5,564,364	\$ 0.30	\$ 11,102,335
Class B	0.16	35,622	0.32	71,353
Class I	0.16	73,284	0.32	126,695
Class J	0.16	34,476	0.31	78,832

	Three months ended June 30, 2012		Six months ended June 30, 2012	
	Dividends per share	Total	Dividends per share	Total
Class A	\$ 0.15	\$ 2,312,591	\$ 0.25	\$ 3,854,121
Class J	0.05	24,861	0.05	24,861

As at June 30, 2013, \$1,904,587 (December 31, 2012 – \$1,586,505) was payable to the shareholders.

Subsequent to period end, on July 22, 2013 the Company declared dividends of \$0.050 per Class A share for a total of \$1,847,074; \$0.054 per Class B share for a total of \$11,856; \$0.054 per Class I share for a total of \$27,740 and \$0.052 per Class J share for a total of \$11,492.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements (continued)

Three months and six months ended June 30, 2013 and 2012
(Unaudited)

9. Redeemable shares (continued):

(c) Normal course issuer bid:

On June 6, 2013, the Company received the approval of the TSX to commence a normal course issuer bid (the "Bid") to purchase for cancellation up to 742,045 Class A shares, representing approximately 2% of the Class A shares float on June 4, 2013. The Bid commenced on June 13, 2013, and provides the Company with flexibility to repurchase Class A shares for cancellation until June 9, 2014, or on such earlier date as the Bid is complete. In June 2013, the Company acquired for cancellation 45,100 Class A shares at a cost of \$405,125.

10. Expenses:

(a) Management fees:

The Manager is responsible for the day-to-day operations of the Company, including administration of the Company's mortgage investments. The Company pays the Manager an annual management fee of 1.0% per annum for its services, based on the net asset value of the Company, calculated daily, aggregated and paid monthly in arrears, plus applicable taxes.

For the three months and six months ended June 30, 2013, the Company incurred management fees of \$997,678 and \$1,984,308 (2012 – \$410,550 and \$739,695), respectively.

(b) Servicing fees:

The Company pays each registered dealer a servicing fee equal to 0.50% annually of the net redemption value per Class A share held by clients of the registered dealer, calculated and paid at the end of each calendar quarter, commencing on June 30, 2012. At the discretion of the independent directors of the Company, the amount of the servicing fee on Class A shares may, at any time after January 2013, be reduced to a minimum of 0.40% annually of the net redemption value per Class A share.

For the three months and six months ended June 30, 2013, the Company incurred servicing fees of \$395,095 and \$781,459 (2012 - \$149,062 and \$149,062), respectively.

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements (continued)

Three months and six months ended June 30, 2013 and 2012
(Unaudited)

10. Expenses (continued):

The Company pays each registered dealer a servicing fee equal to 0.25% annually of the net redemption value per Class J share held by clients of the registered dealer, calculated and paid at the end of each calendar quarter, commencing on September 30, 2012. For the three months and six months ended June 30, 2013, the Company incurred servicing fees of \$11,134 and \$23,833 (2012 – nil and nil), respectively, for Class J shares.

(c) Operating expenses:

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

11. Related party transactions and balances:

- (a) As at June 30, 2013, \$7,864 is payable by the Company to the Manager for management fees (December 31, 2012 - \$12,280).
- (b) As at June 30, 2013, the Company and Timbercreek Mortgage Investment Corporation ("TMIC"), a related party by virtue of common management, have co-invested in 49 (December 31, 2012 - 29) mortgage investments totalling \$631,834,788 (December 31, 2012 – \$392,869,519), which are secured primarily by multi-family residential, office, retirement and other commercial properties. The Company's share in these investments is \$440,425,514 (December 31, 2012 - \$306,667,477), which included in this amount is a mortgage investment of \$7,201,294 (December 31, 2012 - \$6,779,296) to a limited partnership, which is co-owned by Timbercreek Four Quadrant Global Real Estate Partners ("T4Q"), a related party by virtue of common management.
- (c) As at June 30, 2013, the Company, T4Q and Timbercreek Canadian Direct LP, a related party by virtue of common management, have co-invested in one mortgage investment (December 31, 2012 - one) secured by a retail property. The Company's share in this mortgage investment is \$16,000,000 (December 31, 2012 - \$24,000,000).

TIMBERCREEK SENIOR MORTGAGE INVESTMENT CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements (continued)

Three months and six months ended June 30, 2013 and 2012
(Unaudited)

11. Related party transactions and balances (continued):

- (d) As at June 30, 2013, included in other assets are prepared interest and mortgage funding holdbacks of \$2,071,856 which are held by Timbercreek Mortgage Servicing Inc., a related party by virtue of common management, in trust account on behalf of the Company.

12. Fair values of financial instruments

The fair values of the Company's financial instruments were determined as follows.

- (a) Mortgage investments and non-recourse mortgage syndication liabilities:

There is no quoted price in an active market for the mortgage investments or non-recourse mortgage syndication liabilities; the Manager makes its determination of fair value based on its assessment of the current lending market for mortgage investments of same or similar terms. Typically, the fair value of these mortgage investments and non-recourse mortgage syndication liabilities approximate their carrying values given the amounts consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties. As a result, the fair value of mortgage investments is based on Level 3 inputs.

- (b) Other financial assets and liabilities:

The fair values of interest receivable, restricted cash, cash and cash equivalents, credit facility, accounts payable and accrued expenses, mortgage funding holdbacks, dividends payable and due to Manager approximate their carrying amounts due to their short-term maturities.

13. Commitments and contingencies:

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

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



Timbercreek Senior Mortgage Investment Corporation
Management's Discussion and Analysis
For the three months and six months ended June 30, 2013 and 2012

Dated: August 12, 2013

Forward-Looking Statements

Caution regarding forward-looking statements

The terms, the "Company", "we", "us" and "our" in the following Management Discussion & Analysis ("MD&A") refer to Timbercreek Senior Mortgage Investment Corporation (the "Company") and its consolidated financial position and results of operations for the six months ended June 30, 2013. Financial data provided has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three months and six months ended June 30, 2013, which have been prepared in accordance with IFRS. Copies of these documents have been filed electronically with securities regulators in Canada through the System for Electronic Document Analysis and Retrieval ("SEDAR") and may be accessed through the SEDAR website at www.sedar.com. Historical results and percentage relationships contained in the Company's unaudited condensed consolidated interim financial statements and MD&A related thereto, including trends that might appear, should not be taken as indicative of future operations.

Forward-looking statement advisory

This MD&A may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. These statements are typically identified by expressions like "believe", "expects", "anticipates", "would", "will", "intends", "projected", "in our opinion" and other similar expressions. By their nature, forward-looking statements require us to make assumptions which include, among other things, that (i) the Company will have sufficient capital under management to effect its investment strategies and pay its targeted dividends to shareholders, (ii) the investment strategies will produce the results intended by the Manager, (iii) the markets will react and perform in a manner consistent with the investment strategies and (iv) the Company is able to invest in mortgages of a quality that will generate returns that meet and or exceed the Company's targeted investment returns.

Forward-looking statements are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will prove not to be accurate. We caution readers of this MD&A not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to, general market conditions, interest rates, regulatory and statutory developments, the effects of competition in areas that the Company may invest in and the risks detailed from time to time in the Company's public disclosures.

We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Company, investors and others should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the Company and Timbercreek Asset Management Ltd. (the "Manager") do not undertake, and specifically disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

This MD&A is dated August 12, 2013. Disclosure contained in this MD&A is current to that date, unless otherwise noted. Additional information on the Company, its dividend reinvestment plan and its mortgage investments is available on the Timbercreek Asset Management website at www.timbercreek.com. Additional information about the Company, including its Annual Information Form ("AIF"), can be found on the SEDAR website at www.sedar.com.

Proposed Transition

On March 27, 2013, the Canadian Securities Administrators ("CSA") issued a proposal for a number of regulatory changes that, if implemented, will impact issuers such as the Company who are classified as investment funds pursuant to Canadian securities laws. Among the proposed changes is a new restriction on investments in mortgages that are not fully and unconditionally guaranteed or insured. The proposal further suggests that investment funds that invest in such non-guaranteed mortgages be given a transition period of approximately 24 months to either divest their holdings or transition into the regulatory regime for issuers that are not investment funds.

In light of the impact the proposed amendments will have on investment funds and on the business of the Company from the transition from its current status as an investment fund to a non-investment fund (the "Proposed Transition"), the Board of Directors (the "Board") has determined it is in the best interests of the Company to proceed with the Proposed Transition.

In order to achieve the Proposed Transition, the Board has called a special meeting of shareholders (the "Meeting"). At the Meeting, all shareholders, including Class A, Class B, Class I, Class J and Voting shareholders will be asked to consider, and if thought fit, to pass a resolution (the "Resolutions") with the following purposes:

- the transition of the Company from the investment fund regime ("Investment Funds Regime") to the public company regime ("Public Company Regime");
- consequential amendments to certain provisions of the articles of incorporation of the Company, related to certain share rights attached to the shares to give effect to and implement such transition;
- consequential amendments to the management agreement; and
- the election of Ugo Bizzarri, Andrew Jones and Edward Boomer as directors of the Company.

Under the Public Company Regime, the Company would comply with National Instrument 51-102 continuous disclosure requirements, as opposed to the Investment Funds Regime which is required to comply with National Instrument ("NI 81-106") continuous disclosure requirements. If the Resolutions are approved, as part of the Public Company Regime, the Company will adopt International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and prepare financial statements and related disclosures in accordance with IFRS, along with a Management's Discussion and Analysis report. One of the key distinctions between both regimes however, is that financial statements will be provided on a quarterly basis rather than semi-annually and management expects to conduct quarterly conference calls to discuss the financial reports with shareholders following the release of each quarterly report.

In anticipation of the Meeting, the Company has prepared the financial statements in accordance with IFRS for the following periods to meet the requirements of 51-102:

- Audited annual financial statements for the year ended December 31, 2012 and the period from December 1, 2011 (date of formation) to December 31, 2011;
- Unaudited condensed interim financial statements for the three months ended March 31, 2013; and
- Unaudited condensed consolidated interim financial statements for the three months and six months ended June 30, 2013.

The Company has also prepared MD&A's for the year ended December 31, 2012, three months ended March 31, 2013 and six months ended June 30, 2013.

The Company has previously filed audited annual financial statements in accordance with Part V of the Handbook of Canadian Institute of Chartered Accountants ("Canadian GAAP") and its Management Report of Fund Performance, through the year ended December 31, 2012 in accordance NI 81-106.

Basis of Presentation

As described in the Proposed Transition above, the Company adopted IFRS as issued by the IASB as its basis of financial reporting commencing with the audited annual financial statements for the year ended December 31, 2012 and the period from December 1, 2011 (date of formation) to December 31, 2011. Financial data provided in this MD&A, for the three months and six months ended June 30, 2013 and 2012, has been prepared in accordance with IFRS.

Non-IFRS Measures

The Company prepares and releases audited annual financial statements and unaudited condensed consolidated interim financial statements in accordance with IFRS. In this MD&A, as a complement to results provided in accordance with IFRS, the Company discloses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS (collectively the "non-IFRS measures"). These non-IFRS measures are further described below. The Company has presented such non-IFRS measures because the Manager believes these non-IFRS measures are relevant measures of the ability of the Company to earn and distribute cash dividends to investors and to evaluate the Company's performance. These non-IFRS measures should not be construed as alternatives to net income (loss) or cash flows from operating activities determined in accordance with IFRS as indicators of the Company's performance.

- Income from operations – represents net income earned by the Company before financing costs;
- Income from operations per share – calculated by allocating income from operations to each class of shares divided by the weighted average number of shares for that class for the stated period;
- Expense ratio – represents total expenses (excluding financing costs) for the stated period expressed as an annualized percentage of the average of the beginning and ending balances of net mortgage investments;
- Net assets per share – represents net assets attributable to the relevant class divided by the number of shares outstanding at period end;
- Net interest income per share – represents net interest income to each class of shares divided by the weighted average number of shares for that class for the stated period;
- Average mortgage investment – represents the total mortgage investments divided by the total number of mortgage investments at the reporting date;
- Weighted average interest rate – represents the weighted average interest rate on the net mortgage investments;
- Average lender fees – represents the cash lender fees received on new mortgage investments funded as a percentage of advances during the period; and
- Turnover ratio – represents total repayments during the period expressed as a percentage of the monthly weighted average net mortgage investments for the period.

Readers are cautioned not to view non-IFRS measures as alternatives to financial measures calculated in accordance with IFRS.

Business Overview

Timbercreek Senior Mortgage Investment Corporation (the "Company") is federally incorporated under the Canada Business Corporations Act by articles of incorporation dated December 1, 2011 and is authorized to issue an unlimited number of Class A, Class B, Class I, Class J and voting shares. The Company invests in mortgage investments selected and determined to be high quality by the Manager. The Company intends to qualify as a mortgage investment corporation ("MIC") as defined under Section 130.1(6) of the Income Tax Act (Canada).

The Company began operations on January 19, 2012 upon successful completion of initial public offering.

The fundamental investment objectives of the Company are to:

- Preserve the net asset value of the Company; and
- Provide shareholders with a stable stream of monthly dividends.

The Company intends on meeting its investment objectives by investing in a diversified portfolio of mortgage investments, consisting primarily of conventional mortgage loans secured directly by residential (including multi-family residential and retirement homes), office, retail and industrial real property across Canada, primarily located in large urban markets and surrounding areas.

The Company's Class A shares are publicly listed on the Toronto Stock Exchange ("TSX") under the symbol "MTG"; whereas Class B, Class I and Class J shares are privately held and there is no market through which these shares may be sold.

The Company has instituted a dividend reinvestment plan ("DRIP") available to Class A shareholders. Under the DRIP, shareholders may enroll to have their cash dividends reinvested to purchase additional Class A shares. The Class A shares are issued from treasury at a price of 95% of the daily volume weighted average closing price on the TSX for the 10 trading days preceding payment, the price of which will not be less than the net redemption value per Class A share. Shareholders who wish to enroll in the DRIP or who would like further information about the plan should contact Corporate Communications at 416-306-9967 ext. 7266.

Recent Developments and Outlook

During the six months ended June 30, 2013 (the "Period"), the Manager continued to view Canadian investment grade real estate fundamentals as being stable and sustainable, contributing to an attractive lending environment.

Though the share prices of the Canadian public REITs have generally traded down over the past quarter, limiting their ability to raise new capital, the demand from other institutional investors as well as private investors has remained solid with valuations staying stable.

In the commercial mortgage industry we continue to see quality borrowers in the marketplace, with investment-grade assets. Though many of these borrowers have been presented with multiple options, the options often do not meet their requirements due to the more rigid policies of institutional lenders, and continued uncertainty in the banking sector as a result of new Basel III risk-weighted capital requirements. As well, the Canadian securitization market remained very quiet, with effectively no issuance of Commercial Mortgage Backed Securities ("CMBS") in 2013. The net result of these factors is a large gap in the supply-side of the market for high quality loans which is being increasingly filled by non-bank lenders.

With the recent rise in the medium-term Canada bond yields, the gap between institutional lenders has narrowed slightly with those of non-bank lenders, making the non-bank lenders more competitive. In addition, there is little competition for the Company's targeted loans from other non-bank lenders as most non-bank lenders have a higher cost of capital. Over the past six months, limited new capital has been raised by the public participants in the Canadian non-bank lending universe in general. Those few participants which have raised new capital have a low enough targeted yield to compete with the types of loans the Company targets, however, have raised an insignificant amount of new capital over the past 24 months. As a result of these factors, deal flow and lending opportunities have been abundant. The Manager is very comfortable that the Company can continue to meet its investment objectives in this environment, particularly as the Company is able to take advantage of the strategic relationship with Timbercreek Mortgage Investment Corporation ("TMIC") to offer flexible lending solutions to qualified borrowers.

Given the current availability of high quality loans and general market trends observed by the Manager, there has been no need to modify the Company's AAM during the Period. The Manager and the Mortgage Advisory Committee ("MAC") continue to place emphasis on investments secured by cash-flowing real estate assets, a geographically diversified portfolio and larger, individual mortgage investments secured by institutional quality real estate assets. This strategy is expected to continue throughout 2013 and beyond.

In summary, the Company has been competitive and successful in establishing itself as a market leader. The Manager believes this success is a result of being conservative and selective in making investments that meet the Company's investment objectives.

Financial Highlights

During the Period, the Company grew its net assets attributable to holders of redeemable shares by \$56.9 million to \$353.0 million as at June 30, 2013. Overall, the Company's net assets have grown by approximately 19.2% since December 31, 2012. The Company's continued growth has meant that larger individual mortgage investments are compatible with the Company's investment strategy and AAM, thus increasing the universe of potential investments.

(\$000's, except per share and other non-financial data)	Three months ended		Six months ended		Year ended
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	December 31, 2012
Statement of financial position highlights (as at)					
Mortgage investments, including mortgage syndications	\$ 506,268	\$ 222,160	\$ 506,268	\$ 222,160	\$ 373,910
Mortgage investments, net of mortgage syndications	\$ 391,976	\$ 187,500	\$ 391,976	\$ 187,500	\$ 332,310
Total assets	\$ 508,517	\$ 222,339	\$ 508,517	\$ 222,339	\$ 376,048
Credit facility	\$ 36,425	\$ 38,078	\$ 36,425	\$ 38,078	\$ 33,602
Net assets attributable to Class A, B, I & J shareholders	\$ 352,970	\$ 147,948	\$ 352,970	\$ 147,948	\$ 296,057
Net assets per share:					
Class A	\$ 9.27	\$ 9.29	\$ 9.27	\$ 9.29	\$ 9.34
Class B	\$ 9.57	-	\$ 9.57	-	-
Class I	\$ 9.89	-	\$ 9.89	-	9.89
Class J	\$ 9.19	\$ 9.69	\$ 9.19	\$ 9.69	\$ 9.36
Financial information (for the period ended)					
Net interest income per share: *					
Class A	\$ 0.36	\$ 0.20	\$ 0.39	\$ 0.20	\$ 0.54
Class B	\$ 0.37	-	\$ 0.41	-	-
Class I	\$ 0.38	-	\$ 0.42	-	\$ 0.32
Class J	\$ 0.34	\$ 0.06	\$ 0.37	\$ 0.06	\$ 0.37
Dividends per share: *					
Class A	\$ 0.15	\$ 0.15	\$ 0.30	\$ 0.25	\$ 0.55
Class B	\$ 0.16	-	\$ 0.32	-	-
Class I	\$ 0.16	-	\$ 0.32	-	0.32
Class J	\$ 0.16	\$ 0.05	\$ 0.31	\$ 0.05	\$ 0.36
Mortgage investment information					
Net mortgage investments **	\$ 392,732	\$ 187,789	\$ 392,732	\$ 187,789	\$ 332,999
Average loan size *	\$ 7,273	\$ 9,389	\$ 7,273	\$ 9,389	\$ 10,406
Weighted average interest rate *	6.73%	6.50%	6.73%	6.50%	6.66%
Average lender fee *	0.70%	0.62%	0.82%	0.69%	0.72%
Turnover ratio *	14.97%	5.92%	42.39%	8.66%	52.61%

* Refer to Non-IFRS Measures section

** Net mortgage investments represents total mortgage investments net of non-recourse mortgage syndication liabilities and interest receivable and gross of unamortized lender fees. This measure has been used through-out this MD&A, unless specified otherwise.

For the three months ended June 30, 2013 ("Q2 2013") and June 30, 2012 ("Q2 2012"):

- During Q2 2013, the Company advanced 13 new mortgage investments (Q2 2012 – 9) totaling \$82.7 million (Q2 2012 – \$131.8 million) and received repayments and partial pay downs on 16 mortgage investments (Q2 2012 – 2), totaling \$59.4 million (Q2 2012 – \$8.0 million), resulting in net mortgage investments of \$392.7 million (June 30, 2012 – \$186.6 million) as at June 30, 2013.
- Net interest income earned by the Company in Q2 2013 was \$7.0 million (Q2 2012 – \$2.5 million). The increase over prior period is a result of fully deploying the equity raised from multiple equity offerings throughout 2012 into mortgage investments.
- During Q2 2013, the Company received non-refundable lender fees of \$0.6 million (Q2 2012 – \$0.8 million) or 0.7% (Q2 2012 – 0.6%) of new mortgage investments funded in Q2 2013.
- During Q2 2013, the Company generated income from operations of \$5.4 million (Q2 2012 – \$1.8 million) or per Class A, Class B, Class I and Class J share of \$0.14, \$0.16, \$0.16 and \$0.15 (Q2 2012 – \$0.11, nil, nil and \$0.05), respectively.
- During Q2 2013, the Company paid dividends of \$0.15 per Class A share for a total of \$5.6 million (Q2 2012 – \$0.15; \$2.3 million), \$0.16 per Class B share for a total of \$0.04 million (Q2 2012 – nil; nil), \$0.16 per Class I share for a total of \$0.07 million (Q2 2012 – nil; nil) and \$0.16 per Class J share for a total of \$0.03 million (Q2 2012 – \$0.05; \$0.02 million).

For the six months ended June 30, 2013 (the "Period") and June 30, 2012 ("YTD 2012"):

- The Company completed a public offering of 5,916,446 Class A shares for gross proceeds of \$58.3 million. The Company also completed non-brokered private placements of 220,559 Class B shares, for gross proceeds of \$2.2 million and 184,000 Class I shares, for gross proceeds of \$1.8 million.
- During the Period, the Company advanced 29 new mortgage investments (YTD 2012 – 21) totaling \$203.7 million (YTD 2012 – \$195.8 million), had additional advances on existing mortgage investments of \$17.0 million (YTD 2012 – nil) and received repayments and partial pay downs on 27 mortgage investments (YTD 2012 – 2), totaling \$161.0 million (YTD 2012 – \$8.0 million), resulting in net mortgage investments of \$392.7 million (June 30, 2012 – \$186.6 million) as at June 30, 2013.
- Net interest income earned by the Company for the Period was \$13.5 million (YTD 2012 – \$3.2 million). The increase over prior period is a result of fully deploying the equity raised multiple equity offerings through 2012 into mortgage investments, along with fees generated from a strong investment turnover experienced by the Company.
- During the Period, the Company received non-refundable lender fees of \$1.6 million (YTD 2012 – \$1.3 million) or 0.8% (YTD 2012 – 0.7%) of new mortgage investments funded in the Period.
- The Company generated income from operations of \$10.3 million (YTD 2012 – \$2.1 million) or per Class A, Class B, Class I and Class J share of \$0.27, \$0.30, \$0.31 and \$0.28 (YTD 2012 – \$0.13, nil, nil and 0.05), respectively.
- The Company paid dividends of \$0.30 per Class A share for a total of \$11.1 million (YTD 2012 – \$0.25; \$3.9 million), \$0.32 per Class B share for a total of \$0.07 million (YTD 2012 – nil; nil), \$0.32 per Class I share for a total of \$0.1 million (YTD 2012 – nil; nil) and \$0.31 per Class J share for a total of \$0.08 million (YTD 2012 – \$0.05; \$0.02 million).

The Manager continues to be selective and has focused predominantly on mortgage investments that are secured by cash-flowing assets, while still exceeding its targeted return to shareholders.

Analysis of Financial Information for the Period

Statement of loss and comprehensive loss

	Three months ended			Six months ended		
	2013	June 30, 2012	% Change	2013	June 30, 2012	% Change
Net interest income	\$ 6,964,326	\$ 2,467,619	182.2%	\$ 13,531,170	\$ 3,182,709	325.1%
Expenses	(1,612,520)	(693,458)	132.5%	(3,267,374)	(1,103,768)	196.0%
Income from operations	5,351,806	1,774,161	201.7%	10,263,796	2,078,941	393.7%
Financing costs:						
Interest on credit facility	(679,405)	(285,470)	138.0%	(1,145,585)	(298,486)	283.8%
Issuance costs of redeemable shares	3,397	(199,669)	(101.7%)	(3,237,891)	(6,976,477)	53.6%
Dividends to holders of redeemable shares	(5,707,746)	(2,337,452)	144.2%	(11,379,215)	(3,878,982)	193.4%
Net loss and comprehensive loss	\$ (1,031,947)	\$ (1,048,430)	(1.57%)	\$ (5,498,895)	\$ (9,075,004)	39.4%

*Net interest income*¹

The Company earned net interest income for the three and six months ended June 30, 2013 of \$7.0 million and \$13.5 million, respectively. The significant increase in income was due to the Company increasing its portfolio of mortgage investments by approximately \$204.9 million, or 109.1%, from June 30, 2012 to June 30, 2013. Net interest income is made up of the following:

- Interest income* – For the three and six months ended June 30, 2013, the Company earned \$6.5 million and \$12.5 million (Q2 2012 – \$2.2 million; YTD 2012 – \$2.9 million) in interest income on the net mortgage investments, respectively. The weighted average interest rate on the mortgage portfolio increased over the Period, to 6.73% at June 30, 2013 from 6.66% at December 31, 2012. While the average mortgage investment decreased over the Period, the number of mortgage investments increased to 54 at June 30, 2013 (December 31, 2012 – 32).
- Lender fee income* – During the three and six months ended June 30, 2013, the Company received non-refundable lender fees of \$0.5 and \$1.6 million (Q2 2012 – \$0.8 million; YTD 2012 – \$1.3 million), or 0.7% and 0.8% (Q2 2012 – 0.6%; YTD 2012 – 0.7%) of new mortgage investments funded in the respective periods. These lender fees are amortized using the effective interest rate method over the expected life of the mortgage investments to lender fee income. For the three and six months ended June 30, 2013, \$0.4 million and \$0.9 million (Q2 2012 – \$0.1 million; YTD 2012 – \$0.2 million) of non-refundable lender fees were amortized to lender fee income. The lender fees generated by the Company continue to be a significant component of income resulting from mortgage turnover. The Manager does not retain any portion of the lender fees, unlike other competing mortgage investment corporations, ensuring management interests are aligned with the Company.
- Other income* – For the three and six months ended June 30, 2013, the Company earned was less than \$0.1 million and \$0.1 million (Q2 2012 – \$0.1 million; YTD 2012 – \$0.1 million) in other income. Other income includes administration and draw fees earned on mortgage and loan funding's, prepayment penalties and exit fees earned on mortgage repayments and other miscellaneous fees. The Manager does not retain any portion of administration and draw fees or exit fees, thus maximizing the income of the Company.

¹ For analysis purposes, net interest income and its component parts are discussed net of payments made on account of mortgage syndications to provide the reader with a more representative reflection of the Company's performance.

Expenses

For the three and six months ended June 30, 2013, the Company's expense ratio² was 1.7% and 1.8% (Q2 2012 – 2.2%; YTD 2012 – 1.2%). As the Company continues to grow its mortgage investment portfolio, its expense ratio will decrease as several of the operating costs of the Company do not increase in proportion to the size of the Company.

Management fees

The Company pays the Manager an annual management fee of 1.0% per annum for its services, based on the net asset value of the Company, calculated daily, aggregated and paid monthly in arrears, plus applicable taxes. For the three and six months ended June 30, 2013, the Company incurred management fees of \$1.0 million and \$2.0 million (Q2 2012 – \$0.4 million; YTD 2012 – \$0.7 million). The management fee has increased due to the increase in net assets attributable to holders of redeemable shares of \$205.0 million from June 30, 2012 to June 30, 2013.

Servicing fees

The Company pays each registered dealer a servicing fee equal to 0.50% annually of the net redemption value per Class A share held by clients of the registered dealer, calculated and paid at the end of each calendar quarter. For the three and six months ended June 30, 2013, the Company incurred servicing fees of \$0.4 million and \$0.8 million (Q2 2012 – nil; YTD 2012 – nil) for Class A shares.

The Company pays each registered dealer a servicing fee equal to 0.25% annually of the net redemption value per Class J share held by clients of the registered dealer, calculated and paid at the end of each calendar quarter, commencing on September 30, 2012. For the three and six months ended June 30, 2013, the Company incurred servicing fees of \$0.01 million and \$0.01 million (Q2 2012 – \$0.01 million; YTD 2012 – \$0.01 million) for Class J shares.

General and administrative

For the three and six months ended June 30, 2013, the Company incurred general and administrative expenses of \$0.2 million and \$0.5 million (Q2 2012 – \$0.1 million; YTD 2012 – \$0.2 million). General and administrative expenses consist mainly of audit fees, professional fees, director fees and other operating costs associated with operating the Company and administration of the mortgage portfolio. As the Company increases its net assets, operating expenses continue to decrease, equating to 0.3% of average mortgage investments (annualized) for the Period (YTD 2012 – 0.2%).

Interest on credit facility

Financing costs include interest paid on amounts drawn on the credit facility from time-to-time throughout 2013, stand-by fees charged on unutilized credit facility amounts and amortization of financing costs which were incurred on closing of the credit facility. Financing costs for the Period included interest on the credit facility of \$1.1 million (Q2 2012 – \$0.3 million).

Issuance costs of redeemable shares

As the Class A, B, I, and J shares are classified as liabilities under current IFRSs, the issuance costs are considered to be financing costs which are associated with periodic equity offerings are recognized in the profit and loss. For the Period, the Company incurred issuance costs of \$3.2 million (YTD 2012 – \$7.0 million) relating to the issuance of Class A and B shares for total gross proceeds of \$62.3 million (YTD 2012 – \$157.0 million). The issuance costs include agent's commissions, legal, professional and other costs relating to the offering.

² Defined in Non-IFRS Measures section

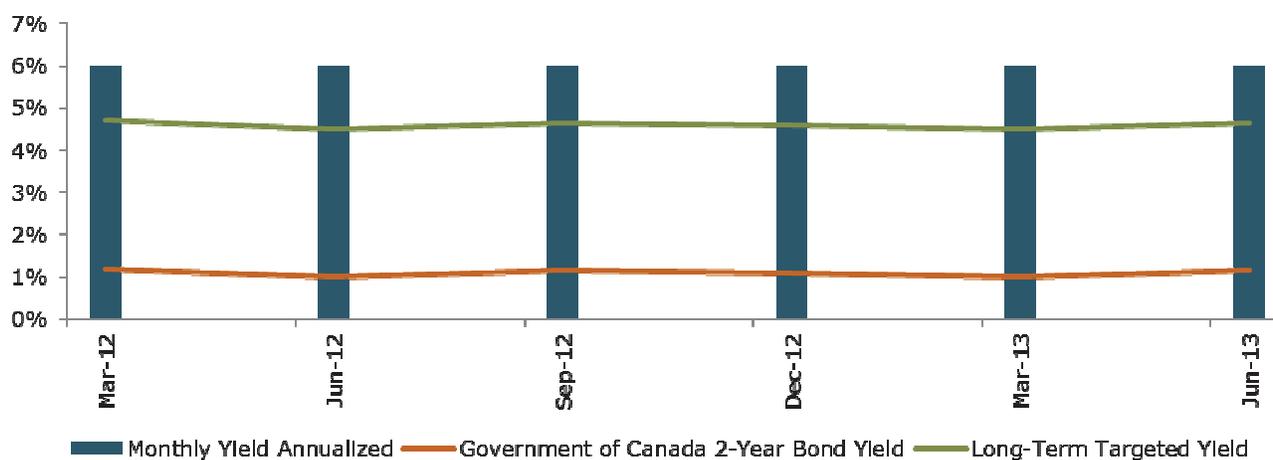
Dividends to holders of redeemable shares

The Company intends to pay dividends to holders of redeemable shares on a monthly basis within 15 days following the end of each month. Below is a summary of the dividends to holders of redeemable shares for the three and six months ended June 30, 2013 and 2012.

	Three months ended June 30, 2013		Six months ended June 30, 2013	
	Dividend per share	Total	Dividend per share	Total
Class A	\$ 0.15	\$ 5,564,364	\$ 0.30	\$ 11,102,334
Class B	0.16	35,623	0.32	71,353
Class I	0.16	73,283	0.32	126,695
Class J	0.16	34,476	0.32	78,832

	Three months ended June 30, 2012		Six months ended June 30, 2012	
	Dividend per share	Total	Dividend per share	Total
Class A	\$ 0.15	\$ 2,312,591	\$ 0.30	\$ 3,854,121
Class B	-	-	-	-
Class I	-	-	-	-
Class J	0.05	24,861	0.25	24,861

The following chart depicts the annualized return based on dividends paid on Class A shares, in relation to the 2-Year Government of Canada Bond Yield ("2-Yr GOC") and the Company's targeted yield of the 2-Yr GOC plus 350 basis points.³



³ The annualized return, 2-Yr GOC and long-term targeted yield are calculated on a monthly basis, but are presented above at quarter ends

Statement of Financial Position

*Mortgage investments*⁴

The balance of mortgage investments is as follows:

	June 30, 2013	December 31, 2012
Mortgage investments, including mortgage syndications	\$ 507,024,001	\$ 374,599,297
Non-recourse mortgage syndication liabilities	(114,292,008)	(41,600,000)
	392,731,993	332,999,297
Interest receivable	2,216,404	1,622,708
Unamortized lender fees	(2,972,747)	(2,312,400)
	\$ 391,975,650	\$ 332,309,605

During the Period, the Company advanced 29 mortgage investments (YTD 2012 – 21) totaling \$203.7 million (YTD 2012 – \$195.8 million), had additional advances on existing mortgage investments totaling \$17.0 million (YTD 2012 – nil) and received repayments and partial pay downs on 27 mortgage investments (YTD 2012 – 2) totaling \$161.0 million (YTD 2012 – \$8.0 million), resulting in net mortgage investments of \$392.7 million as at June 30, 2013 (June 30, 2012 – \$186.6 million), or a portfolio turnover rate of 42.39% (YTD 2012 – 8.66%). As at June 30, 2013, the average mortgage investment was approximately \$7.3 million (June 30, 2012 – \$9.4 million). Further, the new mortgage investments from the Period equate to approximately 51.9% of the Company's mortgage investments at Period end (June 30, 2012 – 104.3%).

The weighted average interest rate on the mortgage investments at June 30, 2013 was 6.73% (December 31, 2012 – 6.66%).

The Company enters into certain mortgage participation agreements with various investors, using senior and subordinated participation, whereby the investors take the senior position and the Company retains the subordinated first position. These agreements provide an option to the Company to repurchase the senior position, not the obligation, at a purchase price equal to the outstanding principal amount of the investor's proportionate share together with all accrued interest. During the Period, the non-recourse mortgage syndications have increased to \$114.3 million (December 31, 2012 – \$41.6 million), as the Company is expanding its relationships with various investors. This provides the Company with flexibility through the ability to buy-back the existing investments at a future date if desired.

The mortgage investments are assessed at each reporting date to determine whether there is objective evidence of impairment. A mortgage investment is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of an asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. As at June 30, 2013, no impairment losses have been recorded.

As at June 30, 2013, the Company's mortgage investments were comprised of 54 mortgage investments (December 31, 2012 – 32) which were allocated across the following categories:

⁴ For analysis purposes, "mortgage investments" and its component parts are discussed net of mortgage syndications to provide the reader with a more representative reflection of the Company's performance.

(a) *Region*⁵:

	June 30, 2013		December 31, 2012	
	# of Loans	% of Portfolio	# of Loans	% of Portfolio
ON	30	65.1%	19	63.7%
QC	7	17.7%	5	21.8%
BC	4	5.3%	2	1.7%
AB	8	8.5%	3	10.3%
SK	3	0.9%	3	2.5%
OT	1	2.3%	0	0.0%
MB	1	0.2%	0	0.0%
	54	100.0%	32	100.0%

Given the Company has not achieved its target portfolio size, from time to time it may experience higher concentrations to particular regions if the Manager believes certain mortgage investments are great opportunities for the Company, while still adhering to its AAM. Currently the greatest concentration is in Ontario and Quebec. At June 30, 2013, 82.8% of the mortgage portfolio was allocated across these two provinces (Ontario – 65.1%; Quebec – 17.7%). This is in comparison to December 31, 2012 where 85.5% of the mortgage portfolio was allocated between these two provinces (Ontario – 63.7%; Quebec – 21.8%). The Company has continued to maintain significant exposure to Ontario as it has benefited from sourcing mortgages secured by high-quality, cash flowing multi-family and office assets in good markets, with multiple repeat borrowers with proven track records.

(b) *Maturity*⁵:

	June 30, 2013		December 31, 2012	
	# of Loans	% of Portfolio	# of Loans	% of Portfolio
Maturing 2013	6	2.5%	7	12.0%
Maturing 2014	20	23.3%	14	29.5%
Maturing 2015	21	55.0%	10	46.5%
Maturing 2016	7	19.2%	1	12.0%
	54	100.0%	32	100.0%

The Company's portfolio turnover rate for the Period was strong at 42.4% (December 31, 2012 – 52.6%). The Company's strong portfolio turnover helps generate fee income, all of which goes to the Company while ensuring the Company is able to respond quickly to a changing interest rate environment. The weighted average term to maturity as at June 30, 2013 is 2.4 years (December 31, 2012 – 3.06 years).

⁵ Percentages are calculated on net mortgage investments.

(c) *Asset Type*⁵:

	June 30, 2013		December 31, 2012	
	# of Loans	% of Portfolio	# of Loans	% of Portfolio
Retail	7	12.4%	4	8.7%
Multi-family residential	24	40.3%	12	40.0%
Office	6	11.4%	5	19.1%
Retirement	3	11.1%	2	10.4%
Industrial	3	6.2%	2	3.0%
Hotels	4	4.1%	1	0.9%
Unimproved Land	2	4.6%	1	4.0%
Other-residential	3	9.4%	3	13.2%
Single-residential	2	0.5%	2	0.7%
	54	100.0%	32	100.0%

The Company has developed a lending niche predominantly in cash-flowing assets; specifically in multi-family residential, while targeting cash-flowing assets. Historically, the Company has had very little exposure to land development, single-family residential mortgages and construction loans, where demand is largely impacted by the strength or weakness of the Canadian housing market.

(d) *Interest rate*⁵:

	June 30, 2013		December 31, 2012	
	# of Loans	% of Portfolio	# of Loans	% of Portfolio
5.00% or Lower	1	5.6%	0	0.0%
5.01% - 5.49%	0	0.0%	0	0.0%
5.50% - 5.99%	3	15.6%	5	27.9%
6.00% - 6.49%	6	7.0%	4	8.8%
6.50% - 6.99%	8	13.7%	6	23.2%
7.00% or Greater	36	58.1%	17	40.1%
	54	100.0%	32	100.0%

The weighted average interest rate, excluding lender fee income, on the mortgage investments at June 30, 2013 was 6.73% (December 31, 2012 – 6.66%). The weighted average interest rate was greater than the Company's target return for the Period of 4.56% (December 31, 2012 – 4.61%), equal to the 2 -Yr GOC plus 350 basis points.

(e) *Loan-to-value*⁵:

	June 30, 2013		December 31, 2012	
	# of Loans	% of Portfolio	# of Loans	% of Portfolio
55% or Less	21	41.6%	9	36.6%
56% - 60%	6	10.2%	4	10.3%
61% - 65%	25	46.1%	17	38.9%
66% - 70%	2	2.1%	2	14.2%
	54	100.0%	32	100.0%

The loan-to-value on the mortgage portfolio at June 30, 2013 was 46.6% (December 31, 2012 – 53.6%), well below the AAM's ceiling of 70%.

Net working capital

The net working capital increased by \$0.7 million from June 30, 2013 to December 31, 2012 mainly due to an increase in interest receivable of \$0.6 million. The Company has available its credit facility to manage its working capital while ensuring idle cash is minimized.

Credit facility

The Company entered into a credit facility agreement with a syndicate of lenders (the "Syndicate") in an amount of up to \$105 million (the "Credit Facility"), bearing interest at either the prime rate of interest plus 1% or bankers' acceptances ("BA") with a stamping fee of 2% of the face amount of such BA. On October 19, 2012, the Credit Facility was amended to increase the limit to \$130 million and to add an option to increase the limit by another \$60 million, subject to certain terms and conditions. The leverage of the Company in aggregate cannot exceed 40% of the aggregate value of the assets of the Company at any time. The Company intends to utilize leverage representing approximately 30% of the aggregate value of assets of the Company at any time, with the remaining portion of the Credit Facility reserved for general working capital purposes. The Credit Facility is secured by a general security agreement over the Company's assets, and expires in March 2014. At June 30, 2013, \$61.0 million (December 31, 2012 – \$38.1 million) was outstanding on the Credit Facility and is offset against cash and cash equivalents of \$24.1 million (December 31, 2012 – \$6.7 million).

In July, 2013, the Company received approval from the Syndicate to amend certain terms of the Credit Facility agreement to provide the Company with additional borrowing flexibility along with providing a \$25.0 million bulge. The bulge will expire on December 30, 2013.

As at June 30, 2013, there were \$0.4 million (December 31, 2012 – \$0.7 million) in unamortized financing costs related to the structuring of the Credit Facility, which are netted against the Credit Facility. These costs are amortized to interest expense using the effective interest rate method.

Net assets attributable to holders of redeemable shares

Under IFRS, IAS 32 requires that shares of an entity which include a contractual obligation for the issuer to repurchase or redeem the shares for cash or another financial asset, be classified as a financial liability. The Company's Class A, Class B, Class I and Class J shares do not meet the criteria in IAS 32 for classification as equity and therefore, have been reclassified as financial liabilities on transition to IFRS. In addition, the dividends and issuance costs related to these shares have also been reclassified as financing costs in the statement of comprehensive loss on transition to IFRS.

During the Period, the Company completed a public offering of 5,916,446 Class A shares for gross proceeds of \$58.3 million. The Company also completed a non-brokered private placement of 220,559 Class B shares, for gross proceeds of \$2.2 million and an offering of 184,000 Class I shares, for gross proceeds of \$1.8 million.

For the Period, 66,893 (2012 – nil) Class A shares were issued under the DRIP, using reinvested dividends of \$0.6 million (2012 – nil).

Quarterly Financial Information

The following is a quarterly summary of the Company's results for the six most recently completed quarters:

	Q2 - 2013	Q1 - 2013	Q4 - 2012	Q3 - 2012	Q2 - 2012	Q1 - 2012
Net interest income	\$ 6,964,326	\$ 6,566,844	\$ 5,504,017	\$ 4,254,605	\$ 2,467,619	\$ 715,090
Expenses	(1,612,520)	(1,654,854)	(1,333,041)	(1,339,424)	(693,458)	(410,312)
Income from operations	5,351,806	4,911,990	4,170,976	2,915,181	1,774,161	304,778
Financing costs:						
Interest on credit facility	(679,404)	(466,180)	(451,253)	(246,298)	(285,470)	(13,015)
Issuance cost of redeemable shares	3,397	(3,241,288)	(32,547)	(6,425,899)	(199,669)	(6,776,808)
Dividends to holders of redeemable shares	(5,707,746)	(5,671,469)	(4,757,355)	(4,754,253)	(2,337,452)	(1,541,530)
	(6,383,753)	(9,378,937)	(5,241,155)	(11,426,450)	(2,822,591)	(8,331,353)
Net loss and comprehensive loss	(1,031,947)	(4,466,947)	(1,070,179)	(8,511,269)	(1,048,430)	(8,026,575)

The variations in loss by quarter are directly related to the growth in equity of the Company during this time. Specifically, the Company has raised gross proceeds of approximately \$376.6 million since Q1 2012. The proceeds from these offerings have been used to fund mortgage investments, the timing of which typically occur around periodic offerings and existing investment maturities, which vary throughout the year. Following each periodic equity offering, the Company is subject to holding idle cash while it originates new mortgage investments or waits for the closing of existing mortgage investment commitments. The Company seeks to deploy this cash within 60 to 90 days of closing an equity offering.

Related Party Transactions

As at June 30, 2013, the Company and Timbercreek Mortgage Investment Corporation ("TMIC"), a related party by virtue of common management, have co-invested in several mortgage investments totalling \$631.8 million (December 31, 2012 – \$392.9 million), which are secured primarily by multi-family residential, office, retirement and other commercial properties. The Company's share in these investments is \$440.4 million (December 31, 2012 – \$306.7 million), which included in this amount is a mortgage investment of \$7.2 million (December 31, 2012 – \$6.8 million) to a limited partnership, which is co-owned by Timbercreek Four Quadrant Global Real Estate Partners ("T4Q"), a related party by virtue of common management.

As at June 30, 2013, the Company, T4Q and Timbercreek Canadian Direct LP, a related party by virtue of common management, have co-invested in one mortgage investment (December 31, 2012 – one) secured by a retail property. The Company's share in this mortgage investment is \$16.0 million (December 31, 2012 – \$24.0 million).

Commitments and Contingencies

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

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

Critical Accounting Estimates

The preparation of condensed consolidated interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The critical accounting estimates and judgments have been set out in detail in note 2 of the Company's audited annual consolidated financial statements for the year ended December 31, 2012.

The estimates deemed to be most significant, due to subjectivity and the potential risk of causing a material adjustment within the next financial year to the carrying amounts of assets and liabilities include the valuation of mortgage and loan investments.

Future Changes in Accounting Policies

As of August 12, 2013, there have been no new or amended IFRS issued by the IASB since the last update provided by the Company in its financial statements and MD&A for the year ended December 31, 2012, that has an impact on the Company's fiscal years beginning after December 31, 2012. For a detailed description of the Company's accounting policies, refer to note 2 and 3 of the Company's annual audited financial statements for December 31, 2012.

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provision.

- The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of its subsidiary, Timbercreek Senior Mortgage Trust.
- The Company does not have any joint arrangements and concluded that the adoption of IFRS 11 did not impact its financial statements.
- The Company has concluded that the adoption of IFRS 13 resulted in enhanced fair value disclosures relating to financial instruments as detailed in note 10 of the unaudited condensed consolidated interim financial statements for the six months ended June 30, 2013.

- The Company has adopted the amendments to IAS 1 effective January 1, 2013, although it has determined that it did not result in any impact to the unaudited condensed consolidated interim financial statements for the six months ended June 30, 2013.

Outstanding Share Data

As at July 31, 2013, the Company's authorized capital consists of an unlimited number of Class A, Class B, Class I, Class J shares and voting shares, of which 36,895,771; 219,559; 513,700; 221,000 and 99 are issued and outstanding respectively.

Capital Structure and Liquidity

Capital structure

The Company manages its capital structure in order to support ongoing operations while focusing on its primary objectives of preserving shareholder capital and generating a stable monthly cash dividend to shareholders. The Company defines its capital structure to include Class A, B, I and J shares and the Credit Facility.

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

Liquidity

Access to liquidity is an important element of the Company as it allows the Company to implement its investment strategy. However, the Company intends to qualify as a MIC as defined under Section 130.1(6) of the Income Tax Act (Canada) and as a result is required to distribute not less than 100% of the taxable income of the Company to its shareholders. Therefore, growth in the mortgage investments is managed through the equity offerings and the Credit Facility.

The Company manages its liquidity position through various sources of cash flows including cash generated from operations, equity offerings and the Credit Facility. The Company routinely forecasts cash flow sources and requirements to ensure cash is efficiently utilized. In addition, the Company has the borrowing ability of \$130.0 million through its Credit Facility to manage the fluctuations in cash flows as a result of the timing of mortgage investment funding's and repayments, dividend payments and redemptions of shares.

The following are the contractual maturities of financial liabilities as at June 30, 2013, including expected interest payments:

	Contractual cash flows	Within a year	Following year	3 - 5 years	Over 5 years
Credit facility	\$ 37,517,474	\$ -	\$ 37,517,474	\$ -	\$ -
Mortgages funding holdbacks	1,124,054	1,124,054	-	-	-
Prepaid mortgage interest	947,802	947,802	-	-	-
Dividends payable	1,904,587	1,904,587	-	-	-
Due to Manager	7,864	7,864	-	-	-
Accounts payable and accrued expenses	846,436	846,436	-	-	-
Unadvanced mortgage commitments	18,906,645	18,906,645	-	-	-
Net assets attributable to holders of redeemable shares	352,969,686	52,945,453	45,003,635	98,406,073	156,614,525
	\$ 414,224,548	\$ 76,682,841	\$ 82,521,109	\$ 98,406,073	\$ 156,614,525

Redeemable shares may be surrendered for redemption and transacted on the last business day of any month. However, the redemptions are restricted to 15% of the average number of shares outstanding. The Manager does not expect that the contractual maturity disclosure above will necessarily be representative of the actual cash outflows, as holders of these instruments typically retain them for a longer period.

As at June 30, 2013, the Company's cash position was nil and undrawn credit facility of \$93.2 million (December 31, 2012 – \$96.4 million). The Company is confident that it will be able to finance its operations using the cash flow generated from operations and the proceeds raised in subsequent offerings.

Financial Instruments

The Company has designated its financial instruments as follows:

	Classification	Measurement
Financial assets		
Mortgage investments, including mortgage syndications	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Other assets	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities		
Credit facility	Other financial liabilities	Amortized cost
Non-recourse mortgage syndication liabilities	Other financial liabilities	Amortized cost
Prepaid mortgage and loan interest	Other financial liabilities	Amortized cost
Mortgage funding holdbacks	Other financial liabilities	Amortized cost
Due to Manager	Other financial liabilities	Amortized cost
Dividends payable	Other financial liabilities	Amortized cost
Accounts payable and accrued expenses	Other financial liabilities	Amortized cost

Net assets attributable to holders of redeemable shares are carried on the consolidated statements of financial position at net asset value. In total, the interests of the holders are limited to the net assets of the Company.

The fair values of restricted cash, cash and cash equivalents, Credit Facility, accounts payable and accrued expenses, mortgage funding holdbacks, dividends payable and due to Manager approximate their carrying amounts due to their short-term nature.

The fair value of mortgage investments approximate to their carrying values given the mortgage investments consist of short-term loans that are repayable at the option of the borrower without yield maintenance or penalties.

Risks

The risks associated with investing in the Company remain as disclosed in Schedule B of the Management Information Circular dated August 12, 2013.

Responsibilities of Management and the Board of Directors

Management is responsible for the information disclosed in this MD&A, and has in place the appropriate information systems, procedures and controls to ensure that the information used internally by management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Company, and have reviewed and approved this MD&A and the unaudited condensed consolidated interim financial statements as at June 30, 2013.

Additional Information

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