No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws. These securities are being offered and sold in the United States only to "qualified institutional buyers" as defined in, and in accordance with, Rule 144A under the U.S. Securities Act, and outside the United States in accordance with Regulation S of the U.S. Securities Act.

PROSPECTUS

Initial Public Offering February 27, 2013

MILESTONE APARTMENTS REAL ESTATE INVESTMENT TRUST

C$200,000,000

20,000,000 Units

This prospectus qualifies the distribution of 20,000,000 Units of Milestone Apartments Real Estate Investment Trust (the "**REIT**"), a newly-created, unincorporated, open-ended real estate investment trust established under the laws of the Province of Ontario.

The REIT has been formed to own and operate a portfolio of multifamily properties in the United States. On closing of the offering described in this prospectus (the "**Closing**"), the REIT will indirectly acquire (the "**Acquisition**") a 52-property portfolio of multifamily garden-style residential properties, comprising 16,944 units, located throughout the Southeast and Southwest United States currently held, indirectly through wholly-owned subsidiary limited liability companies or limited partnerships, by Milestone Multifamily Investors LP, a Delaware limited partnership (the "**Partnership**"). These 52 properties are collectively referred to as the "Initial Properties". See "The Initial Properties" and "The Acquisition". Prior to the Offering, ownership and profits interests in the Partnership were held by MileSouth Apartment Portfolio LP, an affiliated entity of Invesco Ltd. ("**Milesouth**") and by MST Investors, LLC ("**MST Investors**"), an affiliate of Milestone Group, LLC.

The objectives of the REIT are to: (i) generate stable and growing cash distributions on a tax-efficient basis; (ii) enhance the value of the REIT's assets and maximize long-term Unitholder value through active management; and (iii) expand the asset base of the REIT and increase adjusted funds from operations ("**AFFO**") per Unit through accretive acquisitions. See "The REIT – Objectives of the REIT". The REIT initially intends to make monthly cash distributions of approximately C$0.05417 per Unit representing a payout ratio of approximately 90% of forecast AFFO of the REIT for the twelve-month period ending December 31, 2013. See "Presentation of Financial Information – Non-IFRS Measures".

At Closing, the REIT will use the proceeds of the Offering to indirectly acquire an ownership interest in the capital of the Partnership from Milesouth. Milesouth will retain the remaining portion of its ownership interest in the Partnership resulting thereafter in Milesouth and MST Investors (together, the "**Retained Interest Holders**") holding an approximate 58.6% interest in the REIT on a fully diluted basis (assuming all redeemable securities held by the Retained Interest Holders are redeemed for Units of the REIT) (approximately 52.4% if the Over-Allotment Option is exercised in full) (the "**Retained Interest**"), representing an approximate 47.5% and 11.1% interest for Milesouth and MST Investors, respectively. See "Retained Interest" and "Plan of Distribution".

The REIT will have the benefit of a vertically integrated management platform providing expertise across the full spectrum of real estate management disciplines including its internal property management subsidiary which manages a portfolio of approximately 36,000 units across 11 states and employs over 900 employees. TMG Partners, L.P., ("**Milestone**" or the "**Asset Manager**", and together with The Milestone Group, LLC and its affiliates, "**The Milestone Group**"), will be the external asset manager of the REIT, giving the REIT access to The Milestone Group's experienced management team and extensive network of relationships in the U.S. multifamily market. See "Vertically Integrated Investment Management Platform" and "Arrangements with Milestone".

Price C$10.00 per Unit

	Price to the Public[1][2]	Underwriters' Fee	Net Proceeds[3]
Per Unit	C$ 10.00	C$ 0.575	C$ 9.425
Total[4][5]	C$200,000,000	C$11,500,000	C$188,500,000

MILESTONE
APARTMENTS
REAL ESTATE INVESTMENT TRUST

THE INITIAL PROPERTIES

52 garden-style apartment properties comprising **16,944 units**

Positioned in **high-growth Southeast and Southwest U.S. markets**

Driving occupancy and rental rate **growth**

Deep market of **acquisition opportunities**

Represents Number of Properties

SALT LAKE CITY 2 · PHOENIX 3 · NASHVILLE 4 · ATLANTA 3 · DALLAS/FORT WORTH 18 · AUSTIN 2 · HOUSTON 12 · SAN ANTONIO 2 · JACKSONVILLE 3 · TAMPA 3

UTAH

Salt Lake City	
Units	768
% of Units	4.5%

TENNESSEE

Nashville	
Units	1,858
% of Units	11.0%

ARIZONA

Phoenix	
Units	1,370
% of Units	8.1%

GEORGIA

Atlanta	
Units	736
% of Units	4.3%

TEXAS

Total Units - 10,190 % of Total - 60.1% Properties - 34

	Dallas/ Fort Worth	Houston	Austin	San Antonio
Units	5,794	3,360	520	516
% of Units	34.2%	19.8%	3.1%	3.0%

FLORIDA

Total Units - 2,022 % of Total - 11.9% Properties - 6

	Jacksonville[(1)]	Tampa
Units	1,390	632
% of Units	8.2%	3.7%

1. Includes one multifamily property consisting of 210 units located in Melbourne, FL.

Notes:

(1) Except as otherwise stated in this prospectus, all dollar amounts are stated in U.S. dollars.
(2) The price of the Units was established by negotiation between the REIT, MST Investors and the Underwriters.
(3) Before deducting expenses of the Offering estimated at approximately C$7,856,723 which, together with the Underwriters' fee, will be paid from the proceeds of the Offering.
(4) The REIT has granted to the Underwriters an option, exercisable in whole or in part and at any time up to 30 days after Closing, to purchase up to an additional 3,000,000 Units on the same terms as set forth above solely to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total price to the public, Underwriters' fee and net proceeds to the REIT will be C$230,000,000, C$13,225,000 and C$216,775,000, respectively. See "Plan of Distribution". This prospectus qualifies the distribution of the Over-Allotment Option and the Units issuable on the exercise thereof. A purchaser who acquires Units forming part of the Underwriters' over-allocation position acquires those Units under this prospectus, regardless of whether the position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.
(5) On Closing, 14,000,000 Units will be issued to Milesouth as consideration under the Investment Agreement. There will be no Underwriter's fee payable in respect of these Units and these Units are not qualified by this prospectus. Accordingly, they do not appear in the table above.

Underwriters' Position	Maximum Size or Number of Securities Available	Exercise Period	Exercise Price
Over-Allotment Option	Option to acquire up to 3,000,000 Units	30 days from Closing	C$10.00 per Unit

There is no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the Units in the secondary market, the transparency and availability of trading prices, the liquidity of the Units and the extent of issuer regulation. See "Risk Factors". The Toronto Stock Exchange (the "**TSX**") has conditionally approved the listing of the Units under the symbol MST.UN. Listing is subject to the REIT fulfilling all of the requirements of the TSX on or before May 22, 2013. See "Plan of Distribution".

A return on a purchaser's investment in Units is not comparable to the return on an investment in a fixed income security. The recovery of a purchaser's initial investment is at risk, and the anticipated return on a purchaser's investment is based on many performance assumptions. Although the REIT intends to make monthly distributions from AFFO to Unitholders, these distributions may be reduced or suspended. The actual amount distributed will depend on numerous factors including the financial performance of the REIT's properties, debt covenants and other contractual obligations, working capital requirements, future capital requirements, all of which are subject to a number of risks. The market value of the Units may decline if the REIT is unable to meet its AFFO targets in the future, and that decline may be material. See "Presentation of Financial Information – Non-IFRS Measures". It is important for a purchaser of Units to consider the particular risk factors described in the "Risk Factors" section of this prospectus, which may affect the REIT and its business, the real estate industry and the Offering, and therefore the availability of funds necessary to make distributions to a purchaser of Units.

Because the REIT will be treated as a real estate investment trust for U.S. federal income tax purposes, distributions paid by the REIT to Canadian investors that are made out of the REIT's current or accumulated earnings and profits (as determined under U.S. federal income tax principles) generally will be subject to U.S. withholding tax at a rate of 15% for investors that qualify for benefits under the United States-Canada Income Tax Convention (1980, as amended) (the "**Treaty**"). To the extent a Canadian investor is subject to U.S. withholding tax in respect of distributions paid by the REIT on the Units out of the REIT's current or accumulated earnings and profits, the amount of such tax generally will be eligible for foreign tax credit or deduction treatment, subject to the detailed rules and limitations under the Tax Act. Distributions in excess of the REIT's current and accumulated earnings and profits that are distributed to Canadian investors that have not owned (or been deemed to own) more than 5% of the outstanding Units generally will not be subject to U.S. withholding tax, although there can be no assurances that withholding on such amounts will not be required. The REIT estimates that none of its monthly cash distributions to be paid to Unitholders in 2013 will be made out of the REIT's current or accumulated earnings and profits and, accordingly, the REIT expects that 2013 distributions will not be subject to U.S. withholding tax. The composition of distributions for U.S. federal income tax purposes may change over time, which may affect the after-tax return to Unitholders. Qualified residents of Canada that are tax-exempt entities established to provide pension, retirement or other employee benefits (including trusts governed by a RRSP, a RRIF or a DPSP, but excluding trusts governed by a TFSA, RESP or a RDSP) may be eligible for an exemption from U.S. withholding tax. The foregoing is qualified by the more detailed summary in this Prospectus. See "Certain Canadian Federal Income Tax Considerations" and "Certain U.S. Federal Income Tax Considerations". See also "Risk Factors – Tax-related Risk Factors".

The after-tax return from an investment in Units to Unitholders subject to Canadian federal income tax will depend, in part, on the composition for Canadian federal income tax purposes of distributions paid by the REIT, portions of which may be fully or partially taxable or may constitute tax deferred returns of capital (i.e., returns that initially are non-taxable but which reduce the adjusted cost base of the Unitholders' Units). The REIT estimates that approximately 100% of the monthly cash distributions to be made by the REIT to Unitholders will be tax deferred for Canadian federal income tax purposes in 2013. The composition of distributions for Canadian federal income tax purposes may change over time, thus affecting the after-tax return to Unitholders.

BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc., National Bank Financial Inc., Canaccord Genuity Corp., GMP Securities L.P. and Macquarie Capital Markets Canada Ltd., as principals, conditionally offer the Units, subject to prior sale, if, as and when issued by the REIT and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the REIT by Goodmans LLP and Vinson & Elkins LLP (with respect to U.S. matters), and on behalf of the Underwriters by Davies Ward Phillips & Vineberg LLP and Shearman & Sterling LLP (with respect to U.S. matters). The Underwriters may engage in market stabilization activities as described under "Plan of Distribution". Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Closing of the Offering is expected to occur on March 6, 2013 but in any event no later than March 20, 2013. Registrations and transfers of Units will be effected electronically through the non-certificated inventory ("**NCI**") system administered by CDS Clearing and Depository Services Inc. Beneficial owners of Units will not, except in certain limited circumstances, be entitled to receive physical certificates evidencing their ownership of Units. See "Plan of Distribution" and "Declaration of Trust – Non-Certificated Inventory System".

The Underwriters may offer the Units at lower prices than stated above. See "Plan of Distribution".

MST Investors, which has acted as promoter, is organized under the laws of a foreign jurisdiction and resides outside Canada. Although MST Investors will appoint GODA Incorporators, Inc., 333 Bay Street, Suite 3400, Toronto, Ontario M5H 2S7, as its agent for service of process in Ontario, it may not be possible for investors to enforce judgments obtained in Canada against the promoter. See "Risk Factors".

The REIT is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on or intend to carry on the business of a trust company. The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) are not insured under the provisions of that statute or any other legislation.

BMO Nesbitt Burns Inc. is an affiliate of a Canadian chartered bank that has committed to provide to the REIT certain credit facilities at Closing. Consequently, the REIT may be considered a "connected issuer" of BMO Nesbitt Burns Inc. under applicable Canadian securities laws. See "Debt Strategy and Indebtedness – Credit Facility" and "Plan of Distribution".

All capitalized terms referred to above are defined elsewhere in this prospectus including in the Glossary.

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MEANING OF CERTAIN REFERENCES

In this prospectus, it is assumed that the Offering has been completed and the transactions described under "The Acquisition" have been completed, except where the context otherwise requires. References to the "REIT" in this prospectus include its Subsidiaries, unless the context otherwise requires. Except as otherwise stated in this prospectus, all dollar amounts in this prospectus, including the price per Unit, are stated in U.S. dollars and references to dollars or "$" are to U.S. currency and references to Canadian dollars or "C$" are to Canadian currency.

Certain terms used in this prospectus are defined under "Glossary".

Unless otherwise indicated, the disclosure in this prospectus assumes that the Over-Allotment Option is not exercised.

References to "management" in this prospectus means the persons acting in the capacities of the REIT's Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. Any statements in this prospectus made by or on behalf of management are made in such persons' capacities as officers of the REIT and not in their personal capacities.

ELIGIBILITY FOR INVESTMENT

In the opinion of Goodmans LLP, counsel to the REIT, and Davies Ward Phillips & Vineberg LLP, counsel to the Underwriters, based on the current provisions of the Tax Act, and subject to the provisions of any particular Exempt Plan, provided that the REIT qualifies at all times as a "mutual fund trust" (as defined in the Tax Act) or the Units are listed on a "designated stock exchange" (as defined in the Tax Act, which includes the TSX), the Units will be a qualified investment for trusts governed by an RRSP, RESP, RRIF, DPSP, RDSP and a TFSA (collectively, "**Exempt Plans**").

Notwithstanding the foregoing, if the Units are a "prohibited investment" (as defined in the Tax Act) for a trust governed by a TFSA, RRSP or RRIF, the holder or annuitant thereof will be subject to a penalty tax as set out in the Tax Act. The Units will not be a prohibited investment for a TFSA, RRSP or RRIF provided the holder or annuitant of such Exempt Plan, as the case may be, (i) deals at arm's length with the REIT, for purposes of the Tax Act, (ii) does not have a "significant interest" (as defined in the Tax Act) in the REIT, and (iii) does not have a "significant interest" (as defined in the Tax Act) in a corporation, partnership or trust with which the REIT does not deal at arm's length. Generally, a holder or annuitant will have a significant interest in the REIT if the holder or annuitant and/or persons not dealing at arm's length with the holder or annuitant own, directly or indirectly, 10% or more of the fair market value of the Units. The Minister of Finance (Canada) released draft legislation on December 21, 2012 (the "December 2012 Proposals") that proposes to delete the condition in (iii) above. In addition, pursuant to the December 2012 Proposals, Units will not be a "prohibited investment" if the Units are "excluded property" as defined in the December 2012 Proposals for trusts governed by a TFSA, RRSP and RRIF. Prospective purchasers who intend to hold Units in a TFSA, RRSP or RRIF are advised to consult their personal tax advisors.

MARKET AND INDUSTRY DATA

This prospectus includes market and industry data and forecasts that were obtained from third-party sources, industry publications and publicly available information as well as industry data prepared by management on the basis of its knowledge of the multifamily/apartment industry in which the REIT will operate (including management's estimates and assumptions relating to the industry based on that knowledge). Management's knowledge of the United States real estate industry has been developed through its experience and participation in the industry. Management believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there can be no assurance as to the accuracy or completeness of this data. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although management believes it to be reliable, neither the REIT nor the Underwriters have independently verified any of the data from management or third-party sources referred to in this prospectus, or analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying economic assumptions relied upon by such sources.

CERTAIN INFORMATION

Graphs and tables demonstrating the historical performance of the Initial Properties contained in this prospectus are intended only to illustrate past performance and are not necessarily indicative of future performance.

RELIANCE

Prospective investors should rely only on information contained in this prospectus and should not rely on parts of the information contained in this prospectus to the exclusion of others. None of the REIT, MST Investors nor the Underwriters has authorized any other person to provide prospective investors with different information. If a prospective investor is provided with different or inconsistent information, the prospective investor should not rely on such information. Neither the REIT nor the Underwriters is making an offer to sell Units in any jurisdiction where such an offer or sale is prohibited. Unless otherwise stated, the information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of Units. The REIT's business, financial condition, results of operations and prospectus may have changed since the date of this prospectus.

PRESENTATION OF FINANCIAL INFORMATION

Non-IFRS Measures

Funds from operations ("FFO"), adjusted funds from operations ("AFFO"), earnings before interest, taxes, depreciation and amortization ("EBITDA") and net operating income ("NOI") are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO, AFFO, EBITDA and NOI are supplemental measures of a Canadian real estate investment trust's performance and the REIT believes they are relevant measures of the ability of the REIT to earn and distribute cash returns to investors in the Units and to evaluate the REIT's performance. The IFRS measurement most directly comparable to FFO, AFFO, and EBITDA and NOI is net income. See "Forecast Non-IFRS Reconciliation" for a reconciliation of FFO, AFFO, EBITDA and NOI to net income.

"FFO" is defined as net income in accordance with IFRS, (i) plus or minus fair value adjustments on investment properties; (ii) plus or minus gains or losses from sales of investment properties; (iii) plus or minus other fair value adjustments; (iv) minus acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (v) plus distributions on redeemable or exchangeable units treated as interest expense; (vi) plus or minus any negative goodwill or goodwill impairment; and (vii) plus deferred income tax expense, after adjustments for equity accounted entities and joint ventures calculated to reflect FFO on the same basis as consolidated properties. FFO has been prepared consistently with the definition presented in the White Paper on funds from operations prepared by the Real Property Association of Canada ("**REALpac**") for all periods presented.

"AFFO" is defined as FFO subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on long term debt and amortization of financing costs, (ii) adjusting for any differences resulting from recognizing property rental revenues or expenses on a straight-line basis, (iii) amortization of grant date fair value related to compensation incentive plans, (iv) adjusting for any non-cash compensation expense; and (v) deducting a reserve for normalized maintenance capital expenditures, as determined by the REIT. Other adjustments may be made to AFFO as determined by our Trustees in their sole discretion.

"NOI" is used by industry analysts, investors and management to measure operating performance of Canadian real estate investment trusts. NOI represents revenue from properties less property operating expenses as presented in the combined statements of income prepared in accordance with IFRS, with operating expenses being adjusted for an estimated gross margin of 12% on property management revenues.

FFO, AFFO, EBITDA and NOI should not be construed as alternatives to net income and comprehensive income determined in accordance with IFRS as indicators of the REIT's performance. The REIT's method of calculating FFO, AFFO, EBITDA and NOI may differ from other issuers' methods and accordingly may not be comparable to measures used by other issuers.

FORWARD LOOKING STATEMENTS

This prospectus contains forward-looking statements which reflect management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities of the REIT. The words "plans", "expects", "does not expect", "scheduled", "estimates", "intends", "anticipates", "does not anticipate", "projects", "believes" or variations of such words and phrases or statements to the effect that certain actions, events or results "may", "will", "could", "would", "might", "occur", "be achieved" or "continue" and similar expressions identify forward-looking statements. Some of the specific forward-looking statements in this prospectus include, but are not limited to, statements with respect to the following:

- the closing of the Acquisition;
- the closing of the other transactions expected to occur on Closing, which are described in this prospectus;
- the intention of the REIT to pay, preserve, protect and grow Unitholders' distributions;
- the ability of the REIT to execute its growth strategies;
- the forecasted financial results of the REIT for the periods set out in the financial forecast section of this prospectus;
- the expected tax treatment of the REIT and of the REIT's distributions to Unitholders; and
- the expected industry and demographic trends.

Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable by management of the REIT as of the date of this prospectus, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The REIT's estimates, beliefs and assumptions, which may prove to be incorrect, include the various assumptions set forth herein, including, but not limited to, the REIT's future growth potential, results of operations, future prospects and opportunities, the demographic and industry trends remaining unchanged, no change in legislative or regulatory matters, future levels of indebtedness, the tax laws as currently in effect remaining unchanged, the continual availability of capital and the current economic conditions remaining unchanged.

When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Risk Factors". These forward-looking statements are made as of the date of this prospectus and, except as expressly required by applicable law, the REIT assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

EXCHANGE RATE INFORMATION

The Initial Properties consist of properties located in the states of Arizona, Florida, Georgia, Tennessee, Texas, and Utah. Accordingly, the REIT is exposed to the impact of fluctuations in the Canadian/U.S. dollar exchange rate. The REIT discloses all financial information contained in this prospectus in U.S. dollars. The following table sets forth, for the periods indicated, the high, low, average and period-end noon spot rates of exchange for U.S.$1.00, expressed in Canadian dollars, published by the Bank of Canada.

	Year ended December 31		
	2012	2011	2010
	(C$)	(C$)	(C$)
Highest rate during the period	1.0418	1.0604	1.0778
Lowest rate during the period	0.9710	0.9449	0.9946
Average rate for the period	0.9996	0.9891	1.0299
Rate at the end of period	0.9949	1.0170	0.9946

The financial forecast was prepared assuming an exchange rate of U.S.$1 equals C$1.

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus.

THE REIT

Overview

Milestone Apartments Real Estate Investment Trust is a newly-created, unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust under the laws of the Province of Ontario. The REIT has been created for the purpose of acquiring and owning multifamily properties in select target markets in the United States.

Objectives of the REIT

The REIT's objectives are to: (i) preserve, protect and grow Unitholders' cash distributions on a tax-efficient basis from investments in the United States multifamily real estate sector; (ii) enhance the value of the REIT's assets and maximize long-term Unitholder value through active management; and (iii) expand the asset base of the REIT and increase the REIT's AFFO per Unit, through revenue enhancement, expense rationalization and accretive acquisitions.

See "The REIT – Objectives of the REIT".

Market Opportunity

The REIT will invest in multifamily income producing properties located in the United States. Management believes that investment in a vertically integrated multifamily real estate platform has the potential to deliver superior risk-adjusted returns compared to other real estate asset classes. Management also believes that certain characteristics of and trends in the United States multifamily market make for an attractive investment opportunity, including compelling population, demographic and job growth characteristics, declining homeownership rates and favourable supply and demand fundamentals. Furthermore, when comparing the U.S. market to the Canadian market, the U.S. market is characterized by larger multifamily transaction volumes and external growth opportunities, the absence of rent control policies and the existence of regulatory frameworks that tend to be more landlord-friendly. These features, combined with the relative position of the U.S. real estate cycle which is at a less advanced stage of its recovery than the Canadian real estate markets, make for an attractive investment opportunity for Canadian investors. Upon Closing, the REIT will be the largest real estate investment trust in Canada to focus on the U.S. multifamily sector.

In addition to providing investors with exposure to an attractive portfolio of Initial Properties, the REIT will also benefit from the proven investment track record of its Asset Manager and the operational expertise of its internalized property management platform. The REIT intends to leverage management's longstanding relationships, experience and track record in identifying and acquiring multifamily assets in key U.S. markets where the REIT's operating platform can create value and maximize asset performance to deliver stable, attractive returns to investors.

See "Market Opportunity".

Investment Highlights

- ***Attractive and Stable Yield.*** The REIT intends to pay stable and growing monthly cash distributions, initially expected to provide Unitholders with an annual yield of approximately 6.5%, based on an AFFO payout ratio of 90%. See "Distribution Policy" and "Presentation of Financial Information – Non-IFRS Measures".
- ***Aligned Management Team with Proven Multifamily Track Record.*** The REIT will be managed by a team of talented senior professionals with an average of more than 20 years of experience in the multifamily real estate sector, with particular expertise in areas such as asset management, property management,

acquisitions, dispositions, financing and leasing. Furthermore, management has a strong track record in the U.S. multifamily sector. Since its founding in 2004, Milestone and its affiliates have delivered Average Annual Leveraged Gross Returns on realized multifamily investments in excess of 30%.

In addition to its proven management platform, the REIT will also benefit from a majority-independent and majority Canadian resident Board comprised of Trustees with extensive experience in the real estate industry, governance, audit and capital markets matters. Further, upon Closing, certain members of the Board and MST Investors will hold (or have indirect ownership or control over) approximately 5,354,210 Class B Units, representing a 11.1% ownership interest in the REIT (on a fully-diluted basis), all of which will be subject to a contractual hold period of 18 months following Closing. This retained ownership position will serve to further align the interests of The Milestone Group with those of the other Unitholders. See "Retained Interest" and "Arrangements with Milestone".

- ***Benefit of Vertically Integrated Investment Management Platform with Significant Expertise in Key U.S. Markets.*** Milestone was founded in 2004 and has completed nearly $3.2 billion of multifamily acquisitions and over $1.3 billion of dispositions on behalf of leading institutional investors globally, including a sovereign wealth fund and a number of public and private pension funds. The REIT's property management subsidiary, a company ranked in the Top 50 Management Companies in the United States by the National Multi Housing Council, currently manages a portfolio of approximately 36,000 units across 11 states, including the 16,944 units included in the Initial Properties.

  The REIT will have the benefit of a vertically integrated management platform that provides expertise across the full spectrum of real estate investment management disciplines, including asset management, property management, construction management, information technology, financial reporting, and human resources. Milestone and the REIT believe its vertically integrated platform will provide a competitive advantage in the acquisition and management of multifamily assets through its efficient and timely decision-making and the collective expertise of its multi-disciplined personnel in both its corporate and local field offices.

- ***Attractive Asset Class with Compelling Supply/Demand Characteristics.*** Multifamily properties are viewed by management as stable investments since the demand for residential rental accommodation is less affected by general economic conditions. The Initial Properties focus on middle-market renters, the largest and most diverse multifamily renter segment in the United States which currently comprises over 60% of the nation's renter pool. Furthermore, cash flow from such properties is diversified across a tenant base comprised of numerous individual households, mitigating the negative impact of the loss of any one tenant. Management believes that multifamily properties provide investors with the lowest volatility of risk-adjusted returns among all classes of real estate, owing to the necessity-based tenure of its tenants which is typically impacted less by economic slowdowns than other asset classes.

  Management believes that the U.S. multifamily sector will benefit from favourable demographic and economic trends, and that there is significant pent up demand for rental units as the supply of newly completed units hit historical lows in 2010 and 2011. Additionally, the majority of the Initial Properties are located in markets where population and employment growth are expected to exceed national averages, driving additional demand for multifamily rental units.

- ***Well-Positioned Portfolio with Significant Scale and High Quality Cash Flows.*** The REIT's portfolio will initially be comprised of the Initial Properties, 52 garden-style residential properties comprising 16,944 units diversified across major metropolitan markets in the Southeast and Southwest United States that have deep and diversified employment bases. These garden-style properties cater to middle-market renters, the largest and most diverse segment of rental demand in the U.S.

  For the nine months ended September 30, 2012, the REIT's portfolio achieved year-over-year NOI growth of approximately 13% and, as at September 30, 2012, had a weighted average occupancy rate of 93.7%. Additionally, the portfolio experienced positive year-over-year revenue growth for every month dating back to November 2010, as a result of improving occupancies and increasing rents. Management believes the Initial Properties are well positioned in the REIT's markets and that focusing on the middle-market rental segment, the largest segment of rental demand, in attractive markets will contribute to the combined stability and quality of its cash flows.

- ***Attractive External Growth Opportunity.*** Management believes that the United States multifamily market will present numerous accretive acquisition opportunities for the REIT. Upon Closing, The Milestone Group and the REIT, through its property management subsidiary, will manage approximately 19,000 multifamily units not owned by the REIT and the REIT may seek to acquire these properties in the future. Additionally, the U.S. multifamily market is highly liquid, with over $72 billion in transaction volume in the twelve months ended September 30, 2012. The REIT expects that its extensive network of relationships in key U.S. markets, its access to capital as a publicly traded entity, and its focus on the middle-market rental segment in high growth metropolitan areas of the U.S., will drive acquisition opportunities for the REIT. In 2012, Milestone reviewed over $4.5 billion in potential multifamily transactions and acquired over $400 million of multifamily assets.

See "The REIT – Investment Highlights" and "Risk Factors".

Growth Strategies

The REIT intends to adopt the following strategies to achieve its objectives and grow its AFFO per Unit:

- Optimize the performance, value and cash flow of its portfolio through active management.
- Acquire multifamily assets in major metropolitan markets throughout the Southeast and Southwest U.S. that serve middle-market renters, the largest rental segment in the country, and are accretive to the REIT's AFFO per Unit.

Management believes that the REIT's external growth strategy will be facilitated by several factors, including (i) the REIT's and the Asset Manager's extensive network of relationships with market participants, (ii) access to a proprietary acquisition pipeline through Milestone, (iii) a deep market of potential external acquisitions, and (iv) ready access to capital.

See "Growth Strategies of the REIT".

Benefit of Vertically Integrated Investment Management Platform

The REIT will have the benefit of a vertically integrated investment management platform with deep expertise and a presence in key markets throughout the United States. The REIT will wholly own its property management business, the Property Manager, will employ (through the Partnership) its Chief Financial Officer and Chief Operating Officer, and will employ Milestone as its external asset manager. The REIT's access to this vertically integrated management platform provides expertise across the full spectrum of real estate investment management disciplines, including (a) the asset management and financial reporting disciplines provided by the Asset Manager, and (b) the property management, construction management, information technology, financial reporting and human resource disciplines provided by the Property Manager. The REIT believes this management platform will provide a competitive advantage in the acquisition and management of multifamily assets through efficient and timely decision-making and the collective expertise of its multi-disciplined personnel in both the corporate and local field offices. Milestone will be the asset and administrative services manager of the REIT, giving the REIT access to The Milestone Group's experienced management team and extensive network of relationships in the U.S. multifamily market.

The Property Manager, a wholly-owned subsidiary of the REIT, currently manages a portfolio of approximately 36,000 units across 11 states. The REIT will employ over 900 employees and Milestone will employ approximately 20 employees in corporate offices in New York and Dallas plus regional offices across the United States.

Furthermore, the REIT believes that the Asset Manager and the REIT's property management subsidiary benefit from extensive networks of owner, lender and brokerage contacts at both the national and regional levels. It is anticipated that these networks will provide a significant competitive advantage to the REIT, allowing it to pursue both off-market and marketed acquisition opportunities.

See "Benefit of Vertically Integrated Investment Management Platform".

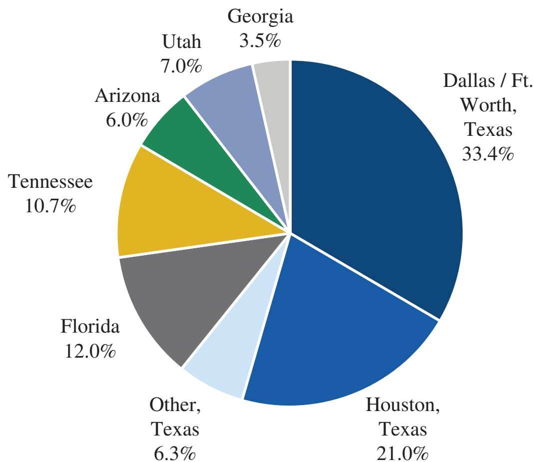
Overview of Initial Properties

On Closing, the REIT will, through its indirect acquisition of ownership interests in the Partnership, acquire a 52-property portfolio of multifamily assets, comprising 16,944 units, located in ten major, high-growth metropolitan markets, in six states, throughout the Southeast and Southwest United States.

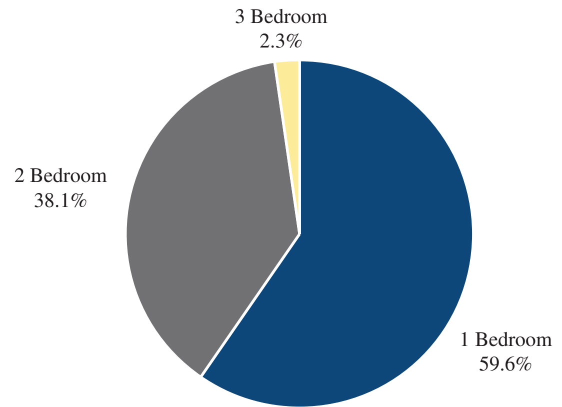
Approximately 60% of the units within the Initial Properties (or approximately 61% of forecasted NOI for the twelve-month period ending December 31, 2013) are located in Texas, one of the largest states and healthiest economies in the United States. Within Texas, the properties are majority concentrated in Dallas/Fort Worth, with the remainder in Houston, Austin, and San Antonio. The REIT's other properties are located in Arizona, Florida, Georgia, Tennessee and Utah, which collectively account for approximately 40% of the units within the Initial Properties (or approximately 39% of forecasted NOI for the twelve-month period ending December 31, 2013).

Approximately 60% of the units within the Initial Portfolio contain one bedroom, while the remainder contain two or three bedrooms. Management believes that the concentration in single bedroom units will result in increasing rental demand at the Initial Properties, as the above average growth projected for the 20 to 34 year old age demographic, known as the Echo Boomers, seek single living accommodations. See "The Initial Properties – Composition of Initial Properties". Management believes the remainder of two or three bedroom units will continue to capture demand for larger space and allow the REIT to accommodate families and benefit from the national trend of decreasing home ownership rates.

Forecast Net Operating Income[(1)]
(of the Initial Properties)



Unit Composition
(by percentage of units in the Initial Properties)



(1) Based on the forecast for the period ended December 31, 2013

List of Initial Properties

The following table highlights certain information about the Initial Properties as at September 30, 2012:

State	MSA	Number of Properties	Total Number of Units	Average Monthly In-Place Rents[1]	Average Occupancy Rate
Arizona	Phoenix	3	1,370	$568	88.0%
Florida	Jacksonville	3	1,390[2]	$663	95.5%
	Tampa	3	632	$759	91.9%
Georgia	Atlanta	3	736	$643	92.4%
Tennessee	Nashville	4	1,858	$677	93.2%
Texas	Austin	2	520	$704	92.5%
	Dallas/Fort Worth	18	5,794	$679	94.6%
	Houston	12	3,360	$715	93.6%
	San Antonio	2	516	$752	97.5%
Utah	Salt Lake City	2	768	$750	97.3%
TOTAL		**52**	**16,944**	**$684**[3]	**93.7%**[4]

Notes:

(1) The monthly in-place rent per unit represents the average monthly in-place rents for the property for September 2012. The monthly in-place rent is calculated as total in-place rent per property, divided by the number of occupied units.

(2) Includes one multifamily property consisting of 210 units located in the Melbourne, FL metropolitan statistical area ("**MSA**").

(3) Weighted average in-place rental rate.

(4) Weighted average occupancy rate.

Assessment and Valuation of the Initial Properties

The Partnership retained Landauer Valuation & Advisory (the "**Appraiser**") to provide an independent estimate of the fair market value of the Initial Properties (the "**Appraisal**"). The Appraisers were not given any limiting instructions. The Appraiser estimated the aggregate market value of the Initial Properties as a portfolio, as at December 10, 2012, to be between $1.208 billion and $1.220 billion, including an appraiser applied portfolio premium of 2% to 3%.

See "Assessment and Valuation of the Initial Properties".

Debt Strategy and Indebtedness

The REIT will seek to maintain a combination of short, medium and long-term maturities that are appropriate for the overall debt level of its portfolio, taking into account availability of financing and market conditions and the financial characteristics of the REIT's property. The REIT will seek to secure low-cost debt financing, benefiting from the multitude of capital sources currently available to publicly traded multifamily REITs including debt from local, regional and national banks, government-sponsored entities such as Fannie Mae and Freddie Mac, insurance companies, commercial mortgage backed securities ("**CMBS**") and publicly issued bonds.

The REIT intends to target a debt level at or below 55% of Gross Book Value. The Declaration of Trust provides that the REIT may not incur or assume any indebtedness if, after incurring or assuming such indebtedness, the total consolidated indebtedness of the REIT would be more than 60% of the Gross Book Value (65% including any convertible debentures of the REIT). On Closing, the REIT estimates that its total consolidated indebtedness will be approximately $646.4 million ($662.9 million including a mark-to-market adjustment of $16.5 million on the Assumed Mortgages), with all 52 properties collateralized under various mortgage loans. The REIT's total debt on Closing is expected to represent approximately 56% of Gross Book Value (excluding the mark-to-market adjustment), of which 95% is fixed rate indebtedness. The weighted average term to maturity of all indebtedness on Closing is approximately 6 years and the weighted average interest rate of all indebtedness of the REIT on Closing is expected to be approximately 3.75%.

Furthermore, subsequent to Closing the REIT intends to have access to a $50 million unsecured floating interest rate revolving credit facility to be entered into on Closing to finance acquisitions, capital expenditures and other operational matters, plus $8.8 million of working capital which will remain in the Partnership.

See "Debt Strategy and Indebtedness".

The Acquisition

The REIT will indirectly acquire the Initial Properties and the Property Manager through its acquisition of units of the Partnership (and which units of the Partnership will be reclassified on Closing as Class A Units of the Partnership) from Milesouth for aggregate consideration of approximately C$463.4 million. The REIT will have $8.8 million of working capital contributed by Milesouth and which will remain in the Partnership (which amount shall be independent from the customary closing adjustments that will occur on Closing).

The Investment Agreement, pursuant to which the REIT will indirectly acquire an ownership interest in the Partnership, will contain representations and warranties typical of those contained in purchase agreements for similar real property assets negotiated between sophisticated purchasers and vendors acting at arm's length. Certain of the representations and warranties will be qualified as to knowledge, materiality and disclosure. Subject to reasonable exceptions, the representations and warranties will be given by MST Investors and Milesouth in favour of US Holdco and the REIT and will relate to the Partnership, the Initial Properties and the Property Manager. MST Investors and Milesouth will also provide representations and warranties that this prospectus does not contain a misrepresentation (as defined in the Securities Act) relating to the Initial Properties and other assets being indirectly acquired, subject to an exception for portions of this prospectus purporting to be made on authority of an expert or purporting to be an extract from a report, opinion or statement of an expert. Such representations and warranties will survive for a period of 18 months following Closing, however, the representations and warranties regarding due authorization shall survive indefinitely, the representations and warranties regarding tax matters shall survive for the applicable statutory reassessment period, and the representations and warranties regarding the prospectus shall survive for three years.

MST Investors and Milesouth will severally indemnify the REIT for breaches of representations and warranties however, no claim under such indemnity may be made until the aggregate losses exceed C$1.5 million. MST Investors and Milesouth will guarantee the obligations under the Investment Agreement with the maximum liability of each party limited to up to 35% of the value of each party's Retained Interest at Closing, estimated to be an aggregate of approximately C$99.0 million (with any amounts paid by each party under their indemnities in the Underwriting Agreement operating to reduce the maximum liability of such party under the Investment Agreement on a dollar-for-dollar basis). As security for such guarantees, MST Investors and Milesouth will pledge to the REIT for the initial 18-month period following Closing the foregoing portion of their respective Retained Interest. In addition, the REIT will obtain a seven-year prospectus liability insurance policy providing coverage to the Trustees and officers of the REIT, MST Investors and the REIT (in such order of priority), subject to certain limits, deductibles and other terms and conditions.

There can be no assurance of recovery by the REIT from MST Investors or Milesouth for any breach of the representations and warranties provided by them under the Investment Agreement, as there can be no assurance that their assets will be sufficient to satisfy such obligations. Only the REIT will be entitled to bring a claim or action against MST Investors and Milesouth for misrepresentation or breach of contract under the Investment Agreement and purchasers of Units under this prospectus will not have any contractual rights under the Investment Agreement. Purchasers of Units will, however, have certain statutory rights of action against the REIT and MST Investors under applicable securities laws. See "Retained Interest", "Risk Factors" and "Purchasers' Statutory Rights".

The closing of the Acquisition will be conditional upon, among other things, the completion of the Offering and the receipt of all necessary consents and waivers from third parties, including the lenders of the Assumed Mortgages.

A purchaser of Units should refer to the terms of the Investment Agreement for a complete description of the representations, warranties and indemnities being provided in favour of the REIT, and related limitations thereunder.

See "The Acquisition".

Retained Interest

Following Closing, the Retained Interest Holders will hold an aggregate of 14,000,000 Units (all of which will be held by Milesouth) and approximately 14,277,399 Class B Units (approximately 8,923,189 held by the Milesouth and approximately 5,354,210 held by MST Investors) representing an aggregate approximate 58.6% interest in the REIT on a fully-diluted basis, assuming the redemption in full of all Class B Units for Units of the REIT (approximately 47.5% and 11.1% for Milesouth and MST Investors, respectively) and an aggregate approximate 52.4% interest in the REIT if the Over-Allotment Option is exercised in full (approximately 41.3% and 11.1% for Milesouth and MST Investors, respectively). Each Class B Unit will be redeemable by the holder thereof for cash or, at the option of the Partnership through its General Partner, one Unit of the REIT (subject to customary anti-dilution adjustments), and will be entitled to distributions of cash from the Partnership equal to the cash distributions paid to holders of Units by the REIT. Consistent with corporate statutory rights, certain fundamental transactions that may be taken by the Partnership will also require the approval of Milesouth, for so long as Milesouth holds in the aggregate, directly or indirectly (including REIT Units), at least a 33% ownership interest in the Partnership. Pursuant to the Declaration of Trust, Milesouth will have the right to nominate one Trustee to the Board of the REIT depending on the level of Milesouth's ownership interest). The approximate Retained Interest (and related matters, including indemnity caps) set out in this Prospectus assumes an exchange rate of U.S.$1.00 = C$1.00. See "Retained Interest", "Declaration of Trust", and "Trustees and Executive Officers of the REIT – Governance and Board of Trustees".

Key Management and Board Members

The following table sets forth the name, municipality of residence, positions held with the REIT and principal occupation of each of the Trustees of the REIT:

Name and Municipality of Residence	Position with the REIT	Principal Occupation (During Five Preceding Years)
MICHAEL D. YOUNG[1] Dallas, Texas	Trustee and Chair of the Board	Principal of Quadrant Capital Partners, Inc.
WILLIAM J. BIGGAR[2][3][4] Toronto, Ontario	Trustee	Corporate Director[A]
JANET GRAHAM[1][2][3][5] Toronto, Ontario	Trustee	Managing Director of IQ Alliance Incorporated
RICHARD N. MATHESON[1][2] Toronto, Ontario	Trustee	Corporate Director[B]
GRAHAM SENST[1][3][6] Toronto, Ontario	Trustee	Member of Advisory Board, KingSett Capital Canadian Real Estate Income Fund
JAY P. HURLEY[3] Dallas, Texas	Trustee	Senior Director, Portfolio Manager, Invesco Real Estate
ROBERT P. LANDIN[1] Dallas, Texas	Trustee and Chief Executive Officer	Chief Executive Officer of the REIT, Co-President of The Milestone Group and Managing Partner of Milestone

(A) *Mr. Biggar retired as President and Chief Executive Officer of North American Palladium Ltd. in September 2012.*

(B) *Mr. Matheson retired as Managing Director, Co-Head of the Real Estate Group, RBC Capital Markets in July 2012.*

Notes:

(1) Member of the Investment Committee.
(2) Member of the Audit Committee.
(3) Member of the Compensation, Governance and Nominating Committee.
(4) Chair of the Compensation, Governance and Nominating Committee.
(5) Chair of the Audit Committee.
(6) Chair of the Investment Committee.

The following table sets forth the name, municipality of residence and positions held with the REIT of each executive officer of the REIT on Closing. Each executive officer is also a member of the Board of Managers of US Holdco:

Name and Municipality of Residence	Office with the REIT
ROBERT P. LANDIN Dallas, Texas	Chief Executive Officer
CHRISTOPHER A. PHILLIPS Dallas, Texas	Chief Financial Officer and Secretary
STEVE T. LAMBERTI Dallas, Texas	Chief Operating Officer

See "Trustees and Executive Officers of the REIT".

Restrictions on Ownership and Transfer of the Units

The Declaration of Trust contains restrictions on the ownership and transfer of the Units that are intended to assist the REIT in qualifying as a real estate investment trust for U.S. federal income tax purposes. In particular, the Declaration of Trust prohibits any person from actually or constructively owning more than 9.8% of the Units, subject to any exemption granted by the Board. In addition, in order for the REIT to comply with its U.S. federal income tax withholding obligations under the Foreign Investment in Real Property Tax Act of 1980 ("**FIRPTA**"), the Declaration of Trust provides that certain non-U.S. persons that otherwise would own more than 5% of the Units are subject to notice requirements and transfer restrictions. These ownership limits and transfer restrictions may delay or impede transfers of Units. See "Declaration of Trust – Restrictions on Ownership and Transfer" for a more detailed discussion of these ownership limits and transfer restrictions. In addition, a non-U.S. person that holds or has held, actually or constructively, more than 5% of the outstanding Units, as determined for U.S. federal income tax purposes, may be subject to additional U.S. taxes under FIRPTA in respect of their investment in Units. See "Certain U.S. Federal Income Tax Considerations".

Arrangements with Milestone

On Closing, the REIT, the Partnership and Milestone will enter into certain agreements governing the relationships among such parties following Closing. These agreements are described below. See also "Arrangements with Milestone" and "Retained Interest".

The Asset Manager

The Milestone Group will, through the Asset Manager, provide asset management and acquisition services to the REIT. The Milestone Group currently employs approximately 20 employees, including 14 acquisition and asset management professionals. The Milestone Group's professionals have an average of over 20 years' experience, and have been responsible for all acquisitions and asset management services since The Milestone Group's inception in 2004.

Asset Management Agreement

Following Closing, Milestone will be the external asset manager of the properties owned by the REIT and will provide the REIT with certain advisory and investment management services, including the services of the Chief Executive Officer. Pursuant to the Asset Management Agreement, Milestone will receive an annual management fee, calculated and paid in cash on a monthly basis, equal to (a) 0.40% of the Gross Book Value of the managed assets up to $2.0 billion, and (b) 0.30% of the Gross Book Value of the managed assets in excess of $2.0 billion (the "**Management Fee**"). Milestone will also be entitled to an incentive fee (the "**Incentive Fee**") equal to the product of (a) 15% of any excess AFFO greater than 103% per Unit as set forth under "Financial Forecast" in this prospectus (the

“**Incentive Fee Target**”); and (b) the weighted average number of issued and outstanding Units over the applicable fiscal year. The Incentive Fee Target will increase annually by 50% of the increase in the U.S. consumer price index.

The initial term of the Asset Management Agreement will be five years (the “**Initial Term**”) and is renewable automatically for an additional five years if, at the end of the initial five year term, AFFO per Unit is greater than 115% of AFFO per Unit set out in the Financial Forecast herein (the “**Renewal Target**”). Upon completion of any Renewal Term, the REIT will internalize all services performed by the Asset Manager, unless the Independent Trustees determine otherwise, at no cost and without any fees payable to the Asset Manager at such time. The REIT may terminate the Asset Management Agreement upon a material breach by the Asset Manager under the Asset Management Agreement, an event of insolvency of the Asset Manager, the fraud or wilful misconduct of, or misappropriation of funds by, the Asset Manager, or a change of control of the Asset Manager. The Asset Manager may terminate the Asset Management Agreement upon 180 days written notice provided however, that it may not terminate the agreement during the Initial Term.

Non-Competition and Non-Solicitation Agreement

Pursuant to the Non-Competition and Non-Solicitation Agreement, without the prior approval of the independent Trustees, Robert P. Landin and Jeffrey Goldberg, existing owners of the Asset Manager (the “**Principals**”), agree not to, and will cause any entities beneficially owned or controlled by either or both of them (the “**Principal Entities**”) not to, create another publicly-held investment vehicle which primarily invests in multifamily properties in the United States. Further, in respect of any investment opportunity identified by the Asset Manager to acquire, directly or indirectly, an ownership interest in real property located in the United States that is, or would reasonably be considered to be, a multifamily apartment property or portfolio of properties (an “**Offered Investment**”), the Asset Manager will, subject to certain exceptions, first present such Offered Investment to the REIT for consideration. The Non-Competition and Non-Solicitation Agreement will be in effect so long as Milestone remains the asset manager of the REIT. See “Arrangements with Milestone – Non-Competition and Non-Solicitation Agreement”.

License of Milestone Name

The Asset Manager will grant to the REIT, the Partnership and the REIT’s property management subsidiary, the right to the use of the “Milestone” name and logo and related marks and designs under a non-exclusive, royalty-free license agreement entered into at Closing, which license may be terminated by the Asset Manager at any time on 180 days written notice following the date on which the Asset Manager ceases to be the asset manager to the REIT. See “Arrangements with Milestone – License of Milestone Name”.

Financial Forecast

The financial forecast information set forth below is based upon the financial forecast prepared by management of the REIT, using assumptions with an effective date of January 1, 2013. The forecast has been prepared on the basis that the Initial Properties and Property Manager will be indirectly acquired by the REIT at or prior to Closing and using assumptions that reflect management's intended course of action for the REIT for the periods covered, given management's judgment as to the most probable set of economic conditions. The forecast assumes that the Over-Allotment Option is not exercised, no acquisitions are completed during the period and that the capital structure at Closing is maintained throughout the forecast period. **The assumptions used in the preparation of the forecast, although considered reasonable at the time of preparation, may not materialize as forecasted and unanticipated events and circumstances may occur subsequent to the date of the forecast. Accordingly, there is a significant risk that the actual results achieved by the REIT for the forecast period will vary from the forecast results and the variations may be material. See "Forward-Looking Statements" and "Financial Forecast".**

(in thousands of $)	Annualized[1] Nine-Months Ended September 30, 2012 (Unaudited Pro forma)	Forecast Three-month periods ending				Twelve-month period ending (Forecast)
		March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	December 31, 2013
Revenue:						
Rental	126,429	32,548	33,143	33,532	33,809	133,032
Other	21,100	5,310	5,578	5,408	5,320	21,616
	147,529	37,858	38,721	38,940	39,129	154,648
Expenses:						
Operating	76,596	19,533	20,381	20,043	20,076	80,033
Interest	23,443	5,247	5,334	5,315	5,266	21,162
Distributions on Class B redeemable Units	9,279	2,320	2,320	2,320	2,319	9,279
Depreciation and amortization	895	220	221	222	223	886
	110,213	27,320	28,256	27,900	27,884	111,360
Income before income taxes, general administrative and trust expenses	37,316	10,538	10,465	11,040	11,245	43,288
General administrative and trust expenses	7,896	1,974	1,974	1,974	1,974	7,896
Income before income taxes	29,420	8,564	8,491	9,066	9,271	35,392
Income taxes	953	265	265	265	266	1,061
Net income and comprehensive income	28,467	8,299	8,226	8,801	9,005	34,331

(1) Nine month figures have been annualized on a straight line basis.

Forecast Non-IFRS Reconciliation

The following table reconciles forecast net income and comprehensive income to FFO, AFFO and NOI. See "Non-IFRS Measures".

	Annualized[(1)] Nine Months Ended September 30, 2012 (Pro forma)	Three-month periods ending				Twelve-month period ending
		March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	December 31, 2013
Net income and comprehensive income	28,467	8,299	8,226	8,801	9,005	34,331
Add/(Deduct)						
Distributions on Class B Redeemable Units treated as interest expense	9,279	2,320	2,320	2,320	2,319	9,279
Depreciation and amortization	680	170	170	170	170	680
FFO	38,426	10,789	10,716	11,291	11,494	44,290
Add/(Deduct)						
Capex reserve	(6,778)	(1,694)	(1,695)	(1,694)	(1,695)	(6,778)
Mark-to market debt adjustments	(3,705)	(903)	(924)	(926)	(919)	(3,672)
Amortization of deferred financing charges	250	63	63	63	61	250
Amortization of straight line rent	23	6	6	6	5	23
Amortization of grant date fair value related Unit-based compensation plans	754	189	189	189	187	754
AFFO	28,970	8,450	8,355	8,929	9,133	34,867
Calculation of Net Operating Income						
Property revenue[(2)]	141,327	36,269	36,863	37,294	37,527	147,953
Operating expenses[(3)]	(71,138)	(18,135)	(18,746)	(18,595)	(18,666)	(74,142)
Net operating income	70,189	18,134	18,117	18,699	18,861	73,811

(1) Nine month figures have been annualized on a straight line basis.
(2) Excludes property management revenue.
(3) Operating expenses adjusted for an estimated gross margin of 12% of property management revenue.

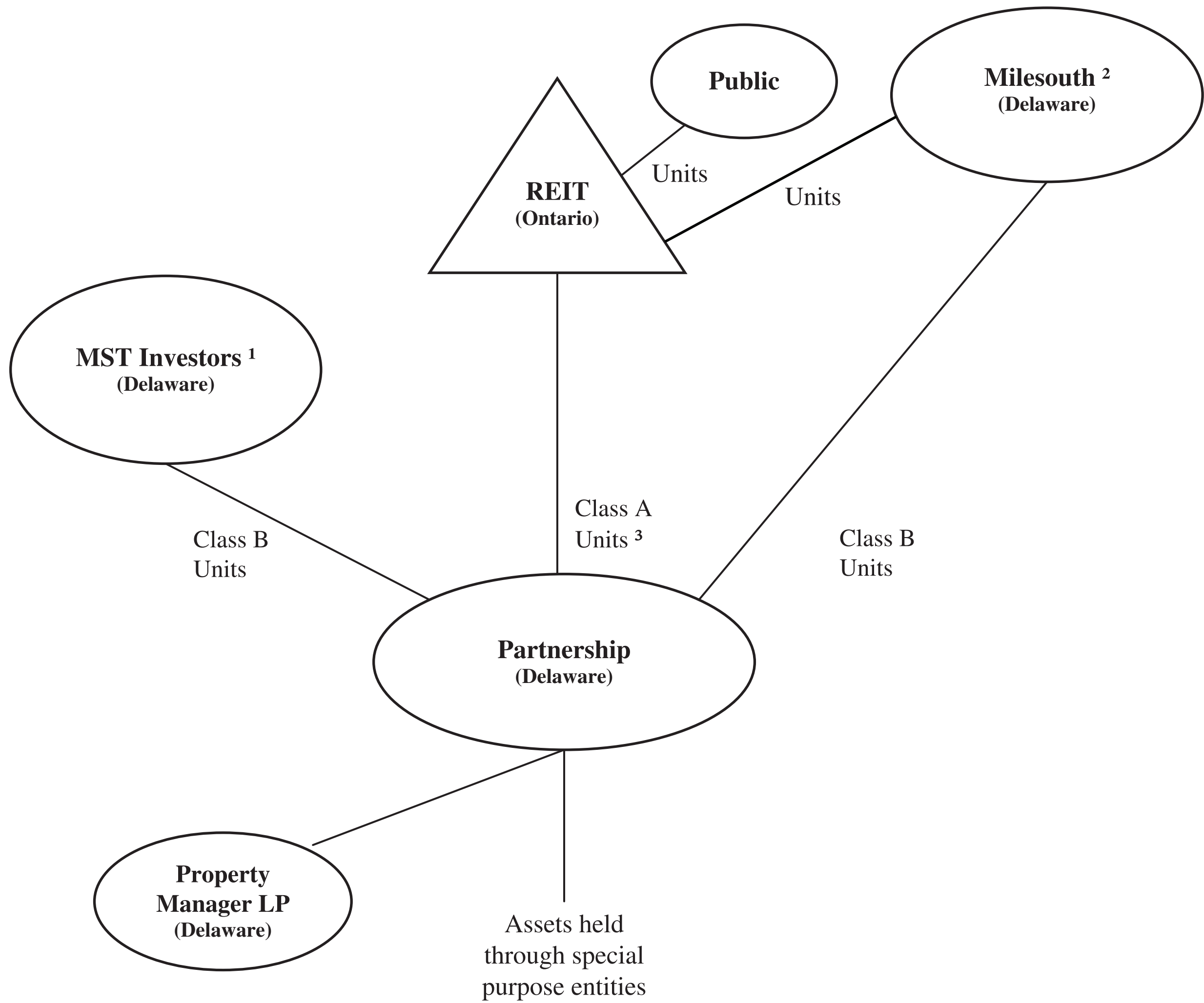
Below is a reconciliation of the pro forma NOI for the nine months ended September 30, 2012 annualized to the forecast NOI for the twelve months ending December 31, 2013. This reconciliation is illustrative in nature and has been prepared by management as a supplement for the reader to the financial forecast. The assumptions used in respect of leasing activity, unit roll over rates, market rental rates, estimated cost savings, tax costs and the items that make up inflation and other adjustments in order to arrive at the figures below constitute forward-looking information. While these assumptions are considered reasonable by management as of the date of this prospectus, they are inherently subject to significant uncertainties and contingencies that may affect the outcome of the forward-looking information. Investors should use caution when considering such forward-looking information, and the REIT cautions readers not to place undue reliance on these statements. See "Forward-Looking Statements".

Add (Deduct):	
Pro forma NOI for the nine months ended September 30, 2012 annualized	**$70,189**
Rent increases and unit roll over to market rates	4,733
Unit lease-up	1,174
Increase in real estate tax expense	(1,301)
Inflation and other	(961)
Forecast NOI[(1)]	**$73,834**

(1) Based on NOI for the forecast twelve month period ending December 31, 2013 of $73,811, adjusted for straight line rent of $23 for the same period.

Structure

The following chart sets out the simplified organizational structure of the REIT immediately following Closing. See "Post Closing Structure" for a more detailed structure chart:



1 Following Closing, MST Investors will hold approximately 5,354,210 Class B Units.
2 Following Closing, Milesouth will hold 14,000,000 Units and approximately 8,923,189 Class B Units.
3 Class A Units held indirectly by the REIT through US Holdco.

THE OFFERING

Offering: 20,000,000 Units.

Amount: C$200,000,000

Price: C$10.00 per Unit.

Over-Allotment Option: The REIT has granted to the Underwriters an option exercisable in whole or in part and at any time up to 30 days after Closing to purchase up to an additional 3,000,000 Units at a price of C$10.00 per Unit solely to cover over allotments, if any, and for market stabilization purposes. See "Plan of Distribution".

Use of Proceeds: The net proceeds of the Offering (after payment of costs associated with the Offering and the Acquisition) will be used by the REIT to indirectly acquire an interest in the Partnership from Milesouth, and accordingly indirectly acquire an interest in the Initial Properties and property management subsidiary indirectly owned by the Partnership.

The net proceeds from the issue of Units on exercise of the Over-Allotment Option will be used by the REIT to indirectly acquire additional interests in the Partnership from Milesouth and/or for working capital purposes.

Unit Attributes: The REIT is authorized to issue an unlimited number of Units. Each Unit represents a proportionate undivided beneficial ownership interest in the REIT. Each Unit is transferable and entitles the holder thereof to: (i) an equal participation in distributions of the REIT; (ii) rights of redemption; and (iii) one vote at all meetings of Unitholders. See "Declaration of Trust".

Retained Interest: Following the Closing, the Retained Interest Holders will hold an aggregate of 14,000,000 Units (all of which will be held by Milesouth) and approximately 14,277,399 Class B Units (approximately 8,923,189 held by the Milesouth and approximately 5,354,210 held by MST Investors) representing an aggregate approximate 58.6% interest in the REIT on a fully-diluted basis assuming the redemption in full of all Class B Units for REIT Units (approximately 47.5% and 11.1% for Milesouth and MST Investors, respectively) and an aggregate approximate 52.4% interest in the REIT if the Over-Allotment Option is exercised in full (approximately 41.3% and 11.1% for Milesouth and MST Investors, respectively). Each Class B Unit will be redeemable by the holder thereof for cash or, at the option of the Partnership, through its General Partner, one Unit of the REIT (subject to customary anti-dilution adjustments), and will be entitled to distributions of cash from the Partnership equal to the cash distributions paid to holders of Units by the REIT. Consistent with comparable corporate statutory rights, certain fundamental transactions that may be taken by the Partnership will also require the approval of Milesouth, for so long as Milesouth holds in the aggregate, directly or indirectly (including REIT Units), at least a 33% ownership interest in the Partnership. Subject to the consent of the Underwriters and the Board (such consent not to be unreasonably withheld), Milesouth and MST Investors will be contractually obliged to hold the securities comprising their respective Retained Interest for 18 months.

Pursuant to the Declaration of Trust, Milesouth will have the right to nominate one Trustee to the Board of the REIT, subject to Milesouth maintaining, in the aggregate, a specified ownership threshold.

See "Retained Interest" and "Trustees and Executive Officers of the REIT – Governance and Board of Trustees".

Distribution Policy:	The REIT initially intends to adopt a distribution policy pursuant to which the REIT will make cash distributions to Unitholders and, through the Partnership, holders of Class B Units on each monthly Distribution Date equal to, on an annual basis, approximately 90% of estimated AFFO for the period ended December 31, 2013. Pursuant to this distribution policy, distributions will be paid to Unitholders of record at the close of business on the last business day of a month on or about the 15th day of the following month. The first distribution for the period from Closing to March 31, 2013 will be paid on April 15, 2013. The REIT intends to make subsequent monthly distributions in the estimated amount of C$0.05417 per Unit commencing May 15, 2013. Distributions will be made in cash. Given that the REIT's investments and operations will be conducted in U.S. dollars and the REIT will pay distributions to Unitholders in Canadian dollars, the REIT intends to implement active hedging programs in order to offset the risk of revenue losses and provide more certainty regarding the payment of distributions to Unitholders. See "Risk Factors". Notwithstanding the distribution policy, the Trustees retain full discretion with respect to the timing and quantum of distributions. See "Distribution Policy". Hedging arrangements will be implemented for a term of two years. The Board will assess the REIT's currency hedging strategy from time to time. Because the REIT will be treated as a real estate investment trust for U.S. federal income tax purposes, distributions paid by the REIT to Canadian investors that are made out of the REIT's current or accumulated earnings and profits (as determined under U.S. federal income tax principles) generally will be subject to U.S. withholding tax at a rate of 15% investors that qualify for benefits under the Treaty. To the extent a Canadian investor is subject to U.S. withholding tax in respect of distributions paid by the REIT on the Units out of the REIT's current or accumulated earnings and profits, the amount of such tax generally will be eligible for foreign tax credit or deduction treatment, subject to the detailed rules and limitations under the Tax Act. The foregoing is qualified by the more detailed summary in this Prospectus. Distributions in excess of the REIT's current and accumulated earnings and profits that are distributed to Canadian investors that have not owned (or been deemed to own) more than 5% of the outstanding Units generally will not be subject to U.S. withholding tax, although there can be no assurances that withholding on such amounts will not be required. The REIT estimates that none of its monthly cash distributions to be paid to Unitholders in 2013 will be made out of the REIT's current or accumulated earnings and profits and, accordingly, the REIT expects that 2013 distributions will not be subject to U.S. withholding tax. The composition of distributions for U.S. federal income tax purposes may change over time, which may affect the after-tax return to Unitholders. Qualified residents of Canada that are tax-exempt entities established to provide pension, retirement or other employee benefits (including trusts governed by a RRSP, a RRIF or a RDSP, but excluding trusts governed by a TFSA, a RESP or a RDSP) may be eligible for an exemption from U.S. withholding tax. See "Certain Canadian Federal Income Tax Considerations" and "Certain U.S. Federal Income Tax Considerations". See also "Risk Factors – Tax-related Risk Factors".
Risk Factors:	An investment in Units is subject to a number of risk factors that should be carefully considered by a prospective purchaser. Cash distributions by the REIT are not guaranteed and will be based, in part, upon the financial performance of the REIT's properties, which is susceptible to a number of risks. These risks, and other risks associated with an investment in Units, include but are not limited to those related to the real estate industry, the REIT and its business and the Offering. See "Risk Factors" and the other information included in this prospectus for a discussion of the risks that an investor should carefully consider before deciding to invest in Units.

THE REIT

Overview

Milestone Apartments Real Estate Investment Trust is a newly-created, unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust under the laws of the Province of Ontario. The head office of the REIT is located at 333 Bay Street, Suite 3400, Toronto Ontario M5H 2S7 and the head office of the Partnership is located at 5429 LBJ Freeway, Suite 800, Dallas Texas, 75240. The REIT has been created for the purpose of acquiring and owning multifamily properties in select target markets in the United States.

Upon Closing, the REIT will indirectly acquire interests in a portfolio of 52 properties located in the United States consisting of 16,944 units and the property management business of the Property Manager, which currently provides property management services for each of the Initial Properties. The Initial Properties are located in ten major, high-growth metropolitan markets, in six states, throughout the Southeast and Southwest United States: Atlanta, Georgia (3 properties – 736 units); Austin, Texas (2 properties – 520 units); Dallas/Fort Worth, Texas (18 properties – 5,794 units); Houston, Texas (12 properties – 3,360 units); San Antonio, Texas (2 properties – 516 units); Jacksonville and Melbourne, Florida (3 properties – 1,390 units); Tampa, Florida (3 properties – 632 units); Nashville, Tennessee (4 properties – 1,858 units) Phoenix, Arizona (3 properties – 1,370 units); and Salt Lake City, Utah (2 properties – 768 units). See “The Initial Properties”.

The REIT will be managed by a vertically integrated platform that provides expertise across the full spectrum of real estate investment management disciplines, including (a) the asset management and financial reporting disciplines provided by the Asset Manager, and (b) the property management, construction management, information technology, financial reporting and human resource disciplines provided by the Property Manager. The Property Manager, a wholly-owned subsidiary of the REIT, currently manages a portfolio of approximately 36,000 units across 11 states and was ranked in the Top 50 Management Companies in the United States in 2012 by the National Multi Housing Council. The Property Manager was formed by The Milestone Group in 2004 for the purpose of providing property management services to affiliated and non-affiliated entities of The Milestone Group.

The REIT’s asset manager will be Milestone, which is an affiliated entity of The Milestone Group, a leading national, privately held real estate investment company that acquires and manages multifamily real estate assets across the United States. The Milestone Group currently manages over $2.5 billion of multifamily assets for leading institutional investors including a sovereign wealth fund and a number of public and private pension funds. Milestone has an extensive network of owner, lender and brokerage contacts at both the national and regional levels, offering the REIT exposure to a large number of transaction opportunities. The REIT will employ over 900 employees and Milestone will employ approximately 20 employees in corporate offices in New York and Dallas plus 10 regional offices across the United States. See “Benefit of Vertically Integrated Investment Management Platform”.

Objectives of the REIT

The objectives of the REIT are to:

- Preserve, protect and grow Unitholders’ cash distributions on a tax-efficient basis from investments in the United States multifamily real estate sector;
- Enhance the value of the REIT’s assets and maximize long-term Unitholder value through active management; and
- Expand the asset base of the REIT and increase the REIT’s AFFO per Unit, through revenue enhancement, expense rationalization and accretive acquisitions.

MARKET OPPORTUNITY

The REIT is being formed to provide Canadian investors an opportunity to gain direct exposure to the United States multifamily real estate sector, while benefiting from the proven investment track record of Milestone and operational expertise of the Property Manager. Management believes that the multifamily sector offers superior risk-adjusted returns compared to other real estate asset classes. Upon Closing, the REIT will be the largest real estate investment trust in Canada to focus on the U.S. multifamily sector.

Management believes that certain characteristics of and trends in the United States multifamily sector suggest that this market offers an attractive investment alternative for Canadian investors. These trends include, but are not limited to, (i) favourable supply and demand fundamentals driven by demographics and declining homeownership rates, (ii) compelling population, demographic and job growth characteristics in the U.S., particularly in the Southeast and Southwest markets where the Initial Properties are located, (iii) larger multifamily transaction volume and external growth opportunities in the U.S. than in Canada, (iv) the relative stage of the U.S. real estate cycle which is earlier in its recovery as compared to the Canadian real estate cycle, (v) an absence of rent control policies in the majority of U.S. metropolitan areas; and (vi) regulatory frameworks that tend to be more landlord-friendly compared to most Canadian provinces. Together, these factors suggest that U.S. multifamily assets, and in particular those located in the REIT's key target markets, may experience stronger cash flow growth and property value appreciation in the near-term relative to Canadian multifamily assets.

The REIT intends to leverage management's longstanding relationships, experience and track record in identifying and acquiring multifamily assets in key U.S. markets where its vertically integrated operating platform can create value and maximize asset performance to deliver stable, attractive returns to investors. In addition, management expects to grow rental revenues throughout the portfolio and make acquisitions that are accretive to the REIT's AFFO per Unit.

Investment Highlights

- ***Attractive and Stable Yield.*** The REIT intends to pay stable and growing monthly cash distributions, initially expected to provide Unitholders with an annual yield of approximately 6.5%, based on an AFFO payout ratio of 90%. See "Distribution Policy" and "Presentation of Financial Information – Non-IFRS Measures".

- ***Aligned Management Team with Proven Multifamily Track Record.*** The REIT will be managed by a team of talented senior professionals with an average of more than 20 years of experience in the multifamily real estate sector, with particular expertise in areas such as asset management, property management, acquisitions, dispositions, financing and leasing. Management has a strong track record in the U.S. multifamily sector. Milestone and its affiliates have delivered Average Annual Leveraged Gross Returns on realized multifamily investments in excess of 30% since Milestone was founded in 2004. The management team also has extensive experience with the Initial Properties, having managed each of these properties since their acquisition in 2005 and longer for certain individuals including the Chief Operating Officer who has been involved with these properties for over 14 years. In addition to its proven management platform, the REIT will also benefit from a board of trustees, the majority of whom are independent and reside in Canada.

  Upon Closing, unless otherwise consented to by the Underwriters and the Board (such consents not to be unreasonably withheld) and MST Investors will hold, directly or indirectly, approximately 5,354,210 Class B Units, all of which will be subject to a contractual hold period of 18 months following Closing. This retained ownership position will serve to further align the interests of The Milestone Group with those of the other Unitholders. See "Retained Interest" and "Arrangements with Milestone".

- ***Benefit of Vertically Integrated Investment Management Platform with Significant Expertise in Key U.S. Markets.*** Milestone was founded in 2004 and has completed nearly $3.2 billion of multifamily acquisitions and over $1.3 billion of dispositions on behalf of leading institutional investors globally, including a sovereign wealth fund and a number of public and private pension funds. The REIT, through its property management subsidiary, currently manages a portfolio of approximately 36,000 units across 11 states. With corporate offices in New York and Dallas plus 10 regional offices, the REIT will employ over 900 employees and Milestone will employ approximately 20 employees across the United States. The property management subsidiary of the REIT was ranked in the Top 50 Management Companies in the United States by the National Multi Housing Council. Furthermore, the REIT believes that Milestone's extensive network of owner, lender and brokerage contacts at both the national and regional levels in which it operates creates a significant competitive advantage for the REIT, allowing it to pursue off-market and marketed opportunities.

  The REIT will have the benefit of a vertically integrated management platform that provides expertise across the full spectrum of real estate investment management disciplines, including asset management, property management, construction management, information technology, financial reporting, and human resources.

The REIT believes its platform will provide a competitive advantage in the acquisition and management of multifamily assets through its timely decision making and the collective expertise of its multi-disciplined personnel in both its corporate and local field offices.

- ***Attractive Asset Class with Compelling Supply/Demand Characteristics.*** Multifamily properties are viewed by management as stable investments since the demand for residential rental accommodation is less affected by general economic conditions. Furthermore, cash flow from such properties is diversified across a tenant base that comprises numerous individual households, mitigating the negative impact of the loss of any one tenant. Management believes multifamily properties provide investors with the lowest variability of risk-adjusted returns among all classes of real estate, owing to the necessity-based tenure of its tenants which is typically impacted less by economic slowdowns than other asset classes.

  The REIT believes that the U.S. multifamily sector will benefit from favourable demographic and economic trends including increasing household formation led by the Echo Boomers (the Baby Boomers' children) as they enter the prime rental apartment-dwelling age, declining homeownership levels to historic norms and strong United States population growth driven by increasing immigration. These favourable demographic and economic trends combined with limited new supply bodes well for the U.S. multifamily sector. Additionally, employment growth continues to improve, and household formations are projected to exceed 8 million over the next eight years, representing growth of approximately 7.9%.

  Management believes that the U.S. multifamily market has significant pent up demand for rental units as the supply of newly completed units hit historical lows in 2010 and 2011. Over 539,000 multifamily units in the U.S. were absorbed during this two year time frame while approximately 141,000 newly constructed units were completed, and management expects demand to continue to outpace supply for the foreseeable future. Additionally, the majority of the Initial Properties are located in markets where population and employment growth are expected to exceed national averages, driving additional demand for multifamily rental units.

- ***Well-Positioned Portfolio with Significant Scale and High Quality Cash Flows.*** The REIT's portfolio will initially be comprised of the Initial Properties, 52 garden-style properties comprising 16,944 units diversified across major metropolitan markets in the Southeast and Southwest United States that have deep and diversified employment bases. These garden-style properties cater to middle-market renters, the largest and most diverse segment of rental demand in the U.S. that currently accounts for over 60% of the nation's renter pool. Additionally, the majority of the Initial Properties are located in metropolitan markets that project to have superior population and employment growth than the United States average in the next five years.

  For the nine months ended September 30, 2012, the REIT's portfolio has achieved year-over-year NOI growth of approximately 13% and, as at September 30, 2012, had a weighted average occupancy rate of 93.7%, positioning us to effectively pass on rental rate increases to the tenant base. The Initial Properties have also experienced positive year-over-year revenue growth for every month dating back to November 2010, as a result of improving occupancy rates and increasing rents. Management believes the Initial Properties are well-positioned in their markets and will continue to benefit from the approximately $85 million of capital expenditures spent at the properties since 2008, throughout the U.S. economic recovery. Furthermore, the REIT believes that its focus on the middle-market rental segment, the largest segment of rental demand, in attractive markets will contribute to the combined stability and quality of its cash flows.

- ***Attractive External Growth Opportunity.*** Management believes that the United States multifamily market will present numerous acquisition opportunities that are accretive to AFFO per Unit of the REIT. Upon Closing, The Milestone Group and the REIT, through its property management subsidiary, will manage approximately 19,000 multifamily units not owned by the REIT. Many of these units are owned by finite-life partnerships, and the REIT may seek to acquire these properties in the future.

  The REIT also expects that its extensive relationships in key U.S. markets, its superior access to capital as a publicly traded entity, and its focus on the middle-market rental segment in high growth metropolitan areas of the U.S., will drive acquisition opportunities for the REIT. The U.S. multifamily market is highly liquid, with over $72 billion in transaction volume in the twelve months ended September 30, 2012. In 2012, Milestone reviewed over $4.5 billion in potential multifamily transactions and acquired over $400 million of multifamily assets. In addition, the U.S. multifamily market is highly fragmented, and management believes the REIT's status as a publicly traded real estate investment trust will facilitate its ability to consummate accretive acquisitions.

GROWTH STRATEGIES OF THE REIT

Organic Growth

- ***Rental Revenue Growth from Improving Multifamily Fundamentals and Active Management.*** The REIT will benefit from Milestone's and the REIT's vertically integrated management platform, well-established track record of value-enhancement and intimate understanding of the Initial Properties and their respective markets. This management platform will oversee the operations of the REIT's properties to optimize their performance, value and long-term cash flow generation capabilities. Management intends to maximize the economic potential of each individual property through an intensive "hands on" approach to asset and property management. The REIT expects that this management strategy will achieve growth in NOI through increases in occupancy and rental rates, rent optimization and expense reductions. Additionally, the REIT expects that attractive fundamentals in the high-growth markets in which the Initial Properties are located will drive increases in NOI and AFFO per Unit. The REIT uses YieldStar Price Optimizer, a real time multifamily database that delivers market intelligence on over three million apartment units nationally. This software assists property management personnel as they determine market rental rates daily, and facilitates the REIT's ability to maximize occupancy and rental revenue.

External Growth

- ***Access to a Proprietary Acquisition Pipeline Through Milestone.*** The REIT will seek to leverage its relationship with Milestone to access accretive acquisition opportunities that satisfy the REIT's investment criteria. Milestone and the REIT, through its property management subsidiary, own or manage approximately 19,000 units primarily through finite-life partnerships that could be potential acquisition targets as these funds reach the end of their terms. See "Arrangements with Milestone – Non-Competition and Non-Solicitation Agreement", "Risk Factors – Risks Associated with the Asset Management Arrangements".
- ***Acquisitions in Target Markets.*** The REIT's growth strategy will focus on acquisitions of multifamily assets that are (i) located in major metropolitan markets throughout the Southeast and Southwest U.S. and (ii) that serve middle-market renters, the largest rental segment in the country. Many of the major metropolitan markets targeted by the REIT have high population growth rates, attractive multifamily renter demographic characteristics and deep and diversified employment bases. Through its relationship with Milestone and the market relationships of the Property Manager, the REIT will seek to acquire multifamily properties with stable rental incomes, as well as the potential to generate increasing cash flows and capital appreciation through enhanced asset and property management performance.

  The REIT will generally seek to acquire multifamily properties which: (i) are comprised of at least 200 units per property in order to capture economies of scale (with target properties having fewer than 200 units being evaluated and priced appropriately); (ii) satisfy the REIT's investment criteria; and (iii) are accretive to AFFO per Unit.

  The REIT, in collaboration with the Board, will seek to keep its investment strategy dynamic and flexible, which will enable it to adapt to shifts in economic, real estate and capital market conditions and to exploit opportunities resulting from such shifts. Consistent with this strategy, the REIT's investment decisions will depend on prevailing market conditions and may change over time in response to emerging opportunities. Management believes this approach will allow the REIT to identify undervalued opportunities in its target markets throughout the entire market cycle.

Factors Facilitating External Growth

Among other things, management believes that the REIT's external growth strategy will be facilitated by:

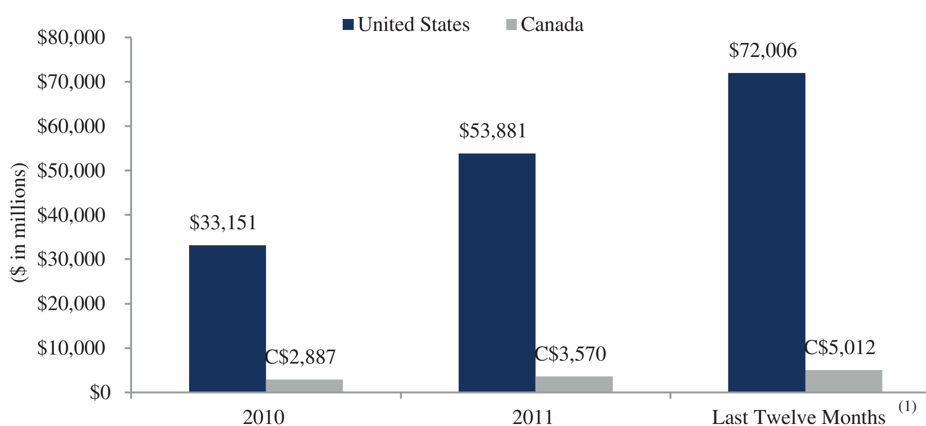
- **Extensive Relationships.** Milestone and the REIT, through its property management subsidiary, have an extensive network of relationships with numerous market participants through which the REIT expects to gain exposure to a large number of transaction opportunities. In the past, Milestone has sourced acquisition opportunities through a number of channels, including:
  - through its asset and property management relationships, including properties it has managed for third parties, including servicers and lenders;

- through its regional offices and national presence;
- through institutional owners and their advisors;
- through local real estate professionals; and
- through the traditional brokerage community.

Milestone has proactively pursued acquisitions using this proven deal sourcing network, and will continue to do so for the benefit of Unitholders following Closing. The relationships developed by Milestone's senior management have consistently enabled it to originate acquisitions at attractive prices and terms, including numerous "off-market" transactions characterized by limited competitive bidding. The REIT expects to leverage Milestone's relationships to source high-quality acquisitions that are accretive to AFFO per Unit of the REIT. Furthermore, the REIT expects that potential sellers will likely seek out the REIT as a credible, knowledgeable buyer with excellent access to capital that can transact quickly.

- **Deep Market of Potential External Acquisitions.** The United States multifamily transaction market is highly liquid with approximately $72 billion of multifamily assets trading hands over the twelve month period ended September 30, 2012, compared to only approximately $5 billion of multifamily volume in Canada over the same period. Management expects this liquidity to persist as over $300 billion of multifamily loans are scheduled to mature by 2016 (which may cause poorly capitalized owners to sell their assets), and transaction volumes are well below peak volume in 2007 that exceeded $100 billion. The REIT will benefit from Milestone's transaction experience, which completed over $400 million of multifamily acquisitions in 2012.

Multifamily Transaction Volume



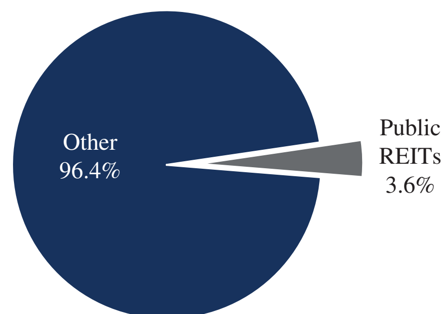
Source: Real Capital Analytics, CBRE

Note: Shown in local currencies for the United States and Canada, respectively.

(1) As of September 30, 2012

- **Access to Capital.** As a public real estate investment trust, the REIT believes that its access to public capital will provide it with an advantage over competing property purchasers that are entirely dependent on private sources of funding. Publicly traded REITs represent less than 4% of the total multifamily units in the United States. As a publicly traded entity, the REIT will pursue acquisitions using a multitude of capital sources including (i) public equity issuances; (ii) the issuance of Partnership units to sellers seeking liquidity through tax-efficient transactions and (iii) numerous sources of debt financing available to publicly traded multifamily real estate investment trusts in the U.S. including debt from local, regional and national banks, government-sponsored entities such as Fannie Mae and Freddie Mac, insurance companies, CMBS, publicly issued bonds and convertible debentures.

United States Multifamily Ownership



Source: SNL Financial, 2011 American Housing Survey

BENEFIT OF VERTICALLY INTEGRATED INVESTMENT MANAGEMENT PLATFORM

Overview

The REIT will have the benefit of a vertically integrated investment management platform with deep expertise and a presence in major markets throughout the United States. The REIT will wholly own its property management business, the Property Manager, will employ (through the Partnership), the Chief Operating Officer and Chief Financial Officer and will employ Milestone as its asset manager. Milestone was founded in 2004 and has completed nearly $3.2 billion of multifamily acquisitions and over $1.3 billion of dispositions on behalf of leading institutional investors globally, including a sovereign wealth fund and a number of public and private pension funds. The Property Manager currently manages a portfolio of approximately 36,000 units across 11 states. With corporate offices in New York and Dallas plus 10 regional offices, the Asset Manager will employ approximately 20 employees and the REIT will employ over 900 employees across the United States.

The REIT will have the benefit of a vertically integrated management platform that provides expertise across the full spectrum of real estate investment management disciplines, including (a) the asset management and financial reporting disciplines provided by the Asset Manager, and (b) the property management, construction management, information technology, financial reporting and human resource disciplines provided by the Property Manager. The REIT believes this management platform will provide a competitive advantage in the acquisition and management of multifamily assets through efficient and timely decision-making and the collective expertise of its multi-disciplined personnel in both the corporate and local field offices. Furthermore, the REIT believes that the Asset Manager and the REIT's property management subsidiary benefit from extensive networks of owner, lender and brokerage contacts at both the national and regional levels. It is anticipated that these networks will provide a significant competitive advantage to the REIT, allowing it to pursue both off-market and marketed acquisition opportunities that it would not otherwise have the ability to explore.

Included in the managed units referred to above are 19,000 third party units that the Property Manager currently manages and/or advises in respect of. The REIT expects to benefit from the considerable market knowledge and relationships originated and developed through the management of these additional units. The REIT may seek to purchase properties managed by the Property Manager for third parties at a future date. See "Arrangements with Milestone – Non-Competition and Non-Solicitation Agreement".

The Milestone Group's National Presence

REIT's Investment Management Capabilities

MULTIFAMILY REAL ESTATE MARKET CHARACTERISTICS

Multifamily properties differ from commercial real estate investments because of the short-term nature of the leases, the larger number of individual leases and the fact that the leases are for households and not businesses. These characteristics mitigate the risks of investment in real estate in the following ways:

- Multifamily leases generally have terms of less than or equal to one year, providing landlords with the ability to increase rents more frequently than commercial leases and offering inherently greater potential for continued revenue growth;
- Cash flow from each property is generated from a diverse group of numerous tenants, limiting the negative impact of losing any single tenant;
- Demand for multifamily rental accommodation is more stable than the commercial rental marketplace, reflecting demographic trends and the need for housing, unlike its commercial counterpart which is governed to a greater extent by economic business cycles; and
- Improvement costs necessary to attract and retain tenants are generally lower and more predictable than in the case of commercial tenants.

In addition to the characteristics noted above, the United States multifamily market benefits from a lack of rent control regulations in most major metropolitan areas, as well as other landlord-friendly regulations. These differences allow for gains in apartment fundamentals to quickly flow through to NOI and AFFO.

Institutional quality multifamily assets in the United States are predominantly comprised of garden-style, mid-rise and high-rise multifamily properties located in major metropolitan areas. The majority of the Initial Properties are garden-style properties that consist of over 200 units with two to four stories. "Garden-style" assets are predominately wood-frame constructed with surface parking and are typically without elevators, providing for lower capital costs for owners when compared to mid-rise and high-rise multifamily assets. These assets attract tenants with large amenity packages that often include swimming pools, fitness centres, business centres, clubhouses and access gates. These properties are also characterized by lower density (on average, approximately 20 units/acre) and more "green space" (on average, approximately 16 acres/property). Garden-style properties generally cater to middle-market renters, the largest and most diverse multifamily renter segment in the United States which currently comprises over 60% of the nation's renter pool. Additionally, the majority of the well-capitalized institutional investors in the United States focus predominantly on urban product in "gateway" markets, limiting the level of competition for acquisitions in the middle-market rental segment in high-growth metropolitan markets throughout the Southeast and Southwest United States.

The multifamily sector in the United States benefits from a deep, diversified pool of debt financing sources. The availability of financing arranged by government-sponsored enterprises in the United States (principally, Fannie Mae and Freddie Mac) differentiates the multifamily real estate sector from non-residential commercial real estate. Publicly traded multifamily real estate investment trusts in the United States have historically had regular access to debt financing available to them including debt from local, regional and national banks, government-sponsored entities, insurance companies, CMBS and publicly issued bonds.

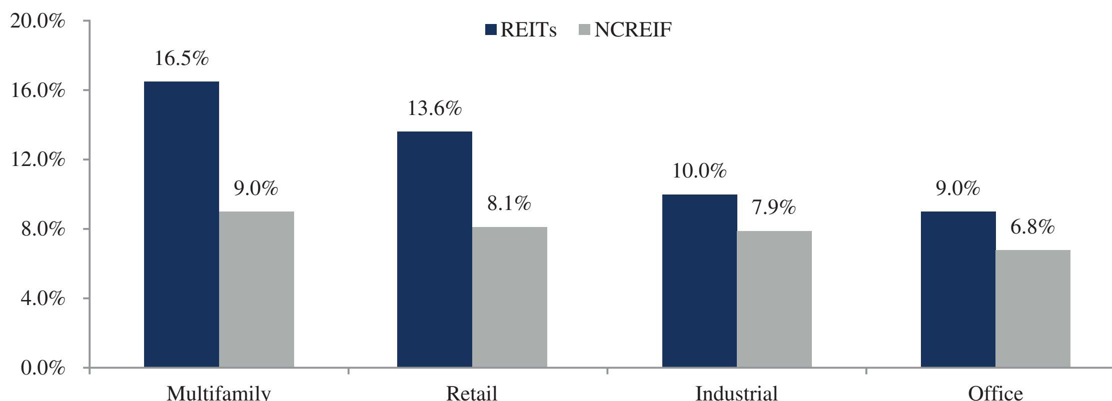
The United States Multifamily Market

The multifamily residential market has been the strongest performing property class in the United States real estate sector for over 20 years, and management expects this trend to persist. Strong market fundamentals and favourable demographic trends support continued growth for the United States multifamily industry. Among these trends are (i) an increase in the 20-34 aged segment of the U.S. population whose preferences support a rent versus own lifestyle, (ii) a declining home ownership rate, (iii) steadily increasing household formation and employment growth and (iv) an insufficient supply of new multifamily housing to meet projected demand. Management expects these factors will contribute to a favourable investment landscape in the United States multifamily market, and thereby support the REIT's growth prospects.

Multifamily Returns

Although economic conditions can have an impact on the multifamily real estate sector, returns from multifamily properties have historically been more stable than returns from other classes of income producing real estate. The multifamily property sector in the United States has delivered superior risk adjusted returns compared to every other major asset class for over 20 years. According to the National Council of Real Estate Investment Fiduciaries' ("**NCREIF**"), the U.S. multifamily sector has seen higher returns than the retail, industrial and office sectors, delivering 9.0% to investors annually from 1990 to 2011. In addition, publicly traded multifamily REITs have significantly outperformed public REITs in other sectors, providing a 16.5% annualized total return over the same period.

United States Average Annualized Returns by Real Estate Sector (1990 – 2011)



Source: NCREIF, SNL Financial

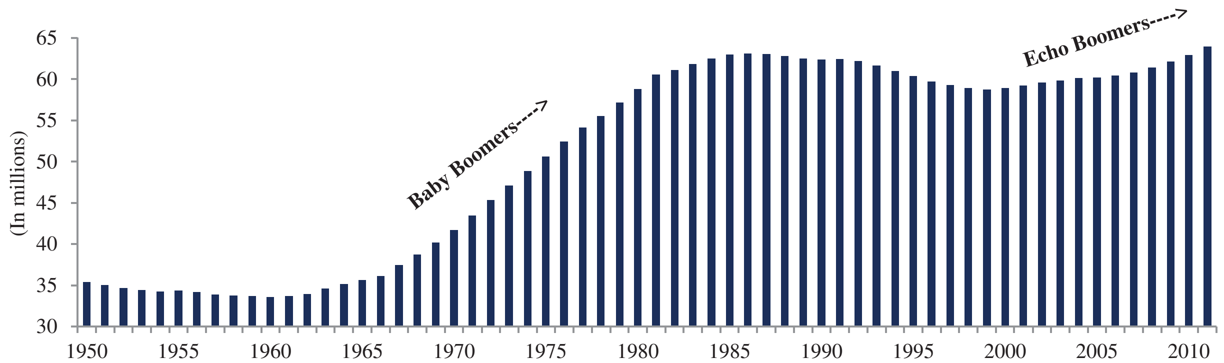
Note: REIT performance indicates total return, assuming the reinvestment of dividends.

Changing Demographics: The Echo Boomer Effect

The "Baby Boomer" era led to high renter growth in the late 60's through 80's as individuals born during the Baby Boom entered the rental market. As the offspring of those baby boomers grow into the prime renter age, a second wave of exponential renter growth is expected over the next decade. This "Echo Boomer" generation (those born between 1977 and 1997) creates an attractive opportunity to capitalize on increasing demand for multifamily rental units. Highly educated and career driven, Echo Boomers' lifestyle choices continue to support a rent versus own

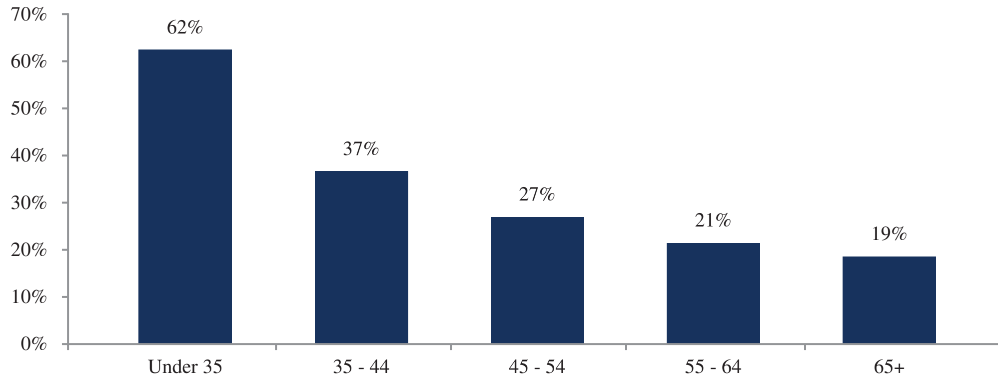
lifestyle, as many seek a social atmosphere, flexibility and delay having families to focus on their careers. Many Echo Boomers also witnessed their parents, families and friends lose a considerable amount of personal wealth during the recent housing downturn. Additionally, the rise in student loan debt (which rose to over $1 trillion in 2010 and continues to rise today) among this generation discourages many individuals from adding mortgage debt on top of any student loan debt. From 2012 to 2015, as Echo Boomers mature, the 20-34 year old age group will grow by 3.4 million people. Given that approximately 62% of 20-34 year olds are renter households, this growth implies over 2.1 million new renters. In addition, foreign immigration trends are favourable, with over 1 million new entrants into the United States in 2011 on a net basis.

United States Population (Ages 20 – 34)



Source: United States Census Bureau

Propensity to Rent by Age Group

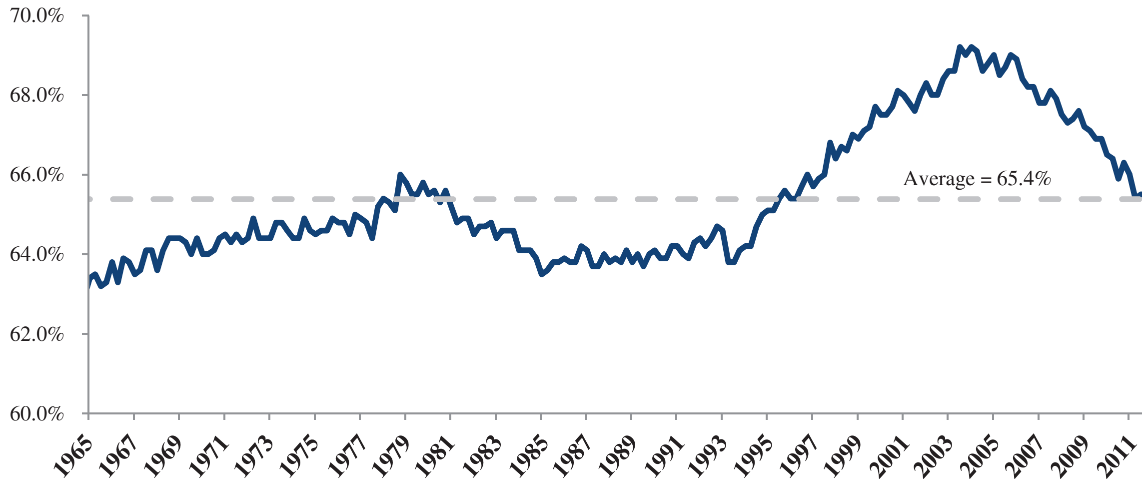


Source: 2011 American Housing Survey

Declining Homeownership Rate

The United States homeownership rate, having reached a high of 69.2% at the end of 2004, has steadily decreased to 65.5% as of the quarter ended September 30, 2012. This rate represents the lowest level of homeownership in over 15 years. Stringent lending standards and economic uncertainties continue to contribute to the decision by many to rent rather than buy their homes, and continue to put downward pressure on the home ownership rate. As a result of the recent recession, many homeowners have been forced to become renters and many renters on the fringe of homeownership have decided to postpone purchasing a home. With approximately 120 million households in the U.S., each 1% decline in the homeownership rate adds a potential additional 1.2 million new rental households.

United States Home Ownership Rate

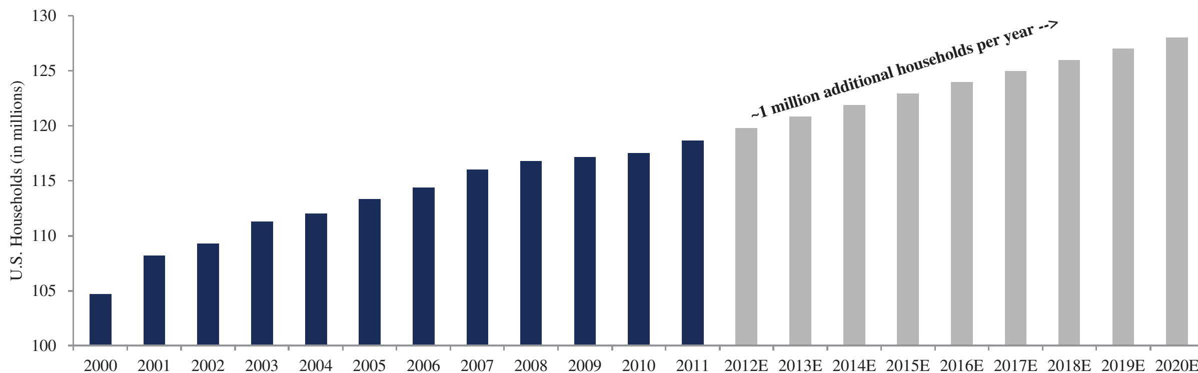


Source: United States Census Bureau

Increasing Household Formations

Despite household consolidation during the recession, United States household formation has remained positive with 0.5% average annual growth from 2008 to 2011. In 2011, there were approximately 119 million households in the United States, and Euromonitor International projects over 8 million household formations over the next eight years, representing growth of approximately 7.9% over this same period.

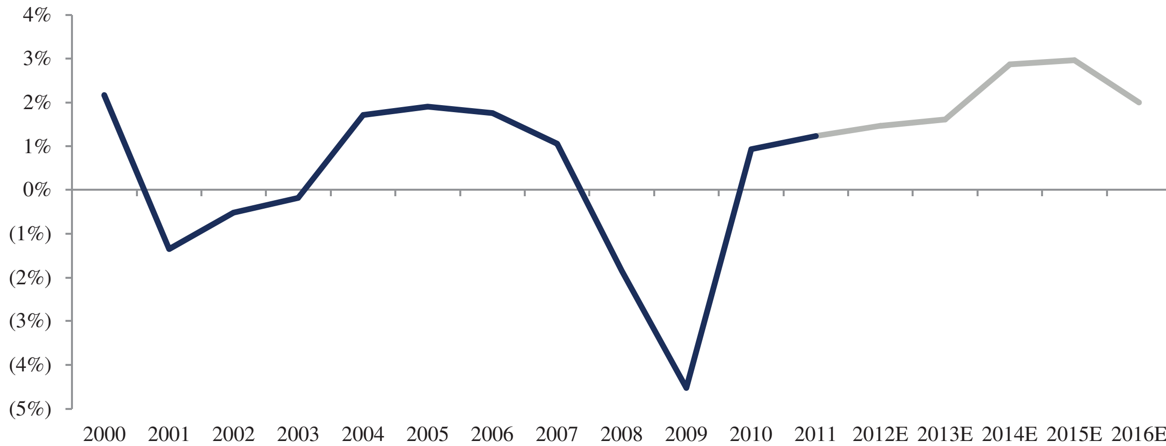
United States Households



Source: Euromonitor International

Favourable Outlook for United States Employment Growth

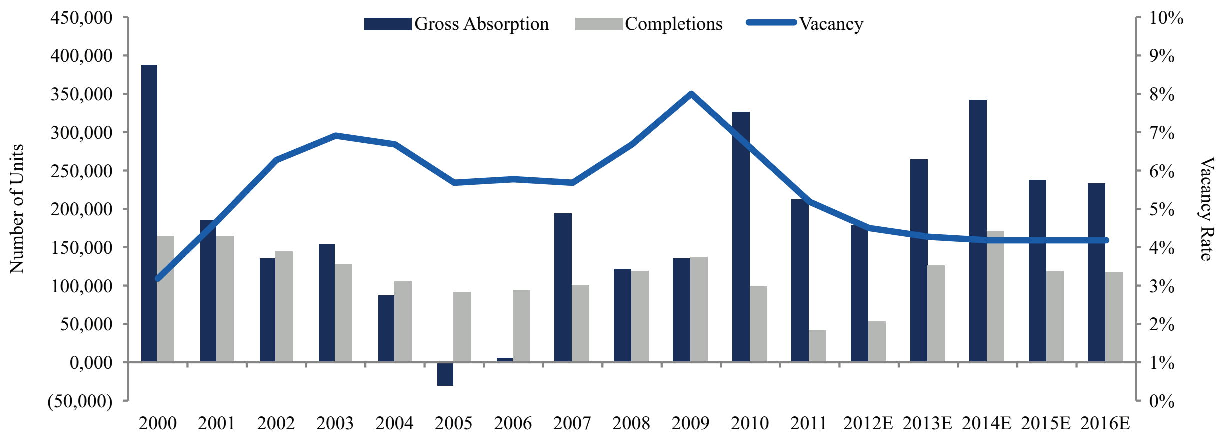
The economic recovery in the United States has continued through 2012, fueling strong demand for multifamily residential units. In 2010 and 2011, 2.3 million new jobs were created. Of these new jobs, 73% were captured by the 20-34 year old age group, enhancing multifamily demand. Reis expects the economic recovery in the United States to persist and projects average annual employment growth of 2.2% from 2012 to 2016.



Source: Reis, Economy.com

Insufficient Multifamily Supply

The economic recession in the United States slowed multifamily development, creating a supply-demand balance that favours owners of existing multifamily assets. The supply of newly completed units hit historical lows in 2010 and 2011. Over 539,000 multifamily units in the U.S. were absorbed during this two year period, while only approximately 141,000 units were completed. Reis projects approximately 1.3 million units to be absorbed from 2012 to 2016, while less than 590,000 new multifamily units will be completed. Management expects this gap between rental demand and new supply to support stabilized vacancy levels and consistent rental rate increases during this time period. Additionally, management also believes that multifamily properties can be acquired at values significantly below replacement cost, making it difficult for newly developed properties to generate returns similar to the REIT and dampening the likelihood of significant new construction.



Source: Reis

Initial Portfolio Markets

The Initial Properties are concentrated in high-growth markets throughout the Southeast and Southwest regions of the United States. Fundamental trends in these markets are stronger than they are in the broader United States economy. These trends include, but are not limited to, (i) outsized net migration into Southeast and Southwest states, (ii) faster population and employment growth in the REIT's target markets, (iii) an insufficient new supply of multifamily units, and (iv) multifamily rental rates currently comprise a smaller percentage of annual income in the REIT's markets than they do in other United States markets.

The REIT's Core Markets

Market	Market Size Rank (out of 942 MSAs)	2011 Population (000s)	% REIT's Units
Dallas/Ft. Worth, TX	4	6,595	34.2%
Houston, TX	5	6,149	19.8%
Atlanta, GA	9	5,387	4.3%
Phoenix, AZ	14	4,281	8.1%
Tampa, FL	19	2,843	3.7%
San Antonio, TX	24	2,218	3.0%
Austin, TX	35	1,809	3.1%
Nashville, TN	37	1,630	11.0%
Jacksonville, FL[1]	40	1,365	8.2%
Salt Lake City, UT	48	1,715	4.5%
Total		**33,993**	**100.0%**

Source: Reis, Economy.com, SNL Financial, U.S. Bureau of Economic Analysis

Notes:

(1) Includes one multifamily property consisting of 210 units located in the Melbourne, FL MSA.

Favourable Migration Trends

The REIT's multifamily portfolio and business strategy is supported by migration trends showing that states in the Southeast and Southwest United States have seen the most dramatic population growth in the country since 2010. Benefits of migration include, but are not limited to (i) a larger workforce, (ii) diversification of skill sets and (iii) capital flows. In addition, residents that migrate across state lines are more likely to become new renters rather than homeowners in their new state. Over 70% of the units in the Initial Portfolio are located in Texas and Florida, the top two states for net migration from 2010 to 2011. In addition, 95% of the REIT's multifamily units are located in a top ten state for net migration during that time period.

Top Ten States by Net Migration (2011 – 2012)[1]

State	Net Migration	% REIT's Units
Texas	210,590	60%
Florida	200,797	12%
California	88,052	—
North Carolina	60,106	—
Georgia	46,960	4%
Arizona	46,749	8%
Virginia	40,844	—
Colorado	37,444	—
Tennessee	37,067	11%
Washington	36,803	—
Total		**95%**

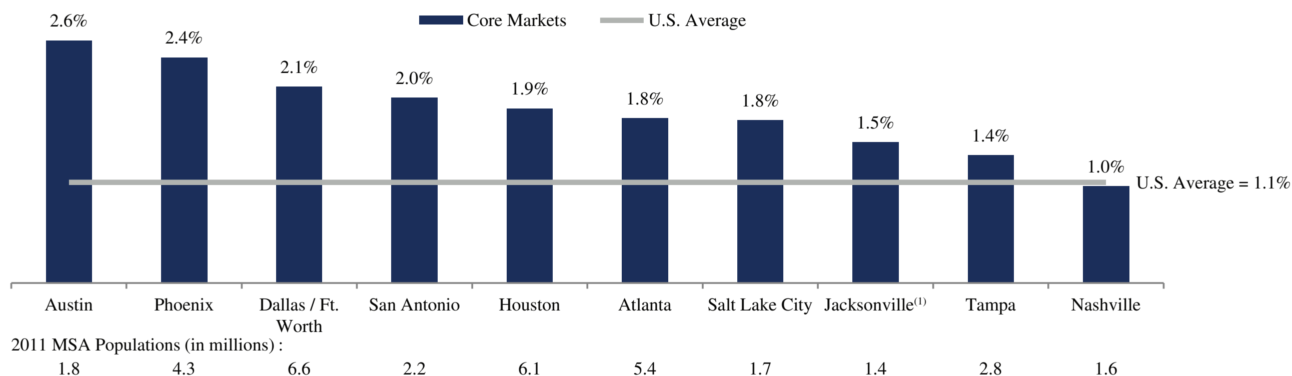
Source: United States Census Bureau

(1) From July 1, 2011 to July 1, 2012.

Population and Employment Growth

One of the most important demand drivers for multifamily residential units is population growth. The Southeast and Southwest regions of the United States have demonstrated stronger demographic and employment characteristics than the broader economy, and this trend is expected to persist. Reis projects that population and job growth in the vast majority of the REIT's markets will outpace growth in the overall United States economy from 2012 to 2016. In aggregate, Reis anticipates over 2.8 million new residents in the REIT's markets during this time period.

Projected 5-Year Average Population Growth in the REIT's Markets

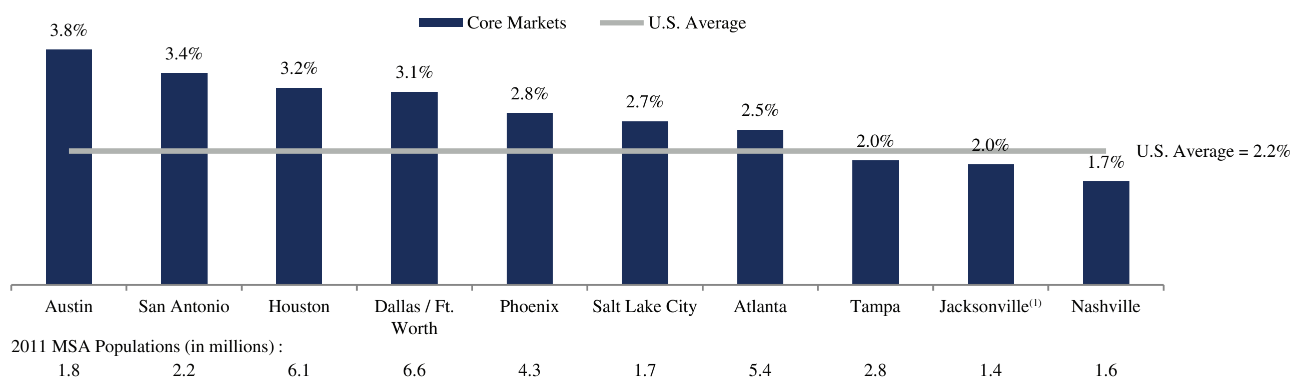


Source: Reis, Economy.com

Notes:

(1) Includes one multifamily property consisting of 210 units located in the Melbourne, FL MSA.

Projected 5-Year Average Employment Growth in the REIT's Markets



Source: Reis, Economy.com

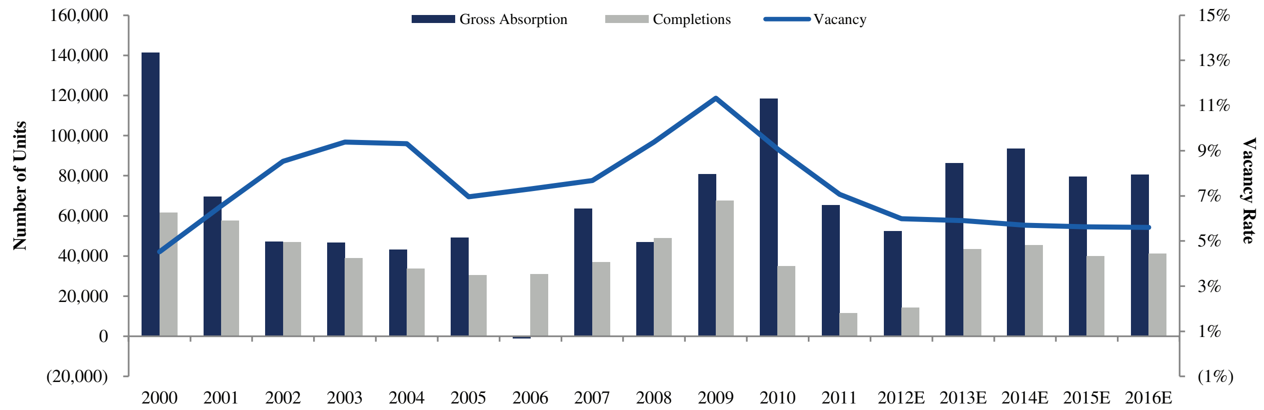
Notes:

(1) Includes one multifamily property consisting of 210 units located in the Melbourne, FL MSA.

Insufficient Multifamily Supply in Milestone's Markets

Constraints on development of multifamily units nationally during the economic recession in the United States were also felt in Milestone's markets. The supply of newly completed units hit historical lows in 2010 and 2011. Almost 184,000 multifamily units in Milestone's markets were absorbed during this two year period, while only approximately 47,000 units were completed. Reis projects approximately 393,000 units to be absorbed from 2012 to 2016, while less than 185,000 new multifamily units will be completed. Management expects this gap between rental demand and new supply to support stabilized occupancy levels and consistent rental rate increases during this time period.

Aggregate Multifamily Demand vs. Supply in the REIT's Markets

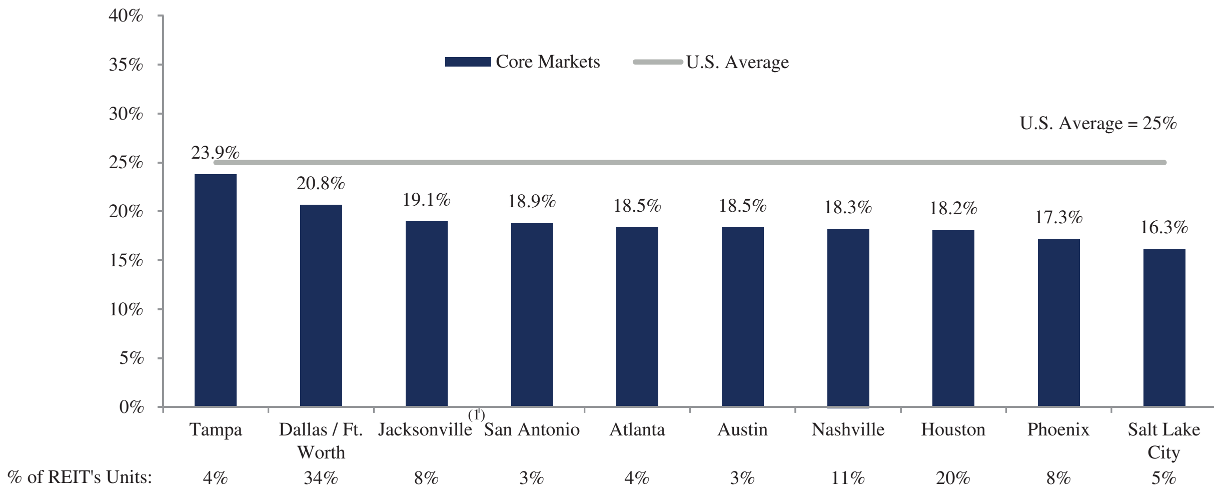


Source: Reis
Note: Absorption, completions and vacancy reflect totals/weighted averages in Milestone's markets

Annual Rent as a Percentage of Annual Income

As fundamentals in the REIT's target markets continue to improve, management expects to increase occupancy rates at the Initial Properties while also growing rental rates. The REIT's ability to drive rental rate increases is supported by the fact that renters in the REIT's markets currently spend a smaller percentage of their annual income on rent than renters do in other United States markets. Reis reports that rental rates in the United States comprise approximately 25% of median annual household income, and all of the REIT's multifamily units are located in markets where rental rates account for a smaller percentage of median household income than the national average. Management believes this provides the REIT with an opportunity to drive more dramatic rental rate increases than apartment owners in other United States markets.

Annual Rent as a Percentage of Median Household Income

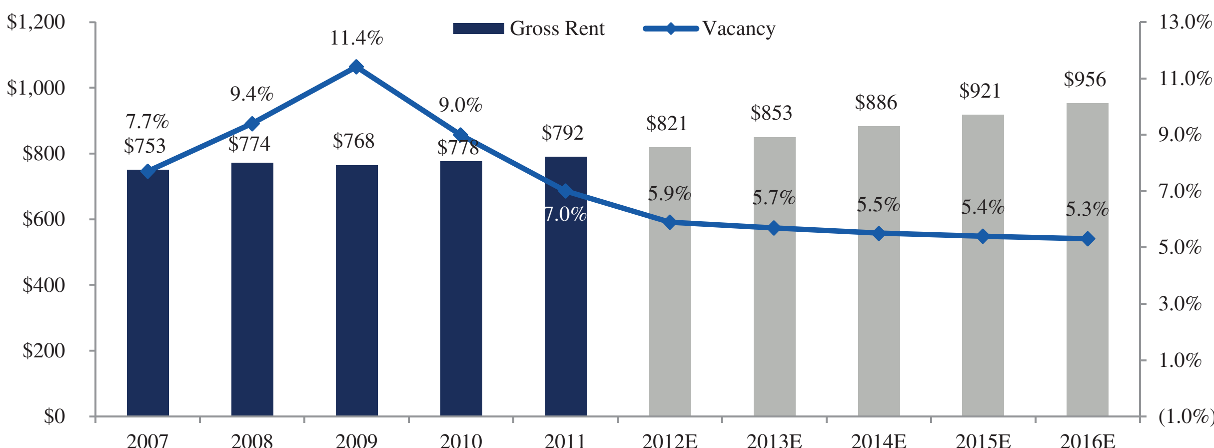


Source: Reis, SNL Financial
Notes:
(1) Includes one multifamily property consisting of 210 units located in the Melbourne, FL MSA.

Stable Projected Gross Rent and Occupancy Growth

Supported by strong demographic fundamentals, Reis projects steady rent growth and stabilizing vacancy rates through 2016 in the markets in which the Initial Properties are located. Average gross rents are expected to grow 3.8% per annum from $792 in 2011 to $956 by the end of 2016. Concurrently, vacancy rates are expected to decline from 7.0% in 2011 to 5.3% in 2016.

Projected Rent and Vacancy in Milestone's Markets



Source: Reis

Note: Rent and vacancy statistics reflect historical and projected averages in the markets of the Initial Properties, weighted by the number of units the REIT owns in each market. Average rent and vacancy statistics include Class A and Class B properties in urban and suburban sub-markets within the MSAs of the Initial Properties.

Multifamily Real Estate Market Trends

The following economic information was assembled from government and industry sources considered by the REIT to be reliable.

Texas

Texas Economic Trends	2007	2008	2009	2010	2011
Real GDP Growth[1]	5.4%	0.5%	(1.8%)	5.2%	3.3%
Unemployment Rate[2]	4.4%	6.0%	8.2%	8.2%	7.4%
Retail Sales Growth[1]	4.6%	(1.3%)	0.9%	6.0%	5.6%
Population Growth[1]	2.0%	2.0%	2.0%	1.8%	1.7%
Net Migration[3][4]	250,366	233,111	231,539	NA	189,529

1. U.S. Bureau of Economic Analysis
2. U.S. Bureau of Labor Statistics
3. U.S. Census Bureau
4. Includes International and Domestic migration

Dallas-Fort Worth Economic Overview

Dallas-Fort Worth ("DFW") is the largest metro area in Texas and is the 4th largest metropolitan statistical area ("MSA") in the United States with nearly 6.6 million residents. DFW is also among the metro areas leading the nation in economic recovery. DFW is quickly changing from a Southern boomtown to a global center for business and culture. The region adds an average of 187 new jobs and 470 new residents daily. DFW has a lower unemployment rate and has experienced faster population growth than the broader U.S., all trends that are expected to continue. It has 19% of the total state population, produces 31% of Texas' total output and has 48% of the states' high-tech workforce. Characterized by strong economic growth and a diverse economy, DFW's workforce of 3 million includes a strong

manufacturing base and a large corporate sector. DFW boasts not only 20 Fortune 1000 headquarters but also 22 headquarters of fast-growing companies listed on the Inc. Magazine 5000. DFW is home to recognizable brands such as AT&T, Texas Instruments, Neiman Marcus, Comerica Bank, and Southwest Airlines.

Houston Economic Overview

The Houston-Sugar Land-Baytown MSA ("Houston") is the second largest metro area in Texas and the 5th largest MSA in the United States. Houston continues to lead the state's economy, with no other metro adding as many jobs. Houston's job growth exceeds the combined job growth of Dallas and Austin. Houston, which accounts for 23.7% of Texas' population, accounted for 34.7% of the 276,400 jobs created in the state during the past 12 months. Houston is home to 23 Fortune 500 companies (the second most behind only New York City) and top institutions such as Methodist Hospital, The Container Store, CarMax and Devon Energy. Houston's economy has a broad industrial base in the energy, aeronautics, and technology industries.

Tennessee

Tennessee Economic Trends	2007	2008	2009	2010	2011
Real GDP Growth[(1)]	(0.1%)	0.3%	(4.7%)	4.4%	1.9%
Unemployment Rate[(2)]	5.0%	7.6%	10.7%	9.4%	8.5%
Retail Sales Growth[(1)]	3.6%	(5.9%)	(2.1%)	6.9%	4.4%
Population Growth[(1)]	1.4%	1.2%	0.9%	0.8%	0.7%
Net Migration[(3)(4)]	56,584	38,131	30,079	NA	24,275

1. U.S. Bureau of Economic Analysis
2. U.S. Bureau of Labor Statistics
3. U.S. Census Bureau
4. Includes International and Domestic migration

Following a steep contraction in 2009, Tennessee's economy has benefitted from a strong recovery. Tennessee is the 18th largest state in the nation based upon its gross domestic product ("GDP") and the state's economy grew at an annualized pace of 1.9% in 2011. Amidst stronger levels of economic activity, non-farm employment and personal income levels have exhibited notable improvement, growing at a rate of 1.7% and 4.8%, respectively, in 2011. The State's unemployment rate has also significantly decreased since the 2008/2009 recession, and was 8.3% as of September 2012. Tennessee's economy is well diversified (no sector contributes more than 10% to GDP) and is strong in the manufacturing and industrial sectors. Tennessee's population has grown at a faster pace than the nation as a whole, achieving an 11.5% increase over the past decade. With favourable labour laws and corporate tax levels, many large multi-national corporations such as Nissan, Volkswagen and Hemlock Semiconductors operate major manufacturing facilities in the State. Tennessee is also home to many well-known Fortune 500 Companies including FedEx, AutoZone and International Paper.

Florida

Florida Economic Trends	2007	2008	2009	2010	2011
Real GDP Growth[(1)]	1.0%	(3.5%)	(5.4%)	0.9%	0.5%
Unemployment Rate[(2)]	4.7%	8.2%	11.3%	11.1%	9.9%
Retail Sales Growth[(1)]	(0.7%)	(5.7%)	(3.5%)	5.4%	4.1%
Population Growth[(1)]	1.1%	0.9%	0.7%	1.0%	1.2%
Net Migration[(3)(4)]	123,412	68,141	56,202	NA	176,634

1. U.S. Bureau of Economic Analysis
2. U.S. Bureau of Labor Statistics
3. U.S. Census Bureau
4. Includes International and Domestic migration

Following the 2008/2009 recession, Florida's economy has grown modestly at a 0.7% average annual growth rate. Average annual state GDP growth is projected to grow at 3.6% throughout 2013-2016. Additionally, the state's unemployment rate has steadily declined to pre-recession levels at 8.1% as of November 2012. Florida is currently on track to create approximately 700,000 jobs in the next five years under the current state government. Population growth

is expected to accelerate in 2013 and beyond, with a growth rate of 1.7% by 2016. Net migration will increase significantly as the economy improves, new jobs are created and baby boomers begin to retire. A major contributor to Florida's economic recovery will be the tourism industry, a $67 billion industry that had a record number of 87.3 million visitors in 2011. Additionally, Florida's retail sales growth is expected to grow at an average rate of 4.1% during 2013-2016. Other major industries within Florida include real estate, healthcare, and services. Top businesses in Florida include American Express, Marriott International, Publix Super Markets and the Mayo Clinic.

Arizona

Arizona Economic Trends	2007	2008	2009	2010	2011
Real GDP Growth(1)	2.3%	(1.2%)	(8.2%)	1.1%	1.5%
Unemployment Rate(2)	4.2%	6.6%	9.2%	9.6%	9.0%
Retail Sales Growth(1)	3.3%	(8.4%)	(6.8%)	2.5%	3.8%
Population Growth(1)	2.3%	1.8%	1.0%	1.1%	1.1%
Net Migration(3)(4)	118,110	86,298	42,108	NA	27,602

1. U.S. Bureau of Economic Analysis
2. U.S. Bureau of Labor Statistics
3. U.S. Census Bureau
4. Includes International and Domestic migration

Hard hit by the 2008/2009 recession, Arizona's economy is recovering from its crisis-era lows and continues to gain momentum. As the 20th largest state by GDP, Arizona boasts a well-diversified economy, with concentrations in real estate, construction, mining and manufacturing. Several Fortune 500 companies are headquartered in Arizona, including U.S. Airways, Avnet, Freeport McMoran Copper & Gold and Insight Enterprises. In 2011, Arizona's GDP grew at an annualized rate of 1.5% while retail sales and personal income posted notable increases of 8.0% and 4.5%, respectively. Driven by stronger growth in the education, health services and construction, private sector employment has rebounded, growing by 4.4% between February 2010 and August 2012. The current unemployment rate of 8.2% is also well below its peak of 10.8%, reached in March 2010. The decline in housing activity during the recession has abruptly reversed course, with housing prices growing at a 20.4% annual rate in 2012 according to the S&P/Case-Shiller National Home Price Index.

Utah

Utah Economic Trends	2007	2008	2009	2010	2011
Real GDP Growth(1)	4.9%	2.5%	(1.9%)	4.2%	2.0%
Unemployment Rate(2)	2.9%	4.1%	6.6%	7.5%	5.8%
Retail Sales Growth(1)	7.9%	(2.8%)	(2.9%)	4.7%	2.7%
Population Growth(1)	2.9%	2.5%	2.3%	1.9%	1.5%
Net Migration(3)(4)	32,859	24,428	14,580	NA	4,087

1. U.S. Bureau of Economic Analysis
2. U.S. Bureau of Labor Statistics
3. U.S. Census Bureau
4. Includes International and Domestic migration

Utah's economy has enjoyed a robust recovery since the 2008/2009 recession. GDP grew at an annualized rate of 2.0% in 2011, the 11th highest rate in the nation. Between October 2011 and October 2012, Utah's economy added nearly 41,000 jobs, a 3.3% increase. At 5.4%, Utah's unemployment rate is currently among the lowest in the nation and 2.4% below the national rate. The state's strong economic growth has also been accompanied by positive demographic shifts. Utah's population has grown by about 23.8% to 2.76 million over the past decade, and remains the United States' youngest state, with a median age nearly eight years younger than the national average. Furthermore, the State's corporate tax rates are also among the lowest in the nation at 5.0%, and have been at this level for the past fifteen years. Amidst this strong economic and business-friendly landscape, many large corporations including Huntsman Corp., Overstock.com, and Franklin Covey have made Utah their headquarters. Goldman Sachs recently established its second largest American office while Adobe Systems opened a 1,000 employee campus in Salt Lake City. Companies within the high growth information services and finance sectors are contributing a growing share to Utah's GDP, complementing well-established sectors such as mining and natural resources that have also been particularly strong in recent years amidst strong global commodity markets.

Georgia

Georgia Economic Trends	2007	2008	2009	2010	2011
Real GDP Growth[1]	2.2%	(1.0%)	(6.2%)	2.6%	1.7%
Unemployment Rate[2]	5.1%	8.1%	10.5%	10.2%	9.4%
Retail Sales Growth[1]	0.1%	(4.8%)	(5.1%)	5.7%	3.2%
Population Growth[1]	2.1%	1.7%	1.2%	1.0%	1.1%
Net Migration[3][4]	125,334	83,792	53,950	NA	38,796

1. U.S. Bureau of Economic Analysis
2. U.S. Bureau of Labor Statistics
3. U.S. Census Bureau
4. Includes International and Domestic migration

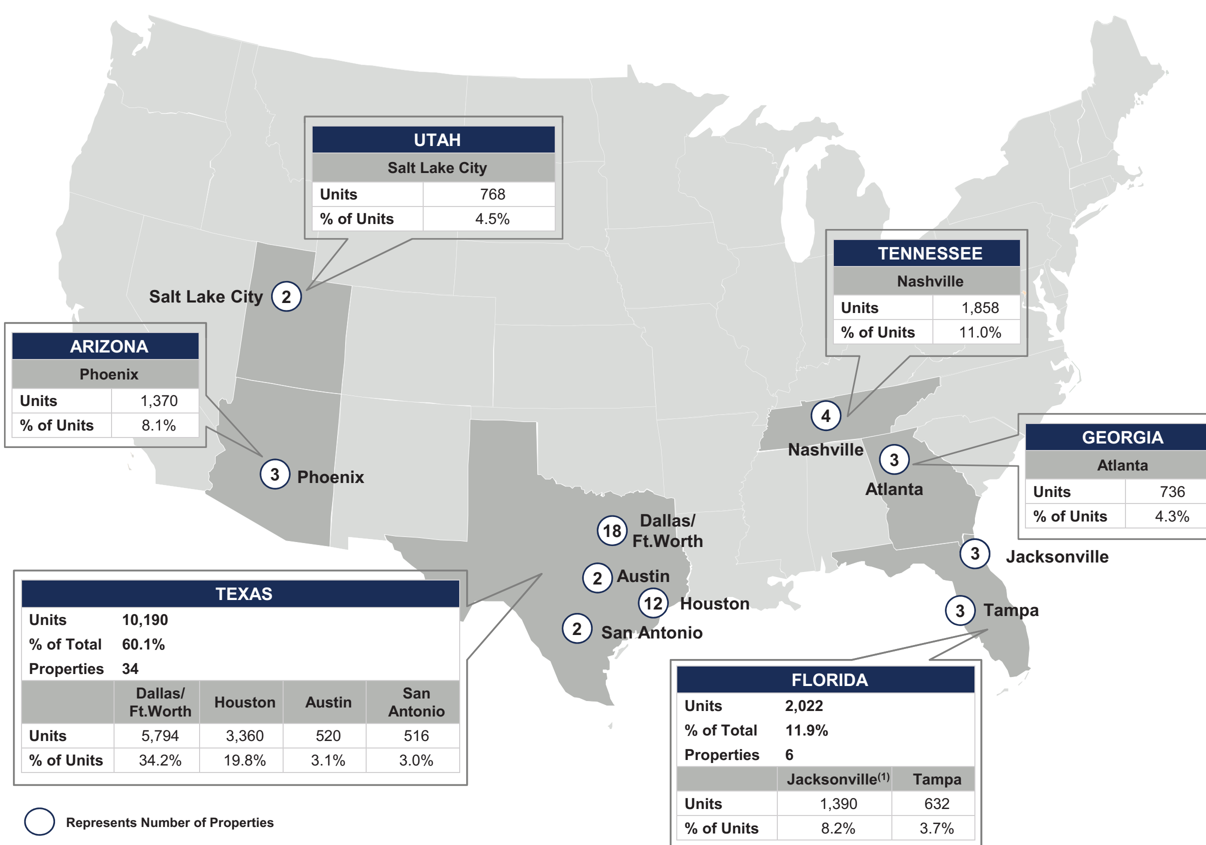
Georgia's economic growth is on track to recover from the impact of the recent recession, experiencing 2.1% average annual growth since 2010. With the restructuring of Georgia's private sector and the opening of many massive relocation and expansion projects, Georgia's GDP growth is expected to outpace the national average in 2013. According to the Selig Center for Economic Growth, the state's GDP will rise by 2.1%. Comparatively, the national economy will grow by 1.8%. Businesses like Caterpillar Inc., State Farm Insurance and Baxter International are also expanding into Georgia, which will help the state add a predicted 53,000 jobs in 2013. In addition, population growth, a regular driver of economic growth, will increase to 1.3%. A recovery in the housing market is also expected, with new single-family home construction starts increasing by almost 20%.

THE INITIAL PROPERTIES

On Closing, the REIT will indirectly acquire a 52-property portfolio of garden-style multifamily real estate assets comprised of 16,944 units and located in 10 major metropolitan markets, in six states, throughout the Southeast and Southwest United States.

The Initial Properties are well-located within their respective markets and provide an attractive platform from which to grow given their stable characteristics, which include high occupancy rates and consistent cash flows. In addition, the geographic diversification within the portfolio of Initial Properties mitigates concentration risk and supports the stability of the REIT's cash flows.

The following map illustrates the geographic diversification of the Initial Properties. The map also depicts the number of properties and units of the Initial Properties located in each state, as well as the percentage of units in that state relative to the total units that the REIT will acquire at Closing.



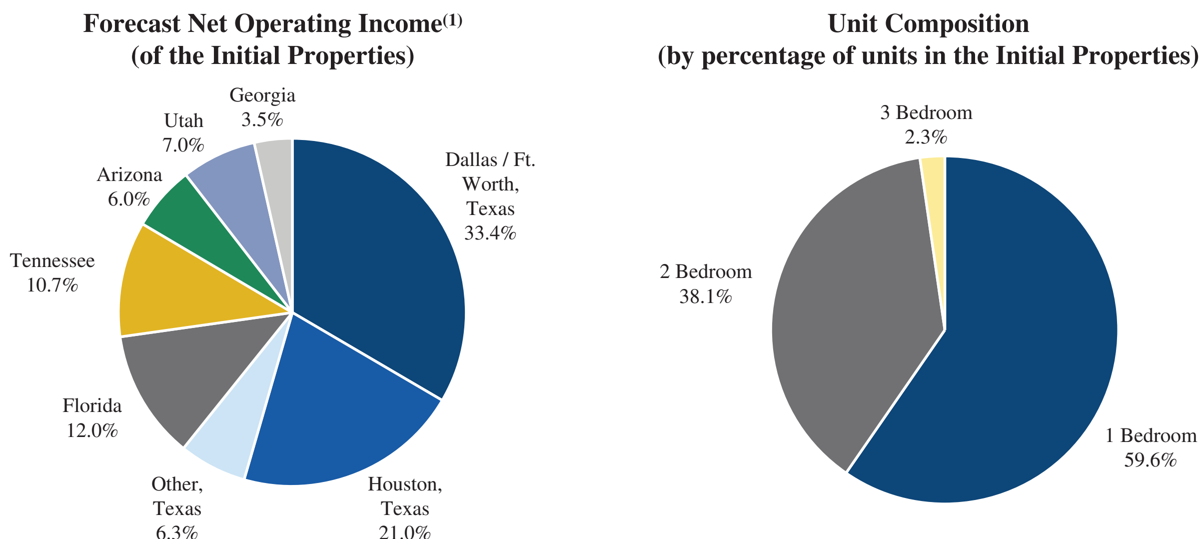
Notes:
(1) Includes one multifamily property consisting of 210 units located in the Melbourne, FL MSA.

Composition of Initial Properties

Unit Diversification

Approximately 60% of the units within the Initial Properties (or approximately 61% of forecasted NOI for the twelve-month period ending December 31, 2013) are located in Texas, one of the largest states and healthiest economies in the United States. Within Texas, a majority of the properties are concentrated in Dallas/Fort Worth, with the remainder in Houston, Austin, and San Antonio. The REIT's other properties are located in Arizona, Florida, Georgia, Tennessee and Utah, which collectively account for approximately 40% of the units within the Initial Properties (or approximately 39% of forecasted NOI for the 12-month period ending December 31, 2013). Management believes that this level of geographic diversity will support the stability of the REIT's cash flows by reducing its vulnerability to economic fluctuations affecting any particular region.

Approximately 60% of the units within the Initial Portfolio contain one bedroom, while the remainder contain two or three bedrooms. Management believes that the concentration in single bedroom units will result in increasing rental demand at the Initial Properties, as the above average growth projected for the 20 to 34 year old age demographic, known as the Echo Boomers, seek single living accommodations. Management believes the remainder of two or three bedroom units will continue to capture demand for larger space and allows the REIT to accommodate families and benefit from the national trend of decreasing home ownership rates.

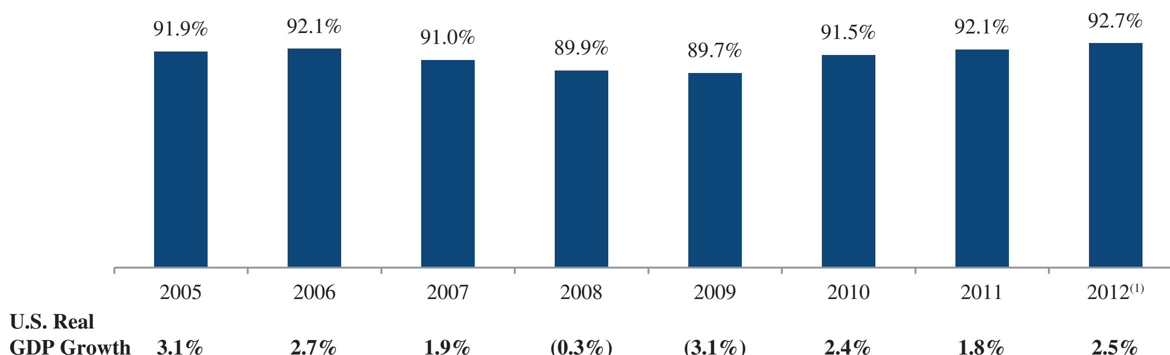


(1) Based on the forecast for the period ended December 31, 2013.

Occupancy and Rents

As of September 30, 2012, the Initial Properties were 93.7% leased with average in-place rents of $684 per month. The average occupancy and rental rates are reflective of the success of the Property Manager's leasing and marketing strategies. The Milestone Group was successful in maintaining a high level of occupancy within the Initial Properties during the economic recession, achieving approximately 90% occupancy in 2008 and 2009 despite negative GDP growth in the United States. As the U.S. economy has recovered, The Milestone Group has continued to gain occupancy and grow rental rates. Since 2010, rental concessions have decreased by 33.6% as of September 30, 2012 annualized, indicating an ability to drive rental rate growth as the U.S. economy continues to recover.

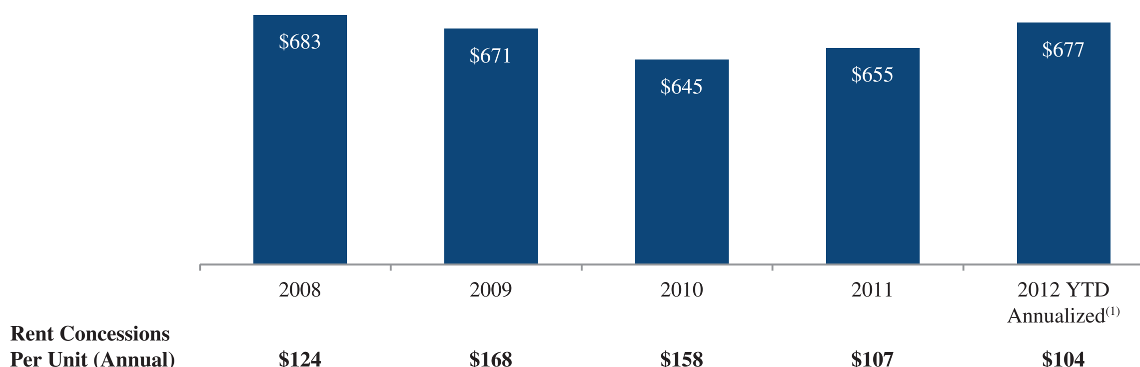
Average Annual Occupancy Rate



	2005	2006	2007	2008	2009	2010	2011	2012(1)
U.S. Real GDP Growth	**3.1%**	**2.7%**	**1.9%**	**(0.3%)**	**(3.1%)**	**2.4%**	**1.8%**	**2.5%**

Note
(1) Nine months ended September 30, 2012.

Average Monthly In-Place Rent



	2008	2009	2010	2011	2012 YTD Annualized(1)
Rent Concessions Per Unit (Annual)	**$124**	**$168**	**$158**	**$107**	**$104**

Note
(1) Nine months ended September 30, 2012.

List of Initial Properties

The following table highlights certain information about the Initial Properties as at September 30, 2012 (organized by state):

Initial Property								
Name	**Address**	**MSA**	**State**	**Year Built / Renovated**	**Number of Units**	**NRA (000 sq. feet)**	**Average Monthly In-Place Rents(1)**	**Occupancy**
Meadow Glen	4201 W. Union Hills Drive	Phoenix	Arizona	1986	290	242	$610	88.3%
Terra Vida	150 S. Roosevelt Road	Phoenix	Arizona	1987	384	306	$616	92.5%
Villas at Cave Creek	2529 W. Cactus	Phoenix	Arizona	1986	696	574	$521	85.5%
Bentley Green	8214 Princeton Sq. Blvd. E.	Jacksonville	Florida	1986	820	597	$661	95.5%
Brookwood Club	1385 Brookwood Forest Blvd.	Jacksonville	Florida	1987	360	287	$687	93.6%
Oak Ramble	14627 Grenadine Drive	Tampa	Florida	1985	256	229	$745	93.0%
South Pointe	5000 South Himes Ave.	Tampa	Florida	1986	112	98	$868	95.5%
St. James Crossing	5620 Tranquility Oaks Drive	Tampa	Florida	1986	264	198	$723	89.4%
Saratoga	3595 Misty Oak Drive	Melbourne	Florida	1986	210	147	$633	98.6%
Ivy Commons	3555 Austell Road	Atlanta	Georgia	1986	344	370	$661	92.7%
Shannon Chase	5300 Highway 138	Atlanta	Georgia	1987	156	163	$642	91.0%
Villas at Indian Trail	50 Stoneview Trail	Atlanta	Georgia	1986	236	242	$618	92.8%
Brandywine I	5204 Edmondson Pike	Nashville	Tennessee	1985	300	199	$685	96.7%
Brandywine II	5200 Edmondson Pike	Nashville	Tennessee	1985	332	215	$678	93.7%
Nashboro Village(2)	115 Nashboro Blvd.	Nashville	Tennessee	Phased construction between 1974-1988	994	959	$682	91.5%

Initial Property							Average	
				Year Built /	Number of	NRA (000	Monthly In-Place	
Name	Address	MSA	State	Renovated	Units	sq. feet)	Rents[1]	Occupancy
Windsor Park	100 Windsor Park Lane	Nashville	Tennessee	1985	232	152	$648	95.7%
Arbors of Wells Branch	1831 Wells Branch Pkwy.	Austin	Texas	1986	212	156	$734	91.0%
Lakes at Renaissance Park	14000 Renaissance Court	Austin	Texas	1986	308	215	$684	93.5%
Arbor Creek	396 E. Southwest Pkwy.	Dallas	Texas	1984	280	217	$682	94.6%
Canyon Ridge	1000 W. Yellowjacket Lane	Dallas	Texas	1983	164	121	$883	94.5%
Casa Valley	500 Santa Fe Trail	Dallas	Texas	1986	150	131	$853	94.7%
The Gables	1500 W. El Dorado Pkwy.	Dallas	Texas	1986	220	170	$723	92.3%
Preston Greens	5990 Arapaho	Dallas	Texas	1980	257	248	$782	97.7%
Springfield	2305 Driftwood Drive	Dallas	Texas	1985	264	193	$671	94.7%
Summer Meadows	6000 Ohio Drive	Dallas	Texas	1986	389	323	$786	97.2%
Summer Villas	17717 Preston Road	Dallas	Texas	1984	460	328	$637	97.4%
Summers Crossing	1500 Preston Road	Dallas	Texas	1986	294	240	$777	95.9%
Arbors of Euless	1002 Fuller Wiser Road	Fort Worth	Texas	1984	272	214	$668	93.4%
Cinnamon Park	2612 Cinnamon Park Circle	Fort Worth	Texas	1985	272	213	$728	96.7%
Meadows of Bedford I	1400 Sierra Springs Drive	Fort Worth	Texas	1985	286	211	$642	94.1%
Meadows of Bedford II	1400 Sierra Springs Drive	Fort Worth	Texas	1983	204	161	$642	90.7%
Parks at Treepoint	6601 Treepoint Drive	Fort Worth	Texas	1984	586	472	$645	88.6%
Post Oak Place	13950 Trinity Blvd.	Fort Worth	Texas	1983	354	256	$589	94.6%
Remington Hill	5701 Overton Ridge Blvd.	Fort Worth	Texas	1986	440	339	$638	95.9%
Summers Landing	3900 Centreport Blvd.	Fort Worth	Texas	1985	196	139	$662	96.9%
Woods of Bedford	2700 Central Drive	Fort Worth	Texas	1982	706	513	$587	95.0%
Bar Harbor	2601 North Repsdorph	Houston	Texas	1983	316	209	$642	90.2%
Brandon Oaks	11111 Saathoff	Houston	Texas	1983	196	169	$686	91.3%
Brookfield	14230 Wunderlich	Houston	Texas	1984	250	189	$632	90.8%
Central Park Regency	11300 Regency Green Drive	Houston	Texas	1983	348	319	$681	94.8%
Cimarron Parkway	22022 Cimarron Pkwy.	Houston	Texas	1983	272	238	$739	95.6%
Enclave at Cypress Park	1822 Barker Cypress	Houston	Texas	1984	384	330	$704	92.7%
Hidden Lake	900 Henderson Ave.	Houston	Texas	1986	440	319	$780	95.7%
Hunt Club at Pin Oak	1550 Katy-Flewellen Road	Houston	Texas	1984	204	136	$690	95.6%
The Huntley 450 El D	450 El Dorado	Houston	Texas	1985	214	165	$752	96.7%
The Retreat at Eldridge	2323 Eldridge Pkwy.	Houston	Texas	1998	168	158	$967	96.4%
Richmond Green	9940 Richmond Avenue	Houston	Texas	1980	224	214	$756	91.5%
Silverado	1335 Silverado	Houston	Texas	1979	344	249	$637	92.4%
Costa Del Sol	16100 Henderson Pass	San Antonio	Texas	1986	244	181	$731	97.1%
Country View	8727 Fredericksburg Road	San Antonio	Texas	1981	272	213	$771	97.8%
James Pointe	632 E. 6400 South	Salt Lake City	Utah	1985	312	237	$753	96.8%
Stillwater	5560 S. Vine Street	Salt Lake City	Utah	1986	456	343	$748	97.6%
Total Portfolio					**16,944**	**13,514**	**$684[3]**	**93.7%[4]**

Notes:

(1) The monthly in-place rent per unit represents the average monthly in-place rents for the property for September, 2012. The monthly in-place rent is calculated as total in-place rent per property, divided by the number of occupied units.

(2) Nashboro Village is a four hundred acre Master Planned Multi-Family Development, which consists of five apartment home communities (and a tennis center and leasing centre): Center Court (50 units); Village Green (328 units); Village Hills (120 units); Doubletree (200 units); and Deerfield (296 units).

(3) Weighted average in-place rental rate.

(4) Weighted average occupancy rate.

Description of the Initial Properties

Arizona

Phoenix, Arizona

"Meadow Glen" (4201 W. Union Hills Drive, Glendale, Arizona 85308)

Meadow Glen is a collection of fifteen residential buildings, including two and three-story buildings. Meadow Glen is located in northwest Phoenix on a well-traveled east-west thoroughfare and only two miles west of Interstate Highway 17, the "Black Canyon Freeway". The northwest submarket is located approximately 20 minutes from both the central business district and the Sky Harbor Airport. Built in 1986, Meadow Glen contains 290 units on 10.80 acres with net square footage of 242,020 and approximately 438 parking spaces including some covered and some

uncovered. The units average 835 square feet and have private patios or balconies, walk-in closets, and include a washer and dryer. Meadow Glen also includes two swimming pools, a business center, and an exercise room.

"Terra Vida" (150 S. Roosevelt Rd., Mesa, Arizona 85202)

Terra Vida is a collection of sixteen three-story residential buildings. Terra Vida is located just south of Main Street in Mesa, in the heart of the East Valley, midway between downtown Mesa and downtown Phoenix. Terra Vida is located a few blocks south of the intersection of two major thoroughfares, Loop 101 and Highway 202. The Fiesta Mall, Arizona State University and Mesa Community College are all within a ten minute drive. Built in 1987, Terra Vida contains 384 units on 13.52 acres with net square footage of 305,600 and approximately 625 parking spaces including some covered and some uncovered. The units average 796 square feet and have nine foot ceilings, private patios or balconies, bay windows, and washer and dryer connections. Terra Vida also includes a lighted tennis court, indoor racquetball courts, fitness center, three swimming pools, and a one-story office/clubhouse.

"Villas at Cave Creek" (2529 W. Cactus Road, Phoenix, Arizona 85029)

Villas at Cave Creek is a collection of thirty-seven three-story residential buildings. Villas at Cave Creek is located in northwest Phoenix on the Interstate Highway 17 North access road in the Metro Center area, therefore giving the property accessibility to downtown Phoenix as well as major employment centers. Built in 1986, Villas at Cave Creek contains 696 units on 19.7 acres with net square footage of 573,564 and approximately 1,008 parking spaces including some covered and some uncovered. The units average 824 square feet and have fireplaces, vaulted ceilings, private patios or balconies, and washer and dryer connections. Villas at Cave Creek also includes four swimming pools, a tennis court, and a one-story clubhouse.

Florida

Jacksonville, Florida

"Bentley Green" (8214 Princeton Square Blvd. East, Jacksonville, Florida 32256)

Bentley Green is a collection of sixty-three two-story apartment buildings. Bentley Green is located in the Baymeadows area of southeast Jacksonville, one half-mile east of Interstate Highway 95, the primary North-South interstate highway. The central business district is approximately 10 miles west of Bentley Green and beaches are within 10 minutes. Built in 1986, Bentley Green contains 820 units on 47.37 acres with a net square footage of 597,312 and approximately 1,535 parking spaces including some covered and some uncovered. The units average 728 square feet and include washer and dryer connections and vaulted ceilings. Bentley Green also includes swimming pools, hot tubs, a business center, two clubhouse buildings, two tennis courts and an exercise room.

"Brookwood Club" (1385 Brookwood Forest Blvd., Jacksonville, Florida 32225)

Brookwood Club is a collection of twenty three-story apartment buildings. Brookwood Club is located in the Arlington submarket in central Jacksonville. Downtown is approximately 20 minutes west, Deerwood Park Business district is 10 minutes south and the beaches are 15 minutes east of the property. Jacksonville University and the University of North Florida are within 10 miles of the property. Constructed in 1987, Brookwood Club contains 360 units on 13.98 acres with net square footage of 287,480 and approximately 625 parking spaces including some covered and some uncovered. The units average 799 square feet and include washer and dryer connections, patios or balconies with outside storage, and self-cleaning ovens. Brookwood Club also includes ten swimming pools, a business center, a tennis court, a clubhouse and an exercise room.

Tampa, Florida

"Oak Ramble" (14627 Grenadine Drive, Tampa, Florida 33613)

Oak Ramble is a collection of thirty-two two-story apartment buildings. Oak Ramble is located within nearby access of Interstate Highway 275 and Interstate Highway 75 and in the vicinity of Tampa Palms, a planned community. Built in 1985, Oak Ramble includes 256 units on 20.56 acres with net square footage of 229,384 and approximately 435 uncovered parking spaces. The units average 896 square feet and have individual alarm systems, private patios or balconies, and full size washer and dryer connections. Oak Ramble also has limited access gates, two swimming pools, a fitness room, two tennis courts, a business center, a clubhouse, and a fully stocked fishing lake.

"South Pointe" (5000 South Himes Avenue, Tampa, Florida 33611)

South Pointe is a collection of five residential apartment buildings, including three-story and two-story buildings. South Pointe is located on a major thoroughfare in South Tampa about one-quarter mile from the Crosstown Highway and three miles from McDill Air Force Base. Built in 1986, South Pointe contains 112 units on 4.69 acres with net square footage of 97,520 and approximately 162 uncovered parking spaces. The units average 871 square feet and have intrusion alarms, screened patios, and outside storage. South Pointe also includes a swimming pool with spa, a clubhouse, and a 24-hour fitness room.

"St. James Crossing" (5620 Tranquility Oaks Drive, Tampa, Florida 33624)

St. James Crossing is a collection of nineteen two-story residential buildings. Located one mile east of Veteran's Expressway, St. James Crossing is located in the Carrollwood area of Tampa. Built in 1986, St. James Crossing contains 264 units on 20.72 acres with net square footage of 198,424 and approximately 396 uncovered parking spaces. The units average 752 square feet and include washer and dryer connections, fireplaces, and vaulted ceilings in selected units. St. James Crossing also includes a swimming pool, hot tub, a clubhouse, tennis court, and exercise room.

Melbourne, Florida

"Saratoga" (3595 Misty Oak Drive, Melbourne, Florida 32901)

Saratoga is a collection of sixteen two-story residential buildings. Saratoga is located in the town of Melbourne, which is approximately 70 miles southeast of Orlando on the Atlantic Coast. Saratoga's location provides nearby access to Interstate Highway 95, Highway 192, the Melbourne Causeway (to the beaches) and the Florida Institute of Technology. Built in 1986, Saratoga contains 210 units on 14.04 acres with net square footage of 146,732 and approximately 414 parking spaces including some covered and some uncovered. The units average 699 square feet and have private screened patios and balconies, outside storage, and includes a washer and dryer in each unit. Saratoga also includes a two-story rental office/clubhouse building, swimming pool, and an exercise room.

Georgia

Atlanta, Georgia

"Ivy Commons" (3555 Austell Road, Marietta, Georgia 30060)

Ivy Commons is a collection of forty-one residential buildings, including one, two and three-story buildings. Ivy Commons is located on a major thoroughfare serving Cobb County, Georgia which is located 10 miles from the Atlanta, Georgia central business district. Cobb County is the fastest growing county in Atlanta with highly rated public schools. Built in 1986, Ivy Commons contains 344 units on 28.36 acres with net square footage of 369,960 and approximately 679 uncovered parking spaces. The units average 1,075 square feet and have a patio or balcony, outside storage and washer and dryer connections in select units. Ivy Commons also includes a one-story clubhouse with a fitness center.

"Shannon Chase" (5300 Highway 138, Union City, Georgia 30291)

Shannon Chase is a collection of twenty residential buildings, including one, two and three-story buildings. Shannon Chase is located in southwest Atlanta in southern Fulton County, which is known as a transportation hub due to the convergence of four interstate highways. The Hartsfield-Jackson Atlanta International Airport, ranked as one of the busiest airports in the world, is just minutes away. Built in 1987, Shannon Chase contains 156 units on 26.37 acres with net square footage of 163,400 and approximately 361 uncovered parking spaces. The units average 1,047 square feet and have a fireplace, glassed-in sunroom, and washer and dryer connections. Shannon Chase also includes a business center, clubhouse, tennis court and a fitness center.

"Villas at Indian Trail" (50 Stoneview Trail, Lilburn, Georgia 30047)

Villas at Indian Trail is a collection of fourteen residential buildings, including one, two and three-story buildings. Villas at Indian Trail is located in Gwinnett County, which is one of the fastest growing counties in the country for the last five years. Nearby Atlanta provides headquarters for many major employers and large corporations. Built in 1986, Villas at Indian Trail contains 236 units on 32.60 acres with net square footage of 242,044 and approximately 478 parking spaces including some covered and some uncovered. The units average 1,026 square feet and have fireplaces, patios or porches, and washer and dryer connections. Villas at Indian Trail also includes two clubhouses and a leasing office.

Tennessee

Nashville, Tennessee

"Brandywine I" (5204 Edmondson Pike, Nashville, Tennessee 37211)

Brandywine I is a collection of fifteen residential buildings, including two and three-story buildings. Brandywine I is located in Nashville, Tennessee on a major thoroughfare. The neighborhood is a fully developed, well-landscaped, more mature residential area with multifamily developments throughout. Built in 1985, Brandywine I contains 300 units on 22.50 acres with net square footage of 199,068 and approximately 468 parking spaces including some covered and some uncovered. The units average 664 square feet and have fireplaces in select units, patios or balconies, and washer and dryer connections in select units. Brandywine I also includes two swimming pools, a business center, and a two-story information center.

"Brandywine II" (5200 Edmondson Pike, Nashville, Tennessee 37211)

Brandywine II is a collection of sixteen residential buildings, including two and three-story buildings. Brandywine II is located in Nashville, Tennessee on a major thoroughfare. The neighborhood is a fully developed, well-landscaped, more mature residential area with multifamily developments throughout. Built in 1985, Brandywine II contains 332 units on 24.9 acres with net square footage of 215,320 and approximately 512 parking spaces including some covered and some uncovered. The units average 649 square feet and have fireplaces, private patios or balconies, and washer and dryer connections in select units. Brandywine II also includes a clubhouse, a heated indoor swimming pool, a fitness center, a car wash, and a two-story activity center.

"Nashboro Village" (115 Nashboro Boulevard, Nashville, Tennessee 37217)

Nashboro Village is a four hundred acre Master Planned Multi-Family Development, which consists of five residential home communities, including "Center Court" (built in 1974), "Village Green" (built in 1976), "Village Hills" (built in 1978), "Doubletree" (built in 1983), and "Deerfield" (built in 1988). In total, Nashboro Village is a collection of seventy residential buildings, including two and three-story buildings. Nashboro Village contains a total of 994 units on 68.98 acres with net square footage of 943,418 and approximately 1,804 parking spaces including some covered, some uncovered and some garage spaces. The units average 949 square feet and include high speed internet and washer and dryer connections in select units. The property also includes an information center/clubhouse, six swimming pools, an exercise room, a tennis facility and a lake.

"Windsor Park" (100 Windsor Park Lane, Hendersonville, Tennessee 37075)

Windsor Park is a collection of eleven residential buildings, including two and three-story buildings. Windsor Park is located approximately 9 miles east of Interstate Highway 65, a major thoroughfare that serves the city of Nashville. Built in 1985, Windsor Park contains 232 units on 13.36 acres with net square footage of 151,954 and approximately 357 uncovered parking spaces. The units average 655 square feet and have patios or balconies, washer and dryer connections, and fireplaces in select units. Windsor Park also includes a one-story clubhouse building, a swimming pool, and an exercise room.

Texas

Austin, Texas

"Arbors of Wells Branch" (1831 Wells Branch Parkway, Austin, Texas 78728)

Arbors of Wells Branch is a collection of fifteen two and three story residential buildings. Arbors of Wells Branch is located on the Wells Branch Parkway west of Interstate Highway 35 and is served by the Pflugerville Independent School District. Constructed in 1986, Arbors of Wells Branch contains 212 units on 8.09 acres with net square footage of 156,228 and approximately 362 parking spaces including some covered and some uncovered. The units average 737 square feet and have washer and dryer connections, private balconies and patios, and private storage in some units. Arbors of Wells Branch also includes a swimming pool, hot tub, exercise room, a single-story office/clubhouse and a business center.

"Lakes at Renaissance Park" (14000 Renaissance Court, Austin, Texas 78728)

The Lakes at Renaissance Park is a collection of fifteen three-story residential buildings. The Lakes at Renaissance Park is located in North Austin's Wells Branch community, with nearby access to Interstate Highway 35 and Mopac Expressway. The property is located in the Round Rock Independent School District. Built in 1986, the Lakes at Renaissance Park contains 308 units on 11.66 acres with net square footage of 215,024 and approximately 469 parking spaces including some covered and some uncovered. The units average 705 square feet and have individual intrusion monitor alarms, washer and dryer connections, patios or balconies, and outside storage. The Lakes at Renaissance Park also includes a business center, tennis court, sand volleyball court, an exercise/weight room, a clubhouse, and a swimming pool.

Dallas, Texas

"Arbor Creek" (396 E. Southwest Parkway, Lewisville, Texas 75067)

Arbor Creek consists of twenty-nine two-story residential buildings. Located in Lewisville, 23 miles northwest of the Dallas central business district, the property is near Interstate Highway 35E, which provides access to all other major freeways. The neighborhood is served by Lewisville Independent School District. Built in 1984, Arbor Creek consists of 280 units on 12.26 acres with net square footage of 216,687 and approximately 472 parking spaces including some covered and some uncovered. The units average 774 square feet and include patios or balconies, high speed internet, and washer and dryer connections in select units. Arbor Creek also includes a clubhouse, laundry facilities, two swimming pools, a business center, and an exercise/weight room.

"Canyon Ridge" (1000 W. Yellowjacket Lane, Rockwall, Texas 75087)

Canyon Ridge consists of twenty two-story residential buildings. The property is located in the suburb of Rockwall, 25 miles northeast of Dallas. Built in 1983, Canyon Ridge consists of 164 units on 7.33 acres, with net square footage of 120,812 and approximately 282 parking spaces including some covered and some uncovered. The units average 794 square feet and include views of the lake and downtown, vaulted ceilings, washer and dryer connections, and patios or balconies. Canyon Ridge also includes a single-story office, a swimming pool, tennis court, clubhouse and exercise/weight room.

"Casa Valley" (500 Santa Fe Trail, Irving, Texas 75063)

Casa Valley consists of nine three-story residential buildings. Located in Valley Ranch, a master planned community containing over 2,500 acres, the property is within five miles of Las Colinas and less than ten miles from DFW International Airport. Constructed in 1986, Casa Valley consists of 150 units on 5.47 acres, with net square footage of 130,926 and approximately 268 parking spaces including some covered and some uncovered. The units average 873 square feet and include washer and dryers in all units, large walk-in closets, fireplaces, patios or balconies, and outside storage. Casa Valley also includes a single-story office/clubhouse, swimming pool, business center, clubhouse and exercise room.

"The Gables" (1500 W. Eldorado Parkway, McKinney, Texas 75069)

The Gables consists of twenty-five two-story residential buildings. The Gables is located in the suburb of McKinney, approximately 30 miles north of downtown Dallas. The property offers nearby access to US 75. Built in 1986, The Gables consists of 220 units on 10.00 acres, with net square footage of 169,880 and approximately 363 parking spaces including some covered and some uncovered. The units average 772 square feet and include patios or balconies, outside storage, and fireplaces. The Gables also includes a clubhouse, two swimming pools, a fitness center and a business center.

"Preston Greens" (5990 Arapaho, Dallas, Texas 75248)

Preston Greens consists of thirty-four two-story residential buildings. Located in North Dallas on Preston Road, a major north-south six-lane thoroughfare, the property has nearby access to major interstates and downtown Dallas. Constructed in 1980, Preston Greens consists of 257 units on 11.25 acres, with net square footage of 247,740 and approximately 475 parking spaces including some covered and some uncovered. The units average 964 square feet and include full-size washer and dryer connections, private patios or balconies, vaulted ceilings, and skylights. Preston Greens also includes three swimming pools, a business center, a clubhouse, and an exercise room.

"Springfield" (2305 Driftwood Drive, Mesquite, Texas 75150)

Springfield consists of ten three-story residential buildings. Located in the Dallas suburb of Mesquite, the property has nearby access to Interstate Highway 635 and to downtown Dallas via Interstate Highway 30. Built in 1985, Springfield consists of 264 units on 9.03 acres, with net square footage of 193,212 and approximately 443 parking spaces including some covered and some uncovered. The units average 732 square feet and include fireplaces in select units, patios or balconies, and washer and dryer connections in select units. Springfield also includes a swimming pool and spa.

"Summer Meadows" (6000 Ohio Drive, Plano, Texas 75093)

Summer Meadows consists of thirty-six one and two-story residential buildings. Located in west Plano, twelve miles north of the Dallas central business district and one-half mile from the Legacy Park Business District, the property is served by the Plano Independent School District. Built in 1986, Summer Meadows consists of 389 units on 21.62 acres with a net square footage of 323,434 and approximately 412 parking spaces including some covered and some uncovered. The units average 831 square feet and include full size washer and dryer connections, fireplaces, patios or balconies, assigned parking, and high speed internet. Summer Meadows also includes two swimming pools, an exercise room, a business center, a playground, a clubhouse and a tennis court.

"Summer Villas" (17717 Preston Road, Dallas, Texas 75252)

Summer Villas consists of fifty-four two-story residential buildings and three one-story buildings. Located in north Dallas on Preston Road, a major north/south thoroughfare, the property is within two miles of the Dallas North Tollway and President George Bush Freeway interchange. Built in 1984, Summer Villas consists of 460 units on 15.8 acres, with net square footage of 328,020 and approximately 692 parking spaces including some covered and some uncovered. The units average 713 square feet and include washer and dryer connections, fireplaces, and patios or balconies. Summer Villas also includes three swimming pools, a business center, an exercise room, an office/ clubhouse, and limited access gates.

"Summers Crossing" (1500 Preston Road, Plano, Texas 75093)

Summers Crossing consists of twenty-five two-story residential buildings. Located in west Plano on Preston Road, a major north/south thoroughfare, it is twelve miles north of the Dallas central business district and about one half mile from the Legacy Park Business District. The property is located in Plano Independent School District. Built in 1986, Summers Crossing consists of 294 units on 15.71 acres with net square footage of 239,817 and approximately 621 parking spaces including some covered and some uncovered. The units average 816 square feet and include full size washer and dryer connections, fireplaces, and patios or balconies. Summers Crossing also includes a clubhouse, two swimming pools, an exercise room, and two tennis courts.

Fort Worth, Texas

"Arbors of Euless" (1002 Fuller Wiser Road, Euless, Texas 76039)

Arbors of Euless consists of twenty-four two and three-story residential buildings and one one-story building. Arbors of Euless is located between Dallas and Fort Worth, south of Harwood Rd. and within five minutes of Highway 360 North, DFW Airport, and Highways 183 and 121. Built in 1984, Arbors of Euless contains 272 units on 12.82 acres with net square footage of 213,794 and approximately 539 parking spaces including some covered and some uncovered. The units average 786 square feet and include full size washer and dryer connections in select units, intrusion alarms, outside storage, and patios or balconies. Arbors of Euless also includes two swimming pools, an exercise/weight room and a clubhouse.

"Cinnamon Park" (2612 Cinnamon Park Circle, Arlington, Texas 76016)

Cinnamon Park consists of twenty-five two-story residential buildings. Cinnamon Park is located north of 1-20 in south Arlington, approximately equidistant from the central business districts of Fort Worth and Dallas. South Arlington is home to The University of Texas at Arlington and Lake Arlington. Built in 1985, Cinnamon Park includes 272 units on 12.58 acres with net square footage of 213,192 and approximately 466 parking spaces including some covered and some uncovered. The units average 794 square feet and include individual alarm systems, patios or

balconies, high speed internet, exterior storage, and French doors in select units. Cinnamon Park also includes two two-story buildings that are clubhouses, two swimming pools, a business centre, a whirlpool, a racquetball court, an exercise/weight room and two single-story clubhouses.

"Meadows of Bedford I" (1400 Sierra Springs Drive, Bedford, Texas 76021)

Meadows of Bedford I consists of twenty-one two-story residential buildings and one single-story leasing office building. Meadows of Bedford I is located two blocks north of Airport Freeway in the H.E.B. (Hurst-Euless Bedford) region. Bedford remains the fastest growing of the three cities, and offers a strong school system (HEB Independent School District). Built in 1985, Meadows of Bedford I includes 286 units on 15.94 acres with net square footage of 211,006 and approximately 412 parking spaces including some covered and some uncovered. The units average 738 square feet and include outside storage and patios or balconies, as well as washer and dryer connections in select units. Meadows of Bedford I shares a fitness center and business center with Meadows of Bedford II, and has its own swimming pool.

"Meadows of Bedford II" (1400 Sierra Springs Drive, Bedford, Texas 76021)

Meadows of Bedford II consists of twenty-two two-story and three-story residential buildings and one single-story leasing office building. Meadows of Bedford II is located two blocks north of Airport Freeway in the H.E.B. (Hurst-Euless Bedford) region. Bedford remains the fastest growing of the three cities, and offers a strong school system (HEB Independent School District). Built in 1983, Meadows of Bedford II includes 204 units on 8.56 acres with net square footage of 161,299 and approximately 346 parking spaces including some covered and some uncovered. The units average 791 square feet and include full size washer and dryer connections in select units, patios or balconies, and outside storage. Meadows of Bedford II shares a fitness center and business center with Meadows of Bedford I, and has its own swimming pool, tennis court and basketball court.

"Parks at Treepoint" (6601 Treepoint Drive, Arlington, Texas 76017)

Parks at Treepoint consists of forty-five two-story residential buildings and one single-story leasing office building. Parks at Treepoint is located in southwest Arlington near East Loop 820 and Interstate Highway 20, approximately equidistant from the central business districts of both Fort Worth and Dallas. Parks at Treepoint was formerly three separate properties, which were combined and repositioned in 1999. Built in 1985, Parks at Treepoint consists of 586 units on 29.50 acres, with net square footage of 471,968 and approximately 1,080 parking spaces including some covered and some uncovered. The units average 805 square feet and include washer and dryer connections and patios or balconies. Parks at Treepoint also includes five swimming pools, lighted tennis courts, a single-story office/clubhouse, a fitness centre and a business center.

"Post Oak Place" (13950 Trinity Blvd., Euless, Texas 76040)

Post Oak Place consists of twelve two-story residential buildings. Post Oak Place is adjacent to Highway 360 in Euless, a suburb of the Arlington-Mid Cities area of Dallas/Fort Worth, which is accessible to Dallas, Fort Worth, Las Colinas and DFW International Airport. Built in 1983, Post Oak Place consists of 354 units on 11.08 acres, with net square footage of 255,798 and approximately 490 parking spaces including some covered and some uncovered. The units average 723 square feet and include fireplaces, washer and dryer connections in select units, outside storage, and private patios or balconies. Post Oak Place also includes a clubhouse, two swimming pools, a business center and a fitness center.

"Remington Hill" (5701 Overton Ridge Blvd., Fort Worth, Texas 76132)

Remington Hill consists of twenty-eight two and three-story residential buildings. Remington Hill is located one block south of Interstate Highway 20 in the southwest Forth Worth/Hulen area, four miles southwest of Texas Christian University. Built in 1986, Remington Hill consists of 440 units on 15.0 acres, with net square footage of 339,008 and approximately 658 parking spaces including some covered and some uncovered. The units average 770 square feet and include fireplaces, full-size washers and dryers in all units, and patios or balconies. Remington Hill also includes four swimming pools, a tennis court, a single-story clubhouse, and an exercise/weight room.

"Summers Landing" (3900 Centreport Blvd., Fort Worth, Texas 76155)

Summers Landing consists of twenty-six two-story residential buildings. Located one block east of Highway 360, the property is situated in the Centreport Business Park, approximately two miles south of DFW International Airport. Built in 1985, Summers Landing consists of 196 units on 7.81 acres, with net square footage of 139,900 and 297 parking spaces including some covered and some uncovered. The units average 711 square feet and include full size washer and dryer connections, fireplaces, and patios or balconies. Summers Landing also includes a clubhouse, a swimming pool and limited access gates.

"Woods of Bedford" (2700 Central Drive, Bedford, Texas 76021)

Woods of Bedford consists of sixty-six two-story residential buildings. Located in the City of Bedford, which is bordered by Hurst and Euless, Woods of Bedford is located in HEB Independent School District. Built in 1989, Woods of Bedford consists of 706 units on 32.81 acres with net square footage of 512,720 and approximately 1,130 parking spaces including some covered and some uncovered. The units average 726 square feet and include fireplaces in select units, exterior storage, full-size washer and dryer connections in two-bedroom units, and balconies and enclosed patios. Woods of Bedford also includes five swimming pools, an exercise/weight room, a spa, and a management office and clubroom.

Houston, Texas

"Bar Harbor" (2601 North Repsdorph Road, Seabrook, Texas 77586)

Bar Harbor is a collection of twenty two-story residential buildings. Bar Harbor is located in the City of Seabrook near the NASA/Clear Lake area. This location provides approximately 40 minute access to Houston, Galveston, and the Gulf of Mexico, and is an approximately 35 minute drive from Houston Hobby Airport. Built in 1983, Bar Harbor contains 316 units on 13.18 acres with net square footage of 209,076 and approximately 662 parking spaces including some covered and some uncovered. The units average 662 square feet and have private patios or balconies, walk-in closets, and washer and dryer connections. Bar Harbor also includes a one-story office building, a swimming pool, a business center, and a fitness center.

"Brandon Oaks" (11111 Saathoff Drive, Cypress, Texas 77425)

Brandon Oaks is a collection of thirteen two-story and three-story residential buildings. Brandon Oaks is located in a primarily residential neighborhood in the municipality of Cypress located in northwest Houston and is served by the recognized Cy-Fair Independent School District. Built in 1983, Brandon Oaks contains 196 units on 6.02 acres with net square footage of 168,856 and approximately 287 parking spaces including some covered and some uncovered. The units average 862 square feet and have patios or balconies, outside storage units, and washer and dryer connections in select units. Brandon Oaks also includes a single-story office, a swimming pool and a playground.

"Brookfield" (14230 Wunderlich, Houston, Texas 77069)

Brookfield is a collection of seventeen two-story residential buildings. Brookfield is located in a secluded, heavily wooded setting one block from FM 1960 in northwest Houston. The site is within the Klein Independent School District and provides access to employment centers in west Houston, and is near three major arterials: Interstate 45, the Sam Houston Tollway, and SH 249. Built in 1984, Brookfield contains 250 units on 10.051 acres with net square footage of 188,974 and approximately 367 parking spaces including some covered and some uncovered. The units average 756 square feet and have washer and dryer connections in select units. Brookfield also includes a one-story rental office building, two swimming pools, and a hot tub.

"Central Park Regency" (11300 Regency Green Drive, Cypress, Texas 77429)

Central Park Regency is a collection of thirty-six two-story residential buildings. Central Park Regency is located in northwest Houston in the FM 1960 corridor, approximately 20 miles north of Houston's central business district. The property is located close to several major thoroughfares, providing access to downtown Houston, the George Bush Intercontinental Airport, and other business, retail, and service centers. Built in 1983, Central Park Regency contains 348 units on 13.38 acres with net square footage of 318,968 and approximately 517 parking spaces including some covered and some uncovered. The units average 917 square feet and have private balconies or patios and washer and dryer connections in select units. Central Park Regency also includes a one-story rental office/clubhouse building, a swimming pool, a business center, and an exercise room.

"Cimarron Parkway" (22022 Cimarron Parkway, Katy, Texas 77450)

Cimarron Parkway is a collection of fourteen two-story and three-story residential buildings with attached two-story townhomes on each end. Cimarron Parkway is located just south of Interstate Highway 10 (the Katy Freeway), 25 miles west of Houston in the so-called Energy Corridor. The property is located within Katy Independent School District. Built in 1983, Cimarron Parkway contains 272 units on 9.26 acres with net square footage of 238,264 and approximately 371 parking spaces including some covered and some uncovered. The units average 876 square feet and have fireplaces, patios or balconies, and washer and dryer connections. Cimarron Parkway also includes a one-story leasing office building, a swimming pool, and a hot tub.

"Enclave at Cypress Park" (1822 Barker Cypress, Houston, Texas 77084)

Enclave at Cypress Park is a collection of twenty-nine two-story and three-story residential buildings. Enclave at Cypress Park is located on Barker Cypress one mile north of Interstate Highway 10 at the west entrance of Park 10 Development. The property is within the highly rated Katy Independent School District. Built in 1984, Enclave at Cypress Park contains 384 units on 13.83 acres with net square footage of 329,844 and approximately 549 parking spaces including some covered and some uncovered. The units average 859 square feet and have fireplaces, washer and dryer connections, and are wired for alarms. Enclave at Cypress Park also includes a one-story office/clubhouse, two swimming pools, and a waterscaped courtyard with a gazebo.

"Hidden Lake" (900 Henderson Avenue, Houston, Texas 77058)

Hidden Lake is a collection of twenty-five two-story and three-story residential buildings. Hidden Lake is in an exclusive, secluded waterfront location on private Pearce Lake. The property is approximately 20 miles from downtown Houston, and a 20 minute drive from Houston's Hobby Airport. Built in 1986, Hidden Lake contains 440 units on 32.55 acres with net square footage of 318,748 and approximately 859 parking spaces including some covered and some uncovered. The units average 724 square feet and have fireplaces in select units, balconies or patios with storage, and a washer and dryer in each unit. Hidden Lake also includes a single one-story office/clubhouse, two swimming pools, an exercise room, and a volleyball court.

"Hunt Club at Pin Oak" (1550 Katy-Flewellen Road, Katy, Texas 77494)

Hunt Club at Pin Oak is a collection of fifteen two-story residential buildings. Hunt Club at Pin Oak is located on the south side of Interstate Highway 10 in Katy, Texas. Katy is approximately one hour from both Houston airports and 45 minutes from the central business district. The property lies within the Katy Independent School District. Built in 1984, Hunt Club at Pin Oak contains 204 units on 8.26 acres with net square footage of 135,948 and approximately 378 uncovered parking spaces. The units average 666 square feet and have fireplaces in select units, patios or balconies, and washer and dryer connections. Hunt Club at Pin Oak also includes a one-story rental office building, a swimming pool, and a hot tub.

"The Huntley" (450 El Dorado Blvd., Webster, Texas 77598)

The Huntley is a collection of fourteen two-story and three-story residential buildings and one office/clubhouse. The Huntley is located in Clear Lake, only 15 minutes away from Houston's Hobby Airport. The property is located close to Interstate 45, providing access to Houston's central business district, which is approximately 20 minutes north. Built in 1985, The Huntley contains 214 units on 7.35 acres with net square footage of 165,054 and approximately 309 parking spaces including some covered and some uncovered. The units average 771 square feet and have fireplaces in select units and washer and dryer connections. The Huntley also includes a one-story laundry/maintenance building, a single-story leasing office, a swimming pool, a business center, and an exercise room.

"The Retreat at Eldridge" (2323 Eldridge Parkway, Houston, Texas 77077)

The Retreat at Eldridge is a collection of seven three-story residential buildings. The Retreat at Eldridge is located in west Houston on Eldridge Parkway. Built in 1998, The Retreat at Eldridge contains 168 units on 5.84 acres with net square footage of 158,304 and approximately 265 parking spaces including some covered and some uncovered. The units average 942 square feet and have intrusion alarms, 9 foot ceilings, and washer and dryer connections. The Retreat at Eldridge also includes a one-story rental office, a resort style pool, a fitness center, and a business center.

"Richmond Green" (9940 Richmond Avenue, Houston, Texas 77042)

Richmond Green is a collection of nineteen two-story residential buildings. Richmond Green is located in the Westchase area of Houston, approximately one mile east of Beltway 8 on Richmond Avenue. Richmond Avenue is one of southwest Houston's most heavily traveled arterials. There are two Interstates, Interstate Highway 10 and the Southwest Freeway, that are only minutes away. The property lies within the Alief Independent School District. Built in 1980, Richmond Green contains 224 units on 8.76 acres with net square footage of 214,494 and approximately 343 parking spaces including some covered and some uncovered. The units average 958 square feet and have patios or balconies, fireplaces, and washer and dryer connections. Richmond Green also includes a one-story leasing/clubhouse building and a swimming pool.

"Silverado" (1335 Silverado Drive, Houston, Texas 77077)

Silverado is a collection of twenty-three two-story residential buildings. Silverado is located between the newly developed Westchase district and the Memorial area of west Houston. Built in 1979, Silverado contains 344 units on 11.31 acres with net square footage of 248,960 and approximately 451 parking spaces including some covered and some uncovered. The units average 724 square feet and have fireplaces in select units, patios or balconies, and washer and dryer connections. Silverado also includes a one-story rental office/clubhouse building, a swimming pool, and an exercise room.

San Antonio, Texas

"Costa Del Sol" (16100 Henderson Pass, San Antonio, Texas 78232)

Costa Del Sol is a collection of nineteen two-story residential buildings. Costa Del Sol is located approximately one mile east of State Highway 281 and approximately one mile south of Highway 1604 in an established residential area. The Northeast Independent School District serves this property. Built in 1986, Costa Del Sol contains 244 units on 10.00 acres with net square footage of 180,798 and approximately 369 parking spaces including some covered and some uncovered. The units average 741 square feet and have high speed internet, fireplaces, French doors to patios or balconies, and washer and dryer connections. Costa Del Sol also includes two swimming pools, a business center, an exercise room, and a one-story rental office building.

"Country View" (8727 Fredericksburg Road, San Antonio, Texas 78240)

Country View is a collection of twenty-three two-story residential buildings. Country View is located in northwest San Antonio. The property is located within half a mile from the Medical Center, half a mile from USAA, and 7 miles from UTSA. Country View is approximately 10 minutes north of downtown, and the property provides nearby access to Interstate Highway 10, Interstate Highway 410, and Loop 1604. Built in 1981, Country View contains 272 units on 11.0 acres with net square footage of 213,120 and approximately 523 parking spaces including some covered and some uncovered. The units average 784 square feet and have fireplaces, alarm systems, and washer and dryer connections. Country View also includes three swimming pools, a business center, an exercise room, a tennis court, playground and a one-story clubhouse building.

Utah

Salt Lake City, Utah

"James Pointe" (632 E. 6400 South, Murray, Utah 84107)

James Pointe is a collection of fourteen three-story residential buildings. James Pointe is located in Murray, which is a suburb of Salt Lake City. The property enjoys nearby access to and visibility from major thoroughfares. Built in 1985, James Pointe contains 312 units on 11.36 acres with net square footage of 236,928 and approximately 611 parking spaces including some covered and some uncovered. The units average 759 square feet and have fireplaces, private balconies or patios, and washer and dryer connections. James Pointe also includes a clubhouse and outside storage.

"Stillwater" (5560 S. Vine Street, Murray, Utah 84107)

Stillwater is a collection of nineteen three-story residential buildings. Stillwater is located in Murray, which is a suburb of Salt Lake City. The property enjoys nearby access to and visibility from major thoroughfares. Built in 1986, Stillwater contains 456 units on 15.40 acres with net square footage of 343,216 and approximately 886 parking spaces including some covered and some uncovered. The units average 753 square feet and have fireplaces, vaulted ceilings, private patios or balconies, and washer and dryer connections. Stillwater also includes a clubhouse and outside storage.

Capital Expenditures

The Milestone Group has invested over $141 million, or $8,369 per unit, in capital expenditures at the Initial Properties since their acquisition in 2005. These expenditures included maintenance and enhancement capital improvements to maintain physical asset quality, as well as upgrades to the Initial Properties' exteriors, community amenities and the interiors of the units themselves. Approximately $85 million of these capital expenditures have been completed since 2008, and management believes these investments position the properties to achieve higher occupancies and rental rates as the U.S. economy continues to recover. The capital investments made to the Initial Properties have also increased resident retention by ensuring that the Initial Properties maintain their attractiveness to both existing and prospective tenants. The REIT considers the quality of its residential properties to be a key competitive advantage, which it expects will allow the Initial Properties to perform well over the long-term.

ASSESSMENT AND VALUATION OF THE INITIAL PROPERTIES

Independent Appraisal

The Partnership retained Landauer Valuation & Advisory (the "**Appraiser**") to provide an independent estimate of the aggregate fair market value of the Initial Properties as a portfolio. The Appraiser was not given any limiting instructions.

The Appraisal was prepared in conformity with the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice (the "**USPAP**") adopted by the Appraisal Standards Board of The Appraisal Foundation (United States). The Appraisal was also prepared in accordance with Title XI of the United States Financial Institution Reform, Recovery and Enforcement Act of 1989. The USPAP defines market value as "the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus." According to the Appraisal Institute of the United States, implicit in the definition of market value is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (i) buyer and seller are typically motivated; (ii) both parties are well informed or well advised, and acting in what they consider their best interests; (iii) a reasonable time is allowed for exposure of each individual property in the open market (iv) payment is made in terms of cash in U.S. dollars or on terms of financial arrangements comparable thereto; and (v) the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

In the Appraisal, the Appraiser estimated the aggregate market value of the Initial Properties as a portfolio, as at December 10, 2012 to be between $1.208 billion and $1.220 billion including a portfolio premium of 2% to 3%, inclusive of excess land and other assets.

The estimated market value of the Initial Properties was determined by the Appraiser using both the income valuation approach, which utilized the direct income capitalization approach (overall capitalization rate method) with consideration to the discounted cash flow method) and the direct comparison method approach, which utilizes the sale price per Unit analyses. These valuation methods are traditionally used by investors when acquiring properties of this nature. The Appraiser gave appropriate consideration to a forecast of income for each property in terms of market rental rates, growth levels, vacancy rates, tenant roll-overs, operating expenses, realty commission and capital expenditure reserves. The Appraiser visited each Initial Property to access location and physical characteristics and estimated the highest and best use for each property. Appropriate valuation parameters were used, having due regard to the income characteristics, current market conditions and prevailing economic and industry information.

In determining the appropriate market value of the Initial Properties, the Appraiser relied on operating and financial data provided by or on behalf of the REIT, including detailed occupancy reports and posted rates with respect to vacant units, which also included data on current and historic financial information from financial statements provided by Milestone. The Appraiser believes that its appraisal gives appropriate consideration to projected net operating income for each property in terms of occupancy, rental rates, operating expenses and provisions for required capital improvements. Specifically, for each property, the Appraiser discussed with management the property's history, current tenant status and future prospects, reviewed historical operating results and reviewed in detail management revenue and expense estimates as set forth in the operating budgets and historical statements for their reasonableness. Based on their review, and other relevant facts, the Appraiser considered such data to be reasonable and supportable.

In appraising the Initial Properties, the Appraiser assumed that title to the Initial Properties is good and marketable and did not take into account engineering, environmental, zoning, planning or related issues.

Based on the foregoing, the aggregate fair market value of the Initial Properties as a portfolio is between $1.208 billion and $1.220 billion, including an appraiser applied portfolio premium of 2% to 3%.

Caution should be exercised in the evaluation and use of appraisal results. An appraisal is an estimate of market value. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The Appraisal is based on various assumptions of future expectations and while the Appraiser's forecasts for the Initial Properties is considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the Appraisal.

Environmental Site Assessments

Each of the Initial Properties has been the subject of a Phase I environmental site assessment report or a Phase I environmental site assessment update report ("**Phase I ESA Report**") conducted by independent and experienced environmental consultants from December 5, 2012 to December 13, 2012. The Phase I ESA Reports were prepared in general accordance with the scope and limitations of ASTM Designation E 1527-2005, "Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process". The purpose of the Phase I ESA Reports was to identify any existing or potential recognized environmental conditions ("**RECs**") at the Initial Properties, which means the presence or likely presence of any hazardous substances or petroleum products on any Initial Property under conditions that indicate an existing release, a past release, or a material threat of a release of any hazardous substances or petroleum products into structures on an Initial Property or into the ground, groundwater or surface water of an Initial Property. Intrusive sampling and analysis were not part of these Phase I environmental site assessments.

Based on the Phase I ESA Reports, the independent environmental consultants did not identify any RECs that warranted further environmental assessment investigation at any of the Initial Properties.

It is the REIT's operating policy to obtain a Phase I ESA Report conducted by an independent and experienced environmental consultant prior to acquiring a property. If the Phase I ESA Report recommends a Phase II environmental assessment be conducted, the REIT conducts a Phase II environmental assessment, in each case by an independent and experienced environmental consultant.

Management is not aware of any non-compliance with environmental laws at any of the Initial Properties that management believes would have a material adverse effect on the REIT. Management is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of the Initial Properties that would materially adversely affect the REIT or the values of the Initial Properties, taken as a whole, as determined by the Appraiser.

Property Condition Assessments

Property condition assessment reports, or PCA Reports, were prepared for each of the 52 Initial Properties for the purpose of assessing and documenting the existing condition of each building and major building operating components and systems forming part of the Initial Properties. The assessments of the Initial Properties also identified and quantified any major defects in materials or systems which might significantly affect the value of any of the Initial Properties or the continued operation thereof. The PCA Reports were prepared between December 5, 2012 and December 14, 2012. Each of the PCA Reports assessed both work required to be completed immediately (i.e. within the short term) and work recommended to be performed during the subsequent twelve years in order to maintain appropriate building conditions.

Based on the PCA Reports, each of the Initial Properties appears to be well maintained, in good to fair condition commensurate with its age and comparable to other similar properties in its respective market, and no capital improvement work is required to be carried out immediately other than an electrical circuit panel replacement at Bar Harbor, exterior painting at Brandywine II & Terra Vida, continued work on the exterior balcony repair program at James Pointe & Stillwater, and asphalt paving and surface erosion work at Ivy Commons & Villas at Indian Trail. The PCA Reports in respect of the Initial Properties identify ongoing repairs, maintenance and the replacement of capital items in respect of these Initial Properties that are not part of the general routine maintenance in the amount of approximately $2.2 million over the near term and replacement reserves recommended for recurring major capital expenditures and operational and maintenance expense in the amount of approximately $57.5 million over the next twelve years. On an annual basis this represents approximately $283 per unit over the next twelve years. A large portion of this estimate, approximately $17 million, relates to carpet and flooring replacement at each of the Initial Properties. Notwithstanding the conclusions in the PCA Reports it is the REIT's intention to spend approximately $400 per unit per year in maintenance capital expenditures.

The REIT will monitor the appropriate level of repairs and maintenance and capital expenditures to ensure that the REIT's properties remain competitive.

The table below summarizes the aggregate projected un-escalated capital expenditures for the Initial Properties over the next 12 years, as outlined in the PCA Reports.

Projected Un-escalated Capital Replacement Reserves Expenditures ($ in thousands)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Aggregate Expenditure
$3,647	$5,077	$5,158	$4,526	$5,969	$5,193	$5,036	$4,470	$5,210	$4,775	$4,221	$4,264	$57,546

DEBT STRATEGY AND INDEBTEDNESS

Debt Strategy

The REIT will seek to maintain a combination of short, medium and long-term debt maturities that are appropriate for the overall debt level of its portfolio, taking into account the availability of financing and market conditions, and the financial characteristics of each property. The REIT will seek to secure low-cost debt financing, benefiting from the multitude of capital sources available to publicly traded multifamily real estate investment trusts, including debt from local, regional and national banks, government-sponsored entities such as Fannie Mae and Freddie Mac, insurance companies, CMBS and publicly issued bonds.

The Declaration of Trust provides that the REIT may not incur or assume any Indebtedness if, after incurring or assuming such Indebtedness, the total Indebtedness of the REIT would be more than 60% of Gross Book Value (or 65% of Gross Book Value including convertible debentures). Currently, management expects, as a matter of internal policy, that the REIT will target a total indebtedness level at or below 55% of Gross Book Value.

Debt Composition

At Closing, the REIT's outstanding indebtedness will consist of a mix of Assumed Mortgages and a floating rate senior unsecured revolving credit facility (the "**Credit Facility**"), which will be used to finance the on-going operations of the REIT.

The REIT estimates that its aggregate indebtedness on Closing, including the Assumed Mortgages and amounts drawn under the Credit Facility, if any, will be approximately $646.4 million ($662.9 million including a mark-to-market adjustment of $16.5 million on the Assumed Mortgages), with all 52 properties collateralized under various mortgage loans, representing approximately 56% of Gross Book Value (excluding the mark-to-market adjustment) of which 95% is fixed rate indebtedness.

Credit Facility

The Partnership has signed a non-binding indicative term sheet with a U.S./Canadian bank pursuant to which the lender will provide the Partnership, either at or subsequent to Closing with the Credit Facility. The Credit Facility consists of a senior revolving operating credit facility in the principal amount of up to a maximum of $50 million, which will have an initial maturity of two years. Initially, variable rate interest will be calculated and payable monthly under the Credit Facility at a rate equal to, at the borrower's option, (A) LIBOR plus a margin of 425 basis points, or (B) the U.S. base rate (equal to the highest of (i) the prime rate; (ii) U.S. federal funds rate plus ½ of 1.00%, and (iii) one month LIBOR plus 1.00%) plus a margin of 325 basis points. The applicable margin will decrease by at least 75 basis points if and when security on the underlying properties owned by the Partnership is provided, and conversely will increase by 100 basis points after the first year of the Credit Facility and before security is provided. The Credit Facility will be available for general purposes, including working capital requirements, acquisitions, monthly distributions (subject to a maximum amount) and capital expenditures for property improvements and renovations. The Credit Facility will be unsecured initially. However, at the Partnership's election at any time during the primary term of the Credit Facility, the Credit Facility may be secured by properties owned by the Partnership, at which time the variable rate interest will be adjusted.

The Credit Facility will include covenants (i) requiring the Partnership to maintain certain loan to value and debt service coverage ratios; (ii) requiring that the Partnership and its affiliates maintain a tangible net worth of at least $260 million plus 80% of any future equity raises; (iii) requiring the Partnership to maintain an overall leverage of less than 70% during the first twelve months of the Credit Facility and reducing to 60% thereafter (including convertible debentures); and (iv) requiring the Partnership to ensure a maximum pay-out ratio equal to the greater of 90% of FFO and the amount required in order to ensure that the REIT maintain its status as a REIT. Upon the Credit Facility being converted to a mortgage secured facility, additional financial covenants will be required to be adhered to by the Partnership.

Assumed Mortgages

Overview

Upon Closing, the REIT's aggregate indebtedness will include various mortgage loans with various lenders aggregating approximately $646.4 million (excluding mark-to-market adjustments) which mortgages are currently in place with respect to the Initial Properties and are to be indirectly assumed by the REIT in connection with its indirect acquisition of an ownership interest in the Partnership (the "**Assumed Mortgages**"). The Assumed Mortgages have varying maturities ranging from April 1, 2015 through to February 1, 2028, with 55% of the total outstanding indebtedness maturing in or after 2018. At Closing, the Assumed Mortgages are expected to have a weighted average term to maturity and a weighted average effective interest rate of approximately 6.0 years and 3.75%, respectively.

Loan	Principal Amount at Closing ($000s)	Maturity Date	Interest Rate
Conventional Fixed Rate Debt:			
Green Park Financial LP Master Credit Facility[1]	$235,648	April 2015	3.37%
Holliday Fenoglio Fowler, L.P.[2]	$ 26,156	May 2016	5.97%
CBRE Capital Markets, Inc (Tranche 1)[3]	$142,130	February 2019	3.93%
Beech Street Capital, LLC[4]	$149,850	February 2022	4.15%
CBRE Capital Markets, Inc (Tranche 2)[5]	$ 43,840	February 2022	4.16%
CBRE Capital Markets, Inc (Tranche 3) [6]	$ 17,250	July 2022	3.76%
Tax Exempt Variable Rate Bonds:			
Prudential Multifamily Mortgage, Inc.[7]	$ 7,760	February 2027	1.49%[9]
Prudential Multifamily Mortgage, Inc.[8]	$ 23,740	February 2028	1.49%[9]
Total	$646,374		3.75%
Indebtedness (excluding Exchangeable Interest) as % of Gross Book Value at Closing	56%		

Notes:

(1) Walker & Dunlop LLC Master Credit Facility consists of 20 of the properties comprising the Initial Properties.
(2) Holliday Fenoglio Fowler, L.P. loans consist of 2 of the properties comprising the Initial Properties.
(3) CBRE Capital Markets, Inc (Tranche 1) loan consists of 6 of the properties comprising the Initial Properties.
(4) Beech Street Capital, LLC loan consists of 15 of the properties comprising the Initial Properties.
(5) CBRE Capital Markets, Inc (Tranche 2) loan consists of 4 of the properties comprising the Initial Properties.
(6) CBRE Capital Markets, Inc (Tranche 3) loan consists of 1 of the properties comprising the Initial Properties.
(7) Prudential Multifamily Mortgage, Inc consist of 1 of the properties comprising the Initial Properties.
(8) Prudential Multifamily Mortgage, Inc consist of 3 of the properties comprising the Initial Properties.
(9) These figures are based on forecasts of the variable BMA rate.

Tax Exempt Variable Rate Bonds

Of the Assumed Mortgages, four properties are encumbered with tax exempt variable rate bonds with a principal amount of approximately $32 million that mature in February of 2027 and 2028. Variable rate interest will be calculated daily and payable monthly under the tax exempt variable rate bonds at a rate equal to the weekly Bank Monitor Association rate provided by the remarketing agent. The outstanding amount of bonds have an interest rate hedge in place capping the variable rate at approximately 4.90% to 5.50%. In addition to interest, associated fees will be calculated and payable monthly at a rate of approximately 1.20%. The bonds are not amortized; however, they do require monthly sinking fund payments. At Closing, the sinking fund balance will amount to approximately $5.8 million.

Debt Maturities

The Assumed Mortgages are characterized by a staggered maturity profile, with less than 40% of total debt repayments scheduled to occur within the first three calendar years of Closing. Moreover, the mortgages are diversified among eight different lenders and no single mortgage represents more than 6% of total mortgage debt. The following table sets out the principal instalments and maturity balances to be paid over each of the five years following Closing (assuming Closing occurred on December 31, 2012 and assuming such debt is not renewed at maturity).

Year	Principal Payments During Period	Principal Repayments on Maturity	Total	% of Total Principal	Weighted Average Interest Rate[1]
2013	$10,826	—	$ 10,826	1.7%	—
2014	$11,888	—	$ 11,888	1.8%	—
2015	$ 8,358	$223,635	$231,993	35.9%	3.37%
2016	$ 6,941	$ 24,952	$ 31,893	4.9%	5.97%
2017	$ 7,134	—	$ 7,134	1.1%	—
Thereafter	$22,785	$329,855	$352,640	54.6%	3.80%
Total	$67,933	$578,441	$646,374	100%	3.72%

Notes:
(1) Weighted by principal repayments on maturity during the period indicated.

CURRENCY HEDGING ARRANGEMENTS

Given that the REIT's investments and operations will be conducted in U.S. dollars and the REIT will pay distributions to Unitholders (and to holders of Class B Units through distributions by the Partnership) in Canadian dollars, the REIT intends to implement active hedging programs in order to offset the foreign exchange risk and provide more certainty regarding the payment of distributions to Unitholders. Upon Closing or shortly thereafter, the REIT intends to enter into currency hedging arrangements with a Schedule I Canadian chartered bank pursuant to which the counterparty will agree to exchange U.S. dollars for Canadian dollars at an exchange rate to be agreed upon in the hedging arrangements. These currency hedging arrangements will apply to a portion of the U.S. dollar cash flows of the REIT after accounting for operating expenses, payments of principal and interest, capital expenditures, tenant improvements and leasing costs payable in U.S. dollars.

The hedging arrangements will be implemented for a term of two years. The Board will assess the REIT's currency hedging strategy from time to time.

THE ACQUISITION

Principal Transaction Steps

The following is a summary of the principal transactions that will take place prior to or in connection with the Closing of the Offering:

Pre-Closing Events

(i) The Property Manager (which was formed by The Milestone Group in 2004 for the purpose of providing property management services to affiliated and non-affiliated entities) will be converted to a limited liability company governed by the laws of Delaware;

(ii) (a) The Partnership will acquire the membership interests in the Property Manager from MM Group, LP, part of The Milestone Group ("**MM Group LP**"), and (b) the Partnership will issue and/or Milesouth will transfer units of the Partnership to MST Investors pursuant to existing contractual arrangements and as consideration for the Property Manager;

(iii) The Property Manager will transfer to a newly incorporated Delaware subsidiary of the Partnership ("**External Property Management Co**") property management contracts in respect of properties owned by third parties (unrelated to the REIT and its subsidiaries) and the External Property Management Co will subcontract with the Property Manager to provide property management services in respect of these third party properties;

The Offering

(iv) The REIT will complete the Offering and the Unit held by the initial Unitholder of the REIT will be redeemed for C$10;

Indirect Acquisition of the Initial Properties

(v) The REIT will acquire units of the Partnership from Milesouth in exchange for 14,000,000 Units;

(vi) The REIT will contribute the net proceeds of the Offering and the units of the Partnership acquired from Milesouth to US Holdco in subscription for preferred shares and common shares of US Holdco;

(vii) US Holdco will use the proceeds received from the REIT to (a) purchase additional units of the Partnership from Milesouth for approximately C$180,600,000; and (b) acquire, for nominal consideration, all of the membership interests of MMI GP, LLC, the general partner of TMG MMI, which is the general partner of the Partnership. US Holdco, through its ownership of MMI GP, LLC, will control the general partner of the Partnership, TMG MMI.

(viii) Concurrently with step (vii), the limited partnership agreement of the Partnership will be amended and restated pursuant to which (a) the capital of the Partnership will be restated to consist of Class A Units and Class B Units; and (b) the units of the Partnership held by US Holdco will be reclassified as Class A Units; and the units of the Partnership held by each of Milesouth and MST Investors will be reclassified as Class B Units;

Ancillary Agreements

(ix) The Partnership will enter into the Credit Facility; and

(x) The REIT and the Partnership will enter into the Asset Management Agreement with the Asset Manager.

The completion of the Offering and the indirect acquisition by the REIT of the Initial Properties will occur concurrently. The transactions described above under "Indirect Acquisition of the Initial Properties" will be completed pursuant to the Investment Agreement. For an illustration of the corporate structure of the REIT upon completion of the Offering and the above transactions, see "Post-Closing Structure".

As described above, in connection with the pre-Closing acquisition by the Partnership of the Property Manager and the satisfaction of an aggregate amount owed under existing contractual arrangements, MST Investors will receive units of the Partnership, which units will be reclassified on Closing as Class B Units. These Class B Units will be held by MST Investors and, together with the Class B Units and Units held by Milesouth, will form the aggregate Retained Interest. The portion of the aggregate Retained Interest (and accordingly, the number of Class B Units) to be held by MST Investors on one hand and Milesouth on the other (and accordingly, the number of units of the Partnership to be issued to MST Investors as part of the foregoing pre-Closing events) will be determined by independent and private negotiation between The Milestone Group and Milesouth, as the current owners of the Partnership, taking into account all tangible and intangible factors relevant to such parties in connection with the determination of allocation of ownership as between them. The allocation of the Retained Interest between each of such Retained Interest Holders has no effect on the overall value of the REIT. MST Investors' equity ownership in the Partnership will be fully converted into Class B Units of the Partnership on Closing. A portion of such Class B Unit ownership may be increased or decreased (with a corresponding decrease or increase in the number of Class B Units owned by Milesouth) pursuant to arrangements with Milesouth based upon the performance of the REIT's Units.

Investment Agreement

The following is a summary of certain provisions of the Investment Agreement, which is a material contract for the REIT and is qualified in its entirety by reference to all of the provisions of such agreement. The Investment Agreement will be available following Closing on SEDAR at www.sedar.com.

The REIT will indirectly acquire the Initial Properties and the Property Manager through its acquisition of units of the Partnership (and which units will be reclassified on Closing as Class A Units of the Partnership) from Milesouth for aggregate consideration of approximately C$463.4 million. The REIT will also have $8.8 million of working capital contributed by Milesouth and which will remain in the Partnership (which amount shall be independent from the customary closing adjustments that will occur on Closing).

The Investment Agreement will contain representations and warranties typical of those contained in purchase agreements for similar real property assets negotiated between sophisticated purchasers and vendors acting at arm's length. Certain of the representations and warranties will be qualified as to knowledge, materiality and disclosure. The representations and warranties will be given by MST Investors and Milesouth in favour of US Holdco and the REIT and will relate to the Partnership, the General Partner, the Initial Properties and the Property Manager including, among other things, representations and warranties as to existence and capacity, due authorization, no conflict, compliance with laws, authorized and issued capital, title to the Initial Properties, condition of tangible assets, financial information, material agreements, tax matters, and environmental matters. MST Investors and Milesouth will also provide representations and warranties that this prospectus does not contain a misrepresentation (as defined in the Securities Act) relating to the Initial Properties and other assets being indirectly acquired, subject to an exception for portions of this prospectus purporting to be made on authority of an expert or purporting to be an extract from a report, opinion or statement of an expert. Such representations and warranties will survive for a period of 18 months following Closing, however, the representations and warranties regarding due authorization shall survive indefinitely, the representations and warranties regarding tax matters shall survive for the applicable statutory reassessment period, and the representations and warranties regarding the prospectus shall survive for three years.

MST Investors and Milesouth will severally indemnify the REIT for breaches of the representations and warranties however, no claim under such indemnity may be made until the aggregate losses exceed C$1.5 million. MST Investors and Milesouth will guarantee the obligations under the Investment Agreement with the maximum liability of each party limited to up to 35% of the value of each party's Retained Interest at Closing, estimated to be an aggregate of approximately C$99.0 million (with any amounts paid by each party under their indemnities in the Underwriting Agreement operating to reduce the maximum liability of such party under the Investment Agreement on a dollar-for-dollar basis). As security for such guarantees, MST Investors and Milesouth will, pursuant to the Pledge Agreements, pledge to the REIT for the initial 18-month period following Closing the foregoing portion of their respective Retained Interest. In addition, the REIT will obtain a seven-year prospectus liability insurance policy providing coverage to the Trustees and officers of the REIT, MST Investors and the REIT (in such order of priority), subject to certain limits, deductibles and other terms and conditions.

There can be no assurance of recovery by the REIT from MST Investors or Milesouth for any breach of the representations and warranties provided by them under the Investment Agreement, as there can be no assurance that their assets will be sufficient to satisfy such obligations. Only the REIT will be entitled to bring a claim or action against MST Investors and Milesouth for misrepresentation or breach of contract under the Investment Agreement and purchasers of Units under this prospectus will not have any contractual rights under the Investment Agreement. Purchasers of Units will, however, have certain statutory rights of action against the REIT and MST Investors under applicable securities laws. See "Retained Interest", "Risk Factors" and "Purchasers' Statutory Rights".

The closing of the Acquisition will be conditional upon, among other things, the completion of the Offering and the receipt of all necessary consents and waivers from third parties, including the lenders of the Assumed Mortgages.

A purchaser of Units should refer to the terms of the Investment Agreement for a complete description of the representations, warranties and indemnities being provided in favour of the REIT, and related limitations thereunder.

RETAINED INTEREST

Following Closing, the Retained Interest Holders will hold an aggregate of 14,000,000 Units (all of which will be held by Milesouth) and approximately 14,277,399 Class B Units (approximately 8,923,189 held by Milesouth and approximately 5,354,210 held by MST Investors) representing an aggregate approximate 58.6% interest in the REIT on a fully-diluted basis assuming the redemption in full of all of the Class B Units (approximately 47.5% and 11.1% for Milesouth and MST Investors, respectively) and an aggregate approximate 52.4% interest in the REIT if the Over-Allotment Option is exercised in full (approximately 41.3% and 11.1% for Milesouth and MST Investors, respectively).

The approximate Retained Interest (and related matters, including indemnity caps) set out in this Prospectus assumes an exchange rate of U.S.$1.00 = C$1.00. The actual Retained Interest will be determined on Closing (with reference to the exchange rate on Closing) and could differ materially from the amounts set out in this Prospectus. If the U.S. dollar depreciates in value relative to the Canadian dollar (as compared to the assumption above), the Retained Interest of Milesouth will decrease. If the U.S. dollar appreciates in value relative to the Canadian dollar (as compared to the assumption above), the Retained Interest of Milesouth will increase. Any change to the Retained Interest between the date of this Prospectus and Closing will not impact the number of Units issued pursuant to this Prospectus or the intended monthly distribution to be made per Unit. The table below sets out the Retained Interest at various assumed foreign exchange rates:

	Retained Interest (Assuming No Exercise of the Over-Allotment Option)			Retained Interest (Assuming the Exercise of the Over-Allotment Option)		
US$/C$ Exchange Rate	Milesouth	MST Investors	Public	Milesouth	MST Investors	Public
1.00	47.5%	11.1%	41.4%	41.3%	11.1%	47.6%
1.01	47.9%	11.1%	41.0%	41.7%	11.1%	47.2%
1.02	48.3%	11.1%	40.6%	42.2%	11.1%	46.7%
1.03	48.7%	11.1%	40.2%	42.6%	11.1%	46.3%
1.04	49.1%	11.1%	39.8%	43.1%	11.1%	45.8%

The Retained Interest Holders have agreed with the Underwriters that, for a period of 18 months following the Closing, they will not, directly or indirectly, without the prior written consent of BMO Nesbitt Burns Inc., on behalf of the Underwriters, and the subsequent approval of the Board, which consents will not be unreasonably withheld (i) offer, sell, contract to sell, secure, pledge, grant or sell any option, right or warrant to purchase (other than in connection with plans created on Closing or in connection with the Offering) or otherwise lend, transfer or dispose of (other than in connection with a redemption of its Class B Units for Units or in respect of transfers to affiliates) any Units or securities convertible, exchangeable or redeemable for Units or securities of any subsidiary of the REIT, in each case forming part of the Retained Interest, or (ii) make any short sale, engage in any hedging transaction, or enter into any swap, monetization, securitization or other arrangement that transfers to another in whole or in part, any of the economic consequences of ownership of Units or securities convertible, exchangeable or redeemable for Units or entities of any subsidiary of the REIT, in each case forming part of the Retained Interest, whether any such transaction described in this section is to be settled by delivery of such securities, other securities, cash or otherwise; provided however, that (subject to any pledge of a portion thereof as security for the covenants under the Investment Agreement), any such party shall be permitted to pledge such securities as security for any loans made to it if the terms of such pledge expressly prohibit the party to which the pledge is granted from selling, directly or indirectly, the pledged securities during the hold period. For greater certainty, any consents given in connection with the foregoing shall constitute a consent to the early release of such portion of the Retained Interest from its pledge as described above under "The Acquisition – Investment Agreement".

The Declaration of Trust will provide that the Chief Executive Officer of the REIT will be nominated to serve as a Trustee. In addition, Milesouth will be granted the right to nominate one Trustee (such nominee which will be subject to election together with the independent Trustees at annual meetings of Unitholders) subject to Milesouth or its affiliates owning, in the aggregate, a minimum of 10% of the then-outstanding Units on a fully-diluted basis. Upon Milesouth's ownership falling below 10%, Milesouth will not have any Board nomination rights.

Registration Rights

The Registration Rights Agreement will provide Milesouth with the right (the "**Piggy-Back Registration Right**"), among others, to require the REIT to include Units (including Units issuable upon the redemption of Class B Units)

held by Milesouth in any future offering undertaken by the REIT by way of prospectus that it may file with applicable Canadian securities regulatory authorities (a "**Piggy-Back Distribution**"). The REIT will be required to use reasonable commercial efforts to cause to be included in the Piggy-Back Distribution all of the Units Milesouth requests to be sold, provided that if the Piggy-Back Distribution involves an underwriting and the lead underwriter determines that the total number of Units to be included in such Piggy-Back Distribution should be limited for certain prescribed reasons, the Units to be included in the Piggy-Back Distribution will be first allocated to the REIT.

In addition, the Registration Rights Agreement will provide Milesouth with the right (the "**Demand Registration Right**") to require the REIT to use reasonable commercial efforts to file one or more prospectuses with applicable Canadian securities regulatory authorities, qualifying Units held (or issuable upon the redemption of Class B Units) by Milesouth for distribution (a "**Demand Distribution**"). Each request for a Demand Distribution must relate to such number of Units that would reasonably be expected to result in gross proceeds of at least C$20 million. The REIT may also distribute Units in connection with a Demand Distribution provided that if the Demand Distribution involves an underwriting and the lead underwriter determines that the total number of Units to be included in such Demand Distribution should be limited for certain prescribed reasons, the Units to be included in the Demand Distribution will be first allocated to Milesouth.

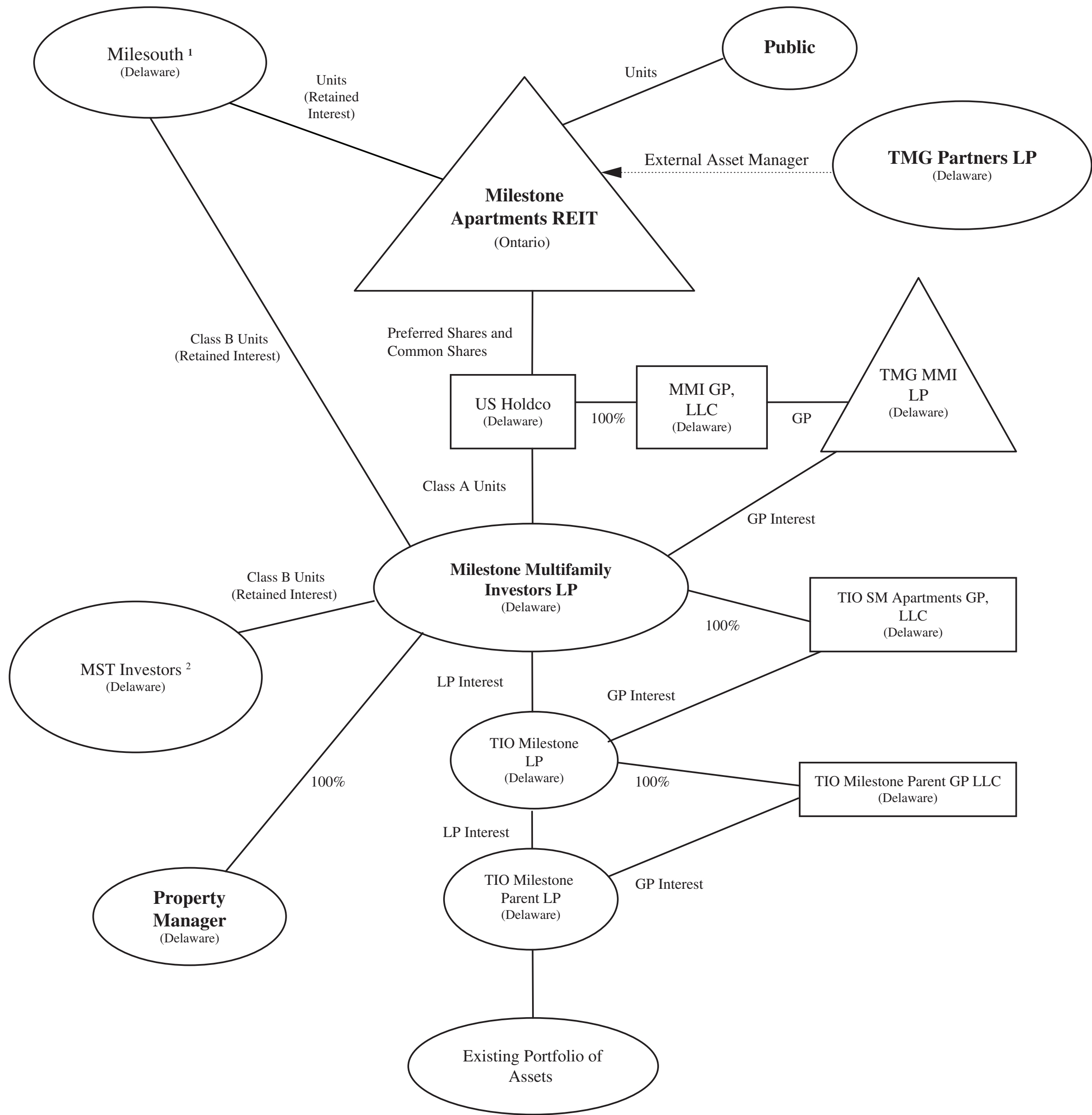
Each of the Piggy-Back Registration Right and the Demand Registration Right will be exercisable at any time from 18 months following Closing, provided that Milesouth collectively owns at least 10% of the Units (on a fully-diluted basis) at the time of exercise. The Piggy-Back Registration Right and the Demand Registration Right will be subject to various conditions and limitations, and the REIT will be entitled to defer any Demand Distribution in certain circumstances for a period not exceeding 90 days. The expenses in respect of a Piggy-Back Distribution, subject to certain exceptions, will be borne by the REIT, except that any underwriting fee on the sale of Units by Milesouth and the fees of Milesouth's external legal counsel will be borne by Milesouth. The expenses in respect of a Demand Distribution, subject to certain exceptions, will be borne by the REIT and Milesouth on a proportionate basis according to the number of Units distributed by each.

Pursuant to the Registration Rights Agreement, the REIT will indemnify Milesouth for any misrepresentation in a prospectus under which Milesouth's Units are distributed (other than in respect of any information provided by Milesouth, in respect of Milesouth, for inclusion in the prospectus) and Milesouth will indemnify the REIT for any information provided by Milesouth, in respect of Milesouth, for inclusion in the prospectus.

The REIT has not and will not, pursuant to the Registration Rights Agreement or otherwise, have any obligation to register, nor will it register, Units under the U.S. Securities Act.

POST CLOSING STRUCTURE

The following chart sets out the organizational structure of the REIT immediately following Closing:



1 The Milesouth Retained Interest will be held through the ownership of approximately 8,923,189 Class B Units and 14,000,000 Units of the REIT.

2 The MST Investors Retained Interest will be held through the ownership of approximately 5,354,210 Class B Units. Each of Robert P. Landin, Jeffrey L. Goldberg, Christopher A. Phillips and Steve T. Lamberti will hold interests in MST Investors following Closing.

TRUSTEES AND EXECUTIVE OFFICERS OF THE REIT

Governance and Board of Trustees

The Declaration of Trust will provide that, subject to certain conditions, the Trustees will have absolute and exclusive power, control and authority over the REIT's assets and operations, as if the Trustees were the sole and absolute legal and beneficial owners of the REIT's assets. The governance practices, investment guidelines and operating policies of the REIT will be overseen by a Board of Trustees consisting of a minimum of one and a maximum of nine Trustees, a majority of whom will be Canadian residents. The REIT must, at all times after the Offering, have a majority of Trustees who are independent within the meaning of NI 58-101; provided, however, that if at any time a majority of the Trustees are not independent because of the death, resignation, bankruptcy, adjudicated incompetence, removal or change in circumstance of any Trustee who was an Independent Trustee, this requirement shall not be applicable for a period of 60 days thereafter, during which time the remaining Trustees shall appoint a sufficient number of Trustees who qualify as "independent" to comply with this requirement.

The Board will initially be comprised of seven Trustees, a majority of whom will be Canadian residents and a majority of whom will be independent. The Board will also designate a Lead Trustee from among the independent trustees to provide leadership for the independent trustees in certain circumstances if the Chair is not independent. Pursuant to NI 58-101, an Independent Trustee is one who is free from any direct or indirect relationship which could, in the view of the Board, be reasonably expected to interfere with a Trustee's independent judgment. The REIT has determined that William Biggar, Janet Graham, Richard Matheson, Graham Senst will be independent under these standards. Robert P. Landin, as the REIT's Chief Executive Officer and as Co-President of the Asset Manager, and Jay Hurley, senior management at Invesco, will not be independent under these standards. The REIT has determined that Michael D. Young is free from any direct or indirect relationship which could, in the view of the Board, be reasonably expected to interfere with a Trustee's independent judgment. However, due to a pre-Offering consulting arrangement between Quadrant Realty Finance, Inc. and the Partnership as described under "– Interests of Trustees in Material Transactions", Michael D. Young will not initially be considered independent for purposes of NI 58-101. Accordingly, the independent Trustees will appoint one from among them to act as Lead Trustee when circumstances warrant. The Lead Trustee will be responsible for acting as the effective leader of the Board in circumstances where it is inappropriate for the Chair to act in that role as a result of a conflict of interest. All of the trusteeships and directorships of the Trustees with other public entities are disclosed in the biographical information for each Trustee set out below. Pursuant to the conflict of interest provisions in the Declaration of Trust (see "Conflicts of Interest" below), Mr. Robert Landin will be required to disclose the nature and extent of his interest in, and is not entitled to vote on any resolution to approve, any material contract or transaction or any proposed material contract or transaction, between the REIT and the Asset Manager or any of its affiliates or any other entity in which Mr. Landin has an interest (unless the contract or transaction relates to his remuneration (except with respect to the Asset Management Agreement) or an indemnity under the provisions of the Declaration of Trust on liability insurance).

The mandate of the REIT's Board will be one of stewardship and oversight of the REIT and its business. In fulfilling its mandate, the Board will adopt a written charter setting out its responsibility for, among other things, (i) participating in the development of and approving a strategic plan for the REIT; (ii) supervising the activities and managing the investments and affairs of the REIT; (iii) approving major decisions regarding the REIT; (iv) defining the roles and responsibilities of management; (v) reviewing and approving the business and investment objectives to be met by management; (vi) assessing the performance of and overseeing management; (vii) reviewing the REIT's debt strategy; (viii) identifying and managing risk exposure; (ix) ensuring the integrity and adequacy of the REIT's internal controls and management information systems; (x) succession planning; (xi) establishing committees of the Board, where required or prudent, and defining their mandate; (xii) maintaining records and providing reports to Unitholders; (xiii) ensuring effective and adequate communication with Unitholders, other stakeholders and the public; (xiv) determining the amount and timing of distributions to Unitholders; and (xv) acting for, voting on behalf of and representing the REIT as a holder of shares of US Holdco and, indirectly, the Class A Units of the Partnership.

The Board will adopt a written position description for the Chair of the Board, which will set out the Chair's key responsibilities, including, as applicable, duties relating to setting Board meeting agendas, chairing Board and Unitholder meetings, Trustee development and communicating with Unitholders and regulators. The Board will also adopt a written position description for each of the committee chairs which will set out each of the committee chair's

key responsibilities, including duties relating to setting committee meeting agendas, chairing committee meetings and working with the respective committee and management to ensure, to the greatest extent possible, the effective functioning of the committee.

The REIT will adopt a written code of conduct (the "**Code of Conduct**") that applies to all Trustees, officers, and management of the REIT and its Subsidiaries. The objective of the Code of Conduct is to provide guidelines for maintaining the integrity, reputation, honesty, objectivity and impartiality of the REIT and its Subsidiaries. The Code of Conduct addresses conflicts of interest, protecting the REIT's assets, confidentiality, fair dealing with security holders, competitors and employees, insider trading, compliance with laws and reporting any illegal or unethical behaviour. As part of the Code of Conduct, any person subject to the Code of Conduct is required to avoid or fully disclose interests or relationships that are harmful or detrimental to the REIT's best interests or that may give rise to real, potential or the appearance of conflicts of interest. The Board will have the ultimate responsibility for the stewardship of the Code of Conduct. The Code of Conduct will also be filed with the Canadian securities regulatory authorities on the SEDAR website at www.sedar.com.

The standard of care and duties of the Trustees provided in the Declaration of Trust will be similar to those imposed on directors of a corporation governed by the CBCA. Accordingly, each Trustee will be required to exercise the powers and discharge the duties of his or her office honestly, in good faith and in the best interests of the REIT and the Unitholders and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust will provide that each Trustee is entitled to indemnification from the REIT in respect of the exercise of the Trustee's powers and the discharge of the Trustee's duties, provided that the Trustee acted honestly and in good faith with a view to the best interests of the REIT and the Unitholders or, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where the Trustee had reasonable grounds for believing that his or her conduct was lawful.

Other than Trustees appointed prior to Closing, which Trustees will hold office for a term expiring at the close of the next annual meeting of Unitholders or until a successor is appointed, Trustees will be elected at each annual meeting of Unitholders to hold office for a term expiring at the close of the next annual meeting, or until a successor is appointed, and will be eligible for re-election. Other than the nominee (determined from time to time based on ownership levels) nominated by Milesouth in connection with its nomination right described above and the Chief Executive Officer of the REIT, who will be nominated to serve as a Trustee pursuant to the terms of the Declaration of Trust, nominees will be nominated by the Compensation, Governance and Nominating Committee, in each case for election by Unitholders as Trustees in accordance with the provisions of the Declaration of Trust and will be included in the proxy-related materials to be sent to Unitholders prior to each annual meeting of Unitholders. The first annual meeting of Unitholders will be held on or before June 30, 2014.

The Unitholders or the Trustees will be entitled to change the number of Trustees comprising the Board. A quorum of the Trustees, being the majority of the Trustees then holding office (provided a majority of the Trustees comprising such quorum are residents of Canada), will be permitted to fill a vacancy in the Board, except a vacancy resulting from an increase in the number of Trustees, from a failure of the Unitholders to elect the required number of Trustees or a vacancy in the Trustee appointed by virtue of serving as Chief Executive Officer of the REIT. In the absence of a quorum of Trustees, or if the vacancy has arisen from an increase in the number of Trustees other than in accordance with the provision regarding the appointment of trustees in the Declaration of Trust or from a failure of the Unitholders to elect the required number of Trustees, the Trustees will promptly call a special meeting of the Unitholders to fill the vacancy. If the Trustees fail to call that meeting or if there is no Trustee then in office, any Unitholder will be entitled to call such meeting. Except as otherwise provided in the Declaration of Trust, the Trustees may, between annual meetings of Unitholders, appoint one or more additional Trustees to serve until the next annual meeting of Unitholders, provided that the number of additional Trustees so appointed will not at any time exceed one-third of the number of Trustees who held such office at the conclusion of the immediately preceding annual meeting of Unitholders. Any Trustee may resign upon 30 days' written notice to the REIT, unless such resignation would cause the number of remaining Trustees to be less than a quorum, and may be removed by an ordinary resolution passed by a majority of the votes cast at a meeting of Unitholders, other than the Chief Executive Officer, who will serve as a Trustee in accordance with the terms of the Declaration of Trust, as described below.

As described above under "Retained Interest" the Declaration of Trust will grant Milesouth the exclusive right to nominate one Trustee subject to Milesouth owning a minimum of 10% of the then-outstanding Units on a fully-diluted

basis. In addition, the Declaration of Trust will provide that the Chief Executive Officer of the REIT will be nominated to serve as a Trustee. On Closing, it is anticipated that Jay P. Hurley will serve on the Board pursuant to Milesouth's nomination right and, as the Chief Executive Officer of the REIT, Robert P. Landin will serve on the Board pursuant to the terms of the Declaration of Trust.

The following table sets forth the name, municipality of residence, positions held with the REIT and principal occupation of the Trustees of the REIT:

Name and Municipality of Residence	Position with the REIT	Principal Occupation (During Five Preceding Years)
MICHAEL D. YOUNG(1) Dallas, Texas	Trustee, Chair of the Board	Principal of Quadrant Capital Partners, Inc.
WILLIAM J. BIGGAR(2)(3)(4) Toronto, Ontario	Trustee	Corporate Director(A)
JANET GRAHAM(1)(2)(3)(5) Toronto, Ontario	Trustee	Managing Director of IQ Alliance Incorporated
RICHARD N. MATHESON(1)(2) Toronto, Ontario	Trustee	Corporate Director(B)
GRAHAM SENST(1)(3)(6) Toronto, Ontario	Trustee	Member of Advisory Board, Kingsett Capital Canadian Real Estate Income Fund
JAY P. HURLEY(3) Dallas, Texas	Trustee	Senior Director, Portfolio Manager, Invesco Real Estate
ROBERT P. LANDIN(1) Dallas, Texas	Trustee and Chief Executive Officer	Chief Executive Officer of the REIT, Co-President of The Milestone Group and Managing Partner of Milestone

(A) *Mr. Biggar retired as President and Chief Executive Officer of North American Palladium Ltd. in September 2012.*
(B) *Mr. Matheson retired as Managing Director, Co-Head of the Real Estate Group, RBC Capital Markets in July 2012.*

Notes:
(1) Member of the Investment Committee.
(2) Member of the Audit Committee.
(3) Member of the Compensation, Governance and Nominating Committee.
(4) Chair of the Compensation, Governance and Nominating Committee.
(5) Chair of the Audit Committee.
(6) Chair of the Investment Committee.

The following table sets forth the name, municipality of residence and positions held with the REIT of each executive officer of the REIT on Closing.

Name and Municipality of Residence	Office with the REIT
ROBERT P. LANDIN Dallas, Texas	Chief Executive Officer
CHRISTOPHER A. PHILLIPS Dallas, Texas	Chief Financial Officer and Secretary
STEVE T. LAMBERTI Dallas, Texas	Chief Operating Officer

As a group, the Trustees and executive officers of the REIT will beneficially own, control or direct, directly or indirectly, 86,500 Units on Closing, representing approximately 0.3% of the issued and outstanding Units upon completion of the Offering and the Acquisition. In addition, MST Investors (in which Robert P. Landin, Christopher A. Phillips and Steve T. Lamberti will own interests) will hold approximately 5,354,210 Class B Units, representing approximately 11.1% of all Units and Class B Units outstanding on Closing.

Biographical Information Regarding the Trustees

Additional biographical information regarding the individuals who will be Trustees of the REIT as of Closing, for the past five years is set out below:

Michael D. Young – Trustee. Mr. Young has been a Principal of Quadrant Capital Partners, Inc. since November 2003. From 1994 to October 2003. Mr. Young served as Managing Director and Head of Real Estate Investment Banking for CIBC World Markets. Mr. Young was appointed Global Head of Real Estate for CIBC World Markets in 1997. He has been Trustee of Calloway Real Estate Investment Trust since November 2003. Mr. Young has also served as Director of Brookfield Residential Properties Inc. since 2011 and was a Director of Brookfield Homes Corporation (predecessor to Brookfield Residential Properties Inc.) since 2007. Mr. Young also served as a Director of Boardwalk Real Estate Investment Trust from September 1997 to September 2007 and as a trustee of IPC US REIT from November 2001 to December 2007. Mr. Young holds a Bachelors degree from the University of Western Ontario.

William J. Biggar – Trustee. Mr. Biggar is a Corporate Director who has previously held senior executive positions in the real estate, mining and investment industries. From 2008 to 2012, Mr. Biggar was President and Chief Executive Officer of TSX-listed mining company North American Palladium Ltd. Prior to that, he was Managing Director of private equity investor Richardson Capital Ltd. from 2004 to 2007, President and Chief Executive Officer of Granite Real Estate Inc. (formerly MI Developments Inc., a TSX/NYSE-listed company) from 2003 to 2004, and Executive Vice-President of Magna International Inc. from 2001 to 2003. From 1999 to 2001, Mr. Biggar was Executive Vice-President and Chief Financial Officer of Cambridge Shopping Centres Limited. He has also held senior executive positions with Barrick Gold Corporation and Trizec Canada Inc. (formerly Horsham Corporation), and Managing Director positions at Merrill Lynch Canada and UBS Securities. Mr. Biggar has served on the boards of a number of public and private companies, and is currently a director of TSX-listed Primaris Retail REIT and TSXV-listed True North Commercial REIT. Mr. Biggar holds a CPA, CA designation and holds Bachelor of Commerce and Master of Business Administration degrees from the University of Toronto.

Janet Graham – Trustee. Ms. Graham has been a Managing Director of IQ Alliance Incorporated, a Toronto based real estate advisory services firm since August 2002. Prior to joining IQ Alliance Incorporated, Ms. Graham was an independent consultant for a number of years, delivering real estate related financial advisory services to major corporate clients. Prior to March 1996, Ms. Graham held senior positions at Canadian Imperial Bank of Commerce and CIBC Wood Gundy Securities Inc. for 15 years specializing in corporate finance and corporate lending to real estate and other companies. Ms. Graham serves as a Director of Leisureworld Senior Care Corporation, a publicly traded owner and operator of long-term care facilities. She serves as a member of the Board of Directors of Toronto Waterfront Revitalization Corporation, a corporation without share capital. Ms. Graham is a former trustee of Partners Real Estate Investment Trust (formerly, Charter Real Estate Investment Trust), a publicly-traded Canadian real estate investment trust, IPC US Real Estate Investment Trust, a publicly traded Canadian real estate investment trust and a former member of the Board of Directors of Crystal River Capital, Inc., a public Maryland corporation. Ms. Graham holds a Bachelor of Applied Science from Guelph University, a Master of Business Administration from York University in Toronto, Ontario and holds a CPA, CA designation.

Richard N. Matheson – Trustee. Mr. Matheson was most recently Managing Director, Co-Head of the Real Estate Group, and served as a member of the Real Estate Industry Operating Committee and the RBC Capital Markets Real Estate Loan Committee at RBC Capital Markets ("RBC"). Mr. Matheson retired from RBC in July 2012 after a 27-year investment banking career. While at RBC, Mr. Matheson's clients included public real estate companies and real estate investment trusts. Mr. Matheson completed numerous capital market transactions for his clients including initial public offerings, follow-on and secondary offerings of equity and convertible debentures, and mergers and acquisitions, acting on either the buy-side or sell-side. Other areas of activity for both public and private entities in the commercial real estate sector included individual and portfolio asset sales, mortgage brokerage, lending as principal on behalf of RBC, and strategic advisory services. M&A transactions included seniors housing, hospitality, U.S. office, self-storage and golf courses. Individual and portfolio asset sales included multifamily residential, seniors housing, hotels, office, industrial, retail, self-storage and land. From 1978 to 1985, Mr. Matheson was employed by Grant Thornton (originally Pannell Kerr Forster) with a focus on audit and taxation. Mr. Matheson holds a CPA, CA designation, a Bachelor of Commerce from McMaster University, and he has successfully completed the Canadian Securities Course and the Canadian Institute of Chartered Accountants in-depth tax course. Mr. Matheson currently serves on the Board of Directors of Regal Lifestyle Communities Inc., the finance committee for Rosedale Golf Club, and as the Chair of the Independent Review Committee for First National Mortgage Investment Fund and the related Trust.

Graham Senst – Trustee. Mr. Senst served as President of the Institute of Canadian Real Estate Investment Managers until its sale in August 2012. Prior to this role, Mr. Senst served as Managing Director of Kingsett Capital Real Estate Income Fund and as an Executive Vice President of Bentall Capital and Penreal Capital Management. Mr. Senst served as an Executive Vice President of Bentall Investment Management. Prior to joining Bentall in April 2003, Mr. Senst served as Vice President of Real Estate for the OMERS Administration Corp. (also known as Ontario Municipal Employees Retirement System). Mr. Senst has many years of senior real estate investment experience as a principal with a major Ontario pension fund and other Canadian financial institutions. Prior to joining OMERS, Mr. Senst served as Vice President of Real Estate at a subsidiary of Mackenzie Financial Corporation, where he developed debt and equity investment products for various Mackenzie equity funds. Mr. Senst served as the Vice President of Corporate Real Estate at Canada Trust. He serves as a Member of Advisory Board at KingSett Capital Income Fund. He served as Trustee of Residential Equities Real Estate Investment Trust (ResREIT). He served as a Director of Oxford Properties Group, Inc., Morgan Stanley Real Estate Fund IV and Soros Real Estate Investors, C.V. Mr. Senst holds a Honours Business Administration and a Masters Business Administration from the Ivey School of Business at the University of Western Ontario in London, Ontario and is a graduate of the Institute of Corporate Directors 2011.

Jay P. Hurley – Trustee. Mr. Hurley is the Senior Director, Portfolio Manager of Invesco Real Estate. Mr. Hurley joined Invesco Real Estate in 1995 and he serves as the portfolio manager for Invesco Real Estate's series of U.S. closed-end Value Added Funds. He has 25 years of real estate transaction and portfolio management experience encompassing a broad range of product types and investment strategies. He spent the first five years with Invesco Real Estate in the firm's Acquisition Group originating, evaluating, negotiating and closing core and value added investments nationally. Additionally, he has previously held positions as the firm's Director of Dispositions and Director of Underwriting, and is a long-standing member of the firm's Investment Committee and North American Direct Executive Committee. Prior to joining Invesco Real Estate, he held production positions with both Amstar Group (private equity) and Citicorp Real Estate (syndicated debt). Mr. Hurley is a member of the Urban Land Institute and the National Multi-Housing Council. He received his Bachelor of Science degree in Civil Engineering from The University of Texas at Austin and his Master of Business Administration degree from Southern Methodist University.

Robert P. Landin – Chief Executive Officer and Trustee. Mr. Landin is the Chief Executive Officer of the REIT. He is also Co-President of The Milestone Group, Managing Partner of Milestone and Co-Chairman of Milestone's Investment Committee. Mr. Landin focuses on the overall strategic and investment direction of Milestone, finance activities, and fundraising. Mr. Landin has 21 years of real estate acquisition, capital markets, development and investment management experience and has served solely as an investment principal during his career. Prior to joining Milestone in 2004, Mr. Landin was a Partner of Olympus Real Estate Partners, a private real estate investment firm which acquired an estimated $5 billion in assets from 1994 to 2003 through three discretionary real estate equity funds. Immediately prior to joining Olympus, Mr. Landin was employed at Colony Capital Partners, being a discretionary private equity investment firm. He was responsible for identifying, negotiating and structuring acquisition opportunities and liquidating a diverse portfolio of performing and non-performing loans and real estate. Mr. Landin received a B.A. in Managerial Economics from Union College. He is a member of The Real Estate Council and The Lone Star Chapter of Young Presidents' Organization and a board member of the St. Phillips School and Community Centre. Mr. Landin will provide the services of Chief Executive Officer of the REIT as an officer of The Milestone Group.

Penalties or Sanctions

None of the REIT's proposed Trustees or executive offices, and to the best of the REIT's knowledge, no Unitholder holding a sufficient number of securities to affect materially the control of the REIT, has been subject to 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 has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Individual Bankruptcies

None of the REIT's existing or proposed Trustees or executive officers, and to the best of the REIT's knowledge, no Unitholder holding a sufficient number of securities to affect materially the control of the REIT, has, within the

10 years prior to 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 that individual.

Corporate Cease Trade Orders and Bankruptcies

Other than as set forth below, none of the REIT's existing or proposed Trustees or executive officers, and to the best of the REIT's knowledge, no Unitholder holding a sufficient number of securities to affect materially the control of the REIT is, as at the date of this prospectus, or has been within the 10 years before the date of this prospectus, (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the existing or proposed director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the existing or proposed 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, or (c) 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. For the purposes of this paragraph, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

Mr. Biggar was a director of Cabletel Ltd. from June 2001 to November 2003. Cabletel filed a proposal under the Bankruptcy and Insolvency Act (Canada) in June 2004.

Interests of Trustees in Material Transactions

Quadrant Realty Finance, Inc., a division of Quadrant Capital Partners, Inc., for which Mr. Young serves as Principal, entered into a consulting agreement with the Partnership in October 2012 in connection with the pursuit of strategic alternatives by the Partnership. Quadrant Realty Finance is paid a monthly retainer fee and will receive a supplemental fee upon Closing of the Offering, none of which fees are material in amount to the REIT. These fees will be included in the expenses of Offering and will be deducted from the gross proceeds. This consulting agreement between Quadrant Realty Finance and the Partnership will terminate as of Closing.

Committees of the Board of Trustees

The Board will establish three committees: the Audit Committee, the Compensation, Governance and Nominating Committee and the Investment Committee. All members of the Audit Committee will be persons determined by the Board to be Independent Trustees, except for temporary periods in limited circumstances in accordance with National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"), and will be residents of Canada. A majority of the members of the Compensation, Governance and Nominating Committee will be persons determined by the Board to be Independent Trustees and will be residents of Canada. A majority of the members of the Investment Committee will be persons determined by the Board to be Independent Trustees and will each be required to have at least five years of substantial experience in the real estate industry.

Audit Committee

The Audit Committee will consist of at least three Trustees, all of whom will be persons determined by the REIT to be both Independent Trustees and financially literate within the meaning of NI 52-110 and all of whom will be residents of Canada. The Audit Committee will be comprised of Janet Graham, who will act as chair of this committee, William J. Biggar and Richard N. Matheson, all of whom have their CPA, CA designations and have been determined to be independent. Each of the Audit Committee members will have an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

The following is a brief summary of the education or experience of each member of the Audit Committee that is relevant to the performance of his or her responsibilities as a member of the Audit Committee, including any education or experience that has provided the member with an understanding of the accounting principles used by the REIT to prepare its financial statements.

Janet Graham – Ms. Graham has a Bachelor of Applied Science from Guelph University and a Master of Business Administration from York University and is a member of the Institute of Chartered Accountants of Ontario and holds a CPA, CA designation. Ms. Graham is a member of the Board of Directors and Chair of the Audit Committee of Leisureworld Senior Care Corporation and a member of the Board of Directors and Chair of the Audit Committee of Toronto Waterfront Revitalization Corporation. Ms. Graham is also a former member of the Board of Trustees and Chair of the Audit and Special Committees of Partners Real Estate Investment Trust (formerly, Charter Real Estate Investment Trust), a publicly-traded Canadian real estate investment Trust, a former member of the Board of Trustees and member of the Audit Committee of IPC US Real Estate Investment Trust, a publicly-traded Canadian real estate investment trust, and a former member of the Board of Directors and member of the Audit Committee of Crystal River Capital, Inc., a public Maryland corporation. In these various roles, she has fulfilled similar responsibilities to those set out in the written charter of the Audit Committee, substantially in the form set out under Appendix A, in particular those related to financial reporting and disclosure and the review of the effectiveness of internal controls related thereto. In addition, she has been a Managing Director of IQ Alliance Incorporated, a Toronto based real estate advisory services firm since August 2002 and prior to joining IQ Alliance Incorporated, she was an independent consultant for a number of years, delivering real estate related financial advisory services to major corporate clients. Prior to March 1996, Ms. Graham held senior positions at a Canadian chartered bank and its affiliated investment bank for 15 years. In these roles, she specialized in corporate finance and corporate lending to real estate and other companies.

William J. Biggar – Mr. Biggar has Bachelor of Commerce and Master of Business Administration from the University of Toronto and is a member of the Institute of Chartered Accountants of Ontario and holds a CPA, CA designation. He has served as the President and Chief Executive Officer of TSX-listed and TSX-V listed issuers and currently serves as a trustee and a member of the Audit and Distributions Committee of Primaris Retail Real Estate Investment Trust. Mr. Biggar also gained financial and audit-related experience while working at PricewaterhouseCoopers. In these roles, Mr. Biggar has developed expertise in financial matters particular to real estate and an understanding of financial reporting.

Richard N. Matheson – Mr. Matheson has a Bachelor of Commerce from McMaster University, has successfully completed the Canadian Securities Course and is a member of the Institute of Chartered Accountants of Ontario and holds a CPA, CA designation. He served for 27 years in the investment banking industry, with a focus on the real estate sector, in his role as Managing Director, Co-Head of the Real Estate Group, RBC Capital Markets. Mr. Matheson currently serves on the Board of Regal Lifestyle Communities Inc., the Finance Committee for Rosedale Golf Club and is the Chair of the Independent Review Committee for First National Mortgage Investment Fund and the related Trust. He has extensive direct experience in the capital markets, particularly in the real estate sector, and with the financial reporting obligations of public companies.

The Board will adopt a written charter for the Audit Committee, substantially in the form set out under Appendix A to this prospectus, which sets out the Audit Committee's responsibilities. It is expected that the Audit Committee's responsibilities will include: (i) reviewing the REIT's procedures for internal control with the REIT's auditors and Chief Financial Officer; (ii) reviewing and approving the engagement of the auditors; (iii) reviewing annual and quarterly financial statements and all other material continuous disclosure documents, including the REIT's annual information form and management's discussion and analysis; (iv) assessing the REIT's financial and accounting personnel; (v) assessing the REIT's accounting policies; (vi) reviewing the REIT's risk management procedures; (vii) reviewing any significant transactions outside the REIT's ordinary course of business and any pending litigation involving the REIT (viii) overseeing the work and reviewing of the independence of the external auditors and (ix) reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management.

The Audit Committee will have direct communication channels with the Chief Financial Officer and the external auditors of the REIT to discuss and review such issues as the Audit Committee may deem appropriate.

The following table presents, by category, the fees accrued by KPMG as external auditor of, and for other services provided to, the REIT in connection with the REIT's formation and organization, for the period indicated:

Category of Fees	12 Months Ended December, 2012	Period from January 1, 2013 to February 27, 2013
Audit fees[(1)]	1,225,000	151,000
Audit-related fees	–	–
Tax fees[(2)]	150,000	81,522
All other fees[(3)]	352,179	287,518

Notes:

(1) "Audit fees" relate to the audit of consolidated financial statements of Milestone Multifamily Investors LP and Milestone Management, L.P. subsidiaries as of September 30, 2012, December 31, 2011, December 31, 2010 and January 1, 2010, review of interim consolidated financial statements of Milestone Multifamily Investors LP and Milestone Management, L.P., opening financial statement audit of Milestone Apartments Real Estate Investment Trust, examination of financial forecast, procedures performed in connection with initial public offering and French translation services.

(2) "Tax fees" relates to certain tax advisory services provided to management.

(3) "All other fees" relates to certain IPO advisory services provided to management.

Compensation, Governance and Nominating Committee

The Compensation, Governance and Nominating Committee will be comprised of at least three Trustees, a majority of whom will be persons determined by the REIT to be Independent Trustees and a majority of whom will be residents of Canada, and will be charged with reviewing, overseeing and evaluating the compensation, corporate governance and nominating policies of the REIT. The Compensation, Governance and Nominating Committee will be comprised of William J. Biggar, who will act as chair of this committee, Graham Senst, Janet Graham and Jay P. Hurley, a majority of whom have been determined by the REIT to be independent.

The Board will adopt a written charter for the Compensation, Governance and Nominating Committee setting out its responsibilities for: (i) assessing the effectiveness of the Board, each of its committees and individual Trustees; (ii) overseeing the recruitment and selection of candidates as Trustees of the REIT, other than the candidates nominated by Milesouth and the Chief Executive Officer of the REIT; (iii) organizing an orientation and education program for new Trustees; (iv) considering and approving proposals by the Trustees to engage outside advisors on behalf of the Board as a whole or on behalf of the Independent Trustees; (v) reviewing and making recommendations to the Board concerning any change in the number of Trustees composing the Board; (vi) considering questions of management succession; (vii) administering securities based compensation plans of the REIT including the Option Plan, any purchase plan of the REIT, the Deferred Unit Incentive Plan and any other compensation incentive programs; (viii) assessing the performance of management of the REIT; (ix) reviewing and approving the compensation paid by the REIT, if any, to the officers of the REIT; (x) reviewing and making recommendations to the Board concerning the level and nature of the compensation payable to Trustees and officers of the REIT; and (xi) reviewing and approving the compensation paid by the REIT, if any, to consultants of the REIT.

Following Closing, it is expected that the Compensation, Governance and Nominating Committee will put in place an orientation program for new Trustees under which a new Trustee will meet with the Chair of the Board and members of the executive management team of the REIT. It is anticipated that a new Trustee will be provided with comprehensive orientation and education as to the nature and operation of the REIT and its business, the role of the Board and its committees, and the contribution that an individual Trustee is expected to make. The Compensation, Governance and Nominating Committee will be responsible for coordinating development programs for continuing Trustees to enable the Trustees to maintain or enhance their skills and abilities as Trustees as well as ensuring that their knowledge and understanding of the REIT and its business remains current.

Investment Committee

The Investment Committee will be comprised of at least three Trustees, a majority of whom will be persons determined by the REIT to be Independent Trustees and residents of Canada and each of whom must have at least five years of substantial experience in the real estate industry, and will be charged with assessing particular acquisition

opportunities based on a variety of factors, including the expected risk-adjusted returns, credit fundamentals, liquidity, availability of adequate financing, borrowing costs and macroeconomic conditions. The Investment Committee will be comprised of Graham Senst, who will act as chair of this committee, Janet Graham, Richard N. Matheson, Robert P. Landin and Michael D. Young, a majority of whom have been determined by the REIT to be independent.

The Board will adopt a written charter for the Investment Committee setting out its responsibilities and duties which may include, at the Board's discretion, the grant of authority to the Investment Committee to authorize, without board approval, proposed acquisitions, dispositions or borrowings where the value of such transaction is within a pre-determined threshold and such further delegation of authority to management in certain circumstances as determined by the Investment Committee in accordance with its charter.

Remuneration of Trustees

Each Independent Trustee will be paid a fee of $35,000 per year as well as a fee of $1,500 per meeting of the Board or any committee thereof (or $1,000 per meeting if attending remotely). Each Trustee will be reimbursed for all reasonable travel and ancillary expenses incurred. The Chair will receive an annual retainer of an additional $25,000. The chair of the Audit Committee will receive an annual retainer of an additional $15,000 and each member of the Audit Committee will receive an annual retainer of an additional $2,500. The chair of the Investment Committee will receive an annual retainer of an additional $10,000 and the chair of the Compensation, Governance and Nominating Committee will receive an annual retainer of an additional $10,000. The Trustees will not receive any additional remuneration for acting as directors on the boards of any of the REIT's Subsidiaries.

Each Trustee will be given the right to elect to be a participant of the Deferred Unit Incentive Plan. See "Executive Compensation – Deferred Unit Incentive Plan".

Conflicts of Interest

The Declaration of Trust will contain "conflict of interest" provisions to protect Unitholders without creating undue limitations on the REIT. As the Trustees will be engaged in a wide range of real estate and other activities, the Declaration of Trust will contain provisions, similar to those contained in the CBCA, that will require each Trustee to disclose to the REIT, at the first meeting of Trustees at which a proposed contract or transaction is considered, any interest in a material contract or transaction or proposed material contract or transaction with the REIT (including a contract or transaction involving the making or disposition of any investment in real property or a joint venture agreement) or the fact that such person is a director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with the REIT. If a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the Trustees, a Trustee will be required to disclose in writing to the REIT, or request to have entered into the minutes of meetings of Trustees, the nature and extent of his or her interest forthwith after the Trustee becomes aware of the contract or transaction or proposed contract or transaction. In any case, a Trustee who has made disclosure to the foregoing effect will not be entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction primarily relates to his or her remuneration or is for an indemnity under the provisions of the Declaration of Trust or the purchase or maintenance of liability insurance.

All decisions of the Board will require the approval of a majority of the Trustees present in person or by phone at a meeting of the Board, except for each of the following matters which will also require the approval of a majority of the Independent Trustees:

a) an acquisition of a property or an investment in a property, whether by co-investment or otherwise, in which Milestone or any related party of the REIT has any direct or indirect interest, whether as owner, operator or manager;

b) a material change to any agreement with Milestone or a related party of the REIT or any renewal, extension or termination thereof or any increase in any fees (including any transaction fees) or distributions payable thereunder;

c) the entering into of, or the waiver, exercise or enforcement of any rights or remedies under, any agreement entered into by the REIT, or the making, directly or indirectly, of any co-investment, in each case with (i) any Trustee, (ii) any entity directly or indirectly controlled by any Trustee or in which any Trustee holds a significant interest, or (iii) any entity for which any Trustee acts as a director or other similar capacity;

d) the refinancing, increase or renewal of any indebtedness owed by or to (i) any Trustee, (ii) any entity directly or indirectly controlled by any Trustee or in which any Trustee holds a significant interest, or (iii) any entity for which any Trustee act as a director or other similar capacity; or

e) decisions relating to any claims by or against one or more parties to any agreement with Milestone or any related party to the REIT.

In connection with any transaction involving the REIT, including any transaction which requires the approval of a majority of the Independent Trustees, the Board shall have the authority to retain external legal counsel, consultants or other advisors to assist it in negotiating and completing such transaction without consulting or obtaining the approval of any officer of the REIT.

It is anticipated that the Independent Trustees will hold in-camera meetings, with members of management not in attendance, as part of regulatory scheduled Board meetings. The Chair will conduct the in-camera meetings without the presence of management or the other non-independent Trustees, and in circumstances where the Independent Trustees have determined that the Chair is subject to a potential conflict of interest in connection with his non-independence designation pursuant to NI 58-101 or otherwise, the lead Trustee shall conduct such in-camera sessions both without the presence of management and without the presence of management or the non-independent Trustees (including the Chair).

Milestone's continuing businesses may lead to conflicts of interest between Milestone and the REIT. In addition, the ongoing relationships between Milestone and each of Robert P. Landin (Trustee and Chief Executive Officer of the REIT), Christopher A. Phillips (Chief Financial Officer and Secretary of the REIT) and Steve T. Lamberti (Chief Operating Officer of the REIT), and the ownership interests that each such officer will hold in MST Investors following Closing, may lead to such conflicts of interest between such persons and the REIT.

Executive Officers

The responsibilities of the senior management of the REIT (including pursuant to the Asset Management Agreement) will include: (i) providing the Board with information and advice relating to the operation of the REIT's properties, acquisitions and financings; (ii) establishing, at least on an annual basis, investment and operating plans for the ensuing period; (iii) conducting and supervising the due diligence required in connection with proposed acquisitions and completing any acquisitions or dispositions; (iv) maintaining the books and financial records of the REIT; (v) determining and preparing designations, elections and determinations to be made in connection with the income and capital gains of the REIT for tax and accounting purposes; (vi) preparing reports and other information required to be sent to unitholders and other disclosure documents; (vii) calculating all distributions; (viii) communicating with unitholders and other persons, including investment dealers, lenders and professionals; and (ix) administering or supervising the administration, on behalf of the Board, of the payment of distributions by the REIT.

The Board will adopt, effective as of Closing, a written position description and mandate for the Chief Executive Officer which will set out the key responsibilities of the Chief Executive Officer. The primary functions of the Chief Executive Officer will be to lead management of the business and affairs of the REIT, to lead the implementation of the resolutions and the policies of the Board, to supervise day to day management and to communicate with Unitholders and regulators. The Chief Executive Officer mandate will be considered by the Board for approval annually.

The following table sets forth the name, municipality of residence and positions held with the REIT of each executive officer of the REIT on Closing:

Name and Municipality of Residence	Office with the REIT
Robert P. Landin, Dallas, Texas	Chief Executive Officer
Christopher A. Phillips, Dallas, Texas	Chief Financial Officer
Steve T. Lamberti, Dallas, Texas	Chief Operating Officer

Additional biographical information regarding the executive officers of the REIT, including a description of each individual's principal occupation within the past five years, is provided below:

Robert P. Landin – Chief Executive Officer. Mr. Landin is the Chief Executive Officer of the REIT. He is also Co-President of the Asset Manager, Managing Partner of The Milestone Group and Co-Chairman of The Milestone Group's Investment Committee. Mr. Landin focuses on the overall strategic and investment direction of The Milestone Group, finance activities, and fundraising. Mr. Landin has 21 years of real estate acquisition, capital markets, development and investment management experience and has served solely as an investment principal during his career. Mr. Landin has served as an executive officer at the Asset Manager for over 7 years. For additional biographical information about Mr. Landin, see "Trustees and Executive Officers of the REIT – Governance and Board of Trustees – Biographical Information Regarding the Trustees".

Christopher A. Phillips – Chief Financial Officer. Mr. Phillips is the Chief Financial Officer of the REIT**.** Prior to his appointment as Chief Financial Officer, Mr. Phillips served as Chief Financial Officer of The Milestone Group, where he was responsible for all areas of finance, accounting, and reporting for The Milestone Group. This includes property accounting, corporate accounting, general partner reporting, and all cash management. In addition, he is responsible for all audit and tax coordination, investor relations and reporting, structuring and financing on new investments. Mr. Phillips joined The Milestone Group after serving as Vice President and Controller for Starwood Capital Group and has served as an executive officer at the Asset Manager for over the past 6 years. He was responsible for all areas of accounting and financial reporting for Starwood's various funds, the general partner, and headquarters entities. In addition, he was responsible for cash management and coordination of audits and tax compliance, investor reporting, and was involved in the structuring of the international and domestic investments. Prior to Starwood, Mr. Phillips was employed with Westbrook Partners as their Senior Controller for their four opportunity funds, handling all aspects of accounting, financial reporting, audit and tax coordination, and investor reporting. Previous to Westbrook, he worked at Trammell Crow Company in their commercial, family, and international groups as a Controller. Mr. Phillips holds a BS in Accounting from the University of North Texas.

Steve T. Lamberti – Chief Operating Officer. Mr. Lamberti is the Chief Operating Officer of the REIT. Prior to his appointment as Chief Operating Officer of the REIT, Mr. Lamberti served as Chief Operating Officer of The Milestone Group. Mr. Lamberti has over 30 years experience in the real estate industry and is responsible for establishing asset strategy, conducting property and portfolio acquisition selection, completing acquisition due diligence, and maximizing property value. Mr. Lamberti has served as an executive officer at the Property Manager for over 7 years. Prior to his involvement with The Milestone Group, he spent 14 years with Walden Residential Properties. At Walden, Mr. Lamberti was responsible for coordinating acquisition selection, due diligence and approval of all underwriting while overseeing the properties' financial performance, asset management, marketing, repositioning and human resources. Prior to joining Milestone, Mr. Lamberti served as Vice President of Archon Group & Chief Operating Officer of Archon Management Services, a majority owned subsidiary of Goldman Sachs, where he led the expansion of Archon's owner-managed division from approximately 3,000 multifamily units to over 30,000 units. Mr. Lamberti received two Bachelor of Arts degrees from the University of Nevada – Reno. He holds the Certified Property Manager designation from the Institute of Real Estate Management, is on the Board of Directors of the National Multi Housing Council, and has served in various positions with the Apartment Association of Greater Dallas and the National Apartment Association.

Trustees' and Officers' Liability Insurance

The REIT intends to obtain trustees' and officers' liability insurance policies, which cover indemnification of trustees and officers of the REIT in certain circumstances, including coverage for the REIT and its Trustees and officers in relation to the prospectus. The REIT will also obtain a six-year prospectus liability insurance policy providing coverage to the Trustees and officers of the REIT, MST Investors and the REIT, subject to certain limits, deductibles and other terms and conditions. In addition, the REIT will enter into indemnification agreements with each of its Trustees and officers for liabilities and costs in respect of any action or suit against them in connection with the execution of their duties, subject to customary limitations prescribed by applicable law.

ARRANGEMENTS WITH MILESTONE

The Asset Manager

The Milestone Group will, through the Asset Manager, provide asset management and acquisition services to the REIT. The Milestone Group currently employs approximately 20 employees, including 14 acquisition and asset management professionals. The Milestone Group's professionals have an average of over 20 years' experience, and have been responsible for all acquisitions and asset management services since The Milestone Group's inception in 2004.

To further the REIT's objectives and investment strategy, The Milestone Group intends to employ a strategy of acquiring multifamily properties focused on middle-market renters in many of the nation's major metropolitan markets. See "Growth Strategies of the REIT".

Asset managers, together with the REIT's regional property managers, will define and evaluate property performance through weekly financial reports, portfolio benchmarking analysis, and consistent competitive property peer review. This vertically integrated management structure will help to ensure that the collective benefit of local and national market intelligence is applied to each individual property in a timely manner.

The Milestone Group's seasoned asset management team intends to utilize its operating and financial expertise and in-house capabilities to maximize accretive AFFO per Unit growth.

Asset Management Agreement

Following Closing, Milestone will be the external Asset Manager of the properties owned by the REIT and will provide the REIT with certain advisory services, including the services of the approximately 20 members of the Asset Manager's team, including the Chief Executive Officer. The Asset Manager will provide the following asset management services:

- Provide advisory and investment management services (including the services of the Chief Executive Officer) and monitor the financial performance of the REIT;
- Advise the Trustees and executive officers of the REIT on strategic matters, including potential acquisitions, dispositions, financings and development;
- Advise and assist with borrowing, issuances of securities and other capital requirements, including assistance in dealings with banks and other lenders, investment dealers, institutions and investors;
- Develop and implement asset business plans and strategic matters as approved by the REIT;
- Advise the REIT with respect to investor relations strategies and activities;
- Advise the REIT with respect to regulatory compliance requirements, risk management policies and any litigation matters;
- Provide guidance to the Property Manager on operating expenses, capital expenditures and distributions;
- Identify, evaluate, recommend and assist in the structuring of acquisitions, dispositions, financings and other transactions;
- Supervise the REIT's compliance with the real estate investment trust provisions of the Code and the REIT's maintenance of its status as a real estate investment trust for U.S. federal income tax purposes; and
- Assist the REIT in carrying out its tax compliance in order to maintain its status as a real estate investment trust for U.S. federal income tax purposes, including soliciting required information from Unitholders and complying with the applicable provisions of the Declaration of Trust.

The Asset Manager will be entitled to the following fees/interests in consideration for providing the asset management services:

(i) ***Management Fee***. Base annual management fee, calculated and payable on a monthly basis, equal to (a) 0.40% of the Gross Book Value of the REIT's assets up to $2.0 billion; plus (b) 0.30% of the Gross Book Value of the REIT's assets in excess of $2.0 billion; and

(ii) ***Incentive Fee***. Amount equal to the product of (a) 15% of any excess AFFO per Unit greater than 103% per Unit as set forth under "Financial Forecast" in this prospectus and (b) the weighted average number of issued and outstanding Units over the applicable fiscal year. The Incentive Fee will be measured and paid on an annual basis in cash or, at the option of the Asset Manager, up to 100% in Units, calculated based on the 5-day (prior to year-end) volume weighted average price of the Units on the stock exchange on which the Units are then listed. During the time that the Units are listed on the TSX, the maximum number of Units that may be issued pursuant to the Asset Management Agreement is 250,000, and such maximum may not be increased without the approval of the TSX. The Incentive Fee Target will increase annually by 50% of the increase in the U.S. consumer price index during the Initial Term (as defined below) and the first renewal (if any).

No acquisition, disposition, financing, leasing, construction or development fees will be payable to the Asset Manager under the Asset Management Agreement.

Pursuant to the Asset Management Agreement, the Asset Manager shall be reimbursed by the REIT for all reasonable and necessary out-of-pocket costs and expenses incurred in connection with the performance of the management services as described in the Asset Management Agreement (including in respect of the pursuit of acquisitions on behalf of the REIT). For greater certainty, it is not intended for the Asset Manager to be reimbursed for any overhead costs or other internal costs, including in respect of the Asset Manager's premises, office administrative costs, computer services and support, office services support and personnel costs. The Asset Manager will reimburse the REIT for the use of any REIT-owned assets used by the Asset Manager (including premises, office support and information technology support) in amount equal to approximately $175,000 per annum, as reviewed by the Board from time to time.

The Asset Management Agreement has an Initial Term of five years. At the end of the Initial Term, if the REIT's AFFO per Unit for the year ended December 31, 2017 is greater than 115% of AFFO per Unit as set forth under "Financial Forecast" in this prospectus, the Asset Management Agreement will automatically be renewed for an additional five year term. If the Renewal Target is not met at the end of the Initial Term, the Independent Trustees may either: (a) elect to terminate the Asset Management Agreement if, in their reasonable opinion, they are not satisfied with the performance of the Asset Manager or believe that termination is in the best interests of the REIT; or (b) acting reasonably, seek to attempt to renegotiate the Asset Management Agreement with the Asset Manager for a further term. Upon completion of the renewal term of the Asset Management Agreement, the REIT will, unless the Board of Trustees determines otherwise, internalize all services performed by the Asset Manager at no cost and without any termination or other fees payable to the Asset Manager at such time.

The REIT will have the right to terminate the Asset Management Agreement upon a material breach by the Asset Manager under the terms of the Asset Management Agreement or the Non-Competition and Non-Solicitation Agreement, an event of insolvency of the Asset Manager or fraud or wilful misconduct of, or misappropriation of funds by, the Asset Manager. In addition, the REIT will have the right to terminate the Asset Management Agreement upon a change of control of the Asset Manager, provided that the Independent Trustees reasonably determine that the change of control is detrimental to Milestone's performance of its obligations to the REIT. A "change of control" with respect to the Asset Manager means that current owners Robert Landin and Jeffrey Goldberg no longer own, either individually or collectively, directly or indirectly, at least 50% of the Asset Manager.

Should the REIT wish to terminate the Asset Management Agreement upon a change of control of the Asset Manager, the REIT will provide the Asset Manager with at least 12 months' prior written notice of termination. Fees payable under the Asset Management Agreement will continue to be payable to the Asset Manager during such twelve-month period.

The Asset Manager will have the right to terminate the Asset Management Agreement upon 180 days' notice to the REIT. However, the Asset Manager may not terminate the Asset Management Agreement during the Initial Term.

Non-Competition and Non-Solicitation Agreement

Pursuant to the Non-Competition and Non-Solicitation Agreement, the Asset Manager will not, without the consent of the Independent Trustees, directly solicit an existing employee working at or providing services to a REIT property to become employed with respect to a non-REIT property in which the Asset Manager has an ownership interest or that it manages for another client. Without the prior approval of the Independent Trustees, the Principals agree not to, and will cause any Principal Entities not to, create another publicly-held investment vehicle which primarily invests in multifamily properties in the United States.

Further, the Asset Manager will conduct itself professionally, ethically and otherwise as a prudent manager would with respect to the entire property acquisition process. In respect of any investment opportunity identified by the Asset Manager to acquire, directly or indirectly, an ownership interest in real properties or an interest in real properties located in the United States that is, or would reasonably be considered to be, a multifamily apartment property or portfolio of properties, subject to certain limited exceptions (an "**Offered Investment**"), the Asset Manager will present the Offered Investment to the REIT. At the time the Asset Manager presents the Offered Investment to the REIT, it will also provide its recommendation regarding whether the Offered Investment would be a suitable investment for the REIT with regard to the REIT's investment guidelines, operating policies and other relevant investment considerations, together with an outline of all of the material terms and conditions of the Offered Investment then known to the Asset Manager, including relevant summary financial and property information. Exceptions to the definition of "Offered Investment" include (a) where an existing client of the Asset Manager sources a specific opportunity and approaches the Asset Manager to acquire the investment on its behalf, (b) a property that is adjacent, or complementary to, a property currently managed by the Asset Manager and owned by one of its clients, and (c) any property that is part of a portfolio of primarily non-multifamily properties.

The Asset Manager currently manages one other investment vehicle (the "**Existing Fund**") that still has funds to be deployed. The Existing Fund's acquisition strategy focuses on "value-add" multifamily investments, which is a different focus from that of the REIT, and currently has less than $50 million of capital remaining to invest. The Asset Manager's role as manager of the Existing Fund could place the Asset Manager in a position of conflict with respect to a potential investment. In the event of such a conflict, the Asset Manager will assess the investment and proceed with the investor that has the highest probability of successfully acquiring the subject property as determined by factors that include capital availability, level of interest and other deal term and timing requirements. In the event an Offered Investment is suitable for both the REIT and the Existing Fund, the Asset Manager will endeavour to arrange for the parties to participate equally (or as otherwise mutually agreed to) in the Offered Investment.

Following the deployment of the Existing Fund's capital, all Offered Investments that would be a suitable investment for the REIT (with regard to the REIT's investment guidelines, operating policies and other relevant investment considerations) will first be offered to the REIT.

The Non-Competition and Non-Solicitation Agreement will be in effect so long as the Asset Manager is the asset manager of the REIT, provided that the non-competition and non-solicitation provisions shall only remain in effect for a period of 12 months following the effective date of any termination of the Asset Management Agreement resulting from an event of default of the Asset Manager. For this purpose, an event of default of the Asset Manager means: (i) a material breach by the Asset Manager under the terms of the Asset Management Agreement or the Non-Competition and Non-Solicitation Agreement; (ii) an event of insolvency of the Asset Manager; or (iii) the fraud or wilful misconduct of, or misappropriation of funds by, the Asset Manager.

License of Milestone Name

The Asset Manager shall grant to the REIT, the Partnership and their respective subsidiaries (including the Property Manager) the right to the use of the "Milestone" name and logo and related marks and designs under a non-exclusive, royalty-free license agreement entered into at Closing.

The Asset Manager may terminate the license at any time on 180 days written notice following the date on which the Asset Manager ceases to be the asset manager to the REIT.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The following discussion describes the significant elements of the REIT's expected executive compensation program, with particular emphasis on the process for determining compensation payable to the Chief Operating Officer and Chief Financial Officer of the REIT, each of whom will be employed directly by the Partnership. The Chief Executive Officer will be paid all of his compensation by Milestone and will not be employed by, or receive any direct cash compensation from, the REIT. Milestone will provide asset management services to the REIT pursuant to the Asset Management Agreement, for which the REIT will pay Milestone certain fees. See "Arrangements with Milestone – Asset Management Agreement". Any variability in cash compensation to be paid by Milestone to the named executive officers employed by Milestone will not impact the REIT's financial obligations.

The Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer are referred to herein as the "named executive officers" in accordance with applicable Canadian securities laws. Other than the Chief Executive Officer, who is an owner of the Asset Manager, the officers named in the "Summary Compensation Table" below are employees of the Partnership.

Other than the employment agreements entered into with the Chief Operating Officer and Chief Financial Officer and as described below, the REIT will not have any employment agreements with members of senior management and will not pay any cash compensation to any other named executive officer. As noted above, the Chief Executive Officer, as owner of the Asset Manager, will be compensated by the Asset Manager (other than with respect to any Unit-based compensation). Each of the REIT, through its property management subsidiary, and the Asset Manager will employ their own employees and be responsible for any compensation or costs associated with the employment of such personnel. The REIT will pay the Asset Manager certain fees in connection with the Asset Management Agreement, but the REIT will not bear the cost of any direct compensation paid to any employees of the Asset Manager.

The Chief Operating Officer and the Chief Financial Officer, who are employees of the REIT, may spend up to 20% of their respective time providing services to the Asset Manager which are unrelated to the REIT. Such services will relate primarily to the operation of other properties managed by the Asset Manager that such officers are familiar with as a result of their previous full-time employment with The Milestone Group. As the REIT grows over time, the percentage of time that the Chief Operating Officer and the Chief Financial Officer devote to matters unrelated to the REIT is expected to decrease, with the goal being to eventually have the Chief Operating Officer and the Chief Financial Officer spend 100% of their time on REIT matters. As consideration for services provided to the Asset Manager, the Asset Manager will pay the REIT 20% of the respective officer's total cash compensation (consisting of salary and cash bonus). The net effect of this is that the REIT will be responsible for the payment of 80% of the respective officer's total cash compensation (salary and cash bonus) and will be responsible for 100% of any equity based long term incentive payable to such officers and any costs (including as it relates to personal benefits or taxes) associated with the employment of such officers.

The REIT's compensation of the Chief Operating Officer and Chief Financial Officer is described below. See "Principal Elements of Compensation – Chief Financial Officer and Chief Operating Officer" and "Employment Agreements". The Asset Manager will have sole responsibility for determining the compensation of the Chief Executive Officer, other than the granting of Unit-based compensation, which will be the responsibility of the Board.

Principal Elements of Compensation

The following discussion is intended to describe the portion of the compensation of the named executive officers that is attributable to time spent on the REIT's activities, and supplements the more detailed information concerning executive compensation that appears in the "Summary Compensation Table" and the accompanying narrative that follows.

Chief Executive Officer

The Asset Manager is a private company which is partially owned by the Chief Executive Officer. Accordingly, the compensation of the Chief Executive Officer will be principally derived from net profits of the Asset Manager, which will be directly impacted by the asset management and incentive fees earned by the Asset Manager under the

Asset Management Agreement (see "Arrangements with Milestone – Asset Management Agreement") and not based on any salary or bonus components from the REIT. Objectives and performance measures may vary from year to year in this respect and accordingly, the overall compensation of the Chief Executive Officer attributable to the REIT may vary.

Perquisites and personal benefits are not a significant element of compensation of the named executive officers.

Grants of options under the Option Plan, grants of Deferred Trust Units under the Deferred Unit Incentive Plan and grants under other long-term incentive plans may be used to align the interests of the Chief Executive Officer more closely with the interests of the Unitholders, since they are tied to the REIT's financial and Unit trading performance and vest or accrue over a number of years. The Board, acting on the recommendation of the Compensation, Governance and Nominating Committee, may make grants of options or Deferred Trust Units to the Chief Executive Officer. In determining grants of options, Deferred Trust Units, or other long-term incentives, the Chief Executive Officer's individual performance and contributions to the REIT's success, relative position, tenure and past grants will be taken into consideration. No Deferred Trust Units will be issued in connection with Closing. Certain options are intended to be granted on Closing. See "Outstanding Option-Based Awards".

Chief Financial Officer and Chief Operating Officer

The REIT's compensation for the Chief Financial Officer and Chief Operating Officer is expected to consist of three elements: base salary, annual cash bonus and long-term incentives. The REIT's compensation plan is intended to drive executive performance and business strategy, engender accretive growth and create Unitholder value. Accordingly, total compensation is designed to be (i) aligned with both the REIT's performance and the individual performance of the CFO and COO, (ii) attractive to the CFO and COO, (iii) affordable to the REIT, and (iv) fair to Unitholders. On occasion, independent professional compensation consultants may assist the Compensation, Governance and Nominating Committee with the assessment of base salary and total compensation for the Chief Financial Officer and Chief Operating Officer.

- *Base Salary*. Base salaries are intended to provide an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries will be determined on an individual basis, taking into consideration the past, current and potential contribution to the REIT's success, the position and responsibilities of the officer and competitive industry pay practices for other real estate investment trusts and corporations of comparable size.

- *Annual Cash Bonus*. Annual cash bonuses of up to a maximum of 30% of salary may be paid to the CFO and COO. Annual cash bonuses are not intended to be awarded pursuant to a formal incentive plan but will be awarded based on qualitative and quantitative performance standards and reward the performance of the officer individually. The Compensation, Governance and Nominating Committee believes it to be appropriate, in the context of a newly created public issuer, to determine executive incentive compensation, within the contractually established range, using a review and global assessment of the performance of the REIT, in terms of financial results, achievements and strategic positioning, and specific individual contributions, among others, rather than adhering to a formulaic approach. The Chief Executive Officer will make an annual recommendation to the Compensation, Governance and Nominating Committee for approval of the amount of cash bonus to be awarded to the CFO and COO. The Chief Executive Officer may establish pre-determined goals and objectives for purposes of assisting in the determination of such bonus amounts to be awarded, which goals and objectives may include a range of targets for the REIT and personal metrics for the individual officer. The determination of the REIT's performance may vary from year to year depending on economic conditions and conditions in the real estate industry, and may be based on measures such as Unit price performance, the meeting of financial targets against budget (such as AFFO), the meeting of acquisition objectives 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.

- *Long-Term Incentives*. The REIT believes that equity-based awards provide management with a strong link to long-term performance and the creation of Unitholder value and allow the REIT to reward executive officers for their sustained contributions to the REIT. With the competitive nature of the market for talented executives, the retention of successful executive officers is considered to be critical to the REIT's continued success. The CFO

and COO of the REIT will have the right to participate in the Deferred Unit Incentive Plan and any other long-term incentive plans adopted by the REIT. See "Executive Compensation – Incentive Compensation Plans". The Board of Trustees will not award options, Deferred Trust Units or other long-term incentives according to a prescribed formula or target except as described below under "Deferred Unit Incentive Plan". In connection with the award of any additional options, Deferred Trust Units or other long-term incentives the Board of Trustees will take into account the individual's position, scope of responsibility, ability to affect profits and the individual's historic and recent performance and the value of the awards in relation to other elements of the executive's total compensation in respect of any grants. The Board of Trustees will take previous grants of options, Deferred Trust Units and/or other long-term incentives into consideration when considering new grants of options under the Option Plan, Deferred Trust Units under the Deferred Unit Incentive Plan or other long-term incentives. No Deferred Trust Units will be issued in connection with Closing. Certain options are anticipated to be granted on Closing. See "Outstanding Option-Based Awards".

Incentive Compensation Plans

Option Plan

The REIT intends to adopt the Option Plan. While not intended to be used by the Board as a regular, ongoing form of long-term incentive compensation, the Board, at its sole discretion, may use grants of options to acquire Units under the Option Plan to provide long-term incentives to attract, motivate and retain certain key employees, trustees, officers and service providers of the REIT, as well as employees of certain service providers who spend a significant amount of time and attention on the affairs and business of the REIT (the "**Option Plan Participants**") and to compensate the Option Plan Participants for any additional responsibilities assumed, or services provided.

Grants of options will be based on factors including: (i) the level of performance, service or responsibility assumed, as the case may be; (ii) the level of responsibility within the REIT; (iii) the number and exercise price of Options previously issued to the individual; and (iv) any other factors considered relevant by the Board. Options will typically be granted on a periodic basis, at the discretion of the Board upon the recommendation of the Compensation, Governance and Nominating Committee.

The following is a summary of the primary terms that will be incorporated into the Option Plan:

(a) Units Available for Grant: The Option Plan will provide that the maximum number of Units issuable upon the exercise of options will be 10% of the issued and outstanding Units from time to time. Subject to applicable law or the requirements of any stock exchange upon which the Units may then be listed and any Unitholder or other approval which may be required, the Board may in its discretion amend the Option Plan to increase such limit without notice to any participants. The maximum aggregate number of Units that may be subject to grants of awards under the Option Plan to any one Option Plan Participant during any 12-month period will be limited to an aggregate of 5% of the issued and outstanding Units. The Option Plan will further limit the number of Units that may be issued to insiders of the REIT, including those issuable under other security-based compensation arrangements of the REIT (including the Deferred Unit Incentive Plan), to an amount that may not exceed 10% of the issued and outstanding Units as of the date of the grant and the number of Units that may be issued to such insiders during any 12-month period to an amount that may not exceed 10% of the issued and outstanding Units.

(b) Administration: The Option Plan will be administered by the Board, which may delegate such administration to the Compensation, Governance and Nominating Committee. The Board or, upon delegation, the Compensation, Governance and Nominating Committee, will be authorized to determine which Option Plan Participants will receive awards and, consistent with the provisions of the Option Plan, the terms and conditions of such awards.

(c) Specific Terms of Options: The key features of the options available for grant under the Option Plan will be as follows: (i) options may be granted to employees, trustees, officers, service providers and consultants of the REIT, as well as to employees of certain service providers who spend a significant amount of time and attention on the affairs and business of the REIT; (ii) unless otherwise determined by the Board, all options outstanding under the Option Plan will have a maximum term of ten years from the date of issue, provided that if an option would expire during a black out period during which the REIT has imposed trading restrictions, then the expiry of such options shall be extended for ten business days following the expiry of

the black-out period; (iii) the vesting schedule for any option outstanding under the Option Plan shall be determined by the Board acting in its sole discretion, and shall be stated in the option agreement to be entered into between each optionee and the REIT; (iv) the exercise price of all options issued under the Option Plan shall be determined by the Board at the grant date of each option and, in any event, may not be less than the volume weighted average closing price for the five trading days immediately preceding the date of grant; and (v) on the exercise of vested options, the option holder may receive a number of Units from the REIT with a value equal to the in-the-money value of the options, in lieu of paying for and receiving the full number of Units underlying such option exercise. The in-the-money value of the options is equal to the amount by which (i) the fair market value of the Units issuable under such options on the date of exercise exceeds (ii) the aggregate exercise price in respect of such options.

(d) Amendments: The Board will have the discretion to terminate, suspend or make amendments to the Option Plan, or amend awards granted under it, without having to obtain the approval of Unitholders, for the following purposes, including, but not limited to: (i) amendments to the vesting provisions of each option or to the term of each option, provided that no option held by an insider may be extended beyond its original expiry date and no option may be exercised after the tenth anniversary of the date of grant; (ii) amendments to the provisions of the Option Plan relating to the treatment of options upon a termination of employment; (iii) amendments to add covenants of the REIT for the protection of Option Plan Participants; (iv) amendments not inconsistent with the Option Plan as may be necessary or desirable with respect to matters or questions which, in the good faith opinion of the Board, it may be expedient to make, including amendments that are desirable as a result of changes in law; or (v) making such changes or corrections which are required for the purpose of curing or correcting any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error. The Option Plan will provide that the prior approval of Unitholders will be required for the following amendments: (i) amendments which would increase the number of Units for which awards may be granted under the Option Plan, or which would increase the number of Units issuable to insiders; (ii) amendments which would reduce the exercise price of outstanding options held by insiders; (iii) amendments which would extend the term of the options held by insiders granted under the Option Plan; (iv) amendments which would add any form of financial assistance to an Option Plan Participant; and (v) amendments which would permit the Board to amend any of the foregoing provisions without Unitholder approval.

(e) Adjustments: In the event of certain events affecting the capitalization of the REIT, including a distribution of Units or certain other trust transactions, the Board may adjust the number and kind of Units available for grant under the Option Plan or subject to outstanding awards and the exercise price or base price applicable under outstanding awards.

(f) Term: The Option Plan will be effective as of the date of the completion of the Offering.

(g) Assignability: Options will not be assignable or transferrable, with the exception of an assignment made to a personal representative of a deceased participant.

(h) Cessation: Unless the Board decides otherwise, options granted under the Option Plan will expire at the earlier of their expiry date and (i) 180 days after the option holder's death, permanent disability or retirement and (ii) 30 days after the option holder's resignation or termination by the REIT. The Board may, however, in its discretion, at any time prior to or following the foregoing events, permit the exercise of any or all options held by an option holder or permit the acceleration of vesting of any or all options.

(i) Change of Control: In the event of a "change of control" of the REIT, which will be defined in the Option Plan, unless otherwise determined by the Board, any options outstanding immediately prior to the occurrence of a change of control event shall become fully exercisable. The Board will also have the discretion to modify the terms of the options in the event of a change of control to cash settle any outstanding options or to convert or exchange any outstanding options into or for other rights or securities.

Deferred Unit Incentive Plan

The REIT intends to adopt the Deferred Unit Incentive Plan. Because deferred trust units ("**Deferred Trust Units**") are tied to the REIT's financial and Unit trading performance and vest or accrue over a number of years, grants of Deferred Trust Units under the Deferred Unit Incentive Plan align the interests of those individuals eligible to participate in the Deferred Unit Incentive Plan more closely with the interests of Unitholders. Individuals eligible to

participate in the Deferred Unit Incentive Plan ("**DTU Participants**") consist of: employees, Trustees, directors, officers and service providers of the REIT and its subsidiaries, as well as employees of certain service providers who spend a significant amount of time and attention on the affairs and business of the REIT.

Each Trustee, in respect of his or her board compensation, and each officer of the REIT, in respect of his annual cash bonus (collectively, "**Electing Persons**") will be given the right to elect to be participant of the Deferred Unit Incentive Plan. An Electing Person who elects to be a DTU Participant shall receive their Elected Amount (as defined below) in the form of Deferred Trust Units in lieu of cash, provided that the REIT shall, on an annual basis, match 50% of the Elected Amount of each Electing Person, such that the aggregate number of Deferred Trust Units issued to each Electing Person annually shall be equal in value to one-and-a-half times the Elected Amount in respect of Trustee Fees or cash bonus, as applicable.

The "**Elected Amount**" shall be:

(i) In respect of a Trustee, an amount, as elected by the Trustee, in accordance with applicable tax law, between 0% and 100% of the annual retainer and meeting fees paid by the REIT to that Trustee in a calendar year for service on the Board (the "**Trustee Fees**"); and

(ii) In respect of an officer, an amount, as elected by the officer, in accordance with applicable tax law, between 0% and 100% of the annual cash bonus paid by the REIT to that officer in a calendar year.

Under the Deferred Unit Incentive Plan, Deferred Trust Units may also be granted from time to time to DTU Participants at the discretion of the Board or the Compensation, Governance and Nominating Committee.

The number of Deferred Trust Units granted at any particular time pursuant to the Deferred Unit Incentive Plan will be calculated by dividing (i) the Elected Amount in respect of Trustee Fees or annual cash bonus, as determined by an Electing Person, or such other amount as allocated to the DTU Participant by the Board or Compensation, Governance and Nominating Committee, by (ii) the market value of a Unit on the award date. "Market value" of a Unit at any date for purposes of the Deferred Unit Incentive Plan shall mean the volume weighted average price of all Units traded on the TSX for the five trading days immediately preceding such date (or, if such Units are not listed and posted for trading on the TSX, on such stock exchange on which such Units are listed and posted for trading as may be selected for such purpose by the Board). In the event that the Units are not listed and posted for trading on any stock exchange, the market value shall be the fair market value of the Units as determined by the Board in its sole discretion.

Wherever cash distributions are paid on the Units, additional Deferred Trust Units will be credited to the DTU Participant's Deferred Trust Unit account. The number of such additional Deferred Trust Units shall be calculated by multiplying the aggregate number of Deferred Trust Units held on the relevant distribution record date by the amount of distributions paid by the REIT on each Unit, and dividing the result by the market value of the Units on the Distribution Date.

Deferred Trust Units granted to Electing Persons further to their Elected Amount (the "**Individual Contributed DTUs**") will vest immediately upon grant. Deferred Trust Units granted to Electing Persons further to the REIT's obligation to match 50% of the Elected Amount (the "**REIT Contributed DTUs**") will generally vest in accordance with the following schedule:

(a) One-third of the Deferred Trust Units shall vest on the first anniversary of the date of grant;

(b) One-third of the Deferred Trust Units shall vest on the second anniversary of the date of grant; and

(c) One-third of the Deferred Trust Units shall vest on the third anniversary of the date of grant.

Notwithstanding the foregoing, the Board shall have the discretion to vary the manner in which the REIT Contributed DTUs vest for any DTU Participant. Additional Deferred Trust Units credited to a DTU Participant's account in connection with cash distributions shall vest on the same schedule as their corresponding Deferred Trust Units and are considered issued on the same date as the Deferred Trust Units in respect of which they were credited.

DTU Participants that are Canadian residents will generally be permitted to redeem their vested Deferred Trust Units for Units in whole or in part at any time by filing a written notice of redemption with the REIT; provided that, if a DTU Participant redeems his or her Individual Contributed DTUs prior to the date on which the corresponding REIT

Contributed DTUs (or portion thereof) have vested, then the DTU Participant will forfeit the right to all such unvested REIT Contributed DTUs. DTU Participants that are U.S. residents will generally be subject to more stringent redemption restrictions to ensure compliance with Section 409A of the Code. Deferred Trust Units may also be subject to other redemption restrictions as required by the Compensation, Governance and Nominating Committee from time to time.

Upon the redemption of Deferred Trust Units for Units, the REIT will issue Units to DTU Participants, within five business days of the relevant redemption date, on the basis of one Unit for each whole vested Deferred Trust Unit that is being redeemed, net of any applicable withholding taxes. Units are issued by the REIT at no cost to DTU Participants. Upon redemption of the Deferred Trust Units for cash, the REIT shall make, within five business days of the relevant redemption date a cash payment, net of any applicable withholding taxes, to the DTU Participant in an amount calculated by multiplying (i) the number for Deferred Trust Units to be redeemed by (ii) the market value of a Unit on the redemption date, calculated with reference to the volume weighted average price of all Units traded on the TSX for the five trading days immediately preceding such date. The REIT shall also make a cash payment, net of any applicable withholding taxes, to the DTU Participant with respect to the value of fractional Deferred Trust Units standing to the DTU Participant's credit after the maximum number of whole Units have been issued by the REIT, calculated by multiplying (i) the number of such fractional Deferred Trust Units to be redeemed, by (ii) the market value of such fractional Deferred Trust Units on the relevant date. Upon payment in full of the value of the Deferred Trust Units, the Deferred Trust Units shall be cancelled.

Deferred Trust Units are non-transferable, except to a DTU Participant's estate, and the rights of DTU Participants under the Deferred Unit Incentive Plan are not assignable, except as required by law.

The maximum number of Deferred Trust Units available for issuance under the Deferred Unit Incentive Plan will be 5% of the issued and outstanding Units, from time to time, subject to adjustment for any subdivision, consolidation or distribution of Units, as contemplated by the Deferred Unit Incentive Plan. The aggregate of the Units: (a) issued to insiders of the REIT, within any one year period; and (b) issuable to insiders of the REIT, at any time, under the Deferred Unit Incentive Plan, when combined with all other security-based compensation arrangements of the REIT (including the Option Plan), shall not exceed 10% of the REIT's total issued and outstanding Units.

The Compensation, Governance and Nominating Committee may review and confirm the terms of the Deferred Unit Incentive Plan from time to time and may, subject to applicable stock exchange rules, amend or suspend the Deferred Unit Incentive Plan in whole or in part as well as terminate the Deferred Unit Incentive Plan without prior notice as it deems appropriate; provided, however, that any amendment to the Deferred Unit Incentive Plan that would, among other things, result in any increase in the number of Deferred Trust Units issuable under the Deferred Unit Incentive Plan or permit Deferred Trust Units granted under the plan to be transferable or assignable other than for normal estate settlement purposes will be subject to the approval of Unitholders. Without limitation, the Compensation, Governance and Nominating Committee may, without obtaining the approval of Unitholders, make changes: (a) to correct errors, immaterial inconsistencies or ambiguities in the Deferred Unit Incentive Plan; (b) necessary or desirable to comply with applicable laws or regulatory requirements, rules or policies (including stock exchange requirements); and (c) to the vesting provisions applicable to Deferred Trust Units issued under the Deferred Unit Incentive Plan. However, subject to the terms of the Deferred Unit Incentive Plan, no amendment may adversely affect the Deferred Trust Units previously granted under the Deferred Unit Incentive Plan without the consent of the affected DTU Participant.

Other Long-Term Incentive Plans

Following Closing, the Board will, with the assistance of its external advisors, consider other forms of long-term incentive plans (including, without limitation, time and/or performance-based restricted unit plans) for the purposes of incentivizing its employees, Trustees and service providers.

Employment Agreements

Chief Financial Officer

Pursuant to the terms of an employment agreement with the Partnership, Mr. Phillips serves as the REIT's Chief Financial Officer for an indefinite term. The agreement will provide for an annual base salary of $265,000 payable by the Partnership (which amount is subject to review by the Board annually) and such other annual incentive or cash bonus amount as may be determined by the Board in accordance with the cash bonus threshold targets discussed above under "Principal Elements of Compensation – Chief Financial Officer and Chief Operating Officer – Annual Cash Bonus", upon the achievement of certain individual and REIT goals established by the Chief Executive Officer and approved by the Corporate Governance and Nominating Committee. Mr. Phillips will also be entitled to participate in the Option Plan and the Deferred Unit Incentive Plan. Mr. Phillips' employment agreement will also provide for certain restrictive covenants that continue to apply following the termination of Mr. Phillips' employment with the REIT, including a 24-month non-solicit with respect to the REIT's clients or employees. The agreement will provide that in the event Mr. Phillips' employment is terminated without "cause" (as such term is defined in the agreement), unrelated to a change of control, he will be entitled to six months' severance, provided that he provides to the REIT his full co-operation on transition, and if his employment is terminated with "cause", the REIT will be under no obligation to make any further payments other than compensation owing at the time of termination.

Chief Operating Officer

Pursuant to the terms of an employment agreement with the Partnership, Mr. Lamberti serves as the REIT's Chief Operating Officer for an indefinite term. The agreement will provide for an annual base salary of $400,000 payable by the Partnership (which amount is subject to review by the Board annually) and such other annual incentive or cash bonus amount as may be determined by the Board in accordance with the cash bonus threshold targets discussed above under "Principal Elements of Compensation – Chief Financial Officer and Chief Operating Officer – Annual Cash Bonus", upon the achievement of certain individual and REIT goals established by the Board. Mr. Lamberti will also be entitled to participate in the Option Plan and the Deferred Unit Incentive Plan. Mr. Lamberti's employment agreement will also provide for certain restrictive covenants that continue to apply following the termination of Mr. Lamberti's employment with the REIT, including a 24-month non-solicit with respect to the REIT's clients or employees. The Compensation, Governance and Nominating Committee will determine any severance arrangements to be provided to Mr. Lamberti upon a termination of his employment.

Compensation Risk

The Compensation, Governance and Nominating Committee will consider the implications of the risks associated with the REIT's compensation policies and practices as part of its responsibility to ensure that the compensation for the Trustees and the Chief Operating Officer and Chief Financial Officer of the REIT align the interests of the Trustees and the Chief Operating Officer and Chief Financial Officer with Unitholders and the REIT as a whole. The REIT's insider trading policy will prohibit all officers and Trustees of the REIT from selling "short" or selling "call options" on any of the REIT's securities and from purchasing financial instruments, such as prepaid variable forward contracts, equity swaps, collars or units of exchange funds that are designed to hedge or offset a decrease in the market value of equity securities granted to such executive officers and Trustees as compensation or held directly or indirectly by such person.

Summary Compensation Table Expected for Fiscal 2013

The following table sets out information concerning the expected compensation to be paid by the REIT or Milestone, as applicable, to the named executive officers in fiscal 2013.

		Annual Compensation		Long-Term Compensation Awards			
Name and principal position	**Year**	**Salary**	**Bonus[3]**	**Option-based awards[4]**	**Deferred Trust Units[5]**	**All other compensation**	**Total compensation**
Robert P. Landin, CEO	2013	650,000[1]	—	$472,286	—	—	$1,122,286
Christopher A. Phillips, CFO	2013	265,000[2]	79,500	$ 52,476	—	—	$ 396,976
Steve T. Lamberti, COO	2013	400,000[2]	120,000	$157,429	—	—	$ 677,429

Notes:

(1) All compensation for Mr. Landin, Chief Executive Officer, will be paid by the Asset Manager, and there is no reimbursement by the REIT for such compensation. Mr. Landin will act in a variety of capacities for the Asset Manager, the REIT and their respective affiliates, and accordingly, the total compensation that Mr. Landin is expected to receive from the Asset Manager is not disclosed in this table, since total compensation will not be solely attributable to the services that he will provide to the REIT. The allocation of the total compensation disclosed in this table was determined by the Asset Manager solely for the purposes of this table, based on the time expected to be spent by Mr. Landin in connection with REIT-related services. The portion of total compensation expected to be attributable to the REIT in respect of other executive officers of the Asset Manager, does not meet the definition of Named Executive Officer under applicable Canadian securities laws.

(2) Represents annualized base salary expected to be paid by the REIT as of Closing, without reference to the 20% reimbursement that the REIT will receive from the Asset Manager. Further, actual salary allocated to the services provided to the REIT for fiscal 2013 will be pro-rated based on the date of Closing, and will therefore be less than this amount and will vary based on the date of Closing.

(3) This amount is based on an estimate equal to 30% of salary; on the assumption that the executive will earn his full bonus amount available. However since this amount is based upon future performance of the REIT and the individual, it is subject to change.

(4) This amount is calculated as the fair value of the options expected to be granted on Closing, calculated using the Black-Scholes model with the following assumptions: (a) average expected option life of 5.5 years; (b) risk-free interest rate of 1.8%; (c) expected volatility of 25%; and (d) dividend yield of 6.5%.

(5) Determination of any grants of Deferred Trust Units will be made on an annual basis at the discretion of the Trustees and amounts have not been determined as of the date of this prospectus.

Outstanding Option-Based Awards

The Board does not currently intend to use the grant of options under the Option Plan a regular, ongoing form of long-term incentive compensation, however under the Option Plan, the Board will be permitted, at its sole discretion, to use grants of options to acquire Units under the Option Plan to provide long-term incentives to attract, motivate and retain certain Option Plan Participants and to compensate the Option Plan Participants for any additional responsibilities assumed, or services provided.

The Board believes that an initial grant of options to certain Option Plan Participants on Closing, consisting of the Chief Executive Officer and co-founder of The Milestone Group, the co-founder of The Milestone Group, the Chief Financial Officer, the Chief Operating Officer, other employees of the REIT or the Partnership, and the Chair of the Board, is appropriate to (i) further solidify overall alignment of such individuals with Unitholders and the long-term growth of the business of the REIT, (ii) recognize special contributions made by such individuals to the Partnership and the REIT historically and in the context of its initial public offering, and (iii) encourage Unit ownership in the REIT by such individuals.

In connection with the award of any additional options, the Board of Trustees will take into account the individual's position, scope of responsibility, ability to affect profits and the individual's historic and recent performance and the value of the awards in relation to other elements of the executive's total compensation in respect of any grants. The Board of Trustees will take previous grants of options into consideration when considering new grants of options under the Option Plan.

The REIT intends to grant a total of 1,425,000 options to acquire Units on Closing, representing approximately 4.2% of the total issued and outstanding number of Units as of such date and approximately 42% of the maximum authorized number of Units issuable pursuant to the Option Plan (10%). The options to be granted at Closing will expire 10 years from the date of issue and will vest over a four-year period with (i) 25% vesting at the first anniversary of the date of grant, (ii) 25% vesting at the second anniversary of the date of grant, (iii) 25% vesting at the third anniversary of the date of grant, and (iv) 25% vesting at the fourth anniversary of the date of the grant.

The following table sets forth additional information concerning options to be outstanding as at Closing for each such Option Plan Participant. All options granted on Closing will expire 10 years from the date of grant.

Name / Title	Number of Units underlying unexercised options (#)	Option exercise price (C$)	Value of unexercised in-the-money options ($)
Robert Landin, *CEO of the REIT and Co-Founder of The Milestone Group*	450,000	$10.50	Nil
Jeffrey Goldberg, *Co-Founder of The Milestone Group*	450,000	$10.50	Nil
Michael Young, *Chair of the Board and Trustee of the REIT*	275,000	$10.50	Nil
Steve Lamberti, *Chief Operating Officer of the REIT*	150,000	$10.50	Nil
Christopher Phillips, *Chief Financial Officer of the REIT*	50,000	$10.50	Nil
Other eligible participants	50,000	$10.50	Nil

The following table summarizes the options to purchase Units of the REIT outstanding on Closing held by the following groups of persons:

Description of the Groups of Persons (Number of Persons)	Number of Units underlying options[(1)]
All executive officers of the REIT (3)	650,000
All trustees of the REIT who are not also executive officers (1)	275,000
All founders of The Milestone Group who are not also executive officers of the REIT (1)	450,000
All other eligible participants (<10)	50,000
	1,425,000

Note:

(1) All options to purchase Units of the REIT outstanding on Closing will be granted at an exercise price equal to C$10.50, will expire 10 years after the date of grant and will vest over a four-year period with (i) 25% vesting at the first anniversary of the date of grant, (ii) 25% vesting at the second anniversary of the date of grant, (iii) 25% vesting at the third anniversary of the date of grant, and (iv) 25% vesting at the fourth anniversary of the date of the grant. See "Executive Compensation – Incentive Compensation Plans – Option Plan".

CAPITALIZATION OF THE REIT

The following table sets forth the consolidated capitalization of the REIT as at January 17, 2013, both before and after giving effect to the Offering (net of costs relating to the Offering) and use of proceeds therefrom, including the transactions described under "The Acquisition", but without giving effect to the exercise of the Over-Allotment Option. The table should be read in conjunction with the *pro forma* financial statements and notes of the REIT thereto contained in this prospectus. See "Index to the Financial Statements".

	As at January 17, 2013 ($000s)[1]	As at January 17, 2013 after giving effect to the Offering (net of costs relating to the Offering) and the use of proceeds therefrom ($000s)
Indebtedness		
Assumed Mortgages, including mark-to-market adjustment of $16.5 million	nil	$ 662,898
Redeemable units (Class B Units)	nil	$ 142,774
Credit Facility	nil	$ nil
Unitholders' Equity		
Units *(Authorized – unlimited; Issued – 34,000)*	C$10.00	$ 321,143
Total Capitalization	**C$10.00**	**$1,126,815**

Note:

(1) The REIT was initially settled on January 17, 2013 with C$10.00 in cash.

FINANCIAL FORECAST

The following financial forecast was prepared by management of the REIT, using assumptions with an effective date of January 1, 2013, and was approved by the Trustees of the REIT on February 27, 2013. Pursuant to applicable securities policies, the REIT is required to update the forecast during the forecast period by identifying any material changes from the forecast resulting from events that have occurred since it was issued and by comparing such forecast with annual audited actual results and interim unaudited actual results for the periods covered. The results of this comparison will accompany the annual or interim financial statements of the REIT for the relevant periods.

The forecast has been prepared in accordance with the measurement, presentation and disclosure of financial forecasts established in Part 4A and 4B of National Instrument 51-102, Continuous Disclosure Obligations. The forecast has been prepared using assumptions that reflect management's intended courses of action for the REIT for the periods covered, given management's judgment as to the most probable set of economic conditions. The forecast has been prepared after giving effect to the Offering and the other transactions contemplated in this prospectus to be completed before or concurrently with Closing.

The assumptions used in the preparation of a forecast, although considered reasonable by management at the time of preparation, may not materialize as forecast and unanticipated events and circumstances may occur subsequent to the date of the forecast. Accordingly, there is a significant risk that actual results achieved for the forecast period will vary from the forecast results and that such variations may be material. There is no representation by the REIT that actual results achieved during the forecast period will be the same in whole or in part as those forecast. Important factors that could cause actual results to vary materially from the forecast include those disclosed under "Risk Factors". See "Forward-Looking Statements".

The financial forecast should be read in conjunction with the unaudited pro forma condensed consolidated financial statements of the REIT, the audited opening financial statements of the REIT, the audited consolidated financial statements for the Partnership and Property Manager as at and for the years ended December 31, 2011 and 2010 and the nine months ended September 30, 2012, which are contained in this prospectus. See "Index to Financial Statements".

REPORT ON CONSOLIDATED FINANCIAL FORECAST

To the Trustees of Milestone Apartments Real Estate Investment Trust

The accompanying financial forecast of Milestone Apartments Real Estate Investment Trust ("REIT"), consisting of the consolidated statements of forecasted net income and comprehensive income for each of the three-month periods ending March 31, 2013, June 30, 2013, September 30, 2013 and December 31, 2013 and the twelve-month period ending December 31, 2013 has been prepared by management using assumptions with an effective date of January 1, 2013. We have examined the support provided by management for the assumptions, and the preparation and presentation of this forecast. Our examination was made in accordance with the applicable Assurance and Related Services Guideline issued by The Canadian Institute of Chartered Accountants. We have no responsibility to update this report for events and circumstances occurring after the date of our report.

In our opinion:

- as at the date of this report, the assumptions developed by management are suitably supported and consistent with the plans of the REIT, and provide a reasonable basis for the financial forecast;
- this financial forecast reflects such assumptions; and
- the financial forecast complies with the presentation and disclosure standards for future-oriented financial information established in Parts 4A and 4B of National Instrument 51-102 – Continuous Disclosure Obligations.

Since this financial forecast is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material. Accordingly, we express no opinion as to whether this financial forecast will be achieved.

(Signed) KPMG LLP

Chartered Accountants, Licensed Public Accountants

February 27, 2013
Toronto, Canada

MILESTONE APARTMENTS REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Forecasted Net Income and Comprehensive Income
(In thousands of U.S. dollars, except per unit amounts)

	Three-month periods ending				Twelve-month period ending
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	December 31, 2013
Revenue:					
Rental	$32,548	$33,143	$33,532	$33,809	$133,032
Other	5,310	5,578	5,408	5,320	21,616
	37,858	38,721	38,940	39,129	154,648
Expenses:					
Operating	19,533	20,381	20,043	20,076	80,033
Interest	5,247	5,334	5,315	5,266	21,162
Distributions on Class B Redeemable Units	2,320	2,320	2,320	2,319	9,279
Depreciation and amortization	220	221	222	223	886
	27,320	28,256	27,900	27,884	111,360
Income before general, administrative and trust expenses and income taxes	10,538	10,465	11,040	11,245	43,288
General, administrative and trust expenses	1,974	1,974	1,974	1,974	7,896
Income before income taxes	8,564	8,491	9,066	9,271	35,392
Income taxes	265	265	265	266	1,061
Net income and comprehensive income	$ 8,299	$ 8,226	$ 8,801	$ 9,005	$ 34,331

See accompanying notes to consolidated statements of forecasted net income and comprehensive income.

Notes to Consolidated Statements of Forecasted Net Income and Comprehensive Income (In thousands of U.S. dollars, except per unit amounts)

Three-month periods ending March 31, 2013, June 30, 2013, September 30, 2013 and December 31, 2013 and twelve-month period ending December 31, 2013

1. Purpose of the consolidated financial forecast:

This consolidated financial forecast has been prepared by management of TMG Partners LP on behalf of Milestone Apartments Real Estate Investment Trust (the "REIT") for use by prospective investors in their evaluation of potential investments in the REIT and may not be appropriate for any other purpose.

2. Basis of presentation of financial forecast:

The REIT is a recently created unincorporated open-ended real estate investment trust established pursuant to a Declaration of Trust. The REIT was established under the laws of the Province of Ontario. The head office of the REIT is located at 333 Bay Street, Suite 3400, Toronto, Ontario. The REIT has been formed to carry out the initial public offering (the "Offering") and to acquire an interest in Milestone Multifamily Investors LP (the "Partnership") and Milestone Management LP (the "Property Manager"). The acquisition will result in the REIT indirectly owning an interest in 52 multi-suite residential properties located in the United States (the "Initial Properties").

Of the Initial Properties, 60% of the total units are located in the State of Texas, with 34% located in the Dallas/Fort Worth area, 20% located in the Houston area, and 6% located in Austin and San Antonio. The remaining 40% of the REIT's units are located in Florida, Arizona, Tennessee, Georgia and Utah.

The consolidated financial forecast consists of the consolidated statements of forecasted net income and comprehensive income of the REIT for the three-month periods ending March 31, 2013, June 30, 2013, September 30, 2013 and December 31, 2013 and the twelve-month period ending December 31, 2013. The consolidated financial forecast has been prepared using assumptions with an effective date of January 1, 2013, and reflects the assumptions described in note 4.

The consolidated financial forecast has been prepared in compliance with Parts 4A and 4B of National Instrument 51-102 - Continuous Disclosure Obligations using assumptions that reflect the REIT's intended course of action for the periods presented, given management's judgment as to the most probable set of economic conditions. The consolidated financial forecast will be compared with the reported results for the financial forecast periods and any significant differences will be disclosed. The actual results achieved during the financial forecast periods will vary from the forecasted results, and these variations may be material. Amounts are in thousands of U.S. dollars, unless otherwise stated.

Within the consolidated financial forecast, TMG Partners LP and other related entities under common control are referred to as "The Milestone Group".

3. Summary of significant accounting policies:

The consolidated financial forecast has been prepared in accordance with the significant accounting policies set our below. These policies are expected to be used to prepare the REIT's financial statements and are consistent with the recognition and measurement principles of International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

(a) Basis of consolidation:

The consolidated financial statements comprise the financial statements of the REIT and its subsidiaries. Subsidiaries are entities controlled by the REIT. The financial statements of the subsidiaries are prepared for the same reporting periods as the REIT using consistent accounting policies. All intercompany balances, transactions and unrealized gains and losses arising from intercompany transactions are eliminated on consolidation.

(b) Business combinations:

Business combinations are accounted for under the acquisition method under which all identifiable assets acquired and liabilities assumed are measured at fair value as of the acquisition date. Goodwill is the excess of the fair value of the consideration transferred over the net identifiable assets acquired. If the fair value of the net identifiable assets acquired exceeds the consideration transferred, a bargain purchase gain is recognized immediately in profit or loss. Transaction costs incurred in connection with the acquisition are expensed as incurred.

(c) Foreign currency transactions:

The functional and presentation currency of the REIT and its subsidiaries is the U.S. dollar.

Transactions in currencies other than the U.S. dollar are translated at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into U.S. dollars at the exchange rate at that date. The foreign

3. Summary of significant accounting policies (continued):

currency gain or loss on monetary items is the difference between amortized cost in U.S. dollars at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in U.S. dollars translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to U.S. dollars at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(d) Investment properties:

A property is determined to be investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment properties include land and building structures situated on the properties. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Subsequent capital expenditures are added to the carrying value of the investment properties only when it is probable that future economic benefits will flow to the property and cost can be measured reliably.

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal.

(e) Management contracts:

Acquired management contracts are originally recorded at their fair value and are amortized on a straight-line basis over their estimated life, not to exceed five years.

(f) Revenue recognition:

The REIT has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases.

Revenue from investment properties includes all rental income earned from the properties, including minimum rent earned from tenants under lease agreements, property tax and operating cost recoveries, and all other miscellaneous income paid by tenants under the terms of the leases. Revenue recognition under a lease commences when a tenant has right to use the property and revenue is recognized pursuant to the terms of the lease agreement. Rental revenue includes rental and other charges billed to residents.

Other income includes amounts collected by the properties primarily for application fees, late fees, other fees charged to tenants, utility reimbursements, as well as management fees and other fees for related services earned from contracts with third parties.

Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as an integral part of the total rental revenue over the term of the lease. Management and related fees are recognized to the extent that it is probable that the economic benefits will flow to the REIT and the revenue can be reliably measured. Revenue is recognized in the accounting period in which the related services are rendered.

An allowance for doubtful accounts is maintained for estimated losses, resulting from the inability of tenants to meet the contractual obligations under their lease agreements. Such allowances are reviewed periodically based on the recovery experience of the REIT and the creditworthiness of the tenants.

(g) Financial instruments:

The REIT initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated as fair value through profit or loss) are recognized initially on the trade date, which is the date that the REIT becomes a party to the contractual provisions of the instrument. The REIT derecognizes a financial asset when the contractual rights to the cash flows from the 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. Any interest in such transferred financial asset that is created or retained by the REIT is recognized as a separate asset or liability.

3. Summary of significant accounting policies (continued):

Financial assets and liabilities are offset and positioned when, and only when, the REIT has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(i) The following summarizes the REIT's classification and measurement of financial assets and liabilities:

Financial assets and liabilities	Classification	Subsequent measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Tenant and other receivables	Loans and receivables	Amortized cost
Mortgage notes payable	Other financial liabilities	Amortized cost
Class B Redeemable Units	Other financial liabilities	Fair value
Accounts payable and other liabilities	Other financial liabilities	Amortized cost

The REIT classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The REIT initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the REIT becomes a party to the contractual provisions of the instrument.

The REIT derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Mortgages and other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest rate ("EIR") method.

The Class B Redeemable Units of the Partnership are redeemable for cash or REIT Units at the option of the REIT. The REIT Units are puttable and, therefore, the Class B Redeemable Units meet the definition of a financial liability under International Accounting Standard ("IAS") 32 Financial Instruments - Presentation ("IAS 32"). Further, the Class B Redeemable Units are designated as fair value through profit or loss financial liabilities and are measured at fair value at each reporting period with any changes in fair value recorded in profit or loss.

Financing fees and other costs incurred in connection with debt financing are recorded net of the related debt obligation and amortized using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR method.

(ii) Derivative financial instruments:

The REIT uses derivative financial instruments to manage risks from fluctuations in exchange rates and interest rates. All derivative instruments, including embedded derivatives that must be separately accounted for, are valued at their respective fair values in the consolidated financial statements.

The REIT uses foreign currency forward contracts to limit the exposure of converting U.S. cash flow into Canadian dollars. These are not designated as fair-value or cash-flow hedges for accounting purposes; therefore, gains or losses arising from the change in fair values are recognized in net income.

(h) Finance costs:

Finance costs comprise interest expense on borrowings, distributions on Class B Redeemable Units classified as liabilities and gain (loss) on change in fair value of Class B Redeemable Units.

Finance costs associated with financial liabilities presented at amortized cost are recognized in net income using the effective interest method.

3. Summary of significant accounting policies (continued):

(i) Employee benefits:

(i) Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized as the amount expected to be paid under the short-term cash bonus or profit-sharing plans if the REIT has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined contribution plan:

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the statements of forecasted net income and comprehensive income in the periods during which related services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(j) Income taxes:

(i) Canadian status:

The REIT is a mutual fund trust pursuant to the Income Tax Act (Canada). Under current tax legislation, a mutual fund trust that is not a Specified Investment Flow-Through Trust (“SIFT”) pursuant to the Income Tax Act (Canada) is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to unitholders. The REIT intends to continue to qualify as a mutual fund trust that is not a SIFT trust and to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes.

(ii) U.S. REIT status:

The REIT is treated as a U.S. corporation for all purposes under the United States Internal Revenue Code of 1986, as amended (“the Code”), and, as a result, it is permitted to elect to be treated as a real estate investment trust under the Code, notwithstanding the fact that it is organized as a Canadian entity. In general, a company which elects real estate investment trust status, distributes at least 90% of its real estate investment trust taxable income to its shareholders in any taxable year, and complies with certain other requirements is not subject to U.S. federal income taxation to the extent of the income which it distributes. If it fails to qualify as a real estate investment trust in any taxable year, it will be subject to U.S. federal income tax at regular corporate income tax rates on its taxable income. Even if it qualifies for taxation as a real estate investment trust, it may be subject to certain state and local taxes on its income and property and to U.S. federal income and excise taxes on its undistributed income. The REIT has reviewed the real estate investment trust requirements and has determined that it will qualify as a real estate investment trust under the Code. Accordingly, no provision for U.S. federal income or excise taxes has been made with respect to the income of the REIT.

Certain of the REIT’s operations or a portion thereof are conducted through taxable REIT subsidiaries, or TRS (“corporate subsidiaries”). A TRS is a C-corporation that has not elected real estate investment trust status and, as such, is subject to U.S. federal and state corporate income tax. The REIT has recorded a provision for U.S. federal and state taxes associated with the TRS of approximately $426, which is included in income tax expense in the consolidated financial forecast.

(iii) Texas Margin Tax:

Effective January 1, 2007, the State of Texas enacted new legislation that repeals the taxable capital and earned surplus components of the franchise tax and replaces such measures with an annual franchise tax on modified gross income of taxable entities, known as the Texas Margin Tax, which is equal to the lesser of: (a) 70% of a taxable entity’s total revenue; or (b) 100% of total revenue less, at the election of the taxpayer: (i) cost of goods sold; or (ii) compensation. The rate of tax applicable to the REIT is 1%. Taxable entity is defined to include partnerships, corporations, limited liability companies, business trusts and other legal entities. The REIT has recorded a provision for Texas Margin Tax of approximately $635, which is included in income tax expense in the consolidated financial forecast.

(iv) Current taxes:

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3. Summary of significant accounting policies (continued)

(v) Deferred taxes:

Deferred tax of the taxable REIT subsidiaries is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: (a) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and (b) differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(k) REIT Units:

The REIT Units are redeemable at the option of the holder and, therefore, are considered puttable instruments in accordance with IAS 32. Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32; in which case, the puttable instruments may be presented as equity. The REIT units meet the conditions of IAS 32 and are, therefore, classified and accounted for as equity.

(l) Critical judgments:

(i) Accounting for acquisitions:

Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The REIT's acquisitions are generally determined to be asset purchases as the REIT does not acquire an integrated set of processes as part of the acquisition transaction.

(ii) Income taxes:

The REIT is a mutual fund trust pursuant to the Income Tax Act (Canada) and a real estate investment trust pursuant to the Code. Under current tax legislation, the REIT is not generally liable to pay Canadian or U.S. federal income tax provided that its taxable income is fully distributed to unitholders each year. The REIT has reviewed the requirements for real estate investment trust status, and it has determined that it is expected to qualify as a real estate investment trust pursuant to the Code.

(m) Future accounting changes:

(i) In November 2009 and October 2010, the first part of IFRS 9, Financial Instruments—Classification and Management ("IFRS 9"), relating to the classification and measurement of financial assets and financing liabilities was issued. IFRS 9 will ultimately replace IAS 39, Financial Instruments—Recognition and Measurement. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after January 1, 2015. The potential effects of this amendment are currently under review and are not expected to have an effect on the REIT's financial statements.

(ii) The amendments to IAS 32, Financial Instruments—Presentation—Offsetting of Financial Assets and Financial Liabilities, are intended to clarify existing application issues relating to the offsetting rules and reduce the level of diversity in current practice. The amendments are effective for annual periods beginning on or after January 1, 2014. The amendments are not currently anticipated to have a significant effect on the REIT's financial statements.

4. Significant assumptions:

The assumptions used in the preparation of the consolidated financial forecast, although considered reasonable by the REIT, require significant judgments to be made about future events, which may not materialize as forecast. It is not possible to forecast unanticipated events and circumstances.

4. Significant assumptions (continued)

(a) Initial transactions:

The consolidated financial forecast assumes that on closing (the "Closing"), the REIT will raise gross proceeds of $200,000 (C$200,000) (excluding any over-allotment option) pursuant to the Offering through the issuance of 20 million units at $10 (C$10) per unit. Costs relating to the Offering, including underwriters' fees, are forecast to be $19,357 (C$19,357) and are charged directly to unitholders' equity, with the exception of $500 in fees related to the Credit Facility.

For purposes of the consolidated financial forecast, it is assumed that the closing of the transactions contemplated by this prospectus occur on or about March 6, 2013. However, the actual closing date may differ.

Concurrent with or prior to Closing, it is assumed that the REIT will indirectly acquire the Partnership and the Property Manager from Milesouth Apartment Portfolio LP ("Milesouth") and The Milestone Group, respectively. The Partnership will restate its capital into Class A voting limited partnership units and Class B non-voting redeemable limited partnership units and the Partnership and Milesouth will settle their obligations to The Milestone Group related to its profits interest in the Partnership up to the date of Closing. As a result of the transactions, the Property Manager will become a wholly owned subsidiary of the Partnership and the REIT will acquire all issued and outstanding Class A units of the Partnership for cash of $180,643. Milesouth will receive 14,000,000 REIT Units and 8,923,189 Class B Redeemable Units of the Partnership, with a total value of $229,232 (C$229,232). The Milestone Group will receive 5,354,210 Class B Redeemable Units of the Partnership, with a total value of $53,542 (C$53,542).

(i) Acquisitions:

The fair value of the net assets of the Partnership indirectly acquired by the REIT using the purchase method of accounting is as follows:

Investment properties	$1,114,115
Tenant and other receivables	3,907
Management contracts	3,400
Other assets	4,031
Restricted cash	23,459
Cash and cash equivalents	3,651
Mortgages, including mark-to-market adjustment of $16,523	(662,898)
Accounts payable and other liabilities	(26,248)
Net assets acquired for cash	$ 463,417
Consideration given by the REIT consists of the following:	
REIT Units	$ 140,000
Class B Redeemable Units of the Partnership	142,774
Cash	180,643
	$ 463,417

The actual calculation and allocation of the purchase price for the investment properties outlined above will be based on the assets purchased and liabilities assumed on the effective date of the acquisition and other information available at that date. Accordingly, the actual amounts for each of these assets and liabilities will vary from the above amounts and the variation may be material.

(ii) Debt:

The net assets of the Partnership include mortgages on each of 52 of the Initial Properties with an outstanding principal balance of $662,898 (including a mark-to-market provision of $16,523), resulting in a weighted average interest rate on such debt of 3.75%. The mortgages are secured by first charges on the Initial Properties.

The REIT is expected to have in place, subsequent to closing, a new $50 million credit facility (the "Credit Facility"). The Credit Facility will be unsecured and will have a term of two years from the Closing. Variable rate interest will be calculated and payable monthly under the Credit Facility at a rate equal to, at the borrower's option, the U.S. 30-day LIBOR plus a margin of 425 basis points or the highest of the prime rate, U.S. federal funds rate plus 1/2 of 1.00% and one-month Eurodollar rate plus 1.00%. The REIT assumes that an average $1,821 will be drawn on this facility during the present forecast period and will incur interest expense, including standby fees of $187. No amortization of principal under the Credit Facility is required.

4. Significant assumptions (continued)

(iii) Sources and uses of cash:

The REIT sources and uses of cash after the completion of the transactions contemplated in the Offering are as follows:

Sources:	
Proceeds from the Offering	$ 200,000
Cash balances of the Partnership	8,800
Uses:	
Purchase of Partnership units	(180,643)
Offering costs and expenses	(19,357)
Cash added to working capital of the REIT	$ 8,800

(b) Foreign currency translation:

The financial forecast assumes that Canadian dollar transactions are translated at an assumed Canadian and U.S. dollar exchange rate of $1.00.

Foreign currency hedge:

On Closing, the REIT will implement an active hedging program to minimize the currency risk of cash flows of a portion of the cash flows received from the REIT's U.S. subsidiary in U.S. dollars. The foreign currency arrangements will economically hedge distributions paid to unitholders; however, because the arrangement does not meet the criteria for applying hedge accounting, changes in the fair value of the foreign currency derivative is recognized in net income. The consolidated financial forecast assumes that there is no change in the value of the foreign currency derivative.

(c) Rental revenue:

Forecast revenue from investment properties is based on rents from existing leases, as well as expected income from the lease-up of units that are vacant or due to become vacant due to lease expiration.

Rents for retained tenants are calculated by increasing in-place rents to expected market rates upon lease expiry. The consolidated financial forecast assumes an average of 4.8% rental growth for all properties over 2012 rental revenues. The physical occupancy rate during the forecast period is assumed to be 93.7%, which is an improvement over the physical occupancy rate of 92.9% for the twelve months ended December 31, 2012. The consolidated financial forecast also reflects historical levels of miscellaneous income.

Existing tenants are assumed to fulfill their current contractual lease obligations and remain in occupancy and pay rent for the term of their leases. Upon the expiry of their leases, approximately 60% of existing tenants are assumed to be retained based on a historical retention factor.

The consolidated financial forecast assumes that external property management contracts in place at the time of the Closing remain in place during the forecast period and generate revenue of $6,695 for the REIT, representing an average rate of 3.1% of rental collections from the underlying properties, as defined in the agreements, in addition to certain other related fees.

(d) Operating costs:

Operating costs have been forecasted with reference to the operating plans and budgets for the Initial Properties. The consolidated financial forecast reflects historical data, anticipated changes, adjusted for changes in costs due to inflation and other market trends. The major components of operating costs consist of realty taxes, utilities, repairs and maintenance, insurance and salaries.

4. Significant assumptions (continued)

(e) Finance costs:

Finance costs will include interest expense on long-term debt, amortization associated with loan fees, distributions on Class B Redeemable Units and gains or losses on the change in fair value of financial liabilities designated as at fair value through profit or loss, including Class B Redeemable Units. The Class B Redeemable Units are entitled to distributions of cash from the Partnership equal to the distributions declared and paid to holders of units by the REIT, subject to certain adjustments. The distributions on Class B Redeemable Units are based on the assumption that annual distributions will be made based on 90% of forecasted annual adjusted funds from operations, as defined, of $34,867 for the twelve-month period ending December 31, 2013, and that the Class B Redeemable Units represent approximately a 29.57% interest in the REIT on a fully exchanged basis. Net interest and amortization consists of:

	Three-month periods ending				Twelve-month period ending
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	December 31, 2013
Interest expense	$5,184	$5,271	$5,252	$5,205	$20,912
Amortization of financing costs	63	63	63	61	250
	5,247	5,334	5,315	5,266	21,162
Distributions of Class B Redeemable Units	2,320	2,320	2,320	2,319	9,279
Finance costs	$7,567	$7,654	$7,635	$7,585	$30,441

(f) Trust expenses:

Trust expenses are forecasted based on management's best estimates with reference to the REIT's plans and budgets and relate to the day-to-day administration of the REIT. The expenses will include trust costs, including legal and audit fees, trustee fees, investor relations and reporting costs, transfer agent fees, insurance costs, executive salaries, benefits and incentive compensation and the asset management fee.

(g) Unit options:

The REIT plans to adopt a unit option plan (the "Plan"). Under the terms of the Plan, the Board of Trustees may from time to time, at its discretion, grant trustees, officers, employees and consultants options to purchase trust units, exercisable for a maximum period of 10 years from the date of grant. The maximum number of units reserved for issuance under the Plan is 10% of the total number of units issued and outstanding from time to time.

On closing the REIT assumes it will grant 1,425,000 options at an exercise price of $10.50 per unit, expiring January 1, 2023. These options vest as follows:

(i) 25% of the options vest on the first anniversary of the grant date;

(ii) 25% of the options vest on the second anniversary of the grant date;

(iii) 25% of the options vest on the third anniversary of the grant date; and

(iv) 25% of the options vest on the fourth anniversary of the grant date.

The compensation expense of $754 for these options was determined based on the fair value of the options at the grant date using the Black-Scholes option pricing model with the following assumptions:

Average expected option life	5.5 years
Risk-free interest rate	1.8%
Expected volatility	25%
Dividend yield	6.5%

(h) Acquisitions and dispositions of investment properties:

This consolidated financial forecast does not reflect any potential sales of the Initial Properties or acquisitions of multifamily residential properties other than the acquisitions discussed in note 4(a). However, it is possible that the REIT will make purchases and sales of properties during the forecast period which will only be undertaken on a basis considered by management to be advantageous to the REIT and as approved by the Trustees of the REIT.

4. Significant assumptions (continued)

(i) Fair value change in investment properties:

The REIT has applied the fair value model to accounting for investment properties, requiring the fair value of the properties to be determined at each reporting period. For financial reporting purposes, fair values are impacted by many variables, such as local and global economic conditions that are by their nature not susceptible to forecasting. Accordingly, the forecast does not reflect any changes in fair values of the investment properties. For illustrative purposes, assuming all other variables remain constant, a 25-basis point decrease in the overall capitalization rate of the investment properties would result in a fair value increase of approximately $44.6 million. A 25-basis point increase in the overall capitalization rate of the investment properties would result in a fair value decrease of approximately $41.5 million.

(j) Class B Redeemable Units:

The Class B Redeemable Units are accounted for at fair value with changes in fair value recognized in net income each period. Fair values are impacted by many variables, such as local and global economic conditions that are by their nature not susceptible to forecasting. Accordingly, the financial forecast does not reflect any change in the fair value of the Class B Redeemable units. For illustrative purposes, a 10% change in the market value of a unit of the REIT, into which Class B Units may be exchanged, would result in a fair value change of approximately $14,277.

(k) Income taxes:

The REIT intends to meet the real estate investment trust requirements under the Code, to not be a SIFT trust pursuant to the Income Tax Act (Canada), and to make the necessary distributions to not be subject to Canadian or U.S. federal income tax.

Accordingly, in the consolidated financial forecast, the REIT has not recorded a provision for current income taxes or deferred income taxes in respect of the assets, liabilities and earnings of the REIT. This exemption does not extend to corporate subsidiaries of the REIT that are subject to income tax and, as a result, $1,061 of income taxes, including $635 of Texas Margin Tax, has been recorded in the consolidated financial forecast.

(l) Other matters:

No significant changes in economic conditions and government legislation with respect to taxes, including realty taxes, other than announced changes, are anticipated during the forecast period.

5. Related party transactions:

The consolidated financial forecast includes the following transactions with The Milestone Group and Milesouth:

(a) Asset management fees:

Asset management fees of $4,618 will be paid to TMG Partners LP pursuant to an agreement establishing asset management fees at 0.40% of gross book value, as defined in the agreement, up to $2 billion and 0.30% of gross book value, as defined in the agreement, in excess of $2 billion.

Under the terms of the agreement, TMG Partners LP is eligible to earn certain incentive fees based on the performance of the REIT. For purposes of preparing the consolidated financial forecast, it has been assumed that such fees have not been earned.

(b) Class B Redeemable Units:

Distributions on the Class B Redeemable Units of $9,279 are paid to The Milestone Group and Milesouth.

6. Commitment and contingencies:

In connection with the Offering, the REIT has agreed to indemnify the underwriters against certain liabilities, including liabilities under applicable securities legislation, or to contribute to payments the underwriters may be required to make in respect of those liabilities. The REIT has agreed to indemnify, in certain circumstances, the Trustees and the officers of the REIT.

Milestone Apartments REIT

FORECAST NON-IFRS RECONCILIATION

The following table reconciles forecast net income and comprehensive income to FFO, AFFO and NOI. See "Non-IFRS Measures". Please note that these reconciliations do not form part of the Statements of Financial Forecast.

	Annualized[1] Nine Months Ended September 30,	Forecast Three-month periods ending				Twelve-month period ending (Forecast)
	2012 (Pro forma)	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	December 31, 2013
Net income and comprehensive income	28,467	8,299	8,226	8,801	9,005	34,331
Add/(Deduct)						
Distributions on Class B Redeemable Units treated as interest expense	9,279	2,320	2,320	2,320	2,319	9,279
Depreciation and amortization	680	170	170	170	170	680
FFO	38,426	10,789	10,716	11,291	11,494	44,290
Add/(Deduct)						
Capex reserve	(6,778)	(1,694)	(1,695)	(1,694)	(1,695)	(6,778)
Mark-to market debt adjustments	(3,705)	(903)	(924)	(926)	(919)	(3,672)
Amortization of deferred financing charges	250	63	63	63	61	250
Amortization of straight line rent	23	6	6	6	5	23
Amortization of grant date fair value related Unit-based compensation plans	754	189	189	189	187	754
AFFO	28,970	8,450	8,355	8,929	9,133	34,867
Calculation of Net Operating Income						
Property revenue[2]	141,327	36,269	36,863	37,294	37,527	147,953
Operating expenses[3]	(71,138)	(18,135)	(18,746)	(18,595)	(18,666)	(74,142)
Net operating income	70,189	18,134	18,117	18,699	18,861	73,811

(1) Nine month figures have been annualized on a straight line basis.
(2) Excludes property management revenue.
(3) Operating expenses adjusted for an estimated gross margin of 12% of property management revenue.

Below is a reconciliation of the pro forma NOI for the nine months ended September 30, 2012 annualized to the forecast NOI for the twelve months ending December 31, 2013. This reconciliation is illustrative in nature and has been prepared by management as a supplement for the reader to the financial forecast. The assumptions used in respect of leasing activity, unit roll over rates, market rental rates, estimated cost savings, tax costs and the items that make up inflation and other adjustments in order to arrive at the figures below constitute forward-looking information. While these assumptions are considered reasonable by management as of the date of this prospectus, they are inherently subject to significant uncertainties and contingencies that may affect the outcome of the forward-looking information. Investors should use caution when considering such forward-looking information, and the REIT cautions readers not to place undue reliance on these statements. See "Forward-Looking Statements".

Add (Deduct):

Pro forma NOI for the nine months ended September 30, 2012 annualized	**$70,189**
Rent increases and unit roll over to market rates	4,733
Unit lease-up	1,174
Increase in real estate tax expense	(1,301)
Inflation and other	(961)
Forecast NOI[1]	**$73,834**

(1) Based on NOI for the forecast twelve month period ending December 31, 2013 of $73,811, adjusted for straight line rent of $23 for the same period.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations covers the historical performance of Milestone Multifamily Investors LP and Milestone Management, L.P. Any references to forward-looking information contained herein should be read in conjunction with "Forward-Looking Statements". Any references to risk factors contained herein should be read in conjunction with "Risk Factors" also located in the Prospectus.

Milestone Multifamily Investors LP for the nine months ended September 30, 2012 and 2011 and years ended December 31, 2011 and 2010.

Overview

The following discusses the financial condition and results of operations and changes thereto of the historical information relating to Milestone Multifamily Investors LP (for purposes of this MD&A, "MMI" or "Partnership") and should be read in conjunction with MMI's balance sheets as at September 30, 2012 and September 30, 2011 (unaudited), respectively along with the statements of operations for the nine month period ended September 30, 2012 and September 30, 2011 (unaudited) respectively, as well as MMI's audited balance sheets as at December 31, 2011 and December 31, 2010, respectively, along with the audited statements of operations for the years ended December 31, 2011 and December 31, 2010, respectively.

MMI was formed on April 13, 2006 as a Delaware limited partnership. The Partnership was formed for the purpose of acquiring the outstanding general and limited partnership interests of TIO Milestone LP. On June 13, 2006, pursuant to the terms of a Partnership Interest Purchase Agreement, the Partnership acquired the entire outstanding general and limited partnership interests of TIO Milestone LP. TIO Milestone LP owned, through various subsidiary entities (Subsidiaries), 57 individual apartment properties containing an aggregate of 18,665 units located primarily in the Southwest and Southeast United States. As of September 30, 2012, the Partnership owned the 52 apartment properties comprising the Initial Properties containing 16,944 units.

MMI's business currently depends materially on the rental of residential multifamily units, which generate the majority of the revenues of MMI.

MMI's functional and reporting currency is the U.S. dollar and is stated in thousands of U.S. dollars, unless otherwise noted. Financial data has been prepared in accordance with IFRS and its interpretations adopted by the International Accounting Standards Board (the "IASB").

The 52 revenue-producing properties, together with their related assets and liabilities, are to be acquired by the Milestone Apartment Properties REIT upon completion of an initial public offering of units.

MMI is not subject to income tax but is liable to a franchise tax in the state of Texas, namely the "Texas Margin Tax". The Texas Margin Tax is an annual franchise tax levied on qualifying entities, which include partnerships, and is computed by reference to an entity's modified gross income. Refer to Note 3 of the consolidated financial statements of MMI for the nine month period ended September 30, 2012, for further details thereof.

MMI implemented a new revenue maximization strategy in 2012 by utilizing industry specific revenue management software beginning in the 2nd Quarter of 2012. This new strategy will help minimize rental concessions, while helping to maximize rent growth and effectively maintaining occupancy. There is a per suite charge for this subscription based service.

For a discussion of the overall business strategy utilized by MMI, see section "Growth Strategies of the REIT" for additional information.

The objective of this discussion is to provide a prospective purchaser of Units of the REIT with an analysis of the historical assets, liabilities, revenues and operating expenses, including mortgage interest of the Initial Properties for

the above-mentioned periods. Less emphasis has been placed on analyzing the impact of income taxes and the historical capital structure of the Initial Properties as MMI's audited combined financial statements and unaudited interim combined financial statements do not reflect the REIT's proposed capital structure and income tax status which will be significantly different. The unaudited "pro forma" combined financial statements of MMI contained in this prospectus reflect the impact of financial leverage, REIT tax status and proposed capital structure on a going forward basis.

During the nine month period ended September 30, 2012, as compared to the nine month period ended September 30, 2011 (unaudited), the operating rental revenue minus the operating expenses and real estate taxes increased by approximately $5,949 or 13%. This change resulted from increased rental rates and reduction of real estate tax expense. In addition, the weighted average occupancy rate of the Initial Properties, another important indicator of MMI's performance, increased by 0.3% as demonstrated in the tables below. During the year ended December 31, 2011, as compared to the year ended December 31, 2010, the operating rental revenue minus the operating expenses and real estate taxes increased by $3,945 or 6.6%. This change resulted from an increase in total revenue of $3,658 that resulted from increased rental rates and increased occupancy**.** The weighted average occupancy rate of the Initial Properties, increased by 0.6% for the year ended December 31, 2011.

	As at September 30,	For the Nine Months ended September 30,	
	2012	2012	2011 (unaudited)
Weighted Average Occupancy	93.7%	92.7%	92.4%

	Year ended December 31,	
	2011	2010
Weighted Average Occupancy	92.1%	91.5%

The following table highlights certain information about the Initial Properties as at September 30, 2012 (organized by state):

Initial Property: Name	Initial Property: Address	MSA	State	Year Built / Renovated	Number of Units	NRA (000 sq. feet)	Average Monthly In-Place Rents[1]	Occupancy
Meadow Glen	4201 W. Union Hills Drive	Phoenix	Arizona	1986	290	242	$610	88.3%
Terra Vida	150 S. Roosevelt Road	Phoenix	Arizona	1986	384	306	$616	92.2%
Villas at Cave Creek	2529 W. Cactus	Phoenix	Arizona	1986	696	574	$521	85.5%
Bentley Green	8214 Princeton Sq. Blvd. E.	Jacksonville	Florida	1986	820	597	$661	95.5%
Brookwood Club	1385 Brookwood Forest Blvd.	Jacksonville	Florida	1987	360	287	$687	93.6%
Oak Ramble	14627 Grenadine Drive	Tampa	Florida	1985	256	229	$745	93.0%
South Pointe	5000 South Himes Ave.	Tampa	Florida	1986	112	98	$868	95.5%
St. James Crossing	5620 Tranquility Oaks Drive	Tampa	Florida	1986	264	198	$723	89.4%
Saratoga	3595 Misty Oak Drive	Melbourne	Florida	1986	210	147	$633	98.6%
Ivy Commons	3555 Austell Road	Atlanta	Georgia	1986	344	370	$661	92.7%
Shannon Chase	5300 Highway 138	Atlanta	Georgia	1987	156	163	$642	91.0%
Villas at Indian Trail	50 Stoneview Trail	Atlanta	Georgia	1986	236	242	$618	92.8%
Brandywine I	5204 Edmondson Pike	Nashville	Tennessee	1985	300	199	$685	96.7%
Brandywine II	5200 Edmondson Pike	Nashville	Tennessee	1985	332	215	$678	93.7%
Nashboro Village[2]	115 Nashboro Blvd.	Nashville	Tennessee	Phased construction between 1974-1988	994	959	$682	91.5%
Windsor Park	100 Windsor Park Lane	Nashville	Tennessee	1985	232	152	$648	95.7%
Arbors of Wells Branch	1831 Wells Branch Pkwy.	Austin	Texas	1986	212	156	$734	91.0%
Lakes at Renaissance Park	14000 Renaissance Court	Austin	Texas	1986	308	215	$684	93.5%
Arbor Creek	396 E. Southwest Pkwy.	Dallas	Texas	1984	280	217	$682	94.6%
Canyon Ridge	1000 W. Yellowjacket Lane	Dallas	Texas	1983	164	121	$883	94.5%
Casa Valley	500 Santa Fe Trail	Dallas	Texas	1986	150	131	$853	94.7%
The Gables	1500 W. El Dorado Pkwy.	Dallas	Texas	1986	220	170	$723	92.3%
Preston Greens	5990 Arapaho	Dallas	Texas	1980	257	248	$782	97.7%
Springfield	2305 Driftwood Drive	Dallas	Texas	1985	264	193	$671	94.7%
Summer Meadows	6000 Ohio Drive	Dallas	Texas	1986	389	323	$786	97.2%
Summer Villas	17717 Preston Road	Dallas	Texas	1984	460	328	$637	97.4%
Summers Crossing	1500 Preston Road	Dallas	Texas	1986	294	240	$777	95.9%
Arbors of Euless	1002 Fuller Wiser Road	Fort Worth	Texas	1984	272	214	$668	93.4%
Cinnamon Park	2612 Cinnamon Park Circle	Fort Worth	Texas	1985	272	213	$728	96.7%
Meadows of Bedford I	1400 Sierra Springs Drive	Fort Worth	Texas	1985	286	211	$642	94.1%
Meadows of Bedford II	1400 Sierra Springs Drive	Fort Worth	Texas	1983	204	161	$642	90.7%
Parks at Treepoint	6601 Treepoint Drive	Fort Worth	Texas	1984	586	472	$645	88.6%
Post Oak Place	13950 Trinity Blvd.	Fort Worth	Texas	1983	354	256	$589	94.6%
Remington Hill	5701 Overton Ridge Blvd.	Fort Worth	Texas	1986	440	339	$638	95.9%
Summers Landing	3900 Centreport Blvd.	Fort Worth	Texas	1985	196	139	$662	96.9%
Woods of Bedford	2700 Central Drive	Fort Worth	Texas	1982	706	513	$587	95.0%
Bar Harbor	2601 North Repsdorph	Houston	Texas	1983	316	209	$642	90.2%
Brandon Oaks	11111 Saathoff	Houston	Texas	1983	196	169	$686	91.3%
Brookfield	14230 Wunderlich	Houston	Texas	1984	250	189	$632	90.8%
Central Park Regency	11300 Regency Green Drive	Houston	Texas	1983	348	319	$681	94.8%
Cimarron Parkway	22022 Cimarron Pkwy.	Houston	Texas	1983	272	238	$739	95.6%
Enclave at Cypress Park	1822 Barker Cypress	Houston	Texas	1984	384	330	$704	92.7%
Hidden Lake	900 Henderson Ave.	Houston	Texas	1986	440	319	$780	95.7%
Hunt Club at Pin Oak	1550 Katy-Flewellen Road	Houston	Texas	1984	204	136	$690	95.6%
The Huntley 450 El D	450 El Dorado	Houston	Texas	1985	214	165	$752	96.7%
The Retreat at Eldridge	2323 Eldridge Pkwy.	Houston	Texas	1998	168	158	$967	96.4%
Richmond Green	9940 Richmond Avenue	Houston	Texas	1980	224	214	$756	91.5%
Silverado	1335 Silverado	Houston	Texas	1979	344	249	$637	92.4%
Costa Del Sol	16100 Henderson Pass	San Antonio	Texas	1986	244	181	$731	97.1%
Country View	8727 Fredericksburg Road	San Antonio	Texas	1981	272	213	$771	97.8%
James Pointe	632 E. 6400 South	Salt Lake City	Utah	1985	312	237	$753	96.8%
Stillwater	5560 S. Vine Street	Salt Lake City	Utah	1986	456	343	$748	97.6%
Total Portfolio					**16,944**	**13,514**	**$684**[3]	**93.7%**[4]

Notes:

(1) *The monthly in-place rent per unit represents the average monthly in-place rents for the property for September, 2012. The monthly in-place rent is calculated as total in-place rent per property, divided by the number of occupied units.*

(2) *Nashboro Village is a four hundred acre Master Planned Multi-Family Development, which consists of five apartment home communities (and a tennis center and leasing centre): Center Court (50 units); Village Green (328 units); Village Hills (120 units); Doubletree (200 units); and Deerfield (296 units).*

(3) *Weighted average in-place rental rate.*

(4) *Weighted average occupancy rate.*

The following discussion includes IFRS results of operations for the nine months ending September 30, 2012, and 2011 (unaudited) and for the years ended December 31, 2011 and 2010.

Nine months ended September 30, 2012 and September 30, 2011 (IFRS)

These are MMI's first financial statements prepared under IFRS and include comparative results for the nine months ended September 30, 2012 and for the nine months ended September 30, 2011 that have been restated to conform to the accounting policies adopted under IFRS.

Non-IFRS Measures

All financial information has been prepared in accordance with IFRS. However, this MD&A also contains certain non-IFRS financial measures including funds from operations ("FFO"), adjusted funds from operations ("AFFO") and net operating income ("NOI") that are measures commonly used by entities in the real estate industry as useful metrics for measuring performance. However, they do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other publically traded entities. These measures should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS.

FFO is used in addition to net income to report operating results. FFO is an industry standard for evaluating operating performance and is defined as net income in accordance with IFRS, (i) plus or minus fair value adjustments on investment properties; (ii) plus or minus gains or losses from sales of investment properties; (iii) plus or minus other fair value adjustments; (iv) minus acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (v) plus distributions on redeemable or exchangeable units treated as interest expense; (vi) plus or minus any negative goodwill or goodwill impairment; and (vii) plus deferred income tax expense, after adjustments for equity accounted entities and joint ventures calculated to reflect FFO on the same basis as consolidated properties. FFO is not indicative of funds available to meet cash requirements.

AFFO is a supplemental measure to net income that is used in the real estate industry to assess the sustainability of future cash distributions. AFFO is defined as FFO subject to certain adjustments, including: (i) amortization of fair value market-to-market adjustments on long term debt and amortization of financing costs, (ii) adjusting for any differences resulting from recognizing property rental revenues or expenses on a straight-line basis, (iii) amortization of grant date fair value related to compensation incentive plans, (iv) adjusting for any non-cash compensation expense, and (v) deducting a reserve for normalized maintenance capital expenditures, as determined by the REIT. Other adjustments may be made to AFFO as determined by the Trustees in their sole discretion. Maintenance capital expenditures are estimated by management and represent capital expenditures that are required to maintain the existing earning potential of a property. Significant judgment is required to classify property capital investments. AFFO should not be interpreted as an indicator of cash generated from operating activities as it does not consider changes in working capital.

"NOI" is used by industry analysts, investors and management to measure operating performance of Canadian real estate investment trusts. NOI represents revenue from properties less property operating expenses as presented in the combined statements of income prepared in accordance with IFRS, with operating expenses being adjusted for an estimated gross margin of 12% on property management revenues.

International Financial Reporting Standards

Effect of Adoption of IFRS

IFRS is based on a conceptual framework similar to U.S. generally accepted accounting principles ("U.S. GAAP"); however significant differences exist in certain areas of recognition, measurement and disclosure. While the adoption of IFRS did not have a material impact on MMI's reported net cash flows, it did have a material impact on MMI's consolidated statements of financial position and consolidated statements of comprehensive income. In particular, MMI's opening statement of financial position reflects a significant increase in MMI's assets and a corresponding increase in the net assets attributable to the partners under IFRS, as a result of the effect of valuing investment properties at fair value. The impact of these differences on MMI's January 1, 2010 opening consolidated statement of financial position under IFRS compared to its December 31, 2009 consolidated balance sheet that was prepared under U.S. GAAP increased the net assets attributable to the partners under IFRS from $63,116 to $128,334. In addition, the impact of these differences on MMI's December 31, 2010 consolidated statement of financial position under IFRS compared to the consolidated balance sheet under U.S. GAAP resulted in the net assets attributable to the partners under IFRS increasing from $72,252 to $283,697.

IFRS 1: First-Time Adoption of IFRS

The adoption of IFRS required the retrospective application of all accounting standards as at the transition date, January 1, 2010. The transition to IFRS requires that adjustments that arise on the conversion to IFRS from U.S. GAAP be recognized in the opening retained earnings on the transition date. IFRS 1, "First-Time Adoption of International Financial Reporting Standards" ("IFRS 1"), provides certain mandatory exceptions and optional exemptions that allow for prospective treatment under certain conditions to certain accounting standards. The following are the optional exemptions available under IFRS 1 which are significant to MMI and which MMI applied in the preparation of its first financial statements under IFRS, and these exemptions are consistent with those selected by the REIT: IFRS 1 allows for certain other optional exemptions; however, MMI deemed these exemptions not to be significant to its adoption of IFRS.

Impact of IFRS on Consolidated Statements of Financial Position

Investment Properties

MMI considers its real estate properties to be investment properties under IAS 40, "Investment Property" ("IAS 40"). Under IFRS, investment property is defined as property that is held to earn rentals or for capital appreciation purposes or both. Similar to U.S. GAAP, investment property is initially recorded at cost, however, subsequent to initial recognition; IFRS requires that an entity choose either the historical cost basis or fair value basis model to account for its investment property. Under IFRS, MMI has the choice of whether to use the historical cost model or the fair value model. MMI has elected to adopt the fair value model when preparing its financial statements under IFRS. MMI has determined that the fair value of its investment properties as at January 1, 2010 is $65,218 greater than the carrying value under U.S. GAAP.

The fair value of the investment properties was based upon, among other things, appraisals performed by independent appraisers that are certified in the U.S. The fair values were determined primarily using the direct capitalization income methodology.

Using the direct capitalization income method, the properties were valued using capitalization rates in the range of 5.3% to 9.4% on January 1, 2010 applied to a stabilized net operating income resulting in an overall weighted average capitalization rate of 7.7% on January 1, 2010.

Net assets attributable to partners under IFRS

Under U.S. GAAP, the net assets of the Partnership have been accounted for as equity; however, under IFRS the net assets attributable to the partners are classified as a financial liability due to the mandatory distribution of such net assets to the partners on the date of liquidation, as stipulated in the partnership agreement.

Impact of IFRS on Consolidated Statements of Comprehensive Income

The following paragraphs highlight the significant and recurring differences between U.S. GAAP and IFRS that affect net income and comprehensive income.

Fair Value Changes

As a result of MMI adopting the fair value model to account for its investment properties, net income could be greater or less than as determined under U.S. GAAP depending on the fair value adjustment that is recorded during the reporting period. The impact of fair value changes resulted in an increase to net income of $91,587 for the year ended December 31, 2010.

Depreciation Expense

Under the fair value model, depreciation of investment properties is not recorded for financial reporting purposes. The impact of no longer recording depreciation expense on MMI's investment properties have resulted in an increase to net income of $54,640 for the year ended December 31, 2010.

Distributions to Partners

In conjunction with the financial liability classification of net assets attributable to the partners, distributions to the partners are classified as a finance expense in the statement of comprehensive income. The impact of recording distributions to partners resulted in a decrease to net income of $12,377 for the year ended December 31, 2010.

Impact of IFRS on the Consolidated Statements of Cash Flows

Including the change in fair value of investment properties of $91,587 and removing depreciation expense of $54,640 were the material adjustments related to the fair value of investment property policy election to convert the U.S. GAAP cash flow statements to IFRS. Additionally, as a result of classifying distributions to partners as a finance expense, the increase in net assets attributable to the partners includes such expense in the IFRS statement of cash flows. Further, distribution expense is included as an adjustment to cash flows from operating activities under IFRS.

Lastly, interest received and margin taxes paid are recorded in cash flows from operating activities; interest paid is recorded in cash flows from financing activities. There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows previously presented under U.S. GAAP.

Composition of MMI

The composition of MMI's assets as at September 30, 2012 and September 30, 2011 (unaudited) were as follows:

Types	Number of Properties	Total Units	Initial Properties Share of Units	Investment Properties	2012 NOI	2011 NOI
Multi-family	52	16,944	16,944	52	$51,696	$45,747

Review of Selected Financial and Operating Information of MMI as at and for the Nine Months Ended September 30, 2012 and September 30, 2011 (unaudited)

The following tables highlight selected financial information of MMI for the nine months ended September 30, 2012 and September 30, 2011 (unaudited). This information has been compiled from the consolidated financial statements and notes thereto and should be read in conjunction with the IFRS consolidated financial statements and notes included elsewhere in this Prospectus.

Below is a summary of the unaudited FFO and AFFO for the nine months ended September 30, 2012 and September 30, 2011, with additional detail in "Funds from Operations and Adjusted Funds from Operations".

	Nine months ended September 30	
	2012	2011
	(unaudited)	(unaudited)
Funds from Operations	$27,034	$17,039
Adjusted Funds from Operations	$22,139	$12,218

As at September 30	2012	2011
		(unaudited)
Investment properties – 52 properties	$1,111,200	$ 972,657
Total current assets	40,618	36,869
Total current liabilities (excluding the current portion of mortgages payable)	(24,002)	(22,995)
Mortgages payable	$ (644,639)	$(654,489)

Nine months ended September 30	2012	2011
		(unaudited)
Revenue	$105,995	$100,555
Property operating expenses	(54,299)	(54,808)
Net operating income	51,696	45,747
Finance expense	(20,083)	(24,058)
Distributions to the Partners	(18,743)	(9,390)
G&A, asset management fees, and other	(4,917)	(4,987)
Income before fair value gains on investment properties and income taxes	7,953	7,312
Fair value gains on investment properties	49,841	33,031
Net income	**$ 57,794**	**$ 40,343**
Weighted average occupancy as at September 30 (unaudited)	**93.7%**	**92.4%**

Financial Statement Analysis

Investment Properties

The fair value of the Initial Properties was determined using the direct capitalization income method. As of September 30, 2012, the properties were valued using an overall weighted capitalization rate of 6.13% (6.36% at September 30, 2011 (unaudited). The high and low capitalization rates are set out in the following table:

	September 30	
	2012	2011
		(unaudited)
High capitalization rate	6.3%	7.2%
Low capitalization rate	5.7%	5.7%

Total Current Assets

	September 30			
	2012	2011	Variance	%
		(unaudited)		
Total current assets	**$40,618**	**$36,869**	**$3,749**	**10.2%**

Total current assets comprise cash and cash equivalents, restricted cash, rent and other receivables, prepayments and other current assets, and derivative instruments. Total current assets increased by $3,749, or 10.2%, to $40,618 as at September 30, 2012 compared to $36,869 as at September 30, 2011. The increase is primarily due to the accumulation of operating cash for the potential initial costs necessary for the planned initial public equity offering scheduled for 2013.

Total Current Liabilities (excluding the current portion of mortgages payable)

	September 30			
	2012	2011	Variance	%
		(unaudited)		
Total current liabilities (excluding the current portion of mortgages payable)	**$24,002**	**$22,995**	**$1,007**	**4.4%**

Total current liabilities (excluding the current portion of mortgages payable) consist of accrued liabilities and accounts payable. Such liabilities increased by $1,007, or 4.4%, to $24,002 as at September 30, 2012 compared to $22,995 as at September 30, 2011 with the increase being attributable to the increase of normal operating payables due to the timing of normal property payables.

Mortgages

Mortgages payable totaled $644,639 as at September 30, 2012, compared to $654,489 as at September 30, 2011, representing a decrease of $9,850, or 1.5%. The majority of the change is attributable to scheduled principal payments of $6,942.

The aggregate principal repayments and balances maturing of the mortgages payable on real estate assets at September 30, 2012 in the next five years and, thereafter, are as follows:

	Principal Payments During Period	Principal Repayments On Maturity	Total	Weighted Average Interest Rate
2012	$ 2,003	$ 0	$ 2,003	3.7%
2013	10,826	0	10,826	3.7%
2014	11,888	0	11,888	3.7%
2015	8,358	223,635	231,993	3.9%
2016	6,941	24,952	31,893	3.9%
2017	7,134	0	7,134	3.8%
Thereafter	22,785	329,855	352,640	3.8%
			$648,377	**3.8%**

Review of operational results

A comparison of the nine month period ended September 30, 2012 and September 30, 2011

Revenue

	Nine months ended September 30			
	2012	2011	Variance	%
		(unaudited)		
Rental revenue	$ 94,822	$ 90,034	$4,788	5.3%
Other income	11,173	10,521	652	6.2%
Total revenue	**$105,995**	**$100,555**	**$5,440**	**5.4%**

Rental revenue consists of all rental related income earned from the investment properties, including rent earned from tenants under lease agreements, property tax, and operating cost recoveries. Other income mainly comprises

miscellaneous income receivable from tenants under the terms of the lease arrangements. Total revenue increased by $5,440, or 5.4%, to $105,995 for the nine months ended September 30, 2012 compared to $100,555 for the nine months ended September 30, 2011. The increase was largely attributable to increased rental rates and increased occupancy.

Property Operating Expenses

	Nine months ended September 30			
	2012	2011	Variance	%
		(unaudited)		
Property operating expenses	**$54,299**	**$54,808**	**$(509)**	**(0.9)%**

Property operating expenses are comprised mainly of building common area and maintenance expenses, real estate taxes, insurance and other costs associated with the management and maintenance of the investment properties. These expenses decreased by $509, or 0.9%, to $54,299 for the nine months ended September 30, 2012 compared to $54,808 for the nine months ended September 30, 2011. The decrease in expenses was primarily due to reductions in real estate taxes ($291) and increases in insurance recoveries ($446), which were partially offset by increased management fees ($135) due to increased rental revenue and increases in property insurance expense ($227).

NOI

	Nine months ended September 30			
	2012	2011	Variance	%
	(unaudited)	(unaudited)		
NOI	**$51,696**	**$45,747**	**$5,949**	**13.0%**

NOI is used by industry analysts, investors and management to measure operating performance of Canadian real estate investment trusts. NOI is unaudited and represents revenue from properties less property operating expenses. Property operating expenses comprising the property operating and maintenance expenses plus real estate taxes less gains on involuntary conversions, as presented in the consolidated statements of comprehensive income prepared in accordance with IFRS. NOI increased by $5,949, or 13.0%, to $51,696 for the nine months ended September 30, 2012 compared to $45,747 for the comparative nine month period. The increase is primarily due to a $4,788 increase in rental revenue.

General and Administrative Expenses

	Nine months ended September 30			
	2012	2011	Variance	%
		(unaudited)		
Management fees	$3,487	$3,433	$ 54	1.6%
Professional fees	1,029	1,151	(122)	(10.6)%
Other	397	380	17	4.5%
General and administrative expenses	**$4,913**	**$4,964**	**$ (51)**	**(1.0)%**

General and administrative expenses decreased by $51, or 1.0%, to $4,913 for the nine months ended September 30, 2012 compared to $4,964 for the nine months ended September 30, 2011. The decrease was attributable to timing differences in payments of third party valuation costs.

Management fees for the nine months ended September 30, 2012 were relatively consistent with those incurred for the same period in 2011, registering an increase of $54.

Net Finance Expenses

	Nine months ended September 30			
	2012	2011	Variance	%
		(unaudited)		
Finance expenses	$20,083	$24,058	$(3,975)	(16.5)%
Distributions to the Partners	18,743	9,390	9,353	99.6%
Net finance expense	**$38,826**	**$33,448**	**$ 5,378**	**16.1%**

Finance expenses consist of interest expense on borrowings and losses on hedging instruments which are recognized in profit or loss. Finance expenses decreased by $3,975 or 16.5%, to $20,083 for the nine months ended September 30, 2012 compared to $24,058 for the nine months ended September 30, 2011. The decrease was attributable to the refinancing of 25 CMBS loans in January 2012 resulting in lowering the interest rate range to 3.93%-4.16% from 5.18%-5.25%. Distributions to the Partners increased by $9,353 or 99.6% to $18,743 for the nine months ended September 30, 2012 compared to $9,390 for the nine months ended September 30, 2011. This was also attributable to the refinancing of the 25 CMBS loans in January 2012.

Income before Fair Value Gains on Investment Properties

	Nine months ended September 30			
	2012	2011	Variance	%
		(unaudited)		
Income before fair value gains on investment properties	**$7,953**	**$7,312**	**$641**	**8.8%**

Income before fair value gains on investment properties is used by management to measure the operating results of MMI, inclusive of the impact of interest expense. This measure provides income of MMI, prior to the impact of fair value gains/losses, which may be significantly impacted by external market conditions and also represents a non-cash item. The measure is not defined by IFRS and, accordingly, the term does not necessarily have a standardized meaning and may not be comparable to similarly titled measures presented by other publically traded entities.

Income before fair value gains on investment property increased by $641, or 8.8%, to $7,953 for the nine months ended September 30, 2012 as compared with $7,312 for the nine months ended September 30, 2011. The increase is mainly attributable to the increased revenue ($5,440) combined with the increase in net financing expenses ($5,378).

Fair Value Gains on Investment Properties

	Nine months ended September 30	
	2012	2011
		(unaudited)
Fair value gains on investment properties	**$49,841**	**$33,031**

As part of the adoption of IFRS in 2011, MMI elected to adopt the fair value model to account for its investment properties and recognized a fair value gain of $49,841 for the nine months ended September 30, 2012 compared to $33,031 for the comparative nine month period. Fair value adjustments are determined based on the movement of various parameters, including changes in stabilized NOI and capitalization rates.

Funds from Operations and Adjusted Funds from Operations

Further to the "Non-IFRS Measures" section, set out below is a reconciliation of the unaudited FFO and AFFO for the nine months ended September 30, 2012 and 2011:

	Nine months ended September 30	
	2012	2011
	(unaudited)	(unaudited)
Income for the period	$ 57,794	$ 40,343
Adjustments to arrive at FFO:		
Amortization of deferred financing costs	338	337
Distributions to the Partners	18,743	9,390
Fair value gains on investment properties	(49,841)	(33,031)
Funds from Operations	**27,034**	**17,039**
Maintenance capital expenditures	(4,895)	(4,821)
Adjusted Funds from Operations	**$ 22,139**	**$ 12,218**

Cash Flows

MMI reported a cash balance of $11,325 as at September 30, 2012 (2011 – $6,729). The changes in cash for the nine months ended September 30 are as follows:

	Nine months ended September 30	
	2012	2011
		(unaudited)
Cash flows provided by (used in):		
Operating activities	$ 54,870	$ 35,566
Investing activities	(14,489)	(11,828)
Financing activities	(35,937)	(21,746)
Increase in cash	**$ 4,444**	**$ 1,992**

Operating activities for the nine months ended September 30, 2012 and 2011

Cash flows from operating activities for the nine months ended September 30, 2012 generated a net cash inflow of $54,870 compared to a net cash inflow of $35,566 for the nine months ended September 30, 2011. The increase of $19,304 in cash flows from operating activities was largely driven by an increase in distribution expense of $9,353, and the increase in accounts payable of $8,469, related to the increase of the operating expenditures accrual of $1,954 and an increase in security deposits of $520.

Investing activities for the nine months ended September 30, 2012 and 2011

Cash flows used in investing activities for the nine months ended September 30, 2012 resulted in a net cash outflow of $14,489 compared to a net cash outflow of $11,828 for the nine months ended September 30, 2011. The increase of $2,661 in net cash outflows from investing activities was primarily due to capital expenditures increase of $6,968 off-set by an increase in insurance proceeds of $1,306.

Financing activities for the nine months ended September 30, 2012 and 2011

Cash flows used in financing activities for the nine months ended September 30, 2012 resulted in a net cash outflow of $35,937 compared to a net cash outflow of $21,746 for the nine months ended September 30, 2011. The increase of $14,191 in net cash outflows from financing activities was driven by the payment of financing costs ($3,700) related to the refinancing of the 25 CMBS loans in January 2012, and an increase in distributions to partners of $9,353. This was partially offset with increases in contributions from partners of $6,420.

Transactions with Related Parties

MMI entered into separate property management agreements with Milestone Management, L.P. ("Property Manager") and certain other affiliates of MMI. These agreements relate to the provision of property management services by the Property Manager to MMI in exchange for a fee. Management fees expense for the nine months ended September 30, 2012, and 2011 amounted to $7,199 and $6,690, respectively, as referred to in the notes to consolidated financial statements in the attached audited financial statements.

Subsequent events

On Closing, the REIT will indirectly acquire a 52-property portfolio of garden-style multifamily real estate assets comprised of 16,944 units and located in 10 major metropolitan markets, in six states, throughout the Southeast and Southwest United States.

The Partnership is contemplating selling partial LP interests in a to-be-formed REIT, through an IPO. In conjunction with the transaction, an affiliate would be contributed to the Partnership in exchange for LP interests in the Partnership.

Critical Accounting Estimates and Assumptions

Management makes estimates and assumptions concerning the future. The resultant accounting estimates may differ from actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are outlined below.

Investment properties

Investment properties are recorded at fair value, with fair value being determined by appraisals performed by independent, U.S. certified appraisers. For the purpose of such appraisals, a direct capitalization income method is used to calculate fair value. In determining estimates of fair value of the investment properties, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. The primary assumptions underpinning the fair value determination are capitalization rates and discount rates.

Significant Accounting Policies

A summary of significant accounting policies is set forth in Note 3 of the consolidated financial statements for the nine month period ended September 30, 2012.

Future Accounting Changes

New standards and amendments to existing standards issued by the IASB may be relevant to the REIT in preparing the combined financial statements in future periods, including IFRS 9, IFRS 10, IFRS 11, IFRS 12, IFRS 13, IAS 1 IAS 28, and IAS 32. The REIT intends to adopt these standards on their respective effective dates. The extent of the impact of adoption of these standards on the REIT or the Initial Properties has not yet been determined.

Financial Risk Management

MMI's activities expose it to credit risk, market risk and liquidity risk. Risk management is carried out by the Chief Financial Officer under policies approved by senior executive management.

(a) Credit Risk

Credit risk is the risk that (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. MMI mitigates the risk of credit loss with respect to residents by evaluating creditworthiness of new residents, obtain security deposits wherever permitted by legislation, and geographically diversifying the location of the properties. MMI monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the consolidated statements of comprehensive income.

(b) Market Risk

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices and comprises the following:

Interest Rate Risk

The investment properties are subject to the risks associated with debt financing; including the risk that mortgages and credit facilities will not be refinanced on terms as favorable as those of the existing indebtedness. MMI's objective of managing interest rate risk is to minimize the volatility of its income. As at September 30, interest rate risk has been minimized as all of the MMI's long term debt is financed at fixed interest rates with maturities scheduled over a number of years, with the exception of two mortgages totaling $31.5 million that are subject to floating interest rates.

(c) Liquidity Risk

Liquidity risk is the risk that MMI may encounter difficulties in assessing capital and refinancing its financial obligations as they come due. To mitigate the risk associated with the refinancing of maturing debt, MMI staggers the maturity dates of its mortgage portfolio over a number of years.

Liquidity, Capital Resources and Contractual Commitments

The REIT will seek to maintain a combination of short, medium and long-term debt maturities that are appropriate for the overall debt level of its portfolio, taking into account the availability of financing and market conditions, and the financial characteristics of each investment property. A summary of future debt obligations, based on principal debt maturities as of September 30, 2012, is as follows:

	Total	2012	2013	2014	2015	2016	2017	Thereafter
Mortgages notes payable	$648,377	2,003	10,826	11,888	231,993	31,893	7,134	352,640
Interest Payable	$152,482	6,156	24,397	23,975	18,541	14,919	14,303	50,191

Below is a debt summary based on the various debt pools of fixed and variable debt that MMI has in place as of September 30, 2012:

	Interest Rate	Maturity	Outstanding Loan Amounts
Conventional Fixed Rate Debt:			
Beech Street Capital, LLC(1)	4.15%	2/1/2022	$150,490
CBRE Capital Markets, Inc (Tranche 1)(2)	3.93%	2/1/2019	142,130
CBRE Capital Markets, Inc (Tranche 2)(3)	4.16%	2/1/2022	43,840
CBRE Capital Markets, Inc (Tranche 3)(4)	3.76%	7/1/2022	17,250
Holliday Fenoglio Fowler, L.P.(5)	5.97%	5/1/2016	26,238
Walker & Dunlop(6)			
Credit Facility	3.37%	4/1/2015	236,929
Total Conventional Fixed Debt			**616,877**
Weighted Average Fixed Interest rate	**3.867%**		
Tax Exempt Variable Rate Bonds:			
Prudential Multifamily Mortgage, Inc.(7)	1.15% - 1.18%	2/1/2028	23,740
Prudential Multifamily Mortgage, Inc.(8)	1.18%	2/1/2027	7,760
Total Tax Exempt Variable Debt			**31,500**
Weighted Average Variable Interest Rate	**1.171%**		
			648,377
Less Deferred Financing Fees, net			(3,738)
Balance at September 30, 2012			**$644,639**

Notes:
(1) Beech Street Capital, LLC loan consists of 15 of the properties comprising the Initial Properties.
(2) CBRE Capital Markets, Inc (Tranche 1) loan consists of 6 of the properties comprising the Initial Properties.
(3) CBRE Capital Markets, Inc (Tranche 2) loan consists of 4 of the properties comprising the Initial Properties.
(4) CBRE Capital Markets, Inc (Tranche 3) loan consists of 1 of the properties comprising the Initial Properties.
(5) Holliday Fenoglio Fowler, L.P. loans consist of 2 of the properties comprising the Initial Properties.
(6) Walker & Dunlop LLC Master Credit Facility consists of 20 of the properties comprising the Initial Properties.
(7) Prudential Multifamily Mortgage, Inc consist of 3 of the properties comprising the Initial Properties.
(8) Prudential Multifamily Mortgage, Inc consist of 1 of the properties comprising the Initial Properties.

Investment Property Performance

MMI evaluates its financial performance by analyzing the performance of its investment property portfolio in a given period. The investment property portfolio had 52 properties as of January 1, 2010.

Acquisitions

There were no property acquisitions completed by MMI from January 1, 2010 to the date of this Prospectus.

Disposals

There were no property disposals completed by MMI from January 1, 2010 to the date of this Prospectus.

Review of Selected Financial and Operating Information of MMI as at and for the Years Ended December 31, 2011 and December 31, 2010

The following tables highlight selected financial information of MMI for the years ended December 31, 2011 and December 31, 2010. This information has been compiled from the consolidated financial statements and notes thereto and should be read in conjunction with the IFRS audited consolidated financial statements and notes included elsewhere in this prospectus.

Below is a summary of the unaudited FFO and AFFO for the year ended December 31, 2011 and December 31, 2010, with additional detail in "Funds from Operations and Adjusted Funds from Operations".

	Years ended December 31	
	2011	2010
	(unaudited)	(unaudited)
Funds from Operations	$25,191	$22,259
Adjusted Funds from Operations	$18,898	$15,815

As at December 31	2011	2010
Investment properties [52 properties]	$1,044,084	$ 929,400
Total current assets	42,206	31,090
Total current liabilities (excluding the current portion of mortgages payable)	(20,183)	(19,252)
Mortgages payable	(653,888)	(656,268)

Years ended December 31	2011	2010
Revenue	$134,548	$130,890
Property operating expenses	(70,935)	(71,222)
Net operating income	63,613	59,668
Finance expense	(32,109)	(30,925)
Distributions to the Partners	(12,390)	(12,377)
G&A, asset management fees, and other	(6,775)	(7,302)
Income before fair value gains on investment properties and income taxes	12,339	9,064
Fair value gains on investment properties	97,988	91,587
Net income	**$110,327**	**$100,651**
Weighted average occupancy as at December 31 (unaudited)	**92.1%**	**91.5%**

Financial Statement Analysis

Investment Properties

The fair value of the Initial Properties was determined using the direct capitalization income method. As of December 31, 2011, the properties were valued using an overall weighted average capitalization rate of 6.17% (6.48% at December 31, 2010). The high and low capitalization rates are set out in the following table:

	December 31	
	2011	2010
High capitalization rate	6.9%	8.1%
Low capitalization rate	5.5%	5.6%

Total Current Assets

	December 31			
	2011	2010	Variance	%
Total current assets	**$42,206**	**$31,090**	**$11,116**	**35.8%**

Total current assets comprise cash and cash equivalents, restricted cash, rent and other receivables, prepayments and other current assets, and derivative instruments. Total current assets increased by $11,116, or 35.8%, to $42,206 as at December 31, 2011 compared to $31,090 as at December 31, 2010. The increase is primarily due to $6,903 paid in the 4th quarter of 2011 for the rate lock deposits for the twenty-five CMBS loan refinanced in January 2012.

Total Current Liabilities (excluding the current portion of mortgages payable)

	December 31			
	2011	2010	Variance	%
Total current liabilities (excluding the current portion of mortgages payable)	**$20,183**	**$19,252**	**$931**	**4.8%**

Total current liabilities (excluding the current portion of mortgages payable) consist of accrued liabilities and accounts payable. Such liabilities increased by $931, or 4.8%, to $20,183 as at December 31, 2011 compared to $19,252 as at December 31, 2011 with the increase being attributable to timing differences of normal property operating payable payments made.

Mortgages

Mortgages payable totaled $653,888 as at December 31 2011, compared to $656,268 as at December 31, 2010, representing a decrease of $2,380, or 0.4%, which was attributable to scheduled monthly principal payments.

Review of Operational Results

A comparison of the years ended December 31, 2011 and December 31, 2010

Revenue

	Years ended December 31			
	2011	**2010**	**Variance**	**%**
Rental revenue	$120,568	$116,660	$3,908	3.3%
Other income	13,980	14,230	(250)	(1.8)%
Total revenue	**$134,548**	**$130,890**	**$3,658**	**2.8%**

Total revenue increased by $3,658, or 2.8%, to $134,548 for the year ended December 31, 2011 compared to $130,890 for the year ended December 31, 2010. The increase was largely attributable to increased rental rates and increase occupancy.

Property Operating Expenses

	Years ended December 31			
	2011	**2010**	**Variance**	**%**
Property operating expenses	**$70,935**	**$71,222**	**$(287)**	**(0.4)%**

Property operating expenses decreased by $287 to $70,935 for the year ended December 31, 2011 compared to $71,222 for the year ended December 31, 2010. The decrease in expenses was primarily due to decreases in advertising and promotion expenses ($420), decreases in insurance expense ($744), and decreases in real estate taxes ($169) offset by increases in payroll compensation ($800) and increases in utility expenses ($173) and decreases in insurance recoveries ($142).

NOI

	Years ended December 31 (unaudited)			
	2011	**2010**	**Variance**	**%**
	(unaudited)	**(unaudited)**		
NOI	**$63,613**	**$59,668**	**$3,945**	**6.6%**

NOI is used by industry analysts, investors and management to measure operating performance of Canadian real estate investment trusts. NOI is unaudited and represents revenue from properties less property operating expenses. Property operating expenses comprising the property operating and maintenance expenses plus real estate taxes less gains on involuntary conversions, as presented in the consolidated statements of comprehensive income prepared in accordance with IFRS. NOI increased by $3,945, or 6.6%, to $63,613 for the year ended December 31, 2011 compared to $59,668 for the year ended December 31, 2010. The increase is primarily due to increased rental income of $3,908.

General and Administrative Expenses

	Years ended December 31			
	2011	**2010**	**Variance**	**%**
Management fees	$4,586	$4,582	$ 4	0.08%
Professional fees	1,657	2,035	(378)	(18.6)%
Other	507	604	(97)	(16.1)%
General and administrative expenses	**$6,750**	**$7,221**	**$(471)**	**(6.5)%**

General and administrative expenses decreased by $471, or 6.5%, to $6,750 for the year ended December 31, 2011 compared to $7,221 for the year ended December 31, 2010. The decrease was attributable to the timing of payments for third party property valuations ($409).

Asset management fees increased by $4, or 0.1%, to $4,586 for the year ended December 31, 2011 compared to $4,582 for the year ended December 31, 2010. The increase was attributable to a true up of the original property basis allocation, which is what the asset management fee is based on.

Net Finance Expenses

	Years ended December 31			
	2011	2010	Variance	%
Finance expenses	$32,109	$30,925	$1,184	3.8%
Distributions to Partners	12,390	12,377	13	0.1%
Net finance expenses	**$44,499**	**$43,302**	**$1,197**	**2.8%**

Finance expenses increased by $1,197, or 2.8%, to $44,499 for the year ended December 31, 2011 compared to $43,302 for the year ended December 31, 2010. The increase was attributable to the exercise of the extension of the Green Park debt facility changing it from a floating rate (0.60%) to a fixed rate (3.37%).

Income before Fair Value Gains on Investment Properties

	Years ended December 31			
	2011	2010	Variance	%
Income before fair value gains on investment properties	**$12,339**	**$9,064**	**$3,275**	**36.1%**

Income before fair value gains on investment properties is used by management to measure the operating results of MMI, inclusive of the impact of interest expense. This measure provides income of MMI, prior to the impact of fair value gains/losses, which may be significantly impacted by external market conditions and also represents a non-cash item. The measure is not defined by IFRS and, accordingly, the term does not necessarily have a standardized meaning and may not be comparable to similarly titled measures presented by other publically traded entities.

Income before fair value gains on investment properties increased by $3,275, or 36.1%, to $12,339 for the year ended December 31, 2011 as compared to $9,064 for the year ended December 31, 2010. The increase is mainly attributable to the increased rental rates and increase in occupancy.

Fair Value Gains on Investment Properties

	Years ended December 31	
	2011	2010
Fair value gains on investment properties	**$97,988**	**$91,587**

As part of the adoption of IFRS in 2011, MMI elected to adopt the fair value model to account for its investment properties and recognized a fair value gain of $97,988 for the year ended December 31, 2011 compared to $91,587 for the year ended December 31, 2010. Fair value adjustments are determined based on the movement of various parameters, including changes in stabilized NOI and capitalization rates.

Funds from Operations and Adjusted Funds from Operations

Further to the "Non-IFRS Measures" section above, set out below is a reconciliation of the unaudited FFO and AFFO for the years ended December 31, 2011 and 2010:

	Years ended December 31	
	2011	2010
	(unaudited)	(unaudited)
Income for the period	$110,327	$100,651
Adjustment to arrive at FFO:		
Amortization of deferred financing costs	462	719
Distributions to the Partners	12,390	12,377
Fair value gains on investment properties	(97,988)	(91,587)
Funds from Operations	25,191	22,259
Maintenance capital expenditures	(6,293)	(6,444)
Adjusted Funds from Operations	**$ 18,898**	**$ 15,815**

Cash Flows

MMI reported a cash balance of $6,881 as at December 31, 2011 (2010 – $4,737). The changes in cash for the years ended December 31 are as follows:

	Years ended December 31	
	2011	2010
Cash flows provided by (used in):		
Operating activities	$ 48,671	$ 49,269
Investing activities	(15,737)	(14,805)
Financing activities	(30,790)	(34,268)
Increase in cash	**$ 2,144**	**$ 196**

Operating activities for the years ended December 31, 2011 and 2010

Cash flows from operating activities for the year ended December 31, 2011 generated a net cash inflow of $48,671 compared to a net cash inflow of $49,269 for the year ended December 31, 2010. The decrease of $598 in cash flows from operating activities was largely driven by decrease in accounts payable ($963) and a decrease in prepaid insurance payments ($138).

Investing activities for the years ended December 31, 2011 and 2010

Cash flows used in investing activities for the year ended December 31, 2011 resulted in a net cash outflow of $15,737 compared to a net cash outflow of $14,805 for the year ended December 31, 2010. The increase of $932 in net cash outflows from investing activities was primarily due to the increase in capital expenditures of $3,743, offset by increased insurance proceeds from insured casualty losses of $1,407.

Financing activities for the years ended December 31, 2011 and 2010

Cash flows used in financing activities for the year ended December 31, 2011 resulted in a net cash outflow of $30,790 compared to a net cash outflow of $34,268 for the year ended December 31, 2010. The decrease of $3,478 in net cash outflows from financing activities was driven by increased principal pay down of debt ($1,919) coupled with a decrease in contributions ($37,476) from 2010 for capital expenditures and decrease in repayment of mortgage notes payable ($45,000).

Transactions with Related Parties

MMI entered into separate property management agreements with the Property Manager, an affiliate of MMI. These agreements call for the provision of property management services by the Property Manager to MMI in exchange for a fee. Property management fees expense for the years ended December 31, 2011, and 2010 amounted to $8,958 and $8,733, respectively, as referred to in the notes to consolidated financial statements in the attached audited financial report.

Additional summary financial information for most recent eight quarters

(in thousands of $)	2010 Quarter 4	2011 Quarter 1	2011 Quarter 2	2011 Quarter 3	2011 Quarter 4	2012 Quarter 1	2012 Quarter 2	2012 Quarter 3
Rental revenue	$29,234	$29,436	$30,076	$30,522	$30,534	$30,426	$31,711	$32,685
Other income	4,258	3,398	3,536	3,587	3,459	3,610	3,684	3,879
Total revenue	33,492	32,834	33,612	34,109	33,993	34,036	35,395	36,564
Property operating and maintenance expense	14,904	14,568	14,520	15,964	13,736	14,804	15,060	15,416
Real estate taxes	2,020	3,305	3,358	3,385	2,436	3,310	3,134	3,313
General and administrative expenses	1,048	685	1,060	792	968	752	948	778
Asset management fees	879	800	809	818	818	809	809	817
Unrealized loss – derivatives	(15)	8	12	3	2	—	4	—
Gain on involuntary conversion	(90)	(86)	(206)	—	(45)	(6)	(225)	(507)
Total operating expenses	18,746	19,280	19,553	20,962	17,915	19,669	19,730	19,817
Operating profit before net finance expenses and change in fair value of investment property	14,746	13,554	14,059	13,147	16,078	14,367	15,665	16,747
Finance Income	3	2	2	180	16	4	3	2
Finance expenses	8,652	7,915	8,066	8,261	8,067	7,399	6,390	6,303
Distributions to partners	2,476	1,275	3,235	4,880	3,000	4,255	9,163	5,325
Net finance expenses	11,125	9,188	11,299	12,961	11,051	11,650	15,550	11,626
Change in fair value of investment property	27,468	(1,902)	21,775	13,158	64,957	1,402	5,339	43,100
Increase in net assets attributable to the partners	31,089	2,464	24,535	13,344	69,984	4,119	5,454	48,221

Milestone Management, L.P. for the nine months ended September 30, 2012 and 2011 and years ended December 31, 2011 and 2010

The following discusses the financial condition and results of operations and changes thereto of the historical information relating to Milestone Management, L.P. ("Property Manager") and should be read in conjunction with the Property Manager's statements of financial position as at September 30, 2012 and September 30, 2011 (unaudited), respectively, along with the statements of comprehensive income for the nine month periods ended September 30, 2012 and September 30, 2011 (unaudited), respectively, as well as the Property Manager's audited statements of financial position as at December 31, 2011 and December 31, 2010, respectively, along with the audited statements of comprehensive income for the years ended December 31, 2011 and December 31, 2010, respectively.

The Property Manager was formed on December 6, 2004, as a limited partnership, for the purpose of providing property management activities to affiliated and non-affiliated entities. At the time of its formation, the Property Manager's general partner was (and continues to be) Milestone Management GP, LLC while its sole limited partner was TMG Partners, L.P. Due to a restructuring and ownership change in 2012, MM Group, LP replaced TMG Partners, L.P. as the Property Manager's limited partner.

The Property Manager's functional and reporting currency is the U.S. dollar. Financial data has been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB).

The Property Manager is not subject to income tax but is liable for a franchise tax in the state of Texas, namely the "Texas Margin Tax". The Texas Margin Tax is an annual franchise tax levied on qualifying entities, which include partnerships, and is computed by reference to an entity's modified gross income. Refer to Note 3 of the financial statements of the Property Manager for the nine month period ended September 30, 2012, for further details thereof.

The objective of this discussion is to provide a prospective purchaser of Units of the REIT with an analysis of the historical assets, liabilities, revenues and operating expenses, as they relate to the Property Manager's property management activities, for the above-mentioned periods. The unaudited "pro forma" financial statements of the Property Manager contained in this prospectus reflect the impact of financial leverage, REIT tax status and proposed capital structure on a going forward basis.

During the nine month period ended September 30, 2012, as compared to the nine month period ended September 30, 2011, revenue less operating expenses decreased by approximately $389 or 22.0%. This change resulted from the timing difference in 2011 of employee benefits reimbursement from the properties under management and reduction in number of units being managed.

The following discussion includes IFRS results of operations for the nine month periods ended September 30, 2012, and 2011 (unaudited) and for the years ended December 31, 2011 and 2010.

Nine month periods ended September 30, 2012 and September 30, 2011 (unaudited) (IFRS)

These are the Property Manager's first financial statements prepared under IFRS and include results for the nine months ended September 30, 2012 and comparative period for the nine months ended September 30, 2011 (unaudited) that have been restated to conform to the accounting policies adopted under IFRS.

International Financial Reporting Standards

Effect of Adoption of IFRS

Prior to the adoption of IFRS, as there was no requirement for the Property Manager to file financial statements, its financial information was maintained on a tax basis to facilitate the completion of tax returns. Accordingly, its financial statements were prepared on a tax basis of accounting.

IFRS 1: First-Time Adoption of IFRS

The adoption of IFRS required the retrospective application of all accounting standards as at the transition date, January 1, 2010. The transition to IFRS requires that adjustments that arise on the conversion to IFRS, from a tax basis of accounting, be recognized in opening retained earnings on the transition date. IFRS 1, "First-Time Adoption of International Financial Reporting Standards" ("IFRS 1"), provides certain mandatory exceptions and optional exemptions that allow for prospective treatment under certain conditions to certain accounting standards. The Property Manager elected not to avail of any of the optional exemptions afforded by IFRS 1, as none of these exemptions were deemed to be significant to its adoption of IFRS.

Review of Selected Financial and Operating Information of MMLP as at and for the Nine Months Ended September 30, 2012 and September 30, 2011 (unaudited)

The following tables highlight selected financial information of the Property Manager for the nine months ended September 30, 2012 and September 30, 2011 (unaudited). This information has been compiled from the unaudited financial statements and notes thereto and should be read in conjunction with the IFRS audited financial statements and notes included elsewhere in this prospectus.

As at September 30	2012	2011
		(unaudited)
Total current assets	$ 4,255	$ 4,453
Total non-current assets	541	504
Total current liabilities	(1,509)	(1,348)

Nine months ended September 30	2012	2011
		(unaudited)
Revenue	$ 9,415	$ 9,568
Employee benefit expenses	(6,317)	(6,115)
Other direct property operating expenses	(1,247)	(1,253)
Depreciation and lease rental expense	(420)	(380)
Profit for the year	$ 1,431	$ 1,820

Financial Statement Analysis

Total Current Assets

	September 30			
	2012	2011	Variance	%
		(unaudited)		
Total current assets	**$4,255**	**$4,453**	**$(198)**	**(4.4)%**

Total current assets comprise cash and cash equivalents, trade and other receivables, and prepayments and other current assets. Total current assets decreased by $198 or 4.4% as compared to September 30, 2011, as a result of distributions to owners along with fluctuation in timing and collections of AR and payments on AP.

Total Non-current Assets

	September 30			
	2012	2011	Variance	%
		(unaudited)		
Total non-current assets	**$541**	**$504**	**$37**	**7.3%**

Total non-current assets comprise property, plant and equipment, and intangible assets. Total non-current assets increased by $37 or 7.3% as a result of net activity of purchases, depreciation and amortization for the period.

Total Current Liabilities

	September 30			
	2012	2011	Variance	%
		(unaudited)		
Total current liabilities	**$1,509**	**$1,348**	**$161**	**11.9%**

Total current liabilities consist of trade and other payables and employee benefit liabilities. Such liabilities increased by $161 or 11.9% as compared to September 30, 2011 due to straight lining of rent (free rent associated with lease renewal in 2012 resulted in a deferred obligation which is included in current liabilities) and the accrual for payment of audit costs.

Review of operational results

A comparison of the nine month period ended September 30, 2012 and September 30, 2011

Revenue

	Nine months ended September 30			
	2012	2011	Variance	%
		(unaudited)		
Property management fee revenue	$9,379	$9,533	$(154)	(1.6)%
Other income	36	35	1	2.9%
Total revenue	**$9,415**	**$9,568**	**$(153)**	**(1.6)%**

Property management fee revenue is mainly comprised of management fees earned from affiliates and non-affiliates as consideration for property management services provided by the Property Manager in respect of designated properties. Property management fee revenue also includes fees earned by the Property Manager in connection with its oversight of property construction programs. Other income mainly consists of miscellaneous, non-recurring revenue items. Total revenue decreased by $153 or 1.6%, mainly attributable to the normal increases and decreases of portfolios under management.

Employee benefit expenses

	Nine months ended September 30			
	2012	2011	Variance	%
		(unaudited)		
Employee benefit expenses	**$6,317**	**$6,115**	**$202**	**3.3%**

Employee benefit expenses consist of wages and salaries, social security costs, the Property Manager contributions to a defined contribution plan and other employment related expenses. Employee benefit expenses increased $202 or 3.3% due to normal merit increases and bonus amounts based on overall company performance.

Other direct property operating expenses

	Nine months ended September 30			
	2012	2011	Variance	%
		(unaudited)		
Other direct property operating expenses	**$1,247**	**$1,253**	**($6)**	**(0.5)%**

Other direct property operating expenses consist of other expenses associated with direct property management, including property insurance, travel, telephone, and legal and other professional services. Such expenses decreased by $6 or 0.5% as compared to September 30, 2011 as a result of normal course of business operations.

Depreciation and lease rental expense

	Nine months ended September 30			
	2012	2011	Variance	%
		(unaudited)		
Depreciation and lease rental expense	**$420**	**$380**	**$40**	**10.5%**

Lease rental expense relates primarily to two leased commercial premises. The expense increased by $26 or 11.2% as compared to September 30, 2011 due to an increase in leased office space at the corporate offices effective in February 2012, additionally depreciation expense increased due to additional purchases of furniture and fixtures in 2012.

Cash Flows

The Property Manager reported a cash balance of $2,131 as at September 30, 2012 (2011 – $1,701). The changes in cash for the nine months ended September 30 are as follows:

	Nine months ended September 30	
	2012	2011
		(unaudited)
Cash flows provided by (used in):		
Operating activities	$ 2,203	$1,170
Investing activities	(205)	(200)
Financing activities	(2,226)	(113)
Increase (decrease) in cash	**$ (228)**	**$ 857**

Operating activities for the nine months ended September 30, 2012 and 2011

Cash flows from operating activities for the nine months ended September 30, 2012 generated a net cash inflow of $1,033 when compared to September 30, 2011 due to timing of payroll reimbursement collections and remittances to payroll service provider for September 30, 2012.

Investing activities for the nine months ended September 30, 2012 and 2011

Cash flows used in investing activities for the nine months ended September 30, 2012 resulted in a net cash outflow of $5 when compared to September 30, 2011, as result of additional furniture and fixtures acquired during 2012.

Financing activities for the nine months ended September 30, 2012 and 2011

Cash flows used in financing activities for the nine months ended September 30, 2012 resulted in a net cash outflow of $2,113 when compared to September 30, 2011 due to increase in distributions to owners made in 2012 in comparison to the distribution made in 2011.

Subsequent events

The Property Manager, as part of a contemplated IPO transaction of an affiliate, would be contributed to such affiliate at date of Closing.

Transactions with related parties

Transactions with affiliates

The Property Manager has entered into property management agreements with affiliates, in connection with which it earns a contractually stipulated management fee in exchange for the provision of property management services. All transactions are conducted and priced on an arm's length basis. Property management fee revenue earned from affiliates for the nine months ended September 30, 2012 and 2011 (unaudited) amounted to $5,499 and $5,087, respectively, while property management fees receivable from affiliates as at September 30, 2012 and 2011 were $539 and $581, respectively.

Critical estimates and significant accounting policies

A summary of critical estimates and significant accounting policies is set forth in notes 2 and 3, respectively, of the financial statements for the nine months ended September 30, 2012.

Financial Risk Management

The Property Manager's activities expose it to credit risk and liquidity risk. Risk management is carried out by the Chief Financial Officer under policies approved by Senior Executive Management.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Although for the nine-month period ended September 30, 2012, approximately 58.63% (54.63%, 53.36%, and 54.61% for the year ended December 31, 2011, the nine-month period ended September 30, 2011 (unaudited) and the year ended December 31, 2010, respectively) of the Property Manager's management fee revenue is attributable to management fees from a single customer, affiliates of the partners own a general partnership interest in the customer. Credit risk arises from cash and cash equivalents held at banks, trade receivables and other receivables. The Property Manager structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. Such risks are subject to a quarterly or more frequent review. The Property Manager has policies in place to ensure that property management contracts are entered into only with customers with an appropriate credit history, or affiliates, and the Property Manager monitors the credit quality of receivables on an ongoing basis. Cash balances are held only with financial institutions with a Moody's credit rating of A or better.

(b) Liquidity risk

Liquidity risk is the risk that the Property Manager will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Property Manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Partnership's reputation.

The Property Manager aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities. It also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. The Property Manager did not have any borrowings or lines of credit as at September 30, 2012, December 31, 2011, September 30, 2011 (unaudited) or December 31, 2010.

Review of Selected Financial and Operating Information of the Property Manager as at and for the Years Ended December 31, 2011 and December 31, 2010

The following tables highlight selected financial information of the Property Manager for the years ended December 31, 2011 and December 31, 2010. This information has been compiled from the audited financial statements and notes thereto and should be read in conjunction with the IFRS audited financial statements and notes included elsewhere in this Prospectus.

As at December 31	2011	2010
Total current assets	$ 4,891	$ 2,733
Total non-current assets	497	451
Total current liabilities	(1,306)	(1,282)

Years ended December 31	2011	2010
Revenue	$12,500	$11,695
Employee benefit expenses	(8,127)	(7,908)
Other direct property operating expenses	(1,534)	(1,558)
Depreciation and lease rental expense	(509)	(505)
Profit for the year	**$ 2,330**	**$ 1,724**

Financial Statement Analysis

Total Current Assets

	December 31			
	2011	2010	Variance	%
Total current assets	**$4,891**	**$2,733**	**$2,158**	**78.9%**

Total current assets comprise cash and cash equivalents, trade and other receivables, and prepayments and other current assets. Total current assets increased by $2,158, or 78.9%, to $4,891 as at December 31, 2011 as compared to $2,733 as at December 31, 2010. The increase was primarily due to higher cash retention by the Property Manager and an increase in property management fees receivable, both of which reflected higher revenues in 2011 relative to 2010 due to the net increase of units under management.

Total Non-current Assets

	December 31			
	2011	2010	Variance	%
Total non-current assets	**$497**	**$451**	**$46**	**10.2%**

Total non-current assets comprise property, plant and equipment, and intangible assets. The increase of $46, or 10.2%, is largely due to purchases of property, plant and equipment and software ($244) offset by depreciation and amortization ($198), for the year ended December 31, 2011.

Total Current Liabilities

	December 31			
	2011	2010	Variance	%
Total current liabilities	**$1,306**	**$1,282**	**$24**	**1.9%**

Total current liabilities consist of trade and other payables and employee benefit liabilities. The increase of $24, or 1.9%, is due to the timing of liability incurrence and related settlement.

Review of operational results

A comparison of the years ended December 31, 2011 and December 31, 2010

Revenue

	Years ended December 31			
	2011	2010	Variance	%
Property management fee revenue	$12,465	$11,616	$849	7.3%
Other income	$ 35	$ 79	$ (44)	(55.7)%
Total revenue	**$12,500**	**$11,695**	**$805**	**6.9%**

Total revenue increased $805 primarily due to net increase of units under management.

Employee benefit expenses

	Years ended December 31			
	2011	2010	Variance	%
Employee benefit expenses	**$8,127**	**$7,908**	**$219**	**2.8%**

Employee benefit expenses increased $219 or 2.8% due to normal merit increases and bonus amounts based on overall company performance, in addition to additional staff due to increased units under management.

Other direct property operating expenses

	Years ended December 31			
	2011	2010	Variance	%
Other direct property operating expenses	**$1,534**	**$1,558**	**$(24)**	**(1.5)%**

Other direct property operating expenses decreased as a result of an emphasis in cost cutting measures for 2011.

Depreciation and lease rental expense

	Years ended December 31			
	2011	2010	Variance	%
Depreciation and lease rental expense	**$509**	**$505**	**$4**	**0.7%**

Lease rental expense was relatively flat year over year.

Cash Flows

The Property Manager reported a cash balance of $2,359 as at December 31, 2011 (2010 – $844). The changes in cash for the years ended December 31 are as follows:

	Years ended December 31	
	2011	2010
Cash flows provided by (used in):		
Operating activities	$1,909	$ 1,245
Investing activities	(244)	(128)
Financing activities	(150)	(2,257)
Increase (decrease) in cash	**$1,515**	**$(1,140)**

Operating activities for the years ended December 31, 2011 and 2010

Cash flows from operating activities for the year ended December 31, 2011 generated a net cash inflow of $1,909 compared to a net cash inflow of $1,245 for the year ended December 31, 2010. The increase was attributable to the number of units under management and the profit generated from fee income.

Investing activities for the years ended December 31, 2011 and 2010

Cash flows used in investing activities for the year ended December 31, 2011 resulted in a net cash outflow of $244 due to purchases of property, plant and equipment and software ($244).

Financing activities for the years ended December 31, 2011 and 2010

Cash flows used in financing activities for the year ended December 31, 2011 resulted in a net cash outflow of $150 compared to a net cash outflow of $2,257 for the year ended December 31, 2010. The cash outflows reflect the respective cash distributions to owners for each year.

Transactions with related parties

Transactions with affiliates

Property management fee revenue earned from affiliates for the years ended December 31, 2011 and 2010 amounted to $6,810 and $6,343, respectively, while property management fees receivable from affiliates as at December 31, 2011 and 2010 were $541 and $542, respectively.

Additional summary financial information for most recent eight quarters

(in thousands of $)	2010 Quarter 4	2011 Quarter 1	2011 Quarter 2	2011 Quarter 3	2011 Quarter 4	2012 Quarter 1	2012 Quarter 2	2012 Quarter 3
Fee revenue	$ 2,898	$ 3,093	$ 3,147	$ 3,293	$ 2,932	$ 2,829	$ 3,038	$ 3,512
Other income	50	7	14	14	—	46	(20)	10
Total revenue	2,948	3,100	3,161	3,307	2,932	2,875	3,018	3,522
Salary & Related	(2,274)	(1,896)	(1,930)	(2,289)	(2,012)	(1,958)	(2,077)	(2,284)
Operating	(434)	(225)	(496)	(645)	(318)	(205)	(424)	(751)
Depreciation	(40)	(44)	(44)	(41)	(46)	(47)	(47)	(47)
Amortization	(9)	(6)	(6)	(6)	(5)	(6)	(6)	(6)
Lease rental expense	(104)	(78)	(78)	(77)	(78)	(86)	(86)	(86)
Reimbursement from TMG Partners	38	38	38	37	37	44	44	44
Total Expense	(2,823)	(2,211)	(2,516)	(3,021)	(2,422)	(2,258)	(2,596)	(3,130)
Income	125	889	645	286	510	617	422	392

INVESTMENT GUIDELINES AND OPERATING POLICIES

Investment Guidelines

The Declaration of Trust provides certain guidelines on investments that may be made directly or indirectly by the REIT. The assets of the REIT after Closing may be invested only in accordance with the following restrictions:

(a) the REIT may only invest, directly or indirectly, in interests (including fee ownership and leasehold interests) in income-producing multifamily real estate located in the United States (including, for greater certainty, assets whose revenue stems primarily from multifamily assets but which may include income from other asset classes) and assets ancillary thereto necessary for the operation of such real estate and such other activities as are consistent with the other investment guidelines of the REIT;

(b) notwithstanding anything else contained in the Declaration of Trust, the REIT shall not make any investment, take any action or omit to take any action that would result in Units not being units of a "mutual fund trust" within the meaning of the Tax Act or that would result in the Units not being qualified investments for Exempt Plans;

(c) the business of the REIT shall be limited to and conducted in such a manner as to permit the REIT at all times to be classified as a real estate investment trust (as defined in the Code) for U.S. federal income tax purposes, unless the Trustees have chosen to cease to qualify the REIT as a real estate investment trust due to changes in the Code applicable to real estate investment trusts. Subject to the foregoing, the REIT may make investments in real estate-related assets including real property, interests in debt instruments secured by real property, securities in other real estate investment trusts and cash. Additionally, the REIT may conduct activities or make investments that a real estate investment trust is prohibited from engaging or investing in if such activities or investments are conducted through a taxable REIT subsidiary to the extent that it does not disqualify the REIT from being classified as a real estate investment trust for U.S. federal income tax purposes;

(d) the REIT shall not invest in any interest in a single real property (which for greater certainty shall not include a portfolio of properties) if, after giving effect to the proposed investment, the cost to the REIT of such investment (net of the amount of debt incurred or assumed in connection with such investment) will exceed 20% of Gross Book Value at the time the investment is made;

(e) the REIT may, directly or indirectly, invest in a joint venture arrangement for the purposes of owning interests or investments otherwise permitted to be held by the REIT; provided that such joint venture arrangement contains terms and conditions which, in the opinion of the Independent Trustees, are commercially reasonable, including without limitation such terms and conditions relating to restrictions on the transfer, acquisition and sale of the REIT's and any joint venturer's interest in the joint venture arrangement, provisions to provide liquidity to the REIT, provisions to limit the liability of the REIT and its Unitholders to third parties, and provisions to provide for the participation of the REIT in the management of the joint venture arrangement. For purposes hereof, a "joint venture arrangement" is an arrangement between the REIT and one or more other persons pursuant to which the REIT, directly or indirectly, conducts an undertaking for one or more of the purposes set out in the investment guidelines of the REIT and in respect of which the REIT may hold its interest jointly or in common or in another manner with others either directly or through the ownership of securities of a corporation or other entity;

(f) except for temporary investments held in cash, deposits with a Canadian or U.S. chartered bank or trust company registered under the laws of a province of Canada or a state of the United States, short-term government debt securities or money market instruments maturing prior to one year from the date of issue and except as permitted pursuant to the investment guidelines and operating policies of the REIT, the REIT may not hold securities of a person other than to the extent such securities would constitute an investment in real property (as determined by the Trustees) and provided further that, notwithstanding anything contained in the Declaration of Trust to the contrary, but in all events subject to paragraph (b) above, the REIT may hold securities of a person: (i) acquired in connection with the carrying on, directly or indirectly, of the REIT's activities or the holding of its assets; or (ii) which focuses its activities primarily on the activities described in paragraph (a) above, provided in the case of any proposed investment or acquisition which would result in the beneficial ownership of more than 10% of the outstanding securities of an issuer (the "**Acquired Issuer**"), the investment is made for the purpose of subsequently effecting the merger or combination of the business and assets of the REIT and the Acquired Issuer or for otherwise ensuring that the REIT will control the business and operations of the Acquired Issuer;

(g) the REIT shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;

(h) the REIT shall not invest, directly or indirectly, in operating businesses unless:

   i. revenue will be principally associated with the ownership, directly or indirectly, of multifamily properties; or

   ii. it principally involves the ownership, maintenance, development, improvement, leasing or management, directly or indirectly, of a multifamily property (in each case as determined by the Trustees); or

   iii. it is an indirect investment and is incidental to a transaction which satisfies (i) or (ii) above;

(i) the REIT shall not invest in raw land for development, except (i) for existing properties with additional development or properties adjacent to existing properties of the REIT for the purpose of the renovation or expansion of existing properties, or (ii) the development of new properties which will be capital property of the REIT, provided that the aggregate value of the investments of the REIT in raw land, excluding raw land under development, after giving effect to the proposed investment, will not exceed 10% of Gross Book Value;

(j) the REIT may invest in mortgages and mortgage bonds (including participating or convertible mortgages) and similar instruments where:

   i. the real property which is security for such mortgages and similar instruments is income producing real property which otherwise meets the other investment guidelines of the REIT; and

   ii. the aggregate book value of the investments of the REIT in mortgages, after giving effect to the proposed investment, will not exceed 15% of Gross Book Value; and

(k) the REIT may invest an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any debt incurred or assumed in connection with such investment) up to 10% of the Gross Book Value of the REIT in investments which do not comply with one or more of paragraphs (a), (e), (f), (h) and (i).

Operating Policies

The Declaration of Trust provides that operations and affairs of the REIT are to be conducted in accordance with the following policies:

(a) the REIT shall not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes where, for the purposes hereof, the term "hedging" has the meaning ascribed thereto by National Instrument 81-102 – *Mutual Funds* adopted by the Canadian Securities Administrators, as replaced or amended from time to time;

(b)

   (i) any written instrument creating an obligation which is or includes the granting by the REIT of a mortgage; and

   (ii) to the extent the Trustees determine to be practicable and consistent with their fiduciary duties to act in the best interest of the Unitholders, any written instrument which is, in the judgment of the Trustees, a material obligation,

   shall contain a provision, or be subject to an acknowledgement to the effect, that the obligation being created is not personally binding upon, and that resort must not be had to, nor will recourse or satisfaction be sought from, by lawsuit or otherwise the private property of any of the Trustees, Unitholders, annuitants or beneficiaries under a plan of which a Unitholder acts as a trustee or carrier, or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion thereof is bound; the REIT, however, is not required, but must use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the REIT upon the acquisition of real property;

(c) the REIT may engage in construction or development of real property: (i) to maintain its real properties in good repair or to improve the income producing potential of properties in which the REIT has an interest; and (ii) to develop new properties that will be capital properties of the REIT on completion, provided that the aggregate value of the investments of the REIT in properties under development after giving effect to the proposed investment in the construction or development, will not exceed 15% of Gross Book Value;

(d) title to each real property shall be held by and registered in the name of the REIT, a subsidiary of the REIT, the Trustees or a corporation or other entity wholly-owned, directly or indirectly, by the REIT or jointly-owned, directly or indirectly, by the REIT, with joint venturers; provided, that where land tenure will not provide fee simple title, the REIT, the Trustees or a corporation or other entity wholly-owned, directly or indirectly, by the REIT or jointly owned, directly or indirectly, by the REIT shall hold a land lease as appropriate under the land tenure system in the relevant jurisdiction;

(e) the REIT shall not incur or assume any indebtedness if, after giving effect to the incurrence or assumption of such indebtedness, the total indebtedness of the REIT would be more than 60% of Gross Book Value (or 65% of Gross Book Value including convertible debentures);

(f) the REIT shall not directly or indirectly guarantee any indebtedness or liabilities of any kind of a third party, except indebtedness or liabilities assumed or incurred by an entity in which the REIT holds an interest, directly or indirectly, or by an entity jointly owned by the REIT with joint venturers and operated solely for the purpose of holding a particular property or properties, where such indebtedness, if granted by the REIT directly, would cause the REIT to contravene its investment guidelines or operating policies. The REIT is not required but shall use its reasonable best efforts to comply with this requirement (i) in respect of obligations assumed by the REIT pursuant to the acquisition of real property; or (ii) if doing so is necessary or desirable in order to further the initiatives of the REIT permitted under the Declaration of Trust;

(g) the REIT shall directly or indirectly obtain and maintain at all times property insurance coverage in respect of potential liabilities of the REIT and the accidental loss of value of the assets of the REIT from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practice of owners of comparable properties;

(h) the REIT shall have obtained an appraisal of each real property that it intends to acquire and an engineering survey with respect to the physical condition thereof, in each case, by an independent and experienced consultant, unless the requirement for such an appraisal or engineering survey is waived by the Independent Trustees; and

(i) the REIT shall obtain a Phase I environmental site assessment of each real property to be acquired by it and, if the Phase I environmental site assessment report recommends that a further environmental site assessment be conducted, the REIT shall have conducted such further environmental site assessments, in each case by an independent and experienced environmental consultant; as a condition to any acquisition such assessments shall be satisfactory to the Trustees.

For the purpose of the foregoing investment guidelines and operating policies, the assets, liabilities and transactions of a corporation or other entity wholly or partially-owned by the REIT will be deemed to be those of the REIT on a proportionate consolidation basis. In addition, any references in the foregoing investment guidelines and operating policies to investment in real property will be deemed to include an investment in a joint venture arrangement that invests in real property.

Amendments to Investment Guidelines and Operating Policies

Pursuant to the Declaration of Trust, all of the investment guidelines set out under the heading "Investment Guidelines" and the operating policies contained in paragraphs (a), (e), (f), (g), (h) and (i) set out under the heading "Operating Policies" may be amended only with the approval of two-thirds of the votes cast by Unitholders of the REIT at a meeting of Unitholders called for such purpose. The remaining operating policies may be amended with the approval of a majority of the votes cast by Unitholders at a meeting called for such purpose.

Notwithstanding the foregoing paragraph, if at any time a government or regulatory authority having jurisdiction over the REIT or any property of the REIT shall enact any law, regulation or requirement which is in conflict with any investment guideline or operating policy of the REIT then in force (other than subparagraph (b) at "Investment Guidelines and Operating Policies – Investment Guidelines"), such investment guideline or operating policy in conflict shall, if the Trustees on the advice of legal counsel to the REIT so resolve, be deemed to have been amended to the extent necessary to resolve any such conflict and, notwithstanding anything to the contrary, any such resolution of the Trustees shall not require the prior approval of Unitholders.

DECLARATION OF TRUST

General

The REIT is an unincorporated open-ended real estate investment trust established pursuant to the Declaration of Trust under, and governed by, the laws of the Province of Ontario. Although the REIT is expected to qualify on Closing as a "mutual fund trust" as defined in the Tax Act, the REIT will not be a "mutual fund" as defined by applicable securities legislation.

The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of such Act or any other legislation. The Units are not shares in the REIT and, although the protections, rights and remedies set out in the Declaration of Trust are similar to those provided under the CBCA, Unitholders do not have statutory rights of shareholders of a corporation including, for example, "dissent rights" in respect of certain corporate transactions and fundamental changes, the right to apply to a court to order the liquidation or dissolution of the REIT, or the right to bring "oppression" or "derivative" actions. Furthermore, the REIT is not a trust company and accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Units

The REIT is authorized to issue an unlimited number of Units. Issued and outstanding Units may be subdivided or consolidated from time to time by the Trustees without notice to or the approval of the Unitholders.

No Unit will have any preference or priority over another. Each Unit will represent a Unitholder's proportionate undivided beneficial ownership interest in the REIT and will confer the right to one vote at any meeting of Unitholders and to participate *pro rata* in any distributions by the REIT, whether of net income, net realized capital gains or other amounts and, in the event of termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. Units will be fully paid and non-assessable when issued and are transferable. The Units are redeemable by the holder thereof, as described below under "Redemption Right" and, except as set out in "Retained Interest", "Issuance of Units" and "Operation", the Units have no other conversion, retraction, redemption or pre-emptive rights. Fractional Units may be issued as a result of an act of the Trustees, but fractional Units will not entitle the holders thereof to vote, except to the extent that such fractional Units may represent in the aggregate one or more whole Units.

Restrictions on Ownership and Transfer

REIT Qualification

In order for the REIT to qualify as a real estate investment trust for U.S. federal income tax purposes, the Units must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of the outstanding Units (after taking into account options to acquire Units) may be owned, directly or through certain constructive ownership rules, by five or fewer individuals (as defined in the Code to include certain entities such as private foundations) at any time during the last half of a taxable year.

The Declaration of Trust contains restrictions on the ownership and transfer of the Units that are intended to assist the REIT in complying with these requirements to qualify as a real estate investment trust. The relevant sections of the Declaration of Trust provide that, subject to the exceptions described below, no person or entity may actually or beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, more than 9.8% of the Units, excluding any Units that are not treated as outstanding for U.S. federal income tax purposes. Each of these restrictions, as well as the restrictions described below under "Declaration of Trust – FIRPTA", is referred to as an "ownership limit" and collectively as the "ownership limits." A person or entity that would have acquired actual, beneficial or constructive ownership of the Units but for the application of the ownership limits or any of the other restrictions on ownership and transfer of the Units is a "prohibited owner."

The constructive ownership rules under the Code are complex and may cause Units owned actually or constructively by a group of related individuals and/or entities to be owned constructively by one individual or entity.

As a result, the acquisition of less than 9.8% of the Units (or the acquisition of an interest in an entity that owns, actually or constructively, the Units) by an individual or entity could, nevertheless, cause that individual or entity, or another individual or entity, to own constructively in excess of 9.8% of the Units and thereby violate the applicable ownership limit.

The Declaration of Trust provides that the Board of Trustees, subject to certain limits including any applicable fiduciary duties, shall prospectively exempt a person from the ownership limits and, if necessary, establish a different limit on ownership for such person if it determines that such exemption could not cause or permit:

- five or fewer individuals to actually or beneficially own more than 49% in value of the outstanding Units; or
- the REIT to own, actually or constructively, an interest in a tenant of the REIT (or a tenant of any entity owned in whole or in part by the REIT).

As a condition of the exception, the Board of Trustees may require an opinion of counsel or an IRS ruling, in either case in form and substance satisfactory to the Board of Trustees, in its sole and absolute discretion, in order to determine or ensure the REIT's status for U.S. federal income tax purposes, and such representations, covenants and/or undertakings as are necessary or prudent to make the determinations above. Notwithstanding the receipt of any ruling or opinion, the Board of Trustees may impose such conditions or restrictions as it deems appropriate in connection with such an exception.

In connection with a waiver of an ownership limit or at any other time, the Board of Trustees may, in its sole and absolute discretion, increase or decrease Unit ownership limits for one or more persons, except that a decreased ownership limit will not be effective for any person whose actual, beneficial or constructive ownership of the Units exceeds the decreased ownership limit at the time of the decrease until the person's actual, beneficial or constructive ownership of the Units equals or falls below the decreased ownership limit, although any further acquisition of the Units will violate the decreased ownership limit. The Board of Trustees may not increase or decrease any ownership limit if the new ownership limit would allow five or fewer persons to actually or beneficially own more than 49% of the Units.

In connection with the Closing, the Board of Trustees will enter into an Excepted Holder Agreement with Milesouth permitting Milesouth to acquire 14,000,000 Units at the Closing. This special ownership limitation applies only to Milesouth. Milesouth will be subject to the Excess Units provisions (described below under "Excess Units") with respect to any Units acquired in excess of its special ownership limitation.

The Declaration of Trust further prohibits:

- any person from actually, beneficially or constructively owning Units that could result in the REIT being "closely held" under Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise cause the REIT to fail to qualify as a real estate investment trust (including, but not limited to, actual, beneficial or constructive ownership of Units that could result in the REIT owning (actually or constructively) an interest in a tenant that is described in Section 856(d)(2)(B) of the Code if the income the REIT derives from such tenant, taking into account the REIT's other income that would not qualify under the gross income requirements of Section 856(c) of the Code, would cause the REIT to fail to satisfy any of the gross income requirements imposed on real estate investment trusts); and
- any person from transferring Units if such transfer would result in the Units being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution).

Any person who acquires or attempts or intends to acquire actual, beneficial or constructive ownership of Units that will or may violate the ownership limits or any of the other restrictions on ownership and transfer of the Units described above must give written notice immediately to the REIT or, in the case of a proposed or attempted transaction, provide us at least 15 days prior written notice, and provide the REIT with such other information as the REIT may request in order to determine the effect of such transfer on the REIT's status for U.S. federal income tax purposes.

The ownership limits and other restrictions on ownership and transfer of the Units described above will not apply if the Board of Trustees determines that it is no longer in the REIT's best interests to continue to qualify as a real estate investment trust or that compliance is no longer required in order for the REIT to qualify as a real estate investment trust.

Every owner of 5% or more (or such lower percentage as required by the Code or the Treasury regulations promulgated thereunder) of the outstanding Units, within 30 days after the end of each taxable year, must give written notice to the REIT stating the name and address of such owner, the number of Units that the owner actually or beneficially owns and a description of the manner in which the Units are held. Each such owner also must provide the REIT with any additional information that the REIT requests in order to determine the effect, if any, of the person's actual or beneficial ownership on the REIT's status for U.S. federal income tax purposes and to ensure compliance with the ownership limits and the other restrictions on ownership and transfer of the Units set forth in the Declaration of Trust. In addition, any person that is an actual, beneficial owner or constructive owner of Units and any person (including the Unitholder of record) who is holding Units for an actual, beneficial owner or constructive owner must, on request, disclose to the REIT in writing such information as the REIT may request in good faith in order to determine the REIT's status for U.S. federal income tax purposes and to comply with requirements of any taxing authority or governmental authority or to determine such compliance.

FIRPTA

Under FIRPTA, if any non-U.S. person holds, actually or constructively, more than 5% of the outstanding Units, the REIT will be required to withhold 10% on distributions in excess of the REIT's current and accumulated earnings and profits (as determined for U.S. federal income tax purposes), and to withhold 35% (or less to the extent provided in applicable Treasury regulations) of any distribution to such non-U.S. person that could be designated by the REIT as a capital gain dividend. Any such withheld amount is creditable against such non-U.S. person's FIRPTA tax liability.

In order for the REIT to comply with its withholding obligations under FIRPTA, the Units are subject to notice requirements and transfer restrictions. Non-U.S. persons holding Units are required to provide the REIT with such information as the REIT may request. Furthermore, any non-U.S. person that would be treated as having acquired sufficient Units to be treated as owning more than 5% of the Units is required to notify the REIT by the close of the business day prior to the date of the transfer that would cause the non-U.S. person to own more than 5% of the Units.

The constructive ownership rules under the Code are complex and may cause Units owned actually or constructively by a group of related individuals and/or entities to be owned constructively by one individual or entity. As a result, the acquisition of 5% or less of the Units (or the acquisition of an interest in an entity that owns, actually or constructively, the Units) by an individual or entity could, nevertheless, cause that individual or entity, or another individual or entity, to own constructively in excess of 5% of the Units and thereby become subject to the notice requirement. Under these rules of constructive ownership, Units can be attributed (i) among family members, (ii) to non-U.S. persons from entities that own Units, to the extent that such non-U.S. persons own interests in such entities and (iii) to entities from non-U.S. persons that own interests in such entities. Under these attribution rules, Units of related entities (including related investment funds) may be aggregated to the extent of overlapping ownership.

If any non-U.S. person that would otherwise be treated as having acquired sufficient Units to be treated as owning more than 5% of the Units fails to comply with the FIRPTA notice provisions described above, the excess Units (*i.e.*, the excess of the number of Units it would be treated as owning over an amount equal to 5% of the outstanding Units) will be sold, through the mechanism described below under "Declaration of Trust – Excess Units," with such non-U.S. person receiving the lesser of (i) its original purchase price for the excess Units and (ii) the sale price of the excess Units (net of commissions and other expenses of sale). Non-U.S. persons holding Units are strongly advised to monitor their actual and constructive ownership of Units.

Excess Units

Pursuant to the Declaration of Trust, if any purported transfer of the Units or any other event would otherwise result in any person violating the ownership limits described above under "Declaration of Trust – REIT Qualification" or such other limit established by the Board of Trustees or otherwise failing to qualify as a REIT, or if a non-U.S. person would otherwise be treated as owning more than 5% of the Units and has not complied with the notice

provisions described under "Declaration of Trust – FIRPTA," then the number of Units that exceeds the applicable ownership limit (rounded up to the nearest whole Unit) will be automatically transferred to, and held by, a charitable trust for the exclusive benefit of one or more charitable beneficiaries selected by the REIT. The prohibited owner will have no rights in Units held by the charitable trustee. The automatic transfer will be effective as of the close of business on the business day prior to the date of the violative transfer or other event that results in the transfer to the charitable trust. Any dividend or other distribution paid to the prohibited owner, prior to the REIT's discovery that the Units had been automatically transferred to a charitable trust, must be repaid to the charitable trustee upon demand. If the transfer to the charitable trust as described above is not automatically effective, for any reason, to prevent violation of the applicable restriction on ownership and transfer of the Units, then the transfer of the number of Units that otherwise would cause any person to violate the above restrictions will be void and of no force or effect and the intended transferee will acquire no rights in the Units. If any transfer of the Units would result in Units being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution), then any such purported transfer will be void and of no force or effect and the intended transferee will acquire no rights in the Units.

Units transferred to the charitable trustee are deemed offered for sale to the REIT, or the REIT's designee, at a price per Unit equal to the lesser of (1) the price per Unit in the transaction that resulted in the transfer of the Units to the charitable trust (or, in the event of a gift, devise or other such transaction, the last sale price reported on the TSX on the day of the transfer or other event that resulted in the transfer of such Units to the charitable trust) and (2) the last sale price reported on the TSX on the date the REIT accepts, or the REIT's designee accepts, such offer. The REIT must reduce the amount payable to the prohibited owner by the amount of dividends and distributions paid to the prohibited owner and owed by the prohibited owner to the charitable trustee and pay the amount of such reduction to the charitable trustee for the benefit of the charitable beneficiary. The REIT has the right to accept such offer until the charitable trustee has sold the Units held in the charitable trust. Upon a sale to the REIT, the interest of the charitable beneficiary in the Units terminates and the charitable trustee must distribute the net proceeds of the sale to the prohibited owner and any dividends or other distributions held by the charitable trustee with respect to such Units will be paid to the charitable beneficiary.

If the REIT does not buy the Units, the charitable trustee must, within 20 days of receiving notice from the REIT of the transfer of Units to the charitable trust, sell the Units to a person or persons designated by the charitable trustee who could own the Units without violating the ownership limits or other restrictions on ownership and transfer of the Units. Upon such sale, the charitable trustee must distribute to the prohibited owner an amount equal to the lesser of (1) the price paid by the prohibited owner for the Units (or, if the prohibited owner did not give value in connection with the transfer or other event that resulted in the transfer to the charitable trust (e.g., a gift, devise or other such transaction), the last sale price reported on the TSX on the day of the transfer or other event that resulted in the transfer of such Units to the charitable trust) and (2) the sales proceeds (net of commissions and other expenses of sale) received by the charitable trustee for the Units. The charitable trustee must reduce the amount payable to the prohibited owner by the amount of dividends and other distributions paid to the prohibited owner and owed by the prohibited owner to the charitable trustee. Any net sales proceeds in excess of the amount payable to the prohibited owner will be immediately paid to the charitable beneficiary, together with any dividends or other distributions thereon. In addition, if prior to discovery by the REIT that Units have been transferred to the charitable trustee, such Units are sold by a prohibited owner, then such Units shall be deemed to have been sold on behalf of the charitable trust and, to the extent that the prohibited owner received an amount for or in respect of such Units that exceeds the amount that such prohibited owner was entitled to receive, such excess amount shall be paid to the charitable trustee upon demand.

The charitable trustee will be designated by the REIT and will be unaffiliated with the REIT and with any prohibited owner. Prior to the sale of any Units by the charitable trust, the charitable trustee will receive, in trust for the beneficiary, all dividends and other distributions paid by the REIT with respect to such Units, and may exercise all voting rights with respect to such Units for the exclusive benefit of the charitable beneficiary.

Subject to Ontario law, effective as of the date that the Units have been transferred to the charitable trust, the charitable trustee may, at the charitable trustee's sole discretion:

- rescind as void any vote cast by a prohibited owner prior to the REIT's discovery that the Units have been transferred to the charitable trust; and
- recast the vote in accordance with the desires of the charitable trustee acting for the benefit of the beneficiary of the charitable trust.

However, if the REIT has already taken irreversible corporate action, then the trustee may not rescind and recast the vote.

If the Board of Trustees determines in good faith that a proposed transfer or other event has taken place that violates the restrictions on ownership and transfer of the Units set forth in the Declaration of Trust, the Board of Trustees may take such action as it deems advisable in its sole discretion to refuse to give effect to or to prevent such transfer, including, but not limited to, causing the REIT to redeem Units, refusing to give effect to the transfer on the REIT's books or instituting proceedings to enjoin the transfer.

The Units are subject to the restrictions on ownership and transfer of the Units described herein under "Declaration of Trust – Restrictions on Ownership and Transfer." These restrictions on ownership and transfer could delay, defer or prevent a transaction or a change of control of the REIT that might involve a premium price for the Units that the Unitholders believe to be in their best interest.

Meetings of Unitholders

The Declaration of Trust provides that meetings of Unitholders will be required to be called and held in various circumstances, including (i) for the election or removal of Trustees, (ii) the appointment or removal of the auditors of the REIT, (iii) the approval of amendments to the Declaration of Trust (except as described below under "Amendments to Declaration of Trust"), (iv) the sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees), (v) the termination of the REIT, and (vi) for the transaction of any other business as the Trustees may determine or as may be properly brought before the meeting. Meetings of Unitholders will be called and held annually, commencing in 2014, for the election of the Trustees and the appointment of the auditors of the REIT. All meetings of Unitholders must be held in Canada.

A meeting of Unitholders may be convened at any time and for any purpose by the Trustees and must be convened, except in certain circumstances, if requisitioned in writing by the holders of not less than 5% of the Units then outstanding. A requisition must state in reasonable detail the business proposed to be transacted at the meeting. Unitholders have the right to obtain a list of Unitholders to the same extent and upon the same conditions as those which apply to shareholders of a corporation governed by the CBCA.

Unitholders may attend and vote at all meetings of Unitholders either in person or by proxy. Two persons present in person or represented by proxy, and such persons holding or representing by proxy not less in aggregate than 10% of the total number of outstanding Units, will constitute a quorum for the transaction of business at all such meetings. Any meeting at which a quorum is not present within one-half hour after the time fixed for the holding of such meeting, if convened upon the request of the Unitholders, will be terminated, but in any other case, the meeting will stand adjourned to a day not less than 14 days later and to a place and time as chosen by the chair of the meeting, and if at such adjourned meeting a quorum is not present, the Unitholders present either in person or by proxy will be deemed to constitute a quorum.

Pursuant to the Declaration of Trust, a resolution in writing executed by Unitholders holding a proportion of the outstanding Units equal to the proportion required to vote in favour thereof at a meeting of Unitholders to approve that resolution is valid as if it had been passed at a meeting of Unitholders.

Advance Notice Provision

The Declaration of Trust includes certain advance notice provisions (the "**Advance Notice Provision**"), which will: (i) facilitate orderly and efficient annual general or, where the need arises, special, meetings; (ii) ensure that all Unitholders receive adequate notice of the Trustee nominations and sufficient information with respect to all nominees; and (iii) allow Unitholders to register an informed vote.

Except as otherwise provided in the Declaration of Trust, only persons who are nominated by Unitholders in accordance with the Advance Notice Provision shall be eligible for election as Trustees. Nominations of persons for election to the Board of Trustees may be made for any annual meeting of Unitholders, or for any special meeting of

Unitholders if one of the purposes for which the special meeting was called was the election of Trustees: (a) by or at the direction of the Board of Trustees, including pursuant to a notice of meeting; (b) by or at the direction or request of one or more Unitholders pursuant to a requisition of the Unitholders made in accordance with the Declaration of Trust; or (c) by any person (a "**Nominating Unitholder**"): (A) who, at the close of business on the date of the giving of the notice provided for below and on the record date for notice of such meeting, is entered in the REIT's register as a holder of one or more Units carrying the right to vote at such meeting or who beneficially owns Units that are entitled to be voted at such meeting; and (B) who complies with the notice procedures set forth in the Advance Notice Provision.

In addition to any other applicable requirements, for a nomination to be made by a Nominating Unitholder, the Nominating Unitholder must have given timely notice thereof in proper written form to the Trustees.

To be timely, a Nominating Unitholder's notice to the Trustees must be made: (a) in the case of an annual meeting of Unitholders, not less than 30 nor more than 60 days prior to the date of the annual meeting of Unitholders; provided, however, that in the event that the annual meeting of Unitholders is to be held on a date that is less than 50 days after the date (the "**Notice Date**") that is the earlier of the date that a notice of meeting is filed for such meeting or the date on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Unitholder may be made not later than the close of business on the tenth (10th) day following the Notice Date; and (b) in the case of a special meeting (which is not also an annual meeting) of Unitholders called for the purpose of electing Trustees (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the day that is the earlier of the date that a notice of meeting is filed for such meeting or the date on which the first public announcement of the date of the special meeting of Unitholders was made. In no event shall any adjournment or postponement of a meeting of Unitholders or the announcement thereof commence a new time period for the giving of a Nominating Unitholder's notice as described above.

To be in proper written form, a Nominating Unitholder's notice to the Trustees must set forth: (a) as to each person whom the Nominating Unitholder proposes to nominate for election as a Trustee: (A) the name, age, business address and residential address of the person; (B) the principal occupation or employment of the person; (C) the class or series and number of Units which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of Unitholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and (D) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of Trustees pursuant to applicable Securities Laws (as defined in the Declaration of Trust); and (b) as to the Nominating Unitholder giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Unitholder has a right to vote any Units and any other information relating to such Nominating Unitholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of Trustees pursuant to applicable Securities Laws. The REIT may require any proposed nominee to furnish such other information as may reasonably be required by the REIT to determine the eligibility of such proposed nominee to serve as an independent Trustee or that could be material to a reasonable Unitholder's understanding of the independence, or lack thereof, of such proposed nominee.

The chairperson of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

Notwithstanding the foregoing, the Board of Trustees may, in its sole discretion, waive any requirement in the Advance Notice Provision.

Redemption Right

Units are redeemable at any time on demand by the holders thereof upon delivery to the REIT of a duly completed and properly executed notice requesting redemption in a form reasonably acceptable to the Trustees, together with written instructions as to the number of Units to be redeemed. A Unitholder not otherwise holding a fully registered Unit certificate who wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's investment dealer who will be required to deliver the completed redemption notice form to the REIT

and to CDS. Upon receipt of the redemption notice by the REIT, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof will be entitled to receive a price per Unit (the "**Redemption Price**") equal to the lesser of:

(a) 90% of the "Market Price" of a Unit calculated as of the date on which the Units were surrendered for redemption (the "**Redemption Date**"); and

(b) 100% of the "Closing Market Price" on the Redemption Date.

For purposes of this calculation, the "Market Price" of a Unit as at a specified date will be:

(a) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date;

(b) an amount equal to the weighted average of the closing market prices of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date, if the applicable exchange or market does not provide information necessary to compute a weighted average trading price; or

(c) if there was trading on the applicable exchange or market for fewer than five of the10 trading days, an amount equal to the simple average of the following prices established for each of the 10 consecutive trading days ending on such date: the simple average of the last bid and last asking price of the Units for each day on which there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the simple average of the highest and lowest prices of the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day.

The "Closing Market Price" of a Unit for the purpose of the foregoing calculations, as at any date will be:

(a) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading on the specified date and the principal exchange or market provides information necessary to compute a weighted average trading price of the Units on the specified date;

(b) an amount equal to the closing price of a Unit on the principal market or exchange if there was a trade on the specified date and the principal exchange or market provides only a closing price of the Units on the specified date;

(c) an amount equal to the simple average of the highest and lowest prices of the Units on the principal market or exchange, if there was trading on the specified date and the principal exchange or market provides only the highest and lowest trading prices of the Units on the specified date; or

(d) the simple average of the last bid and last asking prices of the Units on the principal market or exchange, if there was no trading on the specified date.

If Units are not listed or quoted for trading in a public market, the Redemption Price will be the fair market value of the Units, which will be determined by the Trustees in their sole discretion.

The aggregate Redemption Price payable by the REIT in respect of any Units surrendered for redemption during any calendar month will be paid by cheque, drawn on a Canadian chartered bank or trust company in Canadian dollars within 30 days after the end of the calendar month in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable by the REIT in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed $50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) on the date such Units are tendered for redemption, the outstanding Units must be listed for trading on the TSX or traded or quoted on any other stock exchange or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, in any market where the Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10-day trading period commencing immediately before the Redemption Date; and (iv) the redemption of the Units must not result in the delisting of the Units from the principal stock exchange on which the Units are listed.

Cash payable on redemptions will be paid *pro rata* to all Unitholders tendering Units for redemption in any month. To the extent a Unitholder is not entitled to receive cash upon the redemption of Units as a result of any of the foregoing limitations, then the balance of the Redemption Price for such Units will, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution *in specie* to such Unitholder of Redemption Notes. In the event of distributions of Redemption Notes, each Redemption Note so distributed to the redeeming holder of Units shall be in the principal amount of $100 or such other amount as may be determined by the Trustees. No fractional Redemption Notes shall be distributed and where the number of Redemption Notes to be received upon redemption by a holder of Units would otherwise include a fraction, that number shall be rounded down to the next lowest whole number. The Trustees may deduct or withhold from all payments or other distributions payable to any Unitholder pursuant to the Declaration of Trust all amounts required by law to be so withheld. Where the REIT makes a distribution *in specie* on the redemption of Units of a Unitholder, the REIT currently intends to allocate to that Unitholder any capital gain or income realized by the REIT on or in connection with such distribution. See "Certain Canadian Federal Income Tax Considerations".

It is anticipated that the redemption right described above will not be the primary mechanism for Unitholders to dispose of their Units. Redemption Notes which may be distributed to holders of Units in connection with a redemption will not be listed on any exchange, no market is expected to develop in Redemption Notes and such securities may be subject to an indefinite "hold period" or other resale restrictions under applicable securities laws. Redemption Notes so distributed may not be qualified investments for Exempt Plans, depending upon the circumstances at the time.

Purchases of Units by the REIT

The REIT may from time to time purchase Units in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange and regulatory policies. Any such purchase will constitute an "issuer bid" under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof.

Take-Over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid or issuer bid is made for Units within the meaning of the Securities Act and not less than 90% of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by Unitholders who do not accept the offer either, at the election of each Unitholder, on the terms offered by the offeror or at the fair value of such Unitholder's Units determined in accordance with the procedures set out in the Declaration of Trust.

The Declaration of Trust and the Partnership Agreement will provide that in the event that a non-exempt take-over bid from a person acting at arm's length to holders of Class B Units (or any affiliate or associate thereof) is made for Units, unless the take-over bid is structured to permit holders of Class B Units to both redeem for Units and tender conditional on take-up, then, from and after the first take-up of Units under the said take-over bid (provided that not less than 25% of the Units other than Units held at the date of the take-over bid by the offeror or associates or affiliates of the offeror are so taken up) the terms and conditions of the Class B Units will be amended such that the redemption rate shall be varied to equal 110% of the redemption rate then in effect (such that on conversion, exercise, redemption or exchange the holder shall receive 1.1 Units for each Unit that the holder would otherwise have received). Notwithstanding any adjustment on completion of an exclusionary offer as described above, the distribution rights attaching to the Class B Units will also not be adjusted until the redemption right is actually exercised.

Non-Certificated Inventory System

Other than pursuant to certain exceptions, registration of interests in and transfers of Units held through CDS, or its nominee, will be made electronically through the NCI system of CDS. On Closing, the REIT, via its transfer agent, will electronically deliver the Units registered to CDS or its nominee. Units held in CDS must be purchased, transferred and surrendered for redemption through a CDS participant, which includes securities brokers and dealers,

banks and trust companies. All rights of Unitholders who hold Units in CDS must be exercised through, and all payments or other property to which such Unitholders are entitled will be made or delivered by CDS or the CDS participant through which the Unitholder holds such Units. A holder of a Unit participating in the NCI system will not be entitled to a certificate or other instrument from the REIT or the REIT's transfer agent evidencing that person's interest in or ownership of Units, nor, to the extent applicable, will such Unitholder be shown on the records maintained by CDS, except through an agent who is a CDS participant.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such Unitholder's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

Issuance of Units

The REIT may issue new Units from time to time, in such manner, for such consideration and to such person or persons as the Trustees shall determine. Unitholders will not have any pre-emptive rights whereby additional Units proposed to be issued would be first offered to existing Unitholders, except that for so long as The Milestone Group continues to hold at least (i) the number of Units (assuming all Class B Units are redeemed for Units) issued to The Milestone Group on Closing, and (ii) 5% of the outstanding Units of the REIT (on a fully diluted basis), The Milestone Group will have the pre-emptive right to purchase additional Units issued by the REIT to maintain its *pro rata* interest in the REIT (on a fully diluted basis). If the Trustees determine that the REIT does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the issuance of additional Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Trustees to be available for the payment of such distribution.

The REIT may also issue new Units (or securities exchangeable into Units) (i) as consideration for the acquisition of new properties or assets by it, at a price or for the consideration determined by the Trustees, (ii) pursuant to any incentive or option plan established by the REIT from time to time, (iii) pursuant to a distribution reinvestment plan of the REIT (See "Distribution Policy – Distribution Reinvestment Plan"), or (iv) pursuant to a Unitholder rights plan of the REIT.

The Declaration of Trust also provides that immediately after any *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated so that each Unitholder will hold, after the consolidation, the same number of Units as the Unitholder held before the non-cash distribution. In this case, each certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation. Where amounts distributed represent income, Non-Resident holders will be subject to withholding tax and the consolidation will not result in such Non-Resident Unitholders holding the same number of Units. Such Non-Resident Unitholders will be required to surrender the certificates (if any) representing their original Units in exchange for a certificate representing post-consolidation Units.

Information and Reports

The REIT will furnish to Unitholders such financial statements (including quarterly and annual financial statements) and other reports as are from time to time required by the Declaration of Trust and by applicable law. Prior to each meeting of Unitholders, the Trustees will provide the Unitholders (along with notice of such meeting) information as required by applicable tax and securities laws.

Amendments to the Declaration of Trust

The Declaration of Trust may be amended or altered from time to time. Certain amendments require approval by at least two-thirds of the votes cast at a meeting of Unitholders called for such purpose. Other amendments to the Declaration of Trust require approval by a majority of the votes cast at a meeting of Unitholders called for such purpose.

Except as described below, the following amendments, among others, require the approval of two-thirds of the votes cast by all Unitholders at a meeting:

(a) an exchange, reclassification or cancellation of all or part of the Units;

(b) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Units;

(c) any constraint of the issue, transfer or ownership of the Units or the change or removal of such constraint;

(d) the sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees and not prejudicial to Unitholders);

(e) the termination of the REIT (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees and not prejudicial to Unitholders);

(f) the combination, amalgamation or arrangement of any of the REIT or its subsidiaries with any other entity (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees and not prejudicial to Unitholders); and

(g) except as described herein, the amendment of the investment guidelines and operating policies of the REIT. See "Investment Guidelines and Operating Policies – Amendments to Investment Guidelines and Operating Policies".

Notwithstanding the foregoing, the Trustees may, without the approval of the Unitholders, make certain amendments to the Declaration of Trust, including amendments:

(a) aimed at ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over: (i) the Trustees or the REIT; (ii) the status of the REIT as a "mutual fund trust" under the Tax Act; (iii) the status of the REIT as a "real estate investment trust" for U.S. federal income tax purposes; or (iv) the distribution of Units;

(b) which, in the opinion of the Trustees, provide additional protection for the Unitholders;

(c) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Unitholders;

(d) which, in the opinion of the Trustees, are necessary or desirable to remove conflicts or inconsistencies between the disclosure in this prospectus and the Declaration of Trust;

(e) of a minor or clerical nature or to correct typographical mistakes, ambiguities or manifest omissions or errors, which amendments, in the opinion of the Trustees, are necessary or desirable and not prejudicial to the Unitholders;

(f) which, in the opinion of the Trustees, are necessary or desirable: (i) to ensure continuing compliance with IFRS; or (ii) to ensure the Units are classified as equity for purposes of IFRS;

(g) which, in the opinion of the Trustees, are necessary or desirable to enable the REIT to implement a Unit option or purchase plan or issue Units for which the purchase price is payable in instalments;

(h) which, in the opinion of the Trustees, are necessary or desirable for the REIT to qualify for a particular status under, or as a result of changes in, taxation or other laws, or the interpretation of such laws, including to qualify for the definition of "real estate investment trust" in the Tax Act and the Code or to otherwise prevent the REIT or any of its Subsidiaries from becoming subject to tax under the SIFT Rules;

(i) to create one or more additional classes of units solely to provide voting rights to holders of shares, units or other securities that are exchangeable for Units entitling the holder thereof to a number of votes not exceeding the number of Units into which the exchangeable shares, units or other securities are exchangeable or convertible but that do not otherwise entitle the holder thereof to any rights with respect to the REIT's property or income other than a return of capital; and

(j) for any purpose (except one in respect of which a Unitholder vote is specifically otherwise required) which, in the opinion of the Trustees, is not prejudicial to Unitholders and is necessary or desirable.

Pursuant to the Declaration of Trust, no amendment shall be made that limits or alters the nomination rights of Milesouth described in this prospectus without the express written consent of Milesouth, provided that Milesouth and its affiliates hold, directly or indirectly, at least a 10% ownership interest in the REIT, calculated on a fully-diluted basis.

US HOLDCO

Milestone Apartments Holdings, LLC ("**US Holdco**") is a limited liability company established under the laws of the State of Delaware. Upon completion of the Offering and related transactions, US Holdco will own all of the Class A Units of the Partnership and, through its ownership of MMI GP, LLC, will control the general partner of the Partnership, TMG MMI. The Board of Managers of US Holdco will be determined (and may be removed without cause) by the Board; provided that the Board of Managers of US Holdco shall always be comprised of a majority of (a) U.S. residents, and (b) individuals who are neither employed by, affiliated with, or otherwise not independent of the Asset Manager. The Board of Managers of US Holdco will initially be comprised of the Chief Executive Officer and two trustees of the REIT. The operations of US Holdco will be subject to the terms of a limited liability company agreement which will provide, among other things, that (i) US Holdco will operate in a manner consistent with the governance and other terms of the Declaration of Trust, including the investment guidelines and operating principles set out therein, and (ii) certain fundamental actions to be taken by US Holdco (expected to include items such as dispositions of individual assets of US Holdco, refinancing, the approval of annual operating budgets and matters relating to the Asset Manager) will require the unanimous approval of the members of the Board of Managers, subject to situations where individuals must abstain from voting due to a conflict of interest or under applicable law. The REIT will exercise effective oversight of US Holdco and certain actions, such as mergers, acquisitions, dispositions of all or substantially all of the assets of US Holdco and liquidation or dissolution will require the approval of the REIT.

GENERAL PARTNER

TMG MMI is a limited partnership established under the laws of the State of Delaware. TMG MMI is controlled by its general partner MMI GP, LLC, a limited liability company established under the laws of the State of Delaware. Upon Closing, the sole member of MMI GP, LLC will be US Holdco, giving US Holdco indirect control over the operations of TMG MMI and the Partnership.

THE PARTNERSHIP

General

The Partnership is a Delaware limited partnership governed by the Partnership Agreement and the laws of the State of Delaware. On Closing, the sole holder of the Class A Units will be US Holdco. The general partner of the Partnership is TMG MMI (the "**General Partner**"). As general partner of the General Partner, MMI GP, LLC controls the operations of the General Partner and accordingly, through its ownership of MMI GP, LLC, US Holdco indirectly controls the operations of the General Partner.

The REIT is considered an umbrella partnership real estate investment trust (an "**UPREIT**") for U.S. federal income tax purposes. An UPREIT is a structure that REITs often use to acquire real property from sellers on a tax deferred basis for U.S. federal income tax purposes because the sellers can generally accept partnership units and defer taxable gain otherwise required to be recognized by them upon the disposition of their properties. Such sellers may also desire to achieve diversity in their investment and other benefits afforded to unitholders in a real estate investment trust. For purposes of satisfying the asset and income tests for qualification as a real estate investment trust for U.S. federal income tax purposes, the REIT's proportionate share of the assets and income of the Partnership will be deemed to be assets and income of the REIT.

Partnership Units

Upon Closing, the Partnership will have outstanding (i) a general partnership interest, indirectly controlled and held by US Holdco (through its ownership of MMI GP, LLC, general partner of the General Partner), (ii) Class A Units, all of which will be held by US Holdco and (iii) Class B Units, all of which will be held by the Retained Interest Holders. The Class B Units will, in all material respects, be economically equivalent to the Units on a per unit basis. The Class B Units will not be entitled to vote on matters to be voted on by Unitholders of the REIT. Pursuant to the Partnership Agreement, the Class B Units will be redeemable from time to time by the holder thereof for cash or, at the option of the General Partner, Units (on a one-for-one basis, subject to customary anti-dilution adjustments).

On Closing there will be approximately 14,277,399 Class B Units issued and outstanding, approximately 8,923,189 of which will be held by Milesouth and approximately 5,354,210 of which will be held by MST Investors.

Transfers of Class A Units and Class B Units are generally not permitted subject to limited exceptions, including (i) pursuant to the redemption of the Class B Units into Units, (ii) transfers from a legal entity to an affiliate, subsidiary or successor in interest of such entity, and (iii) with the approval of the General Partner.

Redemption Rights

After holding Class B Units for at least twelve months (subject to acceleration in certain circumstances), the holders of Class B Units have the right to cause the Partnership to redeem all or a portion of such Class B Units for Units or cash, at the option of its General Partner. If the General Partner elects to redeem Class B Units for Units, the REIT will generally deliver (indirectly) one Unit for each Class B Unit redeemed (subject to customary anti-dilution adjustments). In connection with the exercise of these redemption rights, a holder of Class B Units will be required to make certain representations, including that the delivery of Units upon redemption will not result in such partner owning Units in excess of the ownership limits in the Declaration of Trust.

Operation

The Partnership Agreement requires that the Partnership be operated in a manner that will enable the REIT to (i) satisfy the requirements for being classified as a real estate investment trust for U.S. federal income tax purposes, unless the Board elects for the REIT to cease to qualify as a real estate investment trust, (ii) not be subject to any federal income or excise tax liability, unless the Board elects for the REIT to cease to qualify as a real estate investment trust, and (iii) ensure that the Partnership will not be classified as a "publicly traded partnership" for purposes of Section 7704 of the Code, which classification could result in the Partnership being taxed as a corporation, rather than as a partnership. In addition, the Partnership Agreement requires that the Partnership not take any action that would subject any partner of Milesouth or any shareholder of any partner of Milesouth to the tax on unrelated business taxable income under the Code. As a result, if the REIT desires to generate any income that would be unrelated business taxable income, it would be required to generate such income through a "taxable REIT subsidiary" of the Partnership and pay U.S. corporate tax on such income.

The authority of US Holdco with respect to the Partnership will be limited to certain matters delegated to it by the REIT and its Board under its limited liability company agreement. US Holdco's authority will also be limited in certain other respects. In particular, certain material transactions taken by the Partnership, or the General Partner acting on behalf of the Partnership, will require the approval of the REIT (through its indirect control of the General Partner) and Milesouth (for so long as Milesouth holds in the aggregate, directly or indirectly (including Units), at least a 33% ownership interest in the Partnership). These material transactions include:

- Entering into a merger, consolidation, business combination, joint venture or other material transaction;
- Selling, assigning, conveying or otherwise disposing of all or substantially all of the assets of the Partnership;
- Adopting any plan or proposal for a complete or partial liquidation or dissolution, or any reorganization or recapitalization or commencement of any case, proceeding or action seeking relief under any existing or future laws relating to bankruptcy, insolvency, conservatorship or relief of debtors;
- Adding, changing or removing any restriction on the business or businesses that the Partnership may carry on; and
- Agreeing or committing to any of the preceding.

In the event the REIT, the Partnership or one of their subsidiaries decides to issue equity securities or securities convertible into or exchangeable or redeemable for equity securities of the REIT, the Partnership or one of their subsidiaries, or an option or other right to acquire such securities other than to an affiliate thereof (other than Milesouth), MST Investors, for so long as it continues to hold at least (i) the number of Units (assuming all Class B Units were redeemed for Units) issued to it on Closing, and (ii) 5% of the outstanding Units (on a fully diluted basis), shall have pre-emptive rights to purchase Units, Class B Units or such other securities as are being contemplated for issuance by the REIT, the Partnership or one of their subsidiaries, as the case may be, to maintain MST Investors's *pro rata* ownership interest (on a fully diluted basis). The pre-emptive rights will not apply to issues in the following circumstances: to participants in any distribution reinvestment or similar plan; in respect of the exercise of options, warrants, rights or other securities issued under security based compensation arrangements of the REIT or the Partnership; the exercise of the redemption right by a holder of Class B Units; to Unitholders or partners of the Partnership in lieu of cash distributions; as full or partial consideration for the purchase of real property by the REIT; exercise by the holder of a conversion, exchange or other similar right pursuant to the terms of a security in respect of which MST Investors did not exercise, failed to exercise, or waived its pre-emptive right or in respect of which the pre-emptive right did not apply; pursuant to a unitholder rights plan of the REIT; to the REIT, the Partnership or any subsidiary or affiliate thereof; and pursuant to the exercise of the Over-Allotment Option, if any.

If the REIT enters into a transaction that will involve: (i) the transfer, directly or indirectly, of all or substantially all of its assets to an unaffiliated third party; and (ii) the subsequent winding up, dissolution or termination of the REIT, or exchange of Units for securities of a third party issuer or successor issuer, then each of Milesouth (if at such time, Milesouth and its affiliates hold in the aggregate, directly or indirectly, 33% or less of the outstanding Units on a fully-diluted basis) and The Milestone Group will be obligated to, upon the written request of the REIT, exercise their respective redemption right in respect of the Class B Units then held by Milesouth, The Milestone Group and their respective affiliates.

In addition, in the event of a take-over bid that is accepted by the holders of not less than 90% of the Units (including Units issuable upon the redemption of Class B Units) by a person (including persons acting jointly or in concert with such person), and such person has exercised its right to acquire Units held by dissenting offerees (including Units issuable upon redemption of their Class B Units) in accordance with the Declaration of Trust, the REIT will have the right, subject to applicable law and through its indirect ownership of the General Partner, to cause the General Partner to cause the redemption of all outstanding Class B Units in exchange for an equal number of Units, subject to adjustment in accordance with the Declaration of Trust and the Partnership Agreement.

The Partnership Agreement may be amended with the affirmative vote of US Holdco. No amendment that would adversely affect the rights of Milesouth or The Milestone Group under the Partnership Agreement may be made without their consent.

Distributions and Allocations of Profits and Losses

The Partnership Agreement generally provides that the Partnership will distribute cash flow from operations and, except as provided below, net sales proceeds from the disposition of assets, to all of the partners of the Partnership. Upon the liquidation of the Partnership, after payment of (or adequate provision for) debts and obligations, any remaining assets of the Partnership will be distributed in accordance with the distribution provisions contained in the Partnership Agreement.

The Partnership Agreement provides that generally, net income, net loss and, to the extent necessary, individual items of income, gain, loss or deduction of the Partnership will be allocated among the partners in such a manner that the capital account of each partner, immediately after making such allocation, is, as nearly as possible, equal proportionately to the distributions that would be made to such partner if the Partnership were dissolved, its affairs wound up and its assets were sold for cash, all Partnership liabilities were satisfied, and the net assets of the Partnership were distributed to the partners immediately after making such allocation.

If the REIT elects to cause the General Partner to admit additional partners to the Partnership, the distributions and allocations of profits and losses to the partners generally will be in accordance with their ownership interests.

In addition to the administrative and operating costs and expenses incurred by the Partnership and its subsidiaries in acquiring, operating and servicing their assets, the Partnership will either pay the administrative costs and expenses of the General Partner, MMI GP, LLC and US Holdco directly or make cash distributions to reimburse for expenses incurred by the General Partner, MMI GP, LLC, and US Holdco as applicable. For U.S. federal income tax purposes, such expenses will be treated as expenses of the Partnership. Such expenses will include, but not be limited to:

- administrative and operating costs and expenses and other expenses, including any salaries or other payments to directors, officers and/or employees, including any 401(k) plan or other incentive, bonus or compensation plan, and any accounting and legal expenses;
- costs and expenses relating to the formation and continuity of existence of the REIT, including taxes, fees and assessments associated therewith, any and all costs, expenses or fees payable to any director, officer or employee of the REIT;
- costs and expenses associated with the preparation and filing of any periodic reports by the REIT under Canadian federal or provincial laws or regulations and U.S. federal, state or local laws or regulations;
- costs and expenses associated with compliance by the REIT with laws, rules and regulations promulgated by any regulatory body; and
- costs and expenses relating to any issuance, redemption or repurchase of Units or other securities by the REIT.

Management of the Partnership

As the sole general partner of the Partnership, TMG MMI and any successor general partner has the power to manage and conduct the business of the Partnership. As sole general partner of the General Partner, MMI GP, LLC will have the exclusive power to manage and conduct the business of the General Partner; and as sole member of MMI GP, LLC, US Holdco will have the exclusive power to manage and conduct the business of MMI GP, LLC, effectively giving US Holdco the indirect exclusive power to manage and conduct the business of the Partnership, subject to the investment guidelines and operating policies of the REIT and the authority delegated to US Holdco by the REIT and its Board. The General Partner may not be removed as general partner by the limited partners. None of the limited partners of the Partnership may transact business for the Partnership or participate in management activities or decisions, except as provided in the Partnership Agreement and as required by applicable law.

The General Partner is accountable to the Partnership as a fiduciary and consequently must exercise good faith and integrity in handling Partnership affairs.

All of the current and future limited partners of the Partnership will expressly acknowledge that the General Partner is acting on behalf of itself, the Partnership, its general partner, and the limited partners of the Partnership, collectively, and that the General Partner is under no obligation to consider the separate interests of the limited partners of the Partnership in deciding whether to cause the Partnership to take (or decline to take) any action. In the event of a conflict between the interests of the General Partner's general partner, on the one hand and the limited partners of the Partnership on the other hand, the General Partner shall endeavour in good faith to resolve the conflict in a manner not adverse to either its general partner or the limited partners of the Partnership; provided, however, that for so long as the General Partner is an affiliate of the REIT, any such conflict shall be resolved in favour of the general partner of the General Partner. The General Partner shall not be liable under the Partnership Agreement for monetary damages for losses sustained, liabilities incurred, or benefits not received by limited partners of the Partnership in connection with such decisions, provided that the General Partner reasonably believes its actions or inactions to have been taken or refrained from being taken in good faith.

Indemnification

To the fullest extent permitted by law, the Partnership Agreement provides for indemnification of any person made a party to a proceeding by reason of such person's status as the REIT, the General Partner, a limited partner or a director, officer, employee, agent or affiliate of any of the foregoing, and such other persons (including affiliates of the General Partner or the Partnership) as the General Partner may designate from time to time (whether before or after the event giving rise to potential liability), in its sole and absolute discretion.

Tax Matters

Pursuant to the Partnership Agreement, the General Partner will be the tax matters partner of the Partnership, and as such, will have authority to make tax decisions under the Code on behalf of the Partnership. The General Partner will file a U.S. federal income tax return annually on behalf of the Partnership on IRS Form 1065 (or such other successor form) or on any other IRS form as may be required.

Undertaking

The REIT has provided an undertaking to the securities commission or securities regulatory authorities in each province and territory of Canada that it will, while it is a reporting issuer: (i) in complying with its reporting issuer obligations, treat the Partnership as a subsidiary of the REIT; however, if generally accepted accounting principles used by the REIT prohibit the consolidation of financial information of the Partnership and the REIT, then for as long as the Partnership (including any of its significant business interests) represents a significant asset of the REIT, the REIT will provide unitholders with separate audited annual financial statements and interim financial reports, prepared in accordance with the same generally accepted accounting principles as the REIT's financial statements, and related management's discussion and analysis, prepared in accordance with National Instrument 51-102 – *Continuous Disclosure Obligations* or its successor, for the Partnership (including information about any of its significant business interests); (ii) for so long as the REIT is a reporting issuer, the REIT will take the appropriate measures to require each person who would be an insider of the Partnership or a person or company in a special relationship with the Partnership if the Partnership were a reporting issuer to (A) file insider reports about trades in units of the REIT (including securities which are exchangeable into units of the REIT) and (B) comply with statutory prohibitions against insider trading; and (iii) annually certify that it has complied with these undertakings and file such certificate on SEDAR concurrently with the filing of its annual financial statements.

DISTRIBUTION POLICY

The following outlines the distribution policy of the REIT to be adopted pursuant to the Declaration of Trust. Determinations as to the amounts distributable, however, will be made in the sole discretion of the Trustees from time to time.

Distribution Policy

The REIT intends to adopt a distribution policy, as permitted under the Declaration of Trust, pursuant to which it will make *pro rata* monthly cash distributions to Unitholders and, through the Partnership, to holders of Class B Units, if any, initially equal to, on an annual basis, approximately 90% of estimated AFFO for the period ended December 31, 2013. Management of the REIT believes that the 90% payout ratio initially set by the REIT should allow the REIT to meet its internal funding needs, while being able to support stable growth in cash distributions. However, subject to compliance with the Declaration of Trust, the actual payout ratio will be determined by the Trustees in their discretion. Pursuant to the Declaration of Trust, the Trustees have full discretion respecting the timing and amounts of distributions including the adoption, amendment or revocation of any distribution policy. It is the REIT's current intention to make distributions to Unitholders at least equal to the amount of net income and net realized capital gains of the REIT as is necessary to ensure that the REIT will not be liable for ordinary income taxes on such income.

Because the REIT will be treated as a real estate investment trust for U.S. federal income tax purposes, distributions paid by the REIT to Canadian investors that are made out of the REIT's current or accumulated earnings and profits (as determined under U.S. federal income tax principles) generally will be subject to U.S. withholding tax at a rate of 15% for investors that qualify for benefits under the Treaty. To the extent a Canadian investor is subject to U.S. withholding tax in respect of distributions paid by the REIT on the Units out of the REIT's current or accumulated earnings and profits, the amount of such tax generally will be eligible for foreign tax credit or deduction treatment, subject to the detailed rules and limitations under the Tax Act. Distributions in excess of the REIT's current and accumulated earnings and profits that are distributed to Canadian investors that have not owned (or been deemed to own) more than 5% of the outstanding Units generally will not be subject to U.S. withholding tax, although there can be no assurances that withholding on such amounts will not be required. The REIT estimates that none of its monthly cash distributions to be paid to Unitholders in 2013 will be made out of the REIT's current or accumulated earnings and profits and, accordingly, the REIT expects that 2013 distributions will not be subject to U.S. withholding tax. The composition of distributions for U.S. federal income tax purposes may change over time, which may affect the after-tax return to Unitholders. Qualified residents of Canada that are tax-exempt entities established to provide pension, retirement or other employee benefits (including trusts governed by a RRSP, a RRIF or a DPSP, but excluding trusts governed by a TFSA, a RESP or a RDSP) may be eligible for an exemption from U.S. withholding tax. The foregoing is qualified by the more detailed summary in this Prospectus. See "Certain Canadian Federal Income Tax Considerations" and "Certain U.S. Federal Income Tax Considerations". See also "Risk Factors – Tax-related Risk Factors".

Unitholders of record as at the close of business on the last business day of the month preceding a Distribution Date will have an entitlement on and after that day to receive distributions in respect of that month on such Distribution Date. Distributions may be adjusted for amounts paid in prior periods if the actual AFFO for the prior periods is greater than or less than the estimates for the prior periods. Under the Declaration of Trust and pursuant to the distribution policy of the REIT, where the REIT's cash is not sufficient to make payment of the full amount of a distribution, such payment will, to the extent necessary, be distributed in the form of additional Units. See "Declaration of Trust – Issuance of Units" and "Certain Canadian Federal Income Tax Considerations".

The first distribution will be for the period from Closing to March 31, 2013 and will be paid on April 15, 2013, in the amount of C$0.04543 per Unit assuming Closing occurs on March 6, 2013. The REIT intends to make subsequent monthly distributions in the estimated amount of C$0.05417 per Unit commencing May 15, 2013.

Given that the REIT's investments and operations will be conducted in U.S. dollars and the REIT will pay distributions to Unitholders (and to Class B Unit holders through the Partnership) in Canadian dollars, the REIT intends to implement active hedging programs in order to offset the risk of revenue losses and provide more certainty regarding the payment of distributions to Unitholders. See "Risk Factors".

The ability of the REIT to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of the REIT and will be subject to various factors including financial performance, obligations under applicable credit facilities and restrictions on payment of distributions thereunder on the occurrence of an event of default, fluctuations in working capital, the sustainability of income derived from the tenants of the REIT's properties and any capital expenditure requirements. See "Risk Factors".

UNITHOLDERS' RIGHTS PLAN

The REIT will establish the Rights Plan on Closing. The purposes of the Rights Plan are as follows: (i) to ensure, to the extent possible, that the Trustees have sufficient time to consider and evaluate any unsolicited take-over bid for the Units or other acquisition of control of the REIT; (ii) to provide the Trustees with adequate time to explore and develop alternatives, in order to maximize Unitholder value; and (iii) to ensure, to the extent possible, the equal treatment of Unitholders in connection with any unsolicited take-over bid. On Closing, one right will be issued and attached to each outstanding Unit and Class B Unit pursuant to the Rights Plan.

The Rights Plan will utilize the mechanism of a "Permitted Bid" (as described below) to protect Unitholders by requiring all potential bidders to comply with the conditions specified in the Permitted Bid provisions or risk being subject to the dilutive features of the Rights Plan. Generally, to qualify as a Permitted Bid, a bid must be made to all Unitholders and holders of Class B Units, if any, by way of take-over bid circular and must be open for at least 60 days after the bid is made. If more than 50% of the Units held by "Independent Unitholders" (as defined below) are deposited or tendered to the bid and not withdrawn, the bidder may take up and pay for such Units and associated Class B Units, if any. The take-over bid must then be extended for a further period of at least ten business days on the same terms to allow those Unitholders who did not initially tender their Units and associated Class B Units, if any, to tender to the take-over bid if they so choose. Thus, there is no coercion to tender during the initial 60-day period because the bid must be open for acceptance for at least ten business days after the expiry of the initial tender period. The Rights Plan is designed to make it impractical for any person to acquire more than 20% of the outstanding Units without the approval of the Trustees except pursuant to the Permitted Bid procedures or pursuant to certain other exempt transactions outlined below.

Management believes that the Rights Plan taken as a whole should not be an unreasonable obstacle to a serious bidder willing to make a bona fide and financially fair offer open to all Unitholders. The provisions of the Rights Plan relating to portfolio managers are designed to prevent the triggering of the Rights Plan by virtue of the customary activities of such persons. See "Portfolio Managers" below.

The Rights Plan will be subject to re-confirmation by Unitholders and Independent Unitholders every three years and terminate upon the termination of the first annual meeting of the Unitholders following the third anniversary date of Closing, unless terminated earlier.

Issue of Rights

On Closing, one Right will be issued and attached to each outstanding Unit and each outstanding Class B Unit. One Right will also attach to any subsequently issued Units and Class B Units. The Rights are not exercisable prior to the Separation Time (as defined below).

Rights Exercise Privilege

The Rights will separate from the Units and Class B Units to which they are attached and will become exercisable (the "**Separation Time**") at the close of business on the 10th business day after the earlier of (A) the first date of public announcement by the REIT or an Acquiring Person of facts indicating that a person has become an Acquiring Person, and (B) the date of the commencement of, or first public announcement of, the intent of any person (other than the REIT or any subsidiary of the REIT) to commence, a take-over bid (other than a Permitted Bid or "Competing Permitted Bid" (as described below)), or the date on which a Permitted Bid or Competing Permitted Bid ceases to qualify as such, or, in either case, such later date as may be determined by the Trustees.

The acquisition by an Acquiring Person, including persons acting jointly or in concert, of 20% or more of the Units, other than by way of a Permitted Bid in certain circumstances, is referred to as a "**Flip-in Event**". Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the first date of public announcement by the REIT or by an Acquiring Person that an Acquiring Person has become such, will become void upon the occurrence of a Flip-in Event. Ten business days after the occurrence of the Flip-in Event, the Rights (other than those held by the Acquiring Person) will permit the holder to purchase, for example, Units with a total market value of $200, on payment of $100 (i.e., at a 50% discount).

The issue of the Rights is not initially dilutive. Upon a Flip-in Event occurring and the Rights separating from the attached Units, reported earnings per Unit on a fully diluted or non-diluted basis may be affected. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

Acquiring Person

An "**Acquiring Person**" is any person who is or becomes the beneficial owner of 20% or more of all Units of the REIT (calculated on a fully-diluted basis). An Acquiring Person does not, however, include: (a) the REIT or any Subsidiary of the REIT; (b) any person who, directly or indirectly, (i) owns 20% or more of the Units on Closing or (ii) would own, if all of such person's Class B Units were redeemed for Units, 20% or more of the Units (calculated on a fully-diluted basis) on Closing (a "**Grandfathered Person**"), provided, however, that this exception shall not be, and shall cease to be, applicable to a Grandfathered Person in the event that such Grandfathered Person shall, after the Closing, (i) cease to beneficially own 10% or more of the outstanding Units or (ii) other than pursuant to certain exempt transactions, become the owner, directly or indirectly, of Units that increases its percentage ownership interest in the REIT to an amount that exceeds its percentage ownership interest in the REIT on Closing plus an additional 1.0%; or (c) any person who becomes the beneficial owner of 20% or more of the Units as a result of certain exempt transactions.

Exempt transactions include: (a) specified acquisitions or redemptions of Units; (b) acquisitions pursuant to a Permitted Bid (which may include a Competing Permitted Bid), as described below; or (c) acquisitions of Units in exchange for additional properties being acquired by the REIT.

Certificates and Transferability

Prior to the Separation Time, Rights will not be evidenced by certificates. Rights will not be transferable separately from the attached Units. From and after the Separation Time, registration of interests in and transfer of the Rights will only be made electronically via CDS, subject to certain exceptions (see Declaration of Trust – Non-Certificated Inventory System).

Permitted Bid Requirements

The requirements of a Permitted Bid include the following: (a) the take-over bid must be made by way of a take-over bid circular; (b) the take-over bid must be made to all holders of Units and holders of Class B Units, if any, other than the bidder, the take-over bid must not permit Units and Class B Units tendered pursuant to the take-over bid to be taken up prior to the expiry of a period of not less than 60 days from the date of the bid and then only if at such time more than 50% of the Units held by Unitholders other than the bidder, and its affiliates and persons acting jointly or in concert with the bidder (the "**Independent Unitholders**") have been tendered pursuant to the take-over bid and not withdrawn; and (c) if more than 50% of the Units held by Independent Unitholders are tendered to the takeover bid within the 60-day period, the bidder must make a public announcement of that fact and the take-over bid must remain open for deposits of Units and Class B Units for at least an additional 10 business days from the date of such public announcement.

The Rights Plan allows a competing Permitted Bid (a "**Competing Permitted Bid**") to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all the requirements of a Permitted Bid except that, provided it is outstanding for a minimum period of 35 days (or such minimum period prescribed by law in the Province of Ontario), it may expire on the same date as the earliest date for take-up specified in a Permitted Bid.

Waiver and Redemption

The Trustees acting in good faith may determine, with the prior consent of the Unitholders, or the holders of Rights, as the case may be, at any time prior to the occurrence of a Flip-in Event, to redeem all, but not less than all, of the outstanding Rights at a redemption price of $0.00001 per Right, subject to appropriate anti-dilution adjustments.

The Trustees acting in good faith may determine, with the prior consent of the Unitholders, or the holders of Rights, as the case may be, at any time prior to the occurrence of a Flip-in Event that may occur by reason of an acquisition of Units otherwise than pursuant to a take-over bid made by means of a take-over bid circular to all holders of record of Units and Class B Units, to waive the application of the Flip-in Event provisions to such Flip-in Event.

The Trustees acting in good faith may determine, at any time prior to the occurrence of a Flip-in Event that may occur by reason of a take-over bid made by take-over bid circular sent to all holders of record of Units and Class B Units, to waive the application of the Flip-in Event provisions to such Flip-in Event, provided that if the Trustees do so,

they shall be deemed to have waived the application of the Flip-in Event provisions to any other Flip-in Event occurring by reason of any take-over bid made by take-over bid circular to all holders of record of Units and Class B Units which is made prior to the expiry of any take-over bid (as the same may be extended from time to time) in respect of which such waiver is, or is deemed to have been, granted.

Redemption of Rights on Withdrawal or Termination of Bid

Where a take-over bid that is not a Permitted Bid is withdrawn or otherwise terminated after the Separation Time and prior to the occurrence of a Flip-in Event, provided that the provisions of the Rights Plan are deemed to continue to apply as if the Separation Time had not occurred, the Trustees acting in good faith may elect to redeem all the outstanding Rights at the applicable redemption price. Upon such redemption, the REIT is deemed to have issued replacement Rights to all holders of its then outstanding Units and Class B Units.

Waiver of Inadvertent Flip-in Event

The Trustees acting in good faith may, prior to the close of business on the tenth Business Day after a person has become an Acquiring Person, waive the application of the Rights Plan to an inadvertent Flip-in Event, on the condition that such person reduces its beneficial ownership of Units such that it is not an Acquiring Person within 14 days of the determination of the Trustees.

Portfolio Managers

The provisions of the Rights Plan relating to portfolio managers are designed to prevent the occurrence of a Flip-in Event solely by virtue of the customary activities of such managers, including trust companies and other persons, where a substantial portion of the ordinary business of such person is the management of funds for unaffiliated investors, so long as any such person does not propose to make a take-over bid either alone or jointly with others.

Supplement and Amendments

The Trustees may, prior to the time for re-confirmation of the Rights Plan, supplement, amend, vary, rescind or delete any of the provisions of the plan in order to make any changes which the Trustees acting in good faith deem necessary or desirable, without the approval of any holders of Rights, Class B Units or Units, only if such supplement, amendment, rescission or deletion would not materially adversely affect the interests of holders of Rights. Any such change must be submitted for approval by Unitholders at the next meeting of Unitholders or, if made after the Separation Time, any such change must be submitted for approval by the holders of Rights at a meeting to be called by a date immediately following the next meeting of Unitholders, and will only continue in effect if such approval is obtained. The Trustees may also supplement or amend the Rights Plan to correct any clerical or typographical error or as required to maintain the validity of the Rights Plan as a result of change in applicable legislation, rules or regulations.

Notwithstanding any provision of the Rights Plan, certain amendment made by the REIT to the Rights Plan by supplement or otherwise shall be subject to the prior approval of any governmental or regulatory authority having jurisdiction over the REIT. In addition, for such period of time as Milesouth is a Grandfathered Person, any supplement or amendment to the Rights Plan that would have an adverse effect on Milesouth's ability to qualify as a Grandfathered Person will require Milesouth's consent.

Eligibility for Investment

The issue of Rights will not affect the status under the Tax Act of the Units as "qualified investments" (as defined in the Tax Act) for Exempt Plans.

Regulatory Approvals

Any obligation of the REIT or action or event contemplated by the Rights Plan shall be subject to the receipt of any requisite approval or consent from any applicable governmental or regulatory authority having jurisdiction over the REIT.

General

Until a Right is exercised, the holder thereof, as such, will have no rights as a Unitholder.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Goodmans LLP, Canadian counsel to the REIT, and Davies Ward Phillips & Vineberg LLP, Canadian counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable as of the date hereof to a purchaser who acquires Units pursuant to this prospectus and who, for the purposes of the Tax Act and at all relevant times, is resident in Canada, deals at arm's length with and is not affiliated with the REIT and holds the Units as capital property (in this section of the prospectus, referred to as a "**Holder**"). The Units generally will be capital property to a Holder provided that the Holder does not hold such Units in the course of carrying on a business and has not acquired them in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain Holders who might not otherwise be considered to hold their Units 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 such Units, and any other "Canadian security" (as defined in the Tax Act) owned in the taxation year in which the election is made, and in all subsequent taxation years, deemed to be capital property. Holders who do not hold their Units as capital property should consult their own tax advisors regarding their particular circumstances.

This summary does not apply to a Holder: (i) that is a "financial institution" subject to the mark-to-market rules in the Tax Act; (ii) an interest in which would be a "tax shelter investment" within the meaning of the Tax Act; (iii) that has elected to determine its Canadian tax results in a foreign currency pursuant to the "functional currency" reporting rules, in the Tax Act; or (vi) that holds or has held, actually or constructively, more than 5% of the outstanding Units, as determined for U.S. federal income tax purposes (See "Certain U.S. Federal Income Tax Considerations"). Such Holders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of Units. In addition, this summary does not address the deductibility of interest by a purchaser who has borrowed money to acquire Units under this Offering.

This summary is based on the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) before the date hereof ("Proposed Amendments"), counsel's understanding of the current published administrative policies and practices of the CRA, and a certificate as to certain factual matters from an executive officer of the REIT. Except for Proposed Amendments, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations. No assurance can be given that the Proposed Amendments 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 applicable to an investment in Units. The income and other tax consequences of acquiring, holding or disposing of Units will vary depending on a purchaser's particular status and circumstances, including the province or territory in which the purchaser resides or carries on business. This summary is not intended to be, nor should it construed to be, legal or tax advice to any particular purchaser. Purchasers should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units in their own circumstances.

For the purposes of this summary and the opinion given under the heading "Eligibility for Investment", a reference to the REIT is a reference to Milestone Apartment Properties Real Estate Investment Trust only and is not a reference to any of its subsidiaries or predecessors.

Status of the REIT

This summary assumes the REIT will qualify at all times as a "mutual fund trust" within the meaning of the Tax Act and that the REIT will validly elect under the Tax Act to be a mutual fund trust from the date it was established. An executive officer of the REIT has advised counsel that it intends to ensure that the REIT will meet the requirements necessary for it to qualify as a mutual fund trust no later than the closing of the Offering and at all times thereafter, and to file the necessary election so that the REIT will qualify as a mutual fund trust throughout its first taxation year. **If the REIT were not to qualify as a mutual fund trust at all times, the income tax considerations could be materially and adversely different from those described below.**

This summary is also based on the assumption that the REIT will at no time be a "SIFT trust", as defined in the rules applicable to SIFT trusts and SIFT partnerships in the Tax Act (the "SIFT Rules"). The SIFT Rules effectively tax certain income of a publicly-traded trust or partnership that is distributed to its investors on the same basis as would have applied had the income been earned through a taxable corporation and distributed by way of dividend to its shareholders. These rules apply only to "SIFT trusts", "SIFT partnerships" (each as defined in the Tax Act) and their investors.

Where the SIFT Rules apply, distributions of a SIFT trust's "non-portfolio earnings" are not deductible in computing the SIFT trust's net income. Non-portfolio earnings generally are defined as income attributable to a business carried on by the SIFT trust in Canada or to income (other than certain dividends) from, and capital gains from the disposition of, "non-portfolio properties" (as defined in the Tax Act). The SIFT trust is itself liable to pay an income tax on an amount equal to the amount of such non-deductible distributions at a rate that is substantially equivalent to the combined federal and provincial general tax rate applicable to taxable Canadian corporations. Such non-deductible distributions paid to a holder of units of the SIFT trust generally are deemed to be taxable dividends received by the holder of such units from a taxable Canadian corporation. Such deemed dividends will qualify as "eligible dividends" for purposes of the enhanced gross-up and dividend tax credit available under the Tax Act to individuals resident in Canada and for purposes of computing a Canadian resident corporation's "general rate income pool" or "low rate income pool", as the case may be (each as defined in the Tax Act). In general, distributions paid as returns of capital will not be subject to the SIFT Rules.

The REIT will not be considered to be a SIFT trust in respect of a particular taxation year and, accordingly, will not be subject to the SIFT Rules in that year, if it does not own any non-portfolio property and does not carry on business in Canada in that year. Management has advised counsel that the REIT has not and will not own any non-portfolio property or carry on a business in Canada.

If the REIT is subject to the SIFT Rules, certain of the income tax considerations described below would, in some respects, be materially and adversely different, and the SIFT Rules may, depending on the nature of distributions from the REIT, including what portion of its distributions are income and what portion are returns of capital, have a material adverse effect on the after-tax returns of certain Unitholders.

For the remainder of this summary, it is assumed that the REIT will not own any "non-portfolio property" nor carry on business in Canada and, accordingly, will not be a SIFT trust.

Taxation of the REIT

The taxation year of the REIT is the calendar year. The REIT must compute its income or loss for each taxation year as though it were an individual resident in Canada. The income of the REIT for purposes of the Tax Act will include, among other things, foreign accrual property income ("FAPI") in respect of its "controlled foreign affiliates", dividends received from US Holdco, and any net realized taxable capital gains.

US Holdco will be a "foreign affiliate" and a "controlled foreign affiliate" of the REIT for purposes of the Tax Act. To the extent that US Holdco or any other controlled foreign affiliate of the REIT earns in a particular taxation year income that is characterized as FAPI for purposes of the Tax Act, the FAPI allocable to the REIT must be included in computing the income of the REIT for the taxation year of the REIT in which the taxation year of US Holdco (or such other controlled foreign affiliate) ends whether or not the REIT actually receives a distribution of FAPI in that fiscal year. The FAPI of US Holdco will include FAPI earned directly or indirectly by US Holdco (including income earned through one or more subsidiary partnerships) as well as US Holdco's allocable share of any FAPI earned by controlled foreign affiliates of the Partnership (or any subsidiary partnerships thereof). If an amount of FAPI is included in computing the income of the REIT for Canadian tax purposes, an amount may be deductible in respect of the "foreign accrual tax" applicable to the FAPI as computed in accordance with the Tax Act. The adjusted cost base to the REIT of its shares in US Holdco will be increased by the net amount of FAPI included in the income of the REIT in respect of FAPI earned by US Holdco and/or allocated to US Holdco. At such time as the REIT receives a dividend of amounts that were previously included in its income as FAPI, that dividend will effectively not be taxable to the REIT and there will be a corresponding deduction in the adjusted cost base to the REIT of its shares in US Holdco. Under circumstances currently contemplated by management in respect of the Initial Properties, a portion of

the income earned by US Holdco (and controlled foreign affiliates of the Partnership, or certain subsidiary partnerships thereof) will be FAPI and, accordingly, will be required to be included in computing the income of the REIT for Canadian federal income tax purposes.

For the purposes of the Tax Act, all income of the REIT (including FAPI) must be calculated in Canadian currency. Where the REIT (or any of its subsidiaries) holds investments or incurs indebtedness denominated in foreign currencies, gains or losses may be realized by the REIT as a consequence of fluctuations in the relative value of the Canadian and foreign currencies.

In computing its income, the REIT will be entitled to deduct reasonable current administrative and other expenses incurred by it to earn income. Reasonable expenses incurred in respect of the issuance of Units generally may be deducted by the REIT on a five-year, straight-line basis, pro-rated for short taxation years.

The REIT may deduct from its taxable income amounts which are paid or become payable by it to Unitholders in such year. An amount will be considered to be payable in a taxation year if it is paid to a Unitholder in the year by the REIT or if a Unitholder is entitled in the year to enforce payment of the amount. Counsel has been advised by an executive officer of the REIT that the trustees' current intention is to make payable to Unitholders each year sufficient amounts such that the REIT generally will not be liable to pay tax under Part I of the Tax Act. Where the REIT does not have sufficient cash to distribute such amounts in a particular taxation year, the REIT will make one or more in-kind distributions in the form of additional Units. Income of the REIT payable to the Unitholders in the form of additional Units will generally be deductible to the REIT in computing its taxable income.

A distribution by the REIT of its property upon a redemption of Units will be treated as a disposition by the REIT of such property for proceeds of disposition equal to the fair market value thereof. The REIT will realize a capital gain (or a capital loss) to the extent that the proceeds from the disposition of the property exceed (or are less than) the adjusted cost base of the relevant property and any reasonable costs of disposition.

Losses incurred by the REIT cannot be allocated to Unitholders, but can be deducted by the REIT in future years in computing its taxable income, in accordance with the Tax Act. In the event the REIT would otherwise be liable for tax on its net realized taxable capital gains for a taxation year, it will be entitled for such taxation year to reduce (or receive a refund in respect of) its liability for such tax by an amount determined under the Tax Act based on the redemption of Units of the REIT during the year (the "capital gains refund"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the REIT's tax liability for the taxation year arising in connection with the transfer of property *in specie* to redeeming Holders on the redemption of Units. The Declaration of Trust provides that all or a portion of any capital gain or income realized by the REIT in connection with such redemptions may, at the discretion of the Trustees, be treated as capital gains or income paid to, and designated as capital gains or income of, the redeeming Holder. Such income or the taxable portion of the capital gain so designated must be included in the income of the redeeming Holder (as income or taxable capital gains, as the case may be) and will be deductible by the REIT in computing its income.

Taxation of Taxable Holders

REIT Distributions

A Holder generally will be required to include in computing income for a particular taxation year the portion of the net income of the REIT, including FAPI attributed to the REIT, dividends received by the REIT from US Holdco and any net realized taxable capital gains, that is paid or payable to the Holder in that taxation year, whether or not those amounts are received in cash, additional Units or otherwise. Any loss of the REIT for purposes of the Tax Act cannot be allocated to, or treated as a loss of, a Holder.

Provided that the appropriate designations are made by the REIT, such portion of its net taxable capital gains and foreign source income that are paid or become payable to a Holder will retain their character as taxable capital gains or foreign source income, as the case may be, to Holders for purposes of the Tax Act.

The non-taxable portion of any net realized capital gains of the REIT that is paid or payable to a Holder in a year will not be included in computing the Holder's income for the year. Any other amount in excess of the net income of the REIT that is paid or payable to a Holder in a year generally should not be included in the Holder's income for the

year, but such an amount which becomes payable to a Holder (other than as proceeds of disposition of Units or any part thereof) will reduce the adjusted cost base of the Units held by such Holder. To the extent that the adjusted cost base of a Unit otherwise would be less than zero, the Holder will be deemed to have realized a capital gain equal to the negative amount and the Holder's adjusted cost base of the Units will be increased by the amount of such deemed capital gain.

Foreign Tax Credits and Deductions

To the extent a Holder is subject to U.S. withholding tax in respect of distributions paid by the REIT on the Units, the amount of such tax generally will be eligible for foreign tax credit or deduction treatment, subject to the detailed rules and limitations under the Tax Act, and as described in the ensuing paragraphs; provided, however, that in the event any U.S. tax is withheld that does not represent the final U.S. income tax liability for the year, the Holder also files a U.S. federal income tax return to establish the Holder's final U.S. income tax liability for the year and the Holder is not entitled to a refund of such withholding tax.

The U.S. withholding tax deducted in respect of a distribution paid on a Unit in a taxation year will generally be characterized as "non-business income tax", as defined in the Tax Act, and may be deductible as a foreign tax credit from the Holder's Canadian federal income tax otherwise payable for that year where the Holder has sufficient non-business income from U.S. sources, to the extent permitted by the Tax Act and that such tax has not been deducted in computing the Holder's income. Alternatively, such non-business income tax (including any amount not deductible as a foreign tax credit) generally may be deducted by the Holder in computing the Holder's net income for the purposes of the Tax Act.

A Holder's ability to apply U.S. withholding taxes in the foregoing manner may be affected where the Holder does not have sufficient taxes otherwise payable under Part I of the Tax Act, or sufficient U.S. source income in the taxation year the U.S. withholding taxes are paid, or where the Holder has other U.S. sources of income or losses, or has paid other U.S. taxes. Although the foreign tax credit provisions are designed to avoid double taxation, the maximum credit is limited. Because of this, and because of timing differences in recognition of expenses and income and other factors, there is a risk of double taxation. Holders should consult their own tax advisors with respect to the availability of a foreign tax credit or deduction, having regard to their own circumstances.

Disposition of Units

Upon the disposition or deemed disposition of Units by a Holder, whether on a redemption or otherwise, the Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition (excluding any amount payable by the REIT which represents an amount that must otherwise be included in the Holder's income as described herein) are greater (or less) than the aggregate of the Holder's adjusted cost base of the Units immediately before such disposition and any reasonable costs of disposition.

The adjusted cost base to a Holder of a Unit generally will include all amounts paid by the Holder for the Unit subject to certain adjustments. The cost of additional Units received in lieu of a cash distribution will be the amount of income of the REIT distributed by the issuance of such Units. For the purpose of determining the adjusted cost base to a Holder, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Holder as capital property immediately before that acquisition.

A redemption of Units in consideration for cash, Redemption Notes, or other assets of the REIT, as the case may be, will be a disposition of such Units for proceeds of disposition equal to such cash or the fair market value of such Redemption Notes or other assets, as the case may be, less any income or capital gain realized by the REIT in connection with the redemption of those Units to the extent such income or capital gain is designated by the REIT to the redeeming Holder. Holders exercising the right of redemption will consequently realize a capital gain, or sustain a capital loss, depending upon whether such proceeds of disposition exceed, or are exceeded by, the adjusted cost base of the Units redeemed. Where income or capital gains realized by the REIT in connection with the distribution of property *in specie* on the redemption of Units has been designated by the REIT to a redeeming Holder, the Holder will be required to include in income the income or taxable portion of the capital gain so designated. The cost of any property distributed *in specie* by the REIT to a Holder upon a redemption of Units will be equal to the fair market value of that property at the time of the distribution. The Holder will thereafter be required to include in income interest or other income derived from the property, in accordance with the provisions of the Tax Act.

The foregoing summary assume that either the TSX Publicly Traded Exception or the U.S. Publicly Traded Exception apply. See “Certain U.S. Federal Income Tax Considerations”.

Capital Gains and Losses

One-half of any capital gain realized by a Holder from a disposition of Units and the amount of any net taxable capital gains designated by the REIT in respect of the Holder will be included in the Holder’s income under the Tax Act as a taxable capital gain. One-half of any capital loss (an “allowable capital loss”) realized on the disposition of a Unit will be deducted against any taxable capital gains realized by the Holder in the year of disposition, and any excess of allowable capital losses over taxable capital gains may be carried back to the three preceding taxation years or forward to any subsequent taxation year and applied against net taxable capital gains in those years, subject to the detailed rules contained in the Tax Act.

Refundable Tax

A Holder which is a Canadian-controlled private corporation (as defined in the Tax Act) will be subject to a refundable tax of 6⅔% in respect of its aggregate investment income for the year, which will include all or substantially all income and capital gains distributed to the Holder by the REIT and capital gains realized on a disposition of Units.

Alternative Minimum Tax

A Holder who is an individual or trust (other than certain specified trusts) may have an increased liability for alternative minimum tax as a result of capital gains realized on a disposition of Units and net income of the REIT, paid or payable, or deemed to be paid or payable, to the Holder and that is designated as taxable dividends and net taxable capital gains.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

ANY DISCUSSION OF TAX ISSUES SET FORTH IN THIS PROSPECTUS WAS WRITTEN IN CONNECTION WITH THE PROMOTION AND MARKETING OF THE TRANSACTIONS DESCRIBED IN THE PROSPECTUS. SUCH DISCUSSION WAS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED, BY ANY PERSON FOR THE PURPOSE OF AVOIDING ANY TAX PENALTIES THAT MAY BE IMPOSED ON SUCH PERSON. EACH INVESTOR SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE AND LOCAL AND FOREIGN TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF UNITS.

In the opinion of Vinson & Elkins LLP, U.S. counsel to the REIT, and Shearman & Sterling LLP, U.S. counsel to the Underwriters, the following is a description of (i) the U.S. federal income tax consequences of the treatment of the REIT as a real estate investment trust and (ii) the U.S. federal income tax consequences of the ownership and disposition of Units to Non-U.S. Holders (as defined below).

Taxation of the REIT

U.S. Status

Although the REIT is organized as an unincorporated trust under Canadian law, the REIT is classified as a corporation for U.S. federal income tax purposes under current Treasury regulations. The discussion herein reflects this classification and uses terminology consistent with this classification, including references to "dividends" and "earnings and profits." Furthermore, pursuant to Section 7874 of the Code, the REIT is treated as a U.S. corporation for all purposes under the Code and, as a result, it is permitted to elect to be treated as a real estate investment trust under the Code, notwithstanding the fact that it is organized as a Canadian entity.

Real Estate Investment Trust Status

The REIT intends to operate in a manner that permits it to satisfy the requirements for qualification and taxation as a real estate investment trust under the applicable provisions of the Code, and the following discussion describes certain U.S. federal income tax consequences of its status as a real estate investment trust.

Vinson & Elkins LLP, U.S. counsel to the REIT, will render an opinion to the REIT to the effect that, commencing with its first taxable year ending December 31, 2013, the REIT is organized and operates in conformity with the requirements for qualification and taxation as a real estate investment trust under the Code, and that the REIT's proposed method of operation will enable it to continue to meet the requirements for qualification and taxation as a real estate investment trust under the Code. This opinion will be based on various assumptions and representations as to factual matters. Moreover, the REIT's qualification and taxation as a real estate investment trust depend upon its ability to meet the various qualification tests imposed under the Code, which are discussed below, including through actual annual operating results, asset composition, distribution levels and diversity of stock ownership, the results of which have not been and will not be reviewed by Vinson & Elkins LLP. Accordingly, no assurance can be given that the REIT's actual results of operations for any particular taxable year will satisfy those requirements. Further, the anticipated U.S. federal income tax treatment that will apply as a result of the REIT's status as a real estate investment trust may be changed, perhaps retroactively, by legislative, administrative or judicial action at any time, and Vinson & Elkins LLP has no obligation to update its opinion subsequent to the date of such opinion.

The REIT will elect real estate investment trust status beginning with its taxable year ending December 31, 2013, and the discussion below assumes that it will qualify as a real estate investment trust for such taxable year and in each taxable year thereafter. There can be no assurance, however, that the REIT will qualify, or will continue to qualify in any taxable year, as a real estate investment trust, since qualification as a real estate investment trust depends on continuing to satisfy numerous asset, income and distribution tests described below, which in turn will be dependent in part on the REIT's ongoing operating results.

Substantially all of the REIT's real estate assets are owned through the Partnership and its subsidiaries. For purposes of the real estate investment trust status tests discussed below, the REIT is considered to own a proportionate share of the assets and receive a proportionate share of the income and loss of any entity treated as a partnership for U.S. federal income tax purposes of which it is a partner or any entity owned by the Partnership that is disregarded for U.S. federal income tax purposes. The REIT owns its interest in the Partnership through US Holdco, which is treated as a disregarded qualified REIT subsidiary. For purposes of the real estate investment trust status tests discussed below, all of the assets and income and loss of a qualified REIT subsidiary will be treated as assets and income and loss of the REIT.

A real estate investment trust, in general, may jointly elect with a subsidiary corporation, whether or not wholly-owned, to treat the subsidiary corporation as a taxable REIT subsidiary. The separate existence of a taxable REIT subsidiary, unlike a disregarded qualified REIT subsidiary as discussed above, is not ignored for U.S. federal income tax purposes. Accordingly, such an entity would generally be subject to U.S. federal corporate income tax on its taxable income. A real estate investment trust is not treated as holding the assets of a taxable REIT subsidiary or as receiving directly any income that a taxable REIT subsidiary earns. Rather, the shares of the taxable REIT subsidiary are an asset in the hands of the real estate investment trust, and the real estate investment trust recognizes as income any dividends that it receives from a taxable REIT subsidiary. This treatment can affect the gross income and asset test calculations described below.

General U.S. Federal Income Tax Considerations of Real Estate Investment Trust Status

The REIT generally will not be subject to U.S. federal income tax on the portion of its real estate investment trust taxable income or capital gain that is distributed to Unitholders. Management of the REIT expects to distribute amounts at least equal to the REIT's real estate investment trust taxable income and capital gain on an annual basis. The REIT would be subject to U.S. federal income tax at normal corporate rates upon any taxable income or capital gain not distributed.

Furthermore, notwithstanding the REIT's qualification as a real estate investment trust, it may also be subject to taxation in other circumstances. If the REIT should fail to satisfy either the 75% or the 95% gross income test, as discussed below, and nonetheless maintains its qualification as a real estate investment trust because other requirements are met, and such failure was due to reasonable cause and not to wilful neglect, it would be subject to a 100% tax on the greater of the amount by which it fails to satisfy either the 75% or the 95% gross income test, multiplied by a fraction intended to reflect the REIT's profitability. Furthermore, if the REIT fails to satisfy the 5% asset test or the 10% vote and value test (and does not qualify for a *de minimis* safe harbour) or fails to satisfy the other asset tests, each of which is discussed below, and nonetheless maintains its qualification as a real estate investment trust because certain other requirements are met, and such failure was due to reasonable cause and not wilful neglect, it would be subject to a tax equal to the greater of $50,000 or an amount determined by multiplying the highest U.S. federal corporate tax rate by the net income generated by the assets that caused the failure for the period beginning on the first date of the failure to meet the tests and ending on the date (which must be within six months after the last day of the quarter in which the failure is identified) that the REIT disposes of the assets or otherwise satisfies the tests. If the REIT fails to satisfy one or more real estate investment trust requirements other than the 75% or the 95% gross income tests and other than the asset tests, but nonetheless maintains its qualification as a real estate investment trust because certain other requirements are met, and such failure was due to reasonable cause and not wilful neglect, it would be subject to a penalty of $50,000 for each such failure. The REIT would also be subject to a tax of 100% on net income from any "prohibited transaction," as described below. If the REIT has net income from the sale or other disposition of "foreclosure property" that is held primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, it would be subject to tax on such income from foreclosure property at the highest U.S. federal corporate tax rate. The REIT would also be subject to a tax of 100% on the amount of any rents from real property, deductions or excess interest that is reapportioned to any "taxable REIT subsidiary." In addition, if the REIT should fail to distribute during each calendar year at least the sum of:

(1) 85% of its real estate investment trust ordinary income for such year;

(2) 95% of its real estate investment trust capital gain net income for such year, other than capital gains it elects to retain and pay tax on as described below; and

(3) any undistributed taxable income from prior years,

it would be subject to a 4% excise tax on the excess of such required distribution over the amounts actually distributed. If the REIT were to retain and pay income tax on any of its long-term capital gain, such retained amounts would be treated as having been distributed for purposes of the 4% excise tax. A 100% tax may be imposed on some items of income and expense that are directly or indirectly paid between a REIT and a taxable REIT subsidiary, if and to the extent that the IRS successfully determines that the items were transacted at less than arms-length and adjusts the reported amount of these items. If the REIT acquires any asset from a C corporation, or a corporation that generally is subject to full corporate-level tax, in a merger or other transaction in which the REIT acquires a basis in the asset that is determined by reference either to the C corporation's basis in the asset or to another asset, the REIT will pay tax at the highest regular corporate rate applicable if it recognizes gain on the sale or disposition of the asset during the 10-year period after the REIT acquires the asset. The amount of gain on which the REIT will pay tax is the lesser of:

(1) the amount of gain recognized at the time of the sale or disposition; and

(2) the amount of gain that the REIT would have recognized if it had sold the asset at the time the REIT acquired it.

In addition, the REIT, including its subsidiaries and affiliated entities, may be subject to a variety of taxes, including payroll taxes and state and local income, property and other taxes on its assets and operations. A taxable REIT subsidiary will also be subject to U.S. federal corporate income tax on its taxable income. The REIT may also be subject to the corporate "alternative minimum tax," as well as tax in various situations and on some types of transactions not presently contemplated. The REIT will use the calendar year both for U.S. federal income tax purposes and for financial reporting purposes.

Qualification as a real estate investment trust

In order to qualify as a real estate investment trust, the REIT must meet the requirements discussed below.

Share Ownership Test

The Units must be held by a minimum of 100 persons for at least 335 days in each taxable year or a proportional number of days in any short taxable year. In addition, at all times during the second half of each taxable year, no more than 50% in value of the Units may be owned, directly or indirectly (applying constructive ownership rules) by five or fewer individuals. If the REIT were to comply with the Treasury regulations for ascertaining its actual ownership and did not know, or exercising reasonable diligence would not have reason to know, that more than 50% in value of the outstanding Units were held, actually or constructively, by five or fewer individuals, then the REIT would be treated as meeting such requirement.

In order to ensure compliance with the 50% ownership test, the REIT has placed restrictions on the transfer of the Units to prevent additional concentration of ownership. In order to demonstrate compliance with these requirements under the Treasury regulations, the REIT must maintain records that disclose the actual ownership of the outstanding Units. Such Treasury regulations impose penalties against the REIT for failing to do so. In fulfilling its obligation to maintain records, the REIT will request written statements each year from the record holders of designated percentages of Units disclosing the actual owners of such Units. In addition, as discussed above, the Declaration of Trust provides restrictions regarding the transfer of Units that are intended to assist the REIT in continuing to satisfy the share ownership requirements. The REIT intends to enforce the percentage limitations on ownership of Units to maintain its qualification as a real estate investment trust.

Asset Tests

At the close of each quarter of the REIT's taxable year, the REIT must satisfy tests relating to the nature of its assets determined in accordance with generally accepted accounting principles. For this purpose, if the REIT invests in a partnership or other business entity taxed as a partnership or disregarded entity, it will be deemed to own a proportionate share of the partnership's or other business entity's assets, and if the REIT owns 100% of a corporation that is not a taxable REIT subsidiary, it will be deemed to own 100% of the corporation's assets. Under one of the tests, at least 75% of the value of the REIT's total assets must be represented by interests in real property, interests in mortgages on real property, shares in other real estate investment trusts, cash, cash items, government securities, and

qualified temporary investments. Second, although the remaining 25% of the REIT's assets generally may be invested without restriction, it is prohibited from owning securities representing more than 10% of either the vote or value of the outstanding securities of any non-government issuer other than a qualified REIT subsidiary, another real estate investment trust or a taxable REIT subsidiary. Further, no more than 25% of the value of the REIT's total assets may be represented by securities of one or more taxable REIT subsidiaries, and no more than 5% of the value of its total assets may be represented by securities of any non-government issuer other than a qualified REIT subsidiary or a taxable REIT subsidiary, or shares of another real estate investment trust.

As discussed above, the REIT generally may not own more than 10% by vote or value of any one issuer's securities and no more than 5% of the value of the REIT's total assets generally may be represented by the securities of any issuer. If the REIT fails to meet either of these tests at the end of any quarter and such failure is not cured within 30 days thereafter, the REIT would fail to qualify as a real estate investment trust. After the 30-day cure period, the REIT could maintain its qualification as a real estate investment trust by disposing of sufficient assets to cure such a violation provided it did not exceed the lesser of 1% of the REIT's assets at the end of the relevant quarter or $10,000,000 if the disposition occurred within six months after the last day of the calendar quarter in which the REIT identified the violation. For violations of these tests that are larger than such amount and for violations of the other asset tests described above, where such violations are due to reasonable cause and not willful neglect, the REIT can avoid disqualification as a real estate investment trust, after the 30-day cure period, by taking steps including the disposition of sufficient assets to meet the asset tests (within six months after the last day of the calendar quarter in which it identifies the violation) and paying a tax equal to the greater of $50,000 or an amount determined by multiplying the highest U.S. federal corporate tax rate by the net income generated by the non-qualifying assets for the period beginning on the first date of the failure to meet the tests and ending on the date that it disposes of the assets or otherwise satisfies the asset tests.

Gross Income Tests

There are two separate percentage tests relating to the sources of the REIT's gross income that must be satisfied for each taxable year. For purposes of these tests, if the REIT invests in a partnership or other business entity taxed as a partnership or disregarded entity, it will be treated as receiving its share of the income and loss of the partnership or other business entity, and the gross income of the partnership or other business entity will retain the same character in the hands of the REIT as it has in the hands of the partnership or other business entity. If the REIT owns 100% of a corporation that is not a taxable REIT subsidiary it will be deemed to receive 100% of the corporation's income. The two tests are as follows:

1. *The 75% Gross Income Test.* At least 75% of the REIT's gross income for the taxable year must be "qualifying income." Qualifying income generally includes:

   (1) rents from real property, except as modified below;

   (2) interest on obligations adequately secured by mortgages on, or interests in, real property;

   (3) gains from the sale or other disposition of "non-dealer property," which means interests in real property and real estate mortgages, other than gain from property held primarily for sale to customers in the ordinary course of its trade or business;

   (4) dividends or other distributions on shares in other real estate investment trusts, as well as gain from the sale of such shares;

   (5) abatements and refunds of real property taxes;

   (6) income from the operation, and gain from the sale, of "foreclosure property", which means property acquired at or in lieu of a foreclosure of the mortgage secured by such property;

   (7) commitment fees received for agreeing to make loans secured by mortgages on real property, or to purchase or lease real property; and

   (8) certain qualified temporary investment income attributable to the investment of new capital received by the REIT in exchange for Units or certain publicly offered debt, which income is received or accrued during the one-year period following the receipt of such capital.

Rents received from a tenant will not, however, qualify as rents from real property in satisfying the 75% gross income test, or the 95% gross income test described below, if the REIT, or an owner of 10% or more of the Units,

directly or constructively owns 10% or more of such tenant, unless the tenant is a taxable REIT subsidiary of the REIT and certain other requirements are met. In addition, if rent attributable to personal property leased in connection with a lease of real property is greater than 15% of the total rent received under the lease, then the portion of rent attributable to such personal property will not qualify as rents from real property. Moreover, an amount received or accrued will not qualify as rent from real property or as interest income for purposes of the 75% and 95% gross income tests if it is based in whole or in part on the income or profits of any person, although an amount received or accrued generally will not be excluded from "rents from real property" or "interest" solely by reason of being based on a fixed percentage or percentages of receipts or sales. For rents received to qualify as rents from real property, the REIT generally must not furnish or render services to tenants, other than through a taxable REIT subsidiary, or an "independent contractor" from whom it derives no income, except that the REIT may directly provide services that are "usually or customarily rendered" in connection with the rental of properties for occupancy only, or are not otherwise considered "rendered to the occupant for his convenience." A real estate investment trust is permitted to render a *de minimis* amount of impermissible services to tenants, or in connection with the management of property, and still treat amounts received with respect to that property (other than the amounts attributable to the provision of the *de minimis* impermissible services) as rent from real property. Furthermore, the REIT may furnish such services to tenants through a taxable REIT subsidiary and still treat amounts otherwise received with respect to the property as rent from real property.

2. *The 95% Gross Income Test.* In addition to deriving 75% of the REIT's gross income from the sources listed above, at least 95% of the REIT's gross income for the taxable year must be derived from the above-described qualifying income, or from dividends, interest or gains from the sale or disposition of stock or other securities that are not dealer property. Dividends, other than on real estate investment trust shares, and interest on any obligations not secured by an interest in real property are included for purposes of the 95% gross income test, but not for purposes of the 75% gross income test.

Any income from (i) a hedging transaction that is clearly and timely identified and that hedges indebtedness incurred or to be incurred to acquire or carry real estate assets or (ii) a clearly and timely identified transaction entered into primarily to manage the risk of currency fluctuations with respect to any item of income that would qualify under the 75% or the 95% gross income tests, will not constitute gross income (rather than being treated either as qualifying income or non-qualifying income) for purposes of the 75% and the 95% gross income tests. Income from such transactions that does not meet these requirements will be treated as non-qualifying income for purposes of the 75% and the 95% gross income tests. Any income from foreign currency gain that is "real estate foreign exchange gain" as defined in the Code will not constitute gross income only for purposes of the 75% gross income test. Other foreign currency gain, if such foreign currency gain is "passive foreign exchange gain" as defined in the Code, will not constitute gross income only for purposes of the 95% gross income test.

For purposes of determining whether the REIT complies with the 75% and 95% gross income tests, gross income does not include income from prohibited transactions. A "prohibited transaction" is a sale of property held primarily for sale to customers in the ordinary course of a trade or business, excluding foreclosure property (described below), unless the REIT holds such property for at least two years and other requirements relating to the number of properties sold in a year, their tax bases or fair market values, and the cost of improvements made to the property are satisfied.

Foreclosure property is real property (including interests in real property) and any personal property incident to such real property (i) that is acquired by a real estate investment trust as a result of the real estate investment trust having bid in the property at foreclosure, or having otherwise reduced the property to ownership or possession by agreement or process of law, after there was a default (or default was imminent) on a lease of the property or a mortgage loan held by the real estate investment trust and secured by the property, (ii) for which the related loan or lease was made, entered into or acquired by the real estate investment trust at a time when default was not imminent or anticipated and (iii) for which such real estate investment trust makes an election to treat the property as foreclosure property. Real estate investment trusts generally are subject to tax at the maximum U.S. federal corporate tax rate on any net income from foreclosure property, including any gain from the disposition of the foreclosure property, other than income that would otherwise be qualifying income for purposes of the 75% gross income test. Any gain from the sale of property for which a foreclosure property election has been made will not be subject to the 100% penalty tax on gains from prohibited transactions described below, even if the property was held primarily for sale to customers in the ordinary course of a trade or business.

For purposes of the 75% and 95% gross income tests, the term "interest" generally does not include any amount received or accrued, directly or indirectly, if the determination of such amount depends in whole or in part on the

income or profits of any person. However, interest generally includes both: (i) an amount that is based on a fixed percentage or percentages of receipts or sales; and (ii) an amount that is based on the income or profits of a debtor, as long as the debtor derives substantially all of its income from leasing substantially all of its interest in the real property securing the debt, and only to the extent that the amounts received by the debtor would be qualifying "rents from real property" if received directly by a real estate investment trust.

If a loan contains a provision that entitles a real estate investment trust to a percentage of the borrower's gain upon the sale of the real property securing the loan or a percentage of the appreciation in the property's value as of a specific date, income attributable to that loan provision will be treated as gain from the sale of the property securing the loan, which generally is qualifying income for purposes of both gross income tests.

Interest on debt secured by a mortgage on real property or on interests in real property generally is qualifying income for purposes of the 75% gross income test. However, if a loan is secured by real property and other property and the highest principal amount of a loan outstanding during a taxable year exceeds the fair market value of the real property securing the loan as of the date the real estate investment trust agreed to originate or acquire the loan, a portion of the interest income from such loan will not be qualifying income for purposes of the 75% gross income test, but will be qualifying income for purposes of the 95% gross income test. The portion of the interest income that will not be qualifying income for purposes of the 75% gross income test will be equal to the interest income attributable to the portion of the principal amount of the loan that is not secured by real property – that is, the amount by which the loan exceeds the value of the real estate that is security for the loan.

Even if the REIT fails to satisfy one or both of the 75% or 95% gross income tests for any taxable year, it may still qualify as a real estate investment trust for such year if it is entitled to relief under provisions of the Code. These relief provisions will generally be available if:

(1) following the REIT's identification of the failure, it files a schedule with a description of each item of gross income that caused the failure in accordance with the Treasury regulations; and

(2) the REIT's failure to comply was due to reasonable cause and not due to wilful neglect.

If these relief provisions apply, however, the REIT will nonetheless be subject to a special tax equal to the greater of the amount by which it fails either the 75% or 95% gross income test for that year multiplied by a fraction the numerator of which is the real estate investment trust taxable income for the taxable year (adjusted for certain items) and the denominator of which is the gross income for the taxable year (adjusted for certain items).

Annual distribution requirements

In order to qualify as a real estate investment trust, the REIT is required to make distributions, other than capital gain dividends, to its shareholders each year in an amount at least equal to the sum of 90% of its real estate investment trust taxable income, computed without regard to the dividends paid deduction and real estate investment trust net capital gain, plus 90% of its net income after tax, if any, from foreclosure property, minus the sum of some items of excess non-cash income. Such distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before the REIT timely files its U.S. federal income tax return for such year and if paid on or before the first regular dividend payment after such declaration. To the extent that the REIT does not distribute all of its net capital gain or distribute at least 90%, but less than 100%, of its real estate investment trust taxable income, as adjusted, the REIT will be subject to tax on the undistributed amount at regular capital gains or ordinary corporate tax rates, as the case may be. Management of the REIT intends to make timely distributions sufficient to satisfy the annual distribution requirements.

It is possible that, from time to time, the REIT may experience timing differences between: (i) the actual receipt of income and actual payment of deductible expenses, and (ii) the inclusion of that income and deduction of such expenses in arriving at the REIT's taxable income. As a result, unless, for example, the REIT raises funds by a borrowing or pays taxable dividends of its capital stock or debt securities, the REIT may have less cash than is necessary to distribute taxable income sufficient to avoid corporate income tax and the 4% excise tax described above or even to meet the 90% distribution requirement. If the REIT fails to meet the 90% distribution requirement as a result of an adjustment to its U.S. federal income tax return by the IRS, or if the REIT determines that it has failed to meet the 90% distribution requirement in a prior taxable year, it may retroactively cure the failure by paying a "deficiency dividend," plus applicable penalties and interest, within a specified period.

Failure to Qualify

Although management of the REIT expects that the REIT will qualify as a real estate investment trust, if it were to fail to qualify for taxation as a real estate investment trust in any taxable year and relief provisions did not apply, it would be subject to U.S. federal income tax, including applicable alternative minimum tax, on its taxable income at regular corporate tax rates. If the REIT were to fail to qualify as a real estate investment trust, it would not able to deduct the amount of distributions to Unitholders. In such event, all distributions to Unitholders would be taxable as dividends to the extent of the REIT's current and accumulated earnings and profits (as determined under U.S. federal income tax principles). Unless entitled to relief under specific statutory provisions, the REIT also would be disqualified from re-electing taxation as a real estate investment trust for the four taxable years following the year during which qualification was lost. In the event that the REIT fails to satisfy one or more requirements for qualification as a real estate investment trust, other than the 75% and the 95% gross income tests and other than the asset tests, each of which is subject to the cure provisions described above, it would retain its real estate investment trust qualification if (i) the violation is due to reasonable cause and not wilful neglect and (ii) it pays a penalty of $50,000 for each failure to satisfy the provision.

Taxation of Non-U.S. Holders

The following discussion describes certain U.S. federal income tax consequences to Non-U.S. Holders (as defined below) under present law of an investment in the Units. This discussion applies only to investors that hold the Units as capital assets and that acquire Units in the Offering. This discussion is based upon current provisions of the Code, existing and proposed Treasury regulations thereunder, current administrative rulings, judicial decisions and other applicable authorities. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The following discussion does not deal with the tax consequences to any particular investor or to persons in special tax situations (except as specifically addressed herein) such as banks, certain financial institutions, insurance companies, broker dealers, U.S. expatriates, traders that elect to mark to market, tax-exempt entities, persons liable for alternative minimum tax or persons holding a Unit as part of a straddle, hedging, conversion or integrated transaction.

A "**Non-U.S. Holder**" is a beneficial owner of a Unit that is neither a U.S. Holder nor a partnership (including an entity that is treated as a partnership for U.S. federal income tax purposes). A "**U.S. Holder**" is a beneficial owner of a Unit that is, for U.S. federal income tax purposes: (i) an individual citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate whose income is subject to U.S. federal income taxation regardless of its source or (iv) a trust that (1) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (2) has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

The U.S. federal income tax treatment of a partner in a partnership or other entity treated as a partnership that holds Units depends on the status of the partner and the activities of the partnership. Partners in a partnership that owns Units should consult their own tax advisors as to the particular U.S. federal income tax considerations applicable to them.

THE RULES GOVERNING THE U.S. FEDERAL INCOME TAXATION OF NON-U.S. HOLDERS ARE COMPLEX AND THIS SUMMARY IS FOR GENERAL INFORMATION ONLY. NON-U.S. HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE IMPACT OF U.S. FEDERAL, STATE, LOCAL AND NON-U.S. INCOME TAX LAWS ON OWNERSHIP OF THE UNITS, INCLUDING ANY REPORTING REQUIREMENTS.

Distributions on the Units

Distributions (including any taxable stock dividends) that are neither attributable to gains from sales or exchanges by the REIT of U.S. real property interests, or USRPIs, nor designated as capital gain dividends (except as described below) will be treated as dividends of ordinary income to the extent that they are made out of the REIT's current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Such distributions

ordinarily will be subject to withholding at a rate of 30%, unless an applicable tax treaty or statutory provision reduces that tax and the Non-U.S. Holder provides an IRS Form W-8BEN (or other acceptable substitute or applicable form) to the REIT or unless the Non-U.S. Holder provides an IRS Form W-8ECI certifying that the distribution is "effectively connected" income (as discussed below). Qualified residents of Canada generally are entitled to a 15% withholding rate under the Treaty. Qualified residents of Canada that are tax-exempt entities established to provide pension, retirement or other employee benefits (including trusts governed by a RRSP, a RRIF or a DPSP) may be eligible for an exemption from U.S. federal tax withholding on dividends under Article XXI of the Treaty. A trust governed by a TFSA, a RESP or a RDSP is not entitled to benefits as an entity or arrangement under the Treaty. Instead, income received by a TFSA, a RESP or a RDSP is treated as received by the beneficiary of the TFSA RESP, or RDSP as the case may be, and the TFSA, RESP, or RDSP, as the case may be, should be disregarded for U.S. federal income tax purposes. The beneficiary or annuitant of the TFSA RESP, or RDSP as the case may be, may, however, be eligible for reduced withholding tax rates under the Treaty. Unitholders that are Exempt Plans should consult their own tax advisors with respect to the Canadian and U.S. federal income tax considerations relevant to an investment in Units.

Distributions that are treated as effectively connected with a U.S. trade or business of a Non-U.S. Holder, and, if required by an applicable income tax treaty, attributable to a permanent establishment of the Non-U.S. Holder, generally are subject to U.S. federal income tax on a net income basis at graduated rates, in the same manner as U.S. Holders, and are not subject to withholding if certain certification requirements are satisfied (generally, on IRS Form W-8ECI). Any such dividends received by a Non-U.S. Holder that is a corporation may also be subject to an additional branch profits tax of 30%, unless reduced by an applicable income tax treaty (5% under the Treaty).

A Non-U.S. Holder would not incur tax on a distribution in excess of the REIT's current and accumulated earnings and profits if the excess portion of the distribution did not exceed the adjusted tax basis of the Non-U.S. Holder's Units. Instead, the excess portion of the distribution would reduce the Non-U.S. Holder's adjusted tax basis in the Units. A Non-U.S. Holder would be subject to tax on a distribution that exceeds both the REIT's current and accumulated earnings and profits and the adjusted tax basis in its Units if the Non-U.S. Holder otherwise would be subject to tax on gain from the disposition of its Units as described herein. Management of the REIT expects that distributions on the Units will exceed the REIT's current and accumulated earnings and profits as determined under the Code. For the purpose of determining the amount to withhold, management of the REIT will make a reasonable estimate of the portion of a distribution that is paid out of current and accumulated earnings and profits. Because management of the REIT expects that the Units will be considered to be regularly traded on an established securities market as described below under "Certain U.S. Federal Income Tax Considerations – *Dispositions of Units*," it does not expect to be required to withhold on distributions in excess of the REIT's current and accumulated earnings and profits that are distributed to Non-U.S. Holders that own 5% or less of the outstanding Units during the applicable testing period, although there can be no assurances that withholding on such amounts will not be required. If withholding is or becomes required on distributions in excess of the REIT's current and accumulated earnings and profits, the rate of withholding will be equal to 10% of such amounts.

Distributions of proceeds attributable to the sale or exchange by the REIT of USRPIs are subject to U.S. federal income and withholding taxes pursuant to FIRPTA. Under FIRPTA, gains are considered effectively connected with a U.S. trade or business of the foreign shareholder and are taxed at the normal graduated rates applicable to U.S. Holders. Moreover, gains may be subject to branch profits tax in the hands of a shareholder that is a foreign corporation if it is not entitled to treaty relief or exemption. However, a distribution of proceeds attributable to the sale or exchange by the REIT of U.S. real property interests will not be subject to tax under FIRPTA or the branch profits tax, and will instead be taxed in the same manner as distributions of cash generated by the REIT's real estate operations other than the sale or exchange of properties (as described above) if (i) the distribution is made with regard to a class of shares that is regularly traded on an established securities market located in the United States (as it is anticipated that the Units will be following the completion of the Offering, as discussed below under "Certain U.S. Federal Income Tax Considerations – *Dispositions of Units*") and (ii) the recipient Unitholder does not own more than 5% of that class of Units at any time during the 1-year period ending on the date the distribution is received. The REIT is required to withhold 35% (or less to the extent provided in applicable Treasury regulations) of any distribution to a Non-U.S. Holder owning more than 5% of the relevant class of shares (or that otherwise has held more than 5% at any time during the 1-year period ending on the date the distribution is received) that could be designated by the REIT as a capital gain dividend; this amount is creditable against the foreign shareholder's FIRPTA tax liability.

In order for the REIT to comply with its withholding obligations under FIRPTA, the Units are subject to notice requirements and transfer restrictions. Non-U.S. Holders are required to provide the REIT with such information as the REIT may request. Furthermore, any Non-U.S. Holder that would be treated as having acquired sufficient Units to be

treated as owning more than 5% of the Units is required to notify the REIT by the close of the business day prior to the date of the transfer that would cause the non-U.S. person to own more than 5% of the Units. For the purpose of determining whether a Non-U.S. Holder has acquired more than 5% of the Units, rules of constructive ownership apply which can attribute ownership of Units (i) among family members, (ii) to non-U.S. persons from entities that own Units, to the extent that such non-U.S. persons own interests in such entities and (iii) to entities from non-U.S. persons that own interests in such entities. Under these attribution rules, Units of related entities (including related investment funds) may be aggregated to the extent of overlapping ownership. If any Non-U.S. Holder that otherwise would be treated as having acquired sufficient Units to be treated as owning more than 5% of the Units fails to comply with the notice provisions described above, the excess Units (*i.e*., the excess of the number of Units it is treated as owning over an amount equal to 5% of the outstanding Units) will be sold, with such Non-U.S. Holders receiving the lesser of (i) its original purchase price for the excess Units and (ii) the sale price of the excess Units (net of selling expenses). Any such Non-U.S. Holder would also not have any economic entitlement to any distribution by the REIT on an excess Unit, and, if any such distributions are received by the Non-U.S. Holder and are not repaid, the REIT is permitted to withhold from subsequent payments to the Non-U.S. Holder up to the amount of such forfeited distributions. Non-U.S. Holders are strongly advised to monitor their actual and constructive ownership of Units. See "Declaration of Trust – Restrictions on Ownership and Transfer – FIRPTA" for a more detailed discussion of these rules. Notwithstanding that a Non-U.S. Holder may comply with the notice requirements and transfer restrictions described above, the REIT is entitled to withhold on distributions as otherwise required by law, and, to the extent that the REIT has not sufficiently withheld on prior distributions, is entitled to withhold on subsequent distributions.

Dispositions of Units

Generally, a Non-U.S. Holder will not be subject to U.S. federal income tax with respect to gain on the disposition of such Non-U.S. Holder's Units unless:

- the REIT is or has been a United States Real Property Holding Corporation ("**USRPHC**") for U.S. federal income tax purposes at any time during the 5-year period ending on the date of disposition or such shorter period that such Units were held;
- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met; or
- the gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States and, if required by an applicable income tax treaty, attributable to a permanent establishment of the Non-U.S. Holder.

A Non-U.S. Holder described in the second bullet point above is subject to a flat 30% tax on the gain derived from the sale, which may be offset by U.S. source capital losses (even though the individual is not considered a resident of the United States). A Non-U.S. Holder described in the third bullet point above generally is subject to U.S. federal income tax on a net income basis at graduated rates, in the same manner as U.S. Holders, and, if it is a corporation, may also be subject to an additional branch profits tax of 30%, unless reduced by an applicable income tax treaty (5% under the Treaty).

As to the first bullet point above, management of the REIT believes that the REIT is and will continue to be a USRPHC for U.S. federal income tax purposes. However, if the Units are considered "regularly traded on an established securities market," the Units would not be treated as interests in a USRPHC (and therefore gain recognized on a disposition would not be subject to U.S. federal income tax) with respect to Non-U.S. Holders who do not hold, actually or constructively, more than 5% of the outstanding Units at any time during the 5-year period ending on the date of disposition, or such shorter period that such Units were held. In addition, the purchaser of Units would not be required to withhold tax if the Units are considered "regularly traded on an established securities market," regardless of whether the selling Non-U.S. Holder held more than 5% of the outstanding Units during the applicable testing period.

An "established securities market" consists of any of the following: (a) a U.S. national securities exchange which is registered under Sec. 6 of the Securities Exchange Act of 1934; (b) a non-U.S. national securities exchange which is officially recognized, sanctioned, or supervised by a governmental authority; or (c) any over-the-counter market. An over-the-counter market is any market which has an interdealer quotation system. An interdealer quotation system is any system of general circulation to brokers and dealers which regularly disseminates quotations of stocks and

securities by identified brokers or dealers, other than by quotation sheets which are prepared and distributed by a broker or dealer in the regular course of business and which contain only quotations of such broker or dealer.

For the purpose of (b), above, the TSX is a non-U.S. national securities exchange which is officially recognized, sanctioned, or supervised by a governmental authority, and, accordingly, the TSX is an established securities market. For so long as 100 or fewer persons do not own 50% or more of the Units, the Units should be treated as "regularly traded" on the TSX for a calendar quarter if: (a) the Units trade, other than in *de minimis* quantities, on at least 15 days during the calendar quarter; (b) the aggregate number of Units traded during the calendar quarter is at least 7.5% of the average number of Units outstanding during such calendar quarter (reduced to 2.5% if there are 2,500 or more record Unitholders); and (c) the REIT attaches a statement to its U.S. federal income tax return that provides information relating to it, the Units, and beneficial owners of more than 5% of the Units ("TSX Publicly Traded Exception").

In addition, the Units would be considered "regularly traded" on an established securities market for a calendar quarter if the established securities market were located in the United States and the Units were regularly quoted by more than one broker or dealer making a market in the Units through an interdealer quotation system. The "**Pink Sheets**" and the OTCQX are over-the-counter markets having an interdealer quotation system that should be treated as an "established securities market" located in the United States. A broker or dealer makes a market in a class of stock only if the broker or dealer holds itself out to buy or sell shares of such class of stock at the quoted price. In this regard, the REIT has received indications that at least two brokers or dealers are willing to regularly quote and make a market in the Units on the Pink Sheets and/or the OTCQX. For each calendar quarter during which the Units are regularly quoted on the Pink Sheets and/or the OTCQX, the Units should be treated as "regularly traded" on an established securities market in the United States (the "**U.S. Publicly Traded Exception**") and, accordingly, gain on sales of Units by Non-U.S. Holders that own 5% or less of the outstanding Units during the applicable testing period would not be subject to U.S. federal income tax. Investors are cautioned that there can be no assurances that there will be at least two brokers or dealers regularly quoting the Units on the Pink Sheets and/or the OTCQX in any particular calendar quarter. In addition, neither the Code, the applicable Treasury regulations, administrative pronouncements nor judicial decisions provide guidance as to the frequency or duration with which the Units must be quoted during a calendar quarter to be "regularly quoted." U.S. counsel to the REIT believes that it is reasonable to interpret this exception to the effect that so long as the brokers or dealers regularly quote the Units during a calendar quarter, any gain from a sale at any time during the quarter would not be subject to U.S. federal income tax for Non-U.S. Holders that own 5% or less of the outstanding Units during the applicable testing period. Due to the lack of guidance from the IRS, however, investors are cautioned that there can be no assurance the IRS would concur in this interpretation.

Management of the REIT expects that the Units will satisfy the U.S. Publicly Traded Exception. However, if the U.S. Publicly Traded Exception is not satisfied, the sale of Units by a Non-U.S. Holder may be subject to U.S. federal income tax at normal graduated rates with respect to gain recognized. In addition, a purchaser of Units would be required to withhold tax at the rate of 10% of the amount realized from the sale and to report and remit such tax to the IRS. Such withheld amount would not be an additional tax but would be a credit against the Non-U.S. Holder's U.S. federal income tax liability arising from the sale, and a Non-U.S. Holder would be required to file a U.S. federal income tax return. Furthermore, even though Management of the REIT expects that the Units will satisfy the U.S. Publicly Traded Exception, a prospective purchaser of Units may disagree with this position. The U.S. federal income taxation of Non-U.S. Holders is a highly complex matter that may be affected by many other considerations. Accordingly, Non-U.S. Holders of Units should consult their own tax advisors regarding the income and withholding tax considerations with respect to their investment in Units.

Withholding Taxes on Certain Foreign Accounts

Withholding taxes may apply to certain types of payments made to "foreign financial institutions" (as specially defined in the Code) and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on, and gross proceeds from the sale or other disposition of, the Units paid to a foreign financial institution or to a non-financial foreign entity, unless (1) the foreign financial institution undertakes certain diligence and reporting, (2) the non-financial foreign entity either certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in clause (1) above, it must enter into an agreement with the U.S. Treasury Department requiring, among other things, that it undertake to identify accounts held by certain

U.S. persons or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to non-compliant foreign financial institutions and certain other account holders.

The withholding provisions described above will generally apply to payments of dividends made on or after January 1, 2014 and to payments of gross proceeds from a sale or other disposition of stock on or after January 1, 2017. Prospective investors should consult their tax advisors regarding these withholding provisions.

Information Reporting and Backup Withholding

Generally, the REIT must report to the IRS and to a Non-U.S. Holder the amount of interest and dividends paid to the Non-U.S. Holder and the amount of tax, if any, withheld with respect to those payments. Copies of the information returns reporting such interest and dividend payments and any withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty. In general, a Non-U.S. Holder is not subject to backup withholding with respect to payments of interest or distributions that are made to the Non-U.S. Holder if the Non-U.S. Holder has provided a properly completed IRS Form W-8BEN or other applicable IRS Form W-8. A Non-U.S. Holder is subject to information reporting and, depending on the circumstances, backup withholding with respect to the proceeds of the sale or other disposition of a Unit within the United States or conducted through certain U.S.-related payors, unless the payor of the proceeds receives the statement described above or the Non-U.S. Holder otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules are allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability provided the required information is furnished to the IRS on a timely basis.

Non-U.S. Holders are advised to consult with their own tax advisor regarding the specific tax consequences to them of the ownership and sales of Units, including the U.S. federal, state, local, non-U.S. and other tax consequences of such purchase and ownership and of potential changes in applicable tax laws.

PLAN OF DISTRIBUTION

General

Pursuant to an Underwriting Agreement entered into between the REIT, MST Investors, Milesouth and the Underwriters, the REIT has agreed to sell and the Underwriters have agreed to purchase on Closing 20,000,000 Units at a price of C$10.00 per Unit, for aggregate gross consideration of C$200,000,000 payable in cash to the REIT against delivery of the Units. The offering price of the Units has been determined by negotiation between the REIT, MST Investors and the Underwriters.

Pursuant to the Underwriting Agreement, the REIT has granted the Underwriters an Over-Allotment Option to cover over-allotments, if any, and for market stabilization purposes. The Over-Allotment Option may be exercised by the Underwriters, in whole or in part, for a 30-day period following the Closing and entitles the Underwriters to purchase from the REIT up to 3,000,000 Units on the same terms and conditions as set out below (being approximately 15% of the aggregate number of Units offered hereunder). The REIT will pay the Underwriters' commission in respect of Units sold pursuant to the exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the total price to the public will be C$230,000,000, the Underwriters' commission will be C$13,225,000 and the net proceeds to the REIT will be C$216,775,000. The proceeds received by the REIT on the exercise of the Over-Allotment Option, if exercised, will be used by the REIT to acquire additional Partnership interest from Milesouth and/or for working capital purposes. See "Use of Proceeds". This prospectus qualifies the grant of the Over-Allotment Option and up to 3,000,000 Units to be sold by the REIT upon exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Underwriters' over-allocation position acquires such Units under this prospectus, regardless of whether the position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

In the Underwriting Agreement, the Underwriters have agreed, subject to compliance with all necessary legal requirements and to the conditions set forth therein, to purchase all but not less than all of the Units. In consideration for their services in connection with the Offering, the REIT has agreed to pay the Underwriters a fee equal to C$0.575 per Unit. The REIT will also pay the Underwriters' commission in respect of Units sold by the REIT if the Over-Allotment Option is exercised.

The Offering is being made in each of the provinces and territories of Canada and in the United States in an offering to qualified institutional buyers exempt from the registration requirements of the U.S. Securities Act, pursuant to Rule 144A thereunder. The Units will be offered in each of the provinces and territories of Canada through those Underwriters or their affiliates who are registered to offer the Units for sale in such provinces and territories and such other registered dealers as may be designated by the Underwriters. Subject to applicable law, and residency restrictions under the Declaration of Trust, the Underwriters may offer the Units outside of Canada.

There is currently no market through which the Units may be sold and purchasers may not be able to resell Units purchased under this prospectus. The TSX has conditionally approved the listing of the Units under the symbol MST.UN. Listing is subject to the REIT fulfilling all of the requirements of the TSX on or before May 22, 2013.

All of the Units sold in the Offering will be freely tradeable without restriction or further registration under applicable Canadian securities laws.

The obligations of the Underwriters under the Underwriting Agreement are joint (and not joint and several), are subject to certain closing conditions and may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Units if any Units are purchased under the Underwriting Agreement.

The REIT, MST Investors and Milesouth have agreed to indemnify the Underwriters against certain liabilities pursuant to the Underwriting Agreement. The maximum aggregate liability of Milesouth under its indemnity in the Underwriting Agreement will be limited to up to 35% of the value of its Retained Interest at Closing.

In connection with the completion of the Offering, the REIT has agreed with the Underwriters that, for a period of 180 days following the Closing, it will not, directly or indirectly, (i) offer, issue, grant any option, right or warrant to purchase, or otherwise transfer or dispose of any Units, financial instruments or securities convertible into or exercisable or exchangeable for Units or announce any intention to do any of the foregoing, in a public offering, by

way of private placement or otherwise (except pursuant to the Option Plan, or issued to vendors as partial consideration for the acquisition of assets, or issued pursuant to any distribution reinvestment plan) or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Units, whether any such transaction is to be settled by delivery of Units, other securities, cash or otherwise.

The Retained Interest Holders have agreed with the Underwriters that, for a period of 18 months following the Closing, they will not, directly or indirectly, without the prior written consent of BMO Nesbitt Burns Inc., on behalf of the Underwriters, and the subsequent approval of the Board, which consents will not be unreasonably withheld (i) offer, sell, contract to sell, secure, pledge, grant or sell any option, right or warrant to purchase (other than in connection with plans created on Closing or in connection with the Offering) or otherwise lend, transfer or dispose of (other than in connection with a redemption of its Class B Units for Units or in respect of transfers to affiliates) any Units or securities convertible, exchangeable or redeemable for Units or securities of any subsidiary of the REIT, in each case forming part of the Retained Interest, or (ii) make any short sale, engage in any hedging transaction, or enter into any swap, monetization, securitization or other arrangement that transfers to another in whole or in part, any of the economic consequences of ownership of Units or securities convertible, exchangeable or redeemable for Units or entities of any subsidiary of the REIT, in each case forming part of the Retained Interest, whether any such transaction described in this section is to be settled by delivery of such securities, other securities, cash or otherwise; provided however, that any such party shall be permitted to pledge such securities as security for any loans made to it if the terms of such pledge expressly prohibit the party to which the pledge is granted from selling, directly or indirectly, the pledged securities during the hold period. For greater certainty, any consents given in connection with the foregoing shall constitute a consent to the early release of such portion of the Retained Interest from its pledge as described above under “The Acquisition – Investment Agreement”. See “Retained Interest” and “The Acquisition”.

The Units have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws and may not be offered or sold in the United States except in transactions pursuant to Rule 144A under the U.S. Securities Act that are exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, except to the extent permitted by the Underwriting Agreement, the Units may not be offered or sold within the United States. The Underwriting Agreement provides that the Underwriters may re-offer and resell the Units that they have acquired pursuant to the Underwriting Agreement to qualified institutional buyers in the United States in accordance with Rule 144A under the U.S. Securities Act. The Underwriting Agreement also provides that the Underwriters will offer and sell the Units outside the United States only in accordance with Regulation S under the U.S. Securities Act. In addition, until 40 days after Closing, an offer or sale of the Units within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in reliance on Rule 144A under the U.S. Securities Act.

BMO Nesbitt Burns Inc. is an affiliate of a Canadian chartered bank that has committed to provide to the REIT the Credit Facility at Closing, which will be available to the REIT up to a maximum amount of $50 million and will be secured by the Initial Properties. See “Debt Strategy and Indebtedness”. Consequently, the REIT may be considered a connected issuer of BMO Nesbitt Burns Inc. under applicable securities laws. BMO Nesbitt Burns Inc. will not receive any direct benefit from the Offering other than its portion of the fee payable by the REIT to the Underwriters. The decision to undertake the Offering was made by the REIT. The affiliate of BMO Nesbitt Burns Inc. was not involved in the decision to undertake the Offering.

The Underwriters propose to offer the Units to the public initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Units at the Offering Price, the Offering Price of the Units may be decreased and may be further changed from time to time to amounts not greater than the Offering Price, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers of the Units is less than the amount paid by the Underwriters to the REIT.

Price Stabilization, Short Positions and Passive Market Making

In connection with the Offering, the Underwriters may over-allocate or effect transactions which stabilize or maintain the market price of the Units at levels other than those which otherwise might prevail on the open market, including:

- stabilizing transactions;
- short sales;

- purchases to cover positions created by short sales;
- imposition of penalty bids; and
- syndicate covering transaction.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Units while the Offering is in progress. These transactions may also include making short sales of the Units, which involve the sale by the Underwriters of a greater number of Units than they are required to purchase in the Offering. Short sales may be "covered short sales", which are short positions in an amount not greater than the Over-Allotment Option, or may be "naked short sales", which are short positions in excess of that amount. The Underwriters may close out any covered short position either by exercising the Over-Allotment Option, in whole or in part, or by purchasing Units in the open market. In making this determination, the Underwriters will consider, among other things, the price of Units available for purchase in the open market compared with the price at which they may purchase Units through the Over-Allotment Option.

The Underwriters must close out any naked short position by purchasing Units in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the Units in the open market that could adversely affect investors who purchase in the Offering. Any naked short sales will form part of the Underwriters' over-allocation position.

In addition, in accordance with rules and policy statements of certain Canadian securities regulators, the Underwriters may not, at any time during the period of distribution, bid for or purchase Units. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in, or raising the price of, the Units. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the applicable stock exchange, including the Universal Market Integrity Rules for Canadian Marketplaces, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

As a result of these activities, the price of the Units may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time.

The Underwriters may carry out these transactions on any stock exchange on which the Units are listed, in the over-the-counter market, or otherwise.

NCI System

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Offering will be conducted under the NCI system. Units registered in the name of CDS or its nominee will be deposited electronically with CDS on an NCI basis at Closing. A subscriber who purchases Units will receive only a customer confirmation from the registered dealer from or through whom Units are purchased and who is a CDS participant.

USE OF PROCEEDS

The net proceeds of this Offering are estimated to be approximately C$180.6 million (approximately C$208.9 million if the Over-Allotment Option is exercised in full) after deduction of the Underwriters' fee and the estimated expenses of this Offering. The Underwriters' fee and the expenses of this Offering will be paid out of the proceeds of this Offering. The REIT will directly or indirectly use the net proceeds of the offering to purchase an approximate 41.4% interest in the Partnership from Milesouth, thereby indirectly acquiring the interests in the Initial Properties and the Property Manager, and to pay for costs associated with the Offering and the Acquisition. See "The Acquisition".

The net proceeds from the issue of Units on exercise of the Over-Allotment Option will be used by the REIT to acquire additional interest in the Partnership from Milesouth and/or for working capital purposes.

RISK FACTORS

The REIT faces a variety of significant and diverse risks, many of which are inherent in the business conducted by the REIT and the Partnership. Described below are certain risks that could materially affect the REIT and the value of the Units. Other risks and uncertainties that the REIT does not presently consider to be material, or of which the REIT is not presently aware, may become important factors that affect the REIT's future financial condition and results of operations. The occurrence of any of the risks discussed below could materially and adversely affect the business, prospects, financial condition, results of operations, cash flow or the ability of the REIT to make cash distributions to Unitholders or value of the Units of the REIT. Prospective purchasers of the Units should carefully consider these risks before investing in the Units.

Risk Factors Related to the Real Estate Industry

Real Property Ownership and Revenue Risks

There is no assurance that the operations of the REIT will be profitable or that cash from operations will be available to make distributions to Unitholders. Because real estate, like many other types of long-term investments, experiences significant fluctuation in value, specific market conditions may result in occasional or permanent reductions in the value of the REIT's portfolio. The marketability and value of the portfolio will depend on many factors, including, without limitation: (i) changes in general economic conditions (such as the availability, terms and cost of mortgage financings and other types of credit); (ii) local economic conditions (such as business layoffs, industry slowdowns, changing demographics and other factors); (iii) local real estate conditions (such as an oversupply of properties or a reduction in demand for real estate in the area); (iv) changes in occupancy rates; (v) the attractiveness of properties to potential tenants or purchasers; (vi) competition with other landlords with similar available space; (vii) the ability of the REIT to provide adequate maintenance at competitive costs; (viii) changes in exchange rates; (ix) the promulgation and enforcement of governmental regulations relating to land-use and zoning restrictions, environmental protection and occupational safety; (x) the financial condition of borrowers and of tenants, buyers and sellers of property; (xi) changes in real estate tax rates and other operating expenses; (xii) the imposition of rent controls; (xiii) energy and supply shortages; (xiv) various uninsured or uninsurable risks; and (xv) natural disasters. There can be no assurance of profitable operations because the costs of operating the portfolio, including debt service, may exceed gross rental income therefrom, particularly since certain expenses related to real estate, such as property taxes, utility costs, maintenance costs and insurance, tend to increase even if there is a decrease in the REIT's income from such investments. There is also no assurance that there will be a ready market for the sale of the portfolio because, as outlined below, investments in real estate generally are not liquid.

The Initial Properties generate income through rent payments made by tenants. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease. The REIT's cash flows and financial position would be materially adversely affected if its tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the REIT's properties was not able to be leased on economically favourable lease terms. In the event of default by a tenant, the REIT may experience delays or limitations in enforcing its rights as lessor and incur substantial costs in protecting its investment. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease by the tenant and, thereby, cause a reduction in the REIT's cash flows, financial condition and results of operations and its ability to make distributions to Unitholders.

Additionally, due to changing trends in the design of the types of properties owned by the REIT, it is possible that the REIT's properties will be less desirable than newer multifamily properties developed by competitors. This, in turn, would affect the ability of the REIT to renew its leases with existing tenants and, in the event that such leases are not renewed, to rent unleased units.

The short-term nature of residential tenant leases exposes the REIT to the effects of declining market rent, which could materially adversely affect the REIT's results from operations and ability to make distributions to Unitholders. Most of the REIT's residential tenants leases will be for a term of one year or less. Because the REIT's residential tenant leases generally permit residents to leave at the end of their lease term without any penalty, the REIT's rental revenue may be materially adversely affected by declines in market rents more quickly than if such leases were for longer terms.

The REIT will also earn income through property management activities conducted by the External Property Manager. Most of the contracts pursuant to which the External Property Manager will earn property management revenue are terminable by the counterparty on relatively little notice – generally 30 days. Termination of the property management agreements by the counterparties to such agreements could have an adverse effect on the stability of the REIT's revenues.

Substitutions for Residential Rental Units

Demand for the REIT's residential rental properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing transactions. With the recent global economic crises and its impact on the United States credit market, interest rates offered by financial institutions for financing home ownership have been at historically low levels. If the interest rates offered by financial institutions for home ownership financing remain low, demand for rental properties may be adversely affected. Additionally, the Southeastern United States has experienced historically high levels of foreclosures on single family homes, which has increased the supply of single family homes available for purchase, and may adversely affect demand for rental properties. A reduction in the demand for rental properties may have a material adverse effect on the REIT's ability to lease units in its properties and on the rents charged. This, in turn, may have a material adverse effect on the REIT's business, cash flow, financial condition and results of operations and ability to make distributions to Unitholders.

Competition

The REIT will compete with other investors, managers and owners of properties in seeking tenants and for the purchase and development of desirable real estate properties. Some of the multifamily properties of the REIT's competitors are newer, better located or better capitalized than the Initial Properties. Certain of these competitors may have greater financial and other resources and greater operating flexibility than the REIT. Those entities may be able to accept more risk than the REIT can prudently manage. The existence of competing managers and owners could have a material adverse effect on the REIT's ability to lease space and on the rents the REIT is able to charge, and could materially adversely affect revenues and the REIT's ability to meet its obligations. In addition, such competition could have an adverse effect on property values in the markets in which the investments are located. Competition generally reduces the number of suitable investment opportunities available to the REIT and increases the bargaining power of property owners seeking to sell. Furthermore, the number of entities and the amount of funds competing for suitable multifamily properties may increase. This will result in increased demand for these assets and therefore, increased prices paid for them. No assurance can be given that such competition will not adversely affect the REIT's ability to make investments and generate revenues.

Furthermore, the multifamily residential properties that the REIT owns or may acquire compete with numerous housing alternatives to attract tenants, including owner occupied single homes and multi-unit residential buildings available to rent or purchase. The relative demand for such alternatives may be increased by declining mortgage interest rates, government programs which promote home ownership, or other events or initiatives which increase the affordability of such alternatives to multifamily residential rental properties, and could materially adversely affect the REIT's ability to retain tenants, lease units and increase or maintain rental rates. Such competition may reduce occupancy rates and rental revenues of the REIT, and could have a material adverse effect on the REIT's business, cash flow, financial condition and results of operations and ability to make distributions to Unitholders.

Regulation and Changes in Applicable Laws

The REIT is subject to laws and regulations governing the ownership and leasing of real property, zoning, building standards, landlord tenant relationships, employment standards, environmental matters, taxes and other matters. It is possible that future changes in applicable federal, provincial, state, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the REIT (including with retroactive effect). Any changes in the laws to which the REIT is subject could materially adversely affect the REIT's rights and title to its assets. It is not possible to predict whether there will be any further changes in the regulatory regimes to which the REIT is subject or the effect of any such changes on its investments.

Lower revenue growth or significant unanticipated expenditures may result from the REIT's need to comply with changes in applicable laws or the enactment of new laws, including: (i) laws imposing environmental remedial requirements and the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions; (ii) rent control or rent stabilization laws or other residential landlord/tenant laws; or (iii) other governmental rules and regulations or enforcement policies affecting the development, use and operation of the REIT's properties, including changes to building codes and fire and life-safety codes.

Environmental Matters

Environmental legislation and regulations have become increasingly important in recent years. As a current or previous owner of interests in real property in the United States, the REIT will be subject to various United States federal, state and municipal laws relating to environmental matters. Such laws provide that the REIT could be, or become, liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment and/or affecting persons, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties or at third party sites, at which wastes were sent for disposal, including lead-based paints, mold, asbestos, polychlorinated biphenyls, petroleum-based fuels, mercury, volatile organic compounds, underground storage tanks, pesticides and other miscellaneous materials. Further, liability may be incurred by the REIT with respect to the release of such substances from or to the REIT's properties. These laws often impose liability regardless of whether the property owner knew of, or was responsible for, the presence of such substances. Those laws also govern the maintenance and removal of asbestos containing materials in the event of damage, demolition or renovation of a property and also govern emissions of and exposure to asbestos fibres in the air. Certain of the Initial Properties might contain asbestos containing materials. The costs of investigation, removal and remediation of such substances or properties, if any, may be substantial and could adversely affect the REIT's financial condition and results of operations but is not estimable. There may be contamination on the Initial Properties of which management is not aware. The presence of contamination or the failure to remediate contamination may adversely affect the REIT's ability to sell such property, realize the full value of such property or borrow using such property as collateral security, and could potentially result in claims against the REIT by public or private parties.

The Initial Properties may contain soil or groundwater contamination, hazardous substances and/or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos, mold or other hazardous substances above the allowable or recommended thresholds, or other environmental risks could be associated with the buildings. The REIT will bear the risk of cost-intensive assessment, remediation or removal of such soil or groundwater contamination, hazardous substances or other residual pollution. The discovery of any such contamination or residual pollution on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of leases for cause, for damages and other breach of warranty claims against the REIT. The remediation of any contamination and the related additional measures the REIT would have to undertake could have a materially adverse effect on the REIT and could involve considerable additional costs. The REIT will also be exposed to the risk that recourse against the polluter or the previous owners of the properties might not be possible. Moreover, the existence or even the mere suspicion of the existence of soil or groundwater contamination, hazardous materials or other residual pollution can materially adversely affect the value of a property and the REIT's ability to lease or sell such a property.

The REIT's operating policy is to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a property and to have Phase II environmental site assessment work completed where recommended in a Phase I environmental site assessment. Although such environmental site assessments would provide the REIT with some level of assurance about the condition of the property, the REIT may become subject to liability for undetected contamination or other environmental conditions at its properties, which could negatively impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. See "Assessment and Valuation of the Initial Properties – Environmental Site Assessments".

The REIT intends to make the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs relating to environmental matters that may have a material adverse effect on the REIT's business, financial condition or results of operation and decrease the amount of cash available for distribution. Furthermore, environmental laws can change and the REIT may become subject to even

more stringent environmental laws in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws, which may be more rigorously enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have an adverse effect on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

Natural Disasters

Certain of the Initial Properties are located in Texas, Florida and Georgia, where buildings are susceptible to sustaining storm damage. While the REIT has insurance to cover a substantial portion of the cost of such events, the REIT's insurance includes deductible amounts and certain items may not be covered by insurance. Future natural disasters may significantly affect the REIT's operations and properties and, more specifically, may cause the REIT to experience reduced rental revenue (including from increased vacancy), incur clean-up costs or otherwise incur costs in connection with such events. Any of these events may have a material adverse effect on the REIT's business, cash flows, financial condition, results of operations and ability to make distributions to Unitholders.

Capital Expenditures and Fixed Costs

As a matter of conducting business in the ordinary course, certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. This may include expenditures to fulfill mandatory requirements for energy efficiency. In order to retain desirable rentable space and to generate adequate revenue over the long term, the REIT must maintain or, in some cases, improve each property's condition to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which the REIT may not be able to pass on to its tenants. Numerous factors, including the age of the relevant building structure, the material and substances used at the time of construction or currently unknown building code violations could result in substantial unbudgeted costs for refurbishment or modernization. The timing and amount of capital expenditures required by the REIT will indirectly affect the amount of cash available for distribution to Unitholders. Distributions may be reduced, or even eliminated, at times when the REIT deems it necessary to make significant capital or other expenditures.

If the actual costs of maintaining or upgrading a property exceed the REIT's estimates, or if hidden defects are discovered during maintenance or upgrading which are not covered by insurance or contractual warranties, or if the REIT is not permitted to raise rents due to legal constraints, the REIT will incur additional and unexpected costs. If competing multifamily properties are built in the area where one of the REIT's properties is located or similar multifamily properties located in the vicinity of one of the REIT's properties are substantially refurbished, the net operating income derived from and the value of such property could be reduced. Any failure by the REIT to undertake appropriate maintenance and refurbishment work in response to the factors described above could materially adversely affect the rental income that the REIT earns from such properties and could have a material adverse effect on the REIT's cash flows, financial condition and results of operations and its ability to make distributions to Unitholders.

Liquidity

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit the REIT's ability to vary its portfolio of properties promptly in response to changing economic, investment or other conditions. If the REIT were to be required to liquidate its real property investment, the proceeds to the REIT might be significantly less than the aggregate carrying value of its properties which could have an adverse effect on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. Illiquidity may result from the absence of an established market for real property investments, as well as from legal or contractual restrictions on their resale. In addition, in recessionary times, it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and during an economic recession the REIT may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for the REIT to dispose of properties at lower prices in order to generate sufficient cash for operations and making distributions. There can be no assurance that the fair market value of any properties held by the REIT will not decrease in the future.

Current Economic Environment

Continued concerns regarding the uncertainty over whether the economy will be adversely affected by inflation, deflation or stagflation, and the systemic impact of increased unemployment, volatile energy costs, geopolitical issues,

the availability and cost of credit, the mortgage market in the United States and a distressed real estate market have contributed to increased market volatility and weakened business and consumer confidence. This difficult operating environment could adversely affect the REIT's ability to generate revenues, thereby reducing its operating income and earnings. It could also have an adverse impact on the ability of the REIT to maintain occupancy rates which could harm the REIT's financial condition. If these economic conditions continue, the REIT's tenants may be unable to meet their rental payments and other obligations due to the REIT, which could have a material adverse effect on the REIT. In addition, fluctuation in interest rates or other financial market volatility may restrict the availability of financing for future prospective purchasers of the REIT's investments and could significantly reduce the value of such investments.

Risks Relating to the REIT and its Business

Risks Relating to the Business of the REIT

Investing in real estate will expose the REIT to a high degree of risk. Real estate historically has experienced significant fluctuations and cycles in value and the REIT may buy and/or sell properties at less than optimal times. The marketability and value of the REIT's properties will depend on many factors beyond the control of the REIT. The ultimate performance of the REIT's properties will be subject to the varying degrees of risk generally incident to the ownership and management of interests in, or related to, real property. The ultimate value of the REIT's properties depends upon the REIT's ability to identify, acquire, develop and dispose of properties in a profitable manner. Revenues may be adversely affected by changes in national or international economic conditions; changes in local market conditions due to changes in general or local economic conditions and neighbourhood characteristics; the financial condition of tenants, buyers and sellers of properties; competition from prospective buyers for, and sellers of, other similar properties; changes in interest rates and in the availability, cost and terms of financing; the impact of present or future environmental legislation and compliance with environmental laws; changes in tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; civil unrest; acts of God, including earthquakes, hurricanes and other natural disasters; acts of war; acts of terrorism (any of which may result in uninsured losses); adverse changes in zoning laws; and other factors that are beyond the control of the REIT. In the event that any of the REIT's properties experience any of the foregoing events or occurrences, the value of, and return on, such investments would be negatively impacted.

The success of the REIT will be dependent on the availability of, and the degree of competition for, attractive investments. The REIT's operating results will be dependent upon the availability of, as well as the Asset Manager's ability to identify, consummate, manage and realize, attractive real estate investment opportunities. It may take considerable time for the REIT to identify and consummate appropriate investments. No assurance can be given that the REIT will be successful in identifying and consummating investments which satisfy the REIT's rate of return objective or that such investments, once consummated, will perform as expected. The REIT will be engaged in a competitive business and will be competing for attractive investments with existing real estate investment funds and other funds formed in the future with similar investment objectives. These factors may affect the REIT's ability to make investments.

Geographic Concentration

The Initial Properties are located in the United States, primarily in Texas. Currently, approximately 60% of the units within the Initial Properties, generating approximately 61% of forecasted NOI for the twelve-month period ending December 31, 2013, are located in Texas. Within Texas, the majority of the properties are located in Dallas/Fort Worth. As a result, the REIT's performance is particularly sensitive to economic changes in Texas, generally, and in Dallas/Fort Worth, specifically. The market value of the REIT's properties, the income generated by the REIT and the REIT's performance are particularly sensitive to changes in the economic condition and regulatory environment of Texas and Dallas/Fort Worth. Adverse changes in the economic condition or regulatory environment of Texas or Dallas/Fort Worth may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders. See "The Initial Properties – Composition of Initial Properties – Geographic Diversification".

Reliance on the Partnership

The REIT is dependent for a certain portion of NOI on the business of the Partnership. The cash distributions to Unitholders are dependent on the ability of the Partnership to pay distributions in respect of the units of the Partnership. The ability of the Partnership to pay distributions or make other payments or advances to the REIT may be subject to

contractual restrictions contained in any instruments governing the indebtedness of the Partnership. The ability of the Partnership to pay distributions or make other payments or advances is also dependent on the ability of its subsidiaries to pay distributions or make other payments or advances to the Partnership.

Acquisitions

The REIT's business plan includes, among other things, growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and leasing such properties. If the REIT is unable to manage its growth effectively, it could adversely impact the REIT's financial position and results of operations and decrease the amount of cash available for distribution. There can be no assurance as to the pace of growth through property acquisitions or that the REIT will be able to acquire assets on an accretive basis and, as such, there can be no assurance that distributions to Unitholders will increase in the future.

Operational Risk

Operational risk is the risk that a direct or indirect loss may result from an inadequate or failed technology, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal and regulatory proceedings. Management endeavours to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls are constantly reviewed and if deemed necessary improvements are implemented.

Access to Capital

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain its properties, as well as to fund its growth strategy and certain capital expenditures from time to time. Although the REIT has signed a non-binding indicative term sheet with a U.S./Canadian bank regarding the provision of the Credit Facility following Closing, there can be no assurances that the REIT will otherwise have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Further, in certain circumstances, the REIT may not be able to borrow funds due to the limitations set forth in the Declaration of Trust. Failure by the REIT to access required capital could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

Recently, domestic and international financial markets have experienced unusual volatility and uncertainty. Although this condition occurred initially within the "subprime" single-family mortgage lending sector of the credit market, liquidity has tightened in overall financial markets, including the investment grade debt and equity capital markets. Consequently, there is greater uncertainty regarding the REIT's ability to access the credit market in order to attract financing on reasonable terms. Investment returns on the REIT's assets and its ability to make acquisitions could be adversely affected by the REIT's inability to secure financing on reasonable terms, if at all.

Financing Risks

The REIT estimates that its outstanding indebtedness at Closing will be approximately $646 million. Although a portion of the cash flow generated by the Initial Properties will be devoted to servicing such debt, there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the REIT to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could adversely impact the REIT's financial condition, liquidity and results of operations and decrease the amount of cash available for distribution to Unitholders. If the REIT defaults under a mortgage loan, it may lose the properties securing such loan.

The REIT will be subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by the REIT's properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness, which may reduce AFFO. With the current world economic and financial crisis, there is a heightened risk that not only will existing maturing mortgages be subject to increased interest rates, but the distinct possibility also exists that maturing mortgages will not be renewed or, if they are renewed, they will be renewed at significantly lower loan-to-value ratios. These mortgages mature between April 2015 through to February 2028. In 2015 36% of the REIT's total debt will mature as compared to the 1% to 5% of the total debt that will mature in each of 2013, 2014, 2016 and 2017. The percentage of total debt that will mature in 2015 amplifies the risks described above. See "Debt Strategy and Indebtedness – Debt Maturities". Additionally, the REIT

intends to incur variable rate indebtedness, which will result in fluctuations in the REIT's cost of borrowing as interest rates change. To the extent that interest rates rise following Closing, the REIT's operating results and financial condition could be adversely affected and decrease the amount of cash available for distribution.

The REIT's credit facilities are also expected to contain covenants that require it to maintain certain financial ratios on a consolidated basis. If the REIT does not maintain such ratios, its ability to make distributions will be limited.

Fixed Costs and Increased Expenses

The failure to maintain stable or increasing average monthly rental rates combined with acceptable occupancy levels would likely have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If the REIT is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

The REIT is also subject to utility and property tax risk relating to increased costs that the REIT may experience as a result of higher resource prices as well as its exposure to significant increases in property taxes. There is a risk that property taxes may be raised as a result of re-valuations of properties and their adherent tax rates. In some instances, enhancements to properties may result in significant increases in property assessments following a re-valuation. Additionally, utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that the REIT cannot charge back to the tenant may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. Unlike commercial leases, which generally are "net" leases and allow a landlord to recover expenditures from tenants, residential leases are generally "gross" leases and the landlord is not able to pass on costs to its tenants.

The timing and amount of capital expenditures by the REIT will affect the amount of cash available for distributions to holders of Units. Distributions may be reduced, or even eliminated, at times when the REIT deems it necessary to make significant capital or other expenditures.

Litigation at the Property Level

The acquisition, ownership and disposition of real property carries certain specific litigation risks. Litigation may be commenced with respect to a property acquired by the REIT or its subsidiaries in relation to activities that took place prior to the REIT's acquisition of such property. In addition, at the time of disposition of an individual property, a potential buyer may claim that it should have been afforded the opportunity to purchase the asset or alternatively that such buyer should be awarded due diligence expenses incurred or damages for misrepresentation relating to disclosures made, if such buyer is passed over in favour of another as part of the REIT's efforts to maximize sale proceeds. Similarly, successful buyers may later sue the REIT under various damage theories, including those sounding in tort, for losses associated with latent defects or other problems not uncovered in due diligence.

General Litigation Risks

In the normal course of the REIT's operations, whether directly or indirectly, it may become involved in, named as a part to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relation to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the REIT and as a result, could have a material adverse effect of the REIT's assets, liabilities, business, financial condition and results of operations. Even if the REIT prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the REIT's business operations, which could have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders. This risk may be heightened for the REIT as compared to other Canadian real estate investment trusts without properties located in the United States because the legal climate in the United States, in comparison to that in Canada, tends to give rise to a greater number of claims and larger damages awards.

Asset Class Diversification

The REIT will make a relatively limited number of real estate investments and the REIT's investments will not be widely diversified by asset class. All of the REIT's investments will be in multifamily residential assets. A lack of asset class diversification increases risk because residential real estate, including multifamily real estate, is subject to its own set of risks, such as adverse housing pattern changes and uses, increased real estate taxes, vacancies, rent controls, rising operating costs and changes in mortgage rates.

Control Over Investments

In certain situations, the REIT may, directly or indirectly, invest in a joint venture arrangement, thereby acquiring a non-controlling interest in certain investments. Although the REIT may not have control over these investments and therefore, may have a limited ability to protect its position therein, such joint venture arrangements will contain terms and conditions which, in the opinion of the Independent Trustees, are commercially reasonable, including without limitation such terms and conditions relating to restrictions on the transfer, acquisition and sale of the REIT's and any joint venturer's interest in the joint venture arrangement, provisions to provide liquidity to the REIT, provisions to limit the liability of the REIT and its Unitholders to third parties and provisions to provide for the participation of the REIT in the management of the joint venture arrangements. Nevertheless, such investments may involve risks not present in investments where a third party is not involved, including the possibility that a co-venturer may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with those of the REIT (including relating to the sale of properties held in the joint venture or the timing of the termination and liquidation of such joint venture) or may be in a position to take action contrary to the REIT's investment objectives. The REIT also may, in certain circumstances, be liable for the actions of its third party co-venturers.

Property Redevelopment and Renovations

Property redevelopment or major renovation work are subject to a number of risks, including: (i) the potential that the REIT may fail to recover expenses already incurred if it abandons redevelopment opportunities after commencing to explore them; (ii) the potential that the REIT may expend funds on and devote management time to projects which it does not complete; (iii) construction or redevelopment costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable; (iv) the time required to complete the construction or redevelopment of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting the REIT's cash flow and liquidity; (v) the cost and timely completion of construction (including risks beyond the REIT's control, such as weather, labour conditions or material shortages); (vi) contractor and subcontractor disputes, strikes, labour disputes or supply disruptions; (vii) the failure to achieve expected occupancy and/or rent levels within the projected time frame, if at all; (viii) delays with respect to obtaining, or the inability to obtain, necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws; (ix) occupancy rates and rents of a completed project may not be sufficient to make the project profitable; (x) the REIT's ability to dispose of properties redeveloped with the intent to sell could be impacted by the ability of prospective buyers to obtain financing given the current state of the credit markets; and (xi) the availability and pricing of financing to fund the REIT's development activities on favourable terms or at all.

The above risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent the initiation of redevelopment activities or the completion of redevelopment activities once undertaken. In addition, redevelopment projects entail risks that investments may not perform in accordance with expectations and can carry an increased risk of litigation (and its attendant risks) with contractors, subcontractors, suppliers, partners and others. Any of these risks could have an adverse effect on the REIT's financial condition, results of operations, cash flow, per Unit trading price of the Units, distributions to Unitholders and ability to satisfy the REIT's principal and interest obligations. Also, it is anticipated that the REIT would be required to execute a guarantee in connection with construction financing for redevelopments which would subject the REIT to recourse for construction completion risks and repayment of the construction indebtedness.

Potential Conflicts of Interest

The Trustees will, from time to time, in their individual capacities, deal with parties with whom the REIT may be dealing, or may be seeking investments similar to those desired by the REIT. The interest of these persons could conflict with those of the REIT. The Declaration of Trust contains conflict of interest provisions requiring the Trustees

to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. In addition, certain decisions regarding matters that may give rise to a conflict of interest must be made by a majority of the Independent Trustees only. See “Trustees And Executive Officers of the REIT – Conflicts of Interest”.

Conflicts may also exist due to the fact that (i) certain Trustees of the REIT will be affiliated with Milestone or Milesouth, (ii) the REIT and The Milestone Group will enter into certain arrangements; (iii) The Milestone Group and its affiliates are engaged in a wide variety of real estate activities; (iv) each of Robert P. Landin, Christopher A. Phillips and Steve T. Lamberti will own interests in MST Investors following Closing; and (v) the REIT may become involved in transactions that conflict with the interests of the foregoing. See “Arrangements with Milestone”.

The Asset Manager currently manages the Existing Fund, which still has funds to be deployed. The Existing Fund’s acquisition strategy focuses on “value-add” multifamily investments and currently has less than $50 million of capital remaining to invest. The Asset Manager’s role as manager of the Existing Fund could place the Asset Manager in a position of conflict with respect to a potential investment. In the event of such a conflict, the Asset Manager will assess the investment and proceed with the investor that has the highest probability of successfully acquiring the subject property as determined by factors that include capital availability, level of interest and other deal term and timing requirements. In the event an Offered Investment is suitable for both the REIT and the Existing Fund, the Asset Manager will endeavour to arrange for the parties to participate equally (or as otherwise mutually agreed to) in the Offered Investment. In addition, the Asset Manager will not be required to present an opportunity to the REIT where (a) an existing client of the Asset Manager sources a specific opportunity and approaches the Asset Manager to acquire the investment on its behalf, (b) a property is adjacent, or complementary to, a property currently managed by the Asset Manager and owned by one of its current clients, and (c) any property that is part of a portfolio of primarily non-multifamily properties. Following the deployment of the Existing Fund’s capital, all Offered Investments that would be a suitable investment for the REIT (with regard to the REIT’s investment guidelines, operating policies and other relevant investment considerations) will first be offered to the REIT.

Direct and Indirect Ownership of Units by Milesouth

On Closing, it is expected that Milesouth will hold an approximate 47.5% effective interest in the REIT through ownership of Units and Class B Units of the Partnership (or an approximate 41.3% effective interest in the REIT if the Over-Allotment Option is exercised in full). In addition, the Declaration of Trust will grant Milesouth the right to nominate one Trustee of the REIT based on Milesouth’s direct and indirect ownership in the REIT. See “Retained Interest” and “Governance and Board of Trustees”. For so long as Milesouth maintains a significant effective interest in the REIT, Milesouth will have the ability to exercise certain influence with respect to the affairs of the REIT and will have the ability to prevent certain fundamental transactions.

Accordingly, the Units may be less liquid and trade at a relative discount compared to such Units in circumstances where Milesouth did not have the ability to influence or determine matters affecting the REIT. Additionally, Milesouth’s significant effective interest in the REIT and its voting rights afforded in respect of certain fundamental transactions undertaken by the Partnership for so long as it maintains a certain threshold ownership may discourage transactions involving a change of control of the REIT, including transactions an investor, as a holder of the Units, might otherwise receive a premium for its Units over the then-current market price.

Pursuant to the Partnership Agreement, each Class B Unit will be redeemable by the holder thereof for cash or, at the option of the General Partner, one Unit of the REIT (subject to customary anti-dilution adjustments).

Milesouth will hold its Retained Interest on behalf of several investment funds, some of which have finite terms. Accordingly, Milesouth may seek to sell some or all of its Units and/or Units issuable on redemption of its Class B Units in the future. While Milesouth’s Retained Interest will be subject to an 18-month contractual lock-up, neither the Underwriters nor the Board may unreasonably withhold their consent to a waiver of such lock-up. See “Retained Interest”. No prediction can be made as to the effect, if any, a future sale of Units by Milesouth will have on the market price of the Units prevailing from time to time. However, the future sale of a substantial number of Units by Milesouth, or the perception that such sale could occur, could adversely affect prevailing market prices for the Units.

Any Uninsured Losses or High Insurance Premiums will Reduce Net Income and the Amount of Cash Distributions to Unitholders.

The REIT will attempt to obtain adequate insurance to cover significant areas of risk to it as an entity and to its properties. However, there are types of losses at the property level, generally catastrophic in nature, such as losses due

to wars, acts of terrorism, earthquakes, floods, hurricanes, pollution or environmental matters, which are uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or co-payments. The REIT may not have adequate coverage for such losses. If any of the REIT's properties incurs a casualty loss that is not fully insured, the value of the REIT's assets will be reduced by any such uninsured loss. In addition, other than any working capital reserve or other reserves the REIT may establish, it has no source of funding to repair or reconstruct any uninsured damaged property. Further, to the extent the REIT must pay unexpectedly large amounts for insurance, it could suffer reduced earnings that would result in lower distributions to Unitholders.

Degree of Leverage

The REIT's degree of leverage could have important consequences to Unitholders. For example, the degree of leverage could affect the REIT's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general trust purposes, making the REIT more vulnerable to a downturn in business or the economy in general. Under the Declaration of Trust, the maximum the REIT can leverage is 60% of its Gross Book Value (or 65% of its Gross Book Value including convertible debentures).

Derivative Risks

The REIT invests in and uses derivative instruments, including futures, forwards, options and swaps, to manage its currency exchange and interest rate risks inherent in its operations. There can be no assurance that the REIT's hedging activities will be effective. Further, these activities, although intended to mitigate price volatility, expose the REIT to other risks. The REIT is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange traded instruments or another third party in the case of over-the-counter instruments) may be unable to meet its obligations. In addition, there is a risk of loss by the REIT of margin deposits in the event of the bankruptcy of the dealer with whom the REIT has an open position in an option or futures or forward contract. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these contracts involves judgment and use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts. The ability of the REIT to close out its positions may also be affected by exchange-imposed daily trading limits on options and futures contracts. If the REIT is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the option becomes exercisable or expires or the futures or forward contract terminates, as the case may be. The inability to close out options, futures and forward positions could also have a material adverse effect on the REIT's ability to use derivative instruments to effectively hedge its currency exchange and interest rate risks.

United States Financing Renewal Risk – Condition of Fannie Mae or Freddie Mac

In the future, the REIT will seek to manage its financing risk by maintaining a balanced maturity profile with no significant amounts coming due in any particular period. Management believes that the use of Fannie Mae or Freddie Mac insured mortgages will assist the REIT in managing its renewal risk. Given the increased credit quality of such debt, the probability of the REIT being unable to renew the maturing debt or transfer this debt to another accredited lending institution is significantly reduced. However, there can be no assurance that the renewal of debt will be on as favourable terms as the REIT's existing debt.

The ongoing financial and real estate market disruptions that began in 2007 could adversely affect the multifamily residential property sector's ability to obtain financing from Freddie Mac and Fannie Mae, which could materially adversely affect the REIT's operations. Fannie Mae and Freddie Mac are major sources of financing for the U.S. multifamily residential sector, and both Freddie Mac and Fannie Mae have experienced significant losses during the last three years due to credit-related expenses, securities impairments and fair value losses. If new U.S. government regulations (i) heighten the underwriting standards of Freddie Mac or Fannie Mae, (ii) adversely affect interest rates, or (iii) reduce the amount of capital that either Freddie Mac or Fannie Mae can make available to the multifamily residential sector, such regulations could reduce or remove entirely a vital resource of multifamily residential financing. Any potential reduction in loans, guarantees and credit enhancement arrangements from Freddie Mac or Fannie Mae could limit the availability of financing, increase the cost of financing or otherwise decrease the amount of liquidity and credit available to the multifamily residential sector generally and the REIT specifically.

On September 7, 2008, the Federal Housing Finance Agency, or the FHFA, placed Fannie Mae and Freddie Mac into conservatorship and, together with the U.S. Treasury, established a program designed to boost investor confidence

in Fannie Mae's and Freddie Mac's debt and mortgage-related securities. Although the U.S. Treasury has committed capital to Fannie Mae and Freddie Mac, there can be no assurance that these actions will be adequate for their needs. If these actions are inadequate, Fannie Mae and Freddie Mac could continue to suffer losses and could fail to honour their guarantees and other obligations. The future roles of Fannie Mae and Freddie Mac could be significantly reduced and the nature of their guarantees could be considerably limited relative to historical measurements. Any changes to the nature of the guarantees provided by Fannie Mae and Freddie Mac could redefine what constitutes a U.S. government agency mortgage-backed security and could have broad adverse market implications. Such market implications could negatively affect the performance and market value of the REIT's portfolio.

Limitations on Sale

The REIT may be required to expend funds to correct defects or to make improvements before a property can be sold. No assurance can be given that the REIT will have funds available to correct such defects or to make such improvements. In acquiring a property, the REIT may agree to lock-out provisions that materially restrict it from selling that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These lock-out provisions would restrict the REIT's ability to sell a property. These factors and any others that would impede the REIT's ability to respond to adverse changes in the performance of its properties could significantly affect the REIT's financial condition and operating results.

Investments in Debt Instruments

The REIT may hold direct or indirect investments in mortgages and mortgage bonds (including participating or convertible mortgages). Adverse changes to the financial condition of a mortgagor with respect to a mortgage held directly or indirectly by the REIT could have an adverse impact on the REIT's ability to collect principal and interest payments from such mortgagor and therefore, cause a reduction in the REIT's ability to make distributions to Unitholders and in the value of that investment.

Based upon applicable laws governing the REIT's investment in debt instruments and the loans underlying the REIT's debt securities, the REIT's investments in debt may also be adversely affected by: (i) the operation of applicable laws regarding the ability to foreclose mortgage loans or to exercise other creditors' rights provided in the underlying loan documents; (ii) lender liability with respect to the negotiation, administration, collection or foreclosure of mortgage loans; (iii) penalties for violations of applicable usury limitations; and (iv) the impact of bankruptcy or insolvency laws.

Further, the REIT will not know whether the values of the properties securing the mortgage loans will remain at the levels existing on the dates of origination of those mortgage loans. If the values of the underlying properties fall, the risk to the REIT will increase because of the lower value of the security associated with such loans.

Troubled Assets

The REIT may make investments in non-performing or other troubled assets that involve a high degree of financial risk and there can be no assurance that the REIT's investment objectives will be realized or that there will be any cash available for distribution to Unitholders. Furthermore, investments in properties operating in work-out modes or under bankruptcy protection laws may, in certain circumstances, be subject to additional potential liabilities that could exceed the value of the REIT's original investment. In addition, under certain circumstances, payments to the REIT and distributions by the REIT to Unitholders may be reclaimed if any such payments or distributions are later determined to have been fraudulent conveyances or preferential payments under applicable law.

Less Marketable Assets

Less marketable assets may be more difficult to value due to the unavailability of reliable market quotations. The sale of less marketable assets may require more time and result in lower prices, due to higher brokerage charges or dealer discounts and other selling expenses, than the sale of more marketable assets. In addition, the marketability of the portfolio will be dependent on numerous other factors, including interest rates, competition from other residential properties and general economic conditions. There can be no assurance that the REIT will be able to sell one or more of the properties in the portfolio at the time that it may be in the best interests of the REIT to sell.

Difficulty of Locating Suitable Investments

Although the Partnership has been successful in locating suitable investments in the past, the REIT may be unable to find a sufficient number of attractive opportunities to meet its investment objectives.

Foreign Currency Fluctuation

The REIT's operations are conducted in the United States and the financial position and results for the REIT's operations are denominated in U.S. dollars. In addition, because the distributions to Unitholders will be denominated in Canadian dollars the cash available for distribution could be adversely impacted (even in circumstances where there has been no change in the U.S. income of the business). Although the REIT expects to enter into currency hedging arrangements in respect of its foreign currency cash flows, to mitigate such risk, there are no assurances that the full amount of the foreign currency exposure will be hedged at any time.

Lease Renewals and Rental Increases

The expiry of leases for the REIT's properties will occur from time to time over the short and long-term. No assurance can be provided that the REIT will be able to renew any or all of the leases upon their expiration or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

International Financial Reporting Standards

In February 2008, the Accounting Standards Board of Canada confirmed its decision to require that all publicly accountable enterprises report under IFRS for interim and annual financial statements. The REIT is required to report under IFRS. There are ongoing projects conducted by the International Accounting Standards Board, and joint projects with the Financial Accounting Standards Board in the United States that are expected to result in new pronouncements that continue to evolve, which could adversely impact the manner in which the REIT reports its financial position and operating results.

Laws Benefitting Disabled Persons

Laws benefiting disabled persons may result in unanticipated expenses being incurred by the REIT. Under the *Americans with Disabilities Act of 1990* (the "**ADA**"), all places intended to be used by the public are required to meet certain federal requirements related to access and use by disabled persons. The *Fair Housing Amendments Act of 1988* (the "**FHAA**") requires apartment properties first occupied after March 31, 1991 to comply with design and construction requirements for disabled access. For those projects receiving federal funds, the *Rehabilitation Act of 1973* (the "**RA**") also has requirements regarding disabled access. These and other federal, state and local laws may require modifications to the REIT's properties, or affect renovations of the properties. Non-compliance with these laws could result in the imposition of fines or an award of damages to private litigants and also could result in an order to correct any non-complying feature, which could result in substantial capital expenditures. Although the REIT believes that the Initial Properties are substantially in compliance with the present requirements, the REIT may incur unanticipated expenses to comply with the ADA, the FHAA and the RA in connection with the ongoing operation or redevelopment of the REIT's Properties.

Restrictions on Activities

Several of the REIT's constating documents and material contracts (including, without limitation, the Declaration of Trust, the Partnership Agreement and the operating agreement for US Holdco) will contain restrictions that limit the activities of the REIT and its Subsidiaries to ensure the REIT complies with certain provisions of the Tax Act and Code. See "Declaration of Trust", "The Partnership", "Certain Canadian Federal Income Tax Considerations", "Certain U.S. Federal Income Tax Considerations" and "Risk factors – Tax related Risks". Compliance with these restrictions may limit the flexibility of the REIT in terms of the nature and scope of its investments and activities and thereby may adversely affect the REIT's economic performance, including its ability to grow. In addition, unlike most real estate investment trusts, the Partnership Agreement will prohibit the Partnership from generating income that would

constitute unrelated business taxable income to a direct or indirect tax-exempt investor in Milesouth. This may restrict the REIT from making changes to its operations that could generate such income without having to transfer such income-producing activity to a "taxable REIT subsidiary" and pay U.S. corporate tax on such income.

Tax-Related Risks

Canadian Tax Risks

a) Residency of the REIT for Canadian and U.S. Tax Purposes – The REIT is resident in Canada for purposes of the Tax Act and is treated as a domestic corporation in the United States under the Code. As a result, the REIT is generally taxable on its worldwide income in both Canada and the United States. However, in both jurisdictions, the REIT generally will not be subject to tax on the portion of its income that it distributes to Unitholders (subject to certain limitations and exceptions). Management of the REIT is of the view that the status of the REIT as taxable in both Canada and the United States is not likely to give rise to any material adverse consequences in the future as it is not anticipated that the REIT will be subject to material federal income tax in either Canada or the United States. Nevertheless, the REIT's status as taxable on its worldwide income in both Canada and the United States could, in certain circumstances, have a material adverse effect on the REIT and the Unitholders. As a result of the REIT being resident in both Canada and the United States, withholding taxes of both Canada and the United States will be relevant to distributions by the REIT and could result in double taxation to certain investors and other consequences. Accordingly, potential investors should carefully review both the "Certain Canadian Federal Income Tax Considerations" and the "Certain U.S. Federal Income Tax Consequences" sections.

b) Mutual Fund Trust Status – The REIT intends to continue to qualify as a "unit trust" and a "mutual fund trust" for purposes of the Tax Act. There can be no assurance that Canadian federal income tax laws and the administrative policies and practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Unitholders. Should the REIT cease to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading "Certain Canadian Federal Income Tax Considerations" could be materially and adversely different in certain respects.

c) Application of the SIFT Rules – The SIFT rules will apply to a trust that is a SIFT trust. The REIT will not be considered to be a SIFT trust in respect of a particular taxation year and, accordingly, will not be subject to the SIFT Rules in that year, if it does not own any non-portfolio property and does not carry on business in Canada in that year. Management has advised counsel that the REIT has not and will not own any non-portfolio property nor carry on a business in Canada.

   In the event that the SIFT Rules apply to the REIT, the impact to Unitholders will depend on the status of the holder and, in part, on the amount of income distributed which would not be deductible by the REIT in computing its income in a particular year and what portions of the REIT's distributions constitute "non-portfolio earnings", other income and returns of capital. The likely effect of the SIFT Rules on the market for Units, and on the REIT's ability to finance future acquisitions through the issue of Units or other securities is uncertain. If the SIFT Rules apply to the REIT, they may adversely affect the marketability of the Units, the amount of cash available for distribution and the after-tax return to investors.

d) Foreign Tax Credits – The after-tax return from an investment in Units to a Unitholder resident in Canada for the purposes of the Tax Act will depend in part on the Unitholder's ability to recognize for purposes of the Tax Act U.S. taxes paid by the Unitholder through foreign tax credits or foreign tax deductions under the Tax Act (see "Certain Canadian Federal Income Tax Considerations"). A Unitholder's ability to recognize U.S. taxes through foreign tax credits or foreign tax deductions may be affected where the Unitholder does not have sufficient taxes otherwise payable under Part I of the Tax Act or sufficient U.S. source income in the taxation year the U.S. taxes are paid or where the Unitholder has other US sources of income or losses, has paid other U.S. taxes or, in certain circumstances, has not filed a U.S. federal income tax return. Furthermore, foreign tax credits or foreign tax deductions will be dependent upon the Canadian federal and provincial tax rates and U.S. tax rates that will prevail in future years to apply to applicable sources of income. Unitholders are therefore advised to consult their own tax advisors in regards to foreign tax credits and foreign tax deductions.

   A Unitholder that is an Exempt Plan will not be entitled to a foreign tax credit or deduction under the Tax Act in respect of any US tax paid by the Exempt Plan (including any US withholding tax imposed on distributions paid to the Exempt Plan). As a result, the after-tax return from an investment in Units to a Unitholder that is an Exempt Plan may be adversely affected. Such Unitholders should carefully review the

"Certain U.S. Federal Income Tax Considerations" section, and consult with their own tax advisors in regards to US tax payable in respect of an investment in Units.

If (i) a Unitholder holds, or has held, actually or constructively, more than 5% of the outstanding Units, as determined for U.S federal income tax purposes, or (ii) the TSX Publicly Traded Exception or the U.S. Publicly Traded Exception are not satisfied, a Unitholder may be subject to additional U.S. tax on a disposition of the Units and on certain distributions by the REIT. The proceeds receivable on a disposition of a Unit may not qualify as U.S. source income for purposes of the Tax Act (including for Canadian foreign tax credit purposes), and beneficiaries of certain Unitholders that are trusts may not be considered to have paid such tax for purposes of the Tax Act and, accordingly, may not be entitled to a foreign tax credit in respect of such U.S. tax for Canadian tax purposes.

e) FAPI – FAPI earned by US Holdco, as well as US Holdco's allocable share of any FAPI earned by controlled foreign affiliates of the Partnership (or any subsidiary partnerships thereof) must be included in computing the income of the REIT for the fiscal year of the REIT in which the taxation year of US Holdco ends, subject to a deduction for grossed-up "foreign accrual tax" as computed in accordance with the Tax Act. It is not anticipated that the deduction for grossed-up "foreign accrual tax" will materially offset FAPI realized by the REIT, and accordingly any FAPI realized generally will increase the allocation of income by the REIT to Unitholders. In addition, as FAPI generally must be computed in accordance with Part I of the Tax Act as though the controlled foreign affiliate were a resident of Canada (subject to the detailed rules contained in the Tax Act), income or transactions may be taxed differently under foreign tax rules as compared to the FAPI rules and, accordingly, may result in additional income being allocated to Unitholders. For example, certain transactions that do not give rise to taxable income under the Code may still give rise to FAPI for purposes of the Tax Act.

f) Non-Residents of Canada – The Tax Act may impose additional withholding or other taxes on distributions made by the REIT to Unitholders who are non-residents of Canada for the purposes of the Tax Act. These taxes and any reduction thereof under a tax treaty between Canada and another country may change from time to time. In addition, this Prospectus does not describe the tax consequences under the Tax Act to non-residents of Canada, which may be more adverse than the consequences to other Unitholders. Further, because the REIT is both resident in Canada for purposes of the Tax Act and treated as a domestic corporation in the United States under the Code, withholding taxes of both Canada and the United States will be relevant to Unitholders who are both non-residents of Canada and Non-U.S. Holders and could, in certain circumstances, result in both Canadian and U.S. withholding tax applying to certain distributions to certain investors and other consequences. Prospective purchasers who are non-residents of Canada should consult their own tax advisors.

g) Foreign Currency – For purposes of the Tax Act, the REIT generally is required to compute its Canadian tax results, including any FAPI earned, using Canadian currency. Where an amount that is relevant in computing a taxpayer's Canadian tax results is expressed in a currency other than Canadian currency, such amount must be converted to Canadian currency using the rate of exchange quoted by the Bank of Canada at noon on the day such amount first arose, or using such other rate of exchange as is acceptable to the CRA. As a result, the REIT may realize gains and losses for tax purposes and FAPI by virtue of the fluctuation of the value of foreign currencies relative to Canadian dollars.

h) Changes in Law – There can be no assurance that Canadian federal income tax laws, the judicial interpretation thereof, the terms of the Treaty, or the administrative practices and policies of the CRA and the Department of Finance (Canada) will not be changed in a manner that adversely affects the REIT or Unitholders. Any such change could increase the amount of tax payable by the REIT or its affiliates or could otherwise adversely affect Unitholders by reducing the amount available to pay distributions or changing the tax treatment applicable to Unitholders in respect of such distributions.

U.S. Tax Risks

(a) Qualification as a Real Estate Investment Trust – The REIT intends to operate in a manner that will allow it to qualify as a real estate investment trust for U.S. federal income tax purposes. Although the REIT does not intend to request a ruling from the IRS, as to its real estate investment trust qualification, it expects to receive an opinion of Vinson & Elkins LLP with respect to its qualification as a real estate investment trust in connection with the offering of its Units. Investors should be aware, however, that opinions of counsel are not binding on the IRS or

any court. The opinion of Vinson & Elkins LLP will be based on Vinson & Elkins LLP's review and analysis of existing law and on certain representations as to factual matters made by the REIT, including representations relating to its assets and the sources of its income and its proposed method of operation. The opinion will be expressed as of the date issued and will not cover subsequent periods. Vinson & Elkins LLP will have no obligation to advise the REIT or the holders of its Units of any subsequent change in the matters stated, represented or assumed, or of any subsequent change in applicable law. Furthermore, both the validity of the opinion of Vinson & Elkins LLP, and the REIT's qualification as a real estate investment trust, will depend on the REIT's satisfaction of certain asset, income, organizational, distribution, Unitholder ownership and other requirements on a continuing basis, the results of which will not be monitored by Vinson & Elkins LLP. Accordingly, given the complex nature of the rules governing real estate investment trusts, the ongoing importance of factual determinations, including the potential tax treatment of investments the REIT makes, and the possibility of future changes in the REIT's circumstances, no assurance can be given that the REIT's actual results of operations for any particular taxable year will satisfy such requirements. Moreover, no assurance can be given that legislation, new regulations, administrative interpretations or court decisions will not change the tax laws with respect to qualification as a real estate investment trust or the U.S. federal income tax consequences of that qualification.

If the REIT fails to qualify as a real estate investment trust in any calendar year, it would be required to pay U.S. federal income tax (and any applicable state and local tax), including any applicable alternative minimum tax, on its taxable income at regular corporate rates, and dividends paid to the Unitholders would not be deductible by the REIT in computing its taxable income and would be taxable to the Unitholders under the rules generally applicable to corporate distributions. A loss of real estate investment trust status would reduce the net earnings available for investment or distribution to Unitholders because of the additional tax liability which in turn could have an adverse impact on the value of the REIT's Units. Unless its failure to qualify as a real estate investment trust was subject to relief under U.S. federal tax laws, the REIT could not re-elect to qualify as a real estate investment trust until the fifth calendar year following the year in which it failed to qualify.

(b) Annual Distribution Requirement – To qualify as a real estate investment trust for U.S. federal income tax purposes, the REIT generally must distribute annually to its Unitholders a minimum of 90% of its net taxable income, determined without regard to the dividends-paid deduction and excluding net capital gains. The REIT will be subject to regular corporate income taxes on any undistributed real estate investment trust taxable income each year. Additionally, it will be subject to a 4% nondeductible excise tax on any amount by which distributions paid by the REIT in any calendar year are less than the sum of 85% of its ordinary income, 95% of its capital gain net income and 100% of its undistributed income from previous years. Payments the REIT makes to its Unitholders under Unitholders' rights of redemption will not be taken into account for purposes of these distribution requirements. Compliance with the real estate investment trust distribution requirements may hinder the REIT's ability to grow, which could adversely affect the value of its Units. Furthermore, the REIT may find it difficult or impossible to meet distribution requirements in certain circumstances. The requirement to distribute most of its taxable income could cause the REIT to: (i) sell assets in adverse market conditions, (ii) borrow on unfavorable terms, (iii) distribute amounts that would otherwise be used to make future acquisitions or capital expenditures or (iv) make a taxable distribution of its Units as part of a distribution in which Unitholders may elect to receive Units or cash, in order to comply with real estate investment trust requirements. These alternatives could adversely affect the REIT's economic performance.

(c) Impact of Real Estate Investment Trust Compliance on Performance – To qualify as a real estate investment trust for U.S. federal income tax purposes, the REIT must continually satisfy tests concerning, among other things, the sources of its income, the nature and diversification of its assets, the amounts that it distributes to the Unitholders and the ownership of the Units. The REIT may be required to make distributions to Unitholders at disadvantageous times or when it does not have funds readily available for distribution, and may be unable to pursue investments that would be otherwise advantageous to it in order to satisfy the source-of-income or asset-diversification requirements for qualifying as a real estate investment trust. Thus, compliance with the real estate investment trust requirements may hinder the REIT's ability to operate solely on the basis of maximizing profits.

Additionally, the REIT must ensure that at the end of each calendar quarter, at least 75% of the value of its assets consists of cash, cash items, government securities and real estate assets (as defined in the Code), including certain mortgage loans and certain kinds of mortgage-backed securities. The remainder of the REIT's investment in securities (other than government securities and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding

securities of any one issuer. In addition, in general, no more than 5% of the value of the REIT's assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer (other than a taxable REIT subsidiary), and no more than 25% of the value of its total assets can be represented by securities of one or more taxable REIT subsidiaries. If the REIT fails to comply with these requirements at the end of any calendar quarter, it must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing its real estate investment trust qualification and suffering adverse tax consequences.

(d) Ownership Limitations – In order for the REIT to qualify as a real estate investment trust for each taxable year under the Code, no more than 50% in value of its outstanding Units may be owned, directly or indirectly, by five or fewer individuals during the last half of any calendar year. "Individuals" for this purpose include natural persons, private foundations, some employee benefit plans and trusts, and some charitable trusts. In order to assist the REIT in qualifying as a real estate investment trust, ownership of its Units by any person is generally limited to 9.8% in value or number of Units, whichever is more restrictive, of any class or series of Units. These ownership limitations could have the effect of discouraging a takeover or other transaction in which holders of the Units might receive a premium for their Units over the then-prevailing market price or which holders might believe to be otherwise in their best interests.

(e) Other Taxes – Even if the REIT qualifies and maintains its status as a real estate investment trust, it may be subject to U.S. federal and state income taxes. The REIT may not be able to make sufficient distributions to avoid excise taxes applicable to real estate investment trusts. The REIT may also decide to retain income it earns from the sale or other disposition of its real estate assets and pay income tax directly on such income. In that event, the Unitholders would be treated as if they earned that income and paid the tax on it directly. The REIT may also be subject to state and local taxes on its income or property, either directly or at the level of the entities through which it indirectly owns its assets. Any U.S. federal or state taxes the REIT pays will reduce its cash available for distribution to the Unitholders.

In addition, in order to meet the real estate investment trust qualification requirements or to avert the imposition of the prohibited transactions tax discussed below, the REIT may hold some of its assets or conduct activities through subsidiary corporations (taxable REIT subsidiaries) that will be subject to corporate-level income tax at regular rates. If the REIT lends money to a taxable REIT subsidiary, the taxable REIT subsidiary may be unable to deduct all or a portion of the interest paid to the REIT, which could result in an even higher corporate level tax liability. Furthermore, the Code imposes a 100% tax on certain transactions between a taxable REIT subsidiary and its parent real estate investment trust that are not conducted on an arm's-length basis. The REIT will structure transactions with any taxable REIT subsidiary on terms that it believes are arm's length to avoid incurring the 100% excise tax described above, but there can be no assurances that it will be able to avoid application of the 100% tax.

(f) Prohibited Transactions Tax – The REIT's ability to dispose of property during its first few years of operations is restricted to a substantial extent as a result of its real estate investment trust status. Under applicable provisions of the Code regarding prohibited transactions by real estate investment trusts, the REIT will be subject to a 100% tax on any gain realized on the sale or other disposition of any property (other than foreclosure property) that it owns, directly or through any subsidiary entity, including the Partnership, but excluding any taxable REIT subsidiary, that is deemed to be inventory or property held primarily for sale to customers in the ordinary course of trade or business. The REIT intends to avoid the 100% prohibited transaction tax by (1) conducting activities that may otherwise be considered prohibited transactions through a taxable REIT subsidiary, (2) conducting operations in such a manner so that no sale or other disposition of an asset will be treated as a prohibited transaction or (3) structuring certain dispositions of its properties to comply with certain safe harbors available under the Code for properties held at least two years. However, no assurance can be given that any particular property will not be treated as inventory or property held primarily for sale to customers in the ordinary course of a trade or business.

(g) Changes in Law – The present U.S. federal income tax treatment of real estate investment trusts may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which could affect the U.S. federal income tax treatment of an investment in the REIT. The U.S. federal income tax rules relating to real estate investment trusts constantly are under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, which results in frequent statutory changes and revisions to regulations and interpretations. Revisions in U.S. federal tax laws and interpretations thereof could adversely affect the REIT or cause it to change its investments and commitments and affect the tax considerations of an investment in it.

(h) FIRPTA – A non-U.S. person disposing of a U.S. real property interest, including shares of a U.S. corporation whose assets consist principally of U.S. real property interests, is generally subject to a tax, known as FIRPTA, on the gain recognized on the disposition and required to file a U.S. federal income tax return reporting this disposition. FIRPTA does not apply, however, to the disposition of stock in a real estate investment trust if the shares are considered "regularly traded on an established securities market" and the non-U.S. person does not hold, actually or constructively, more than 5% of the outstanding shares of the REIT at any time during the 5-year period ending on the date of disposition or such shorter period that the shares were held. For purposes of this exception, the TSX is considered an "established securities market" and, as long as 100 or fewer persons do not own 50% or more of the Units, the Units should be treated as regularly traded on the TSX if (a) the Units are traded, other than in *de minimis* quantities, on at least 15 days of the calendar quarter, (b) the aggregate number of Units traded during such calendar quarter is at least 7.5% of the average number of Units outstanding during such calendar quarter (reduced to 2.5% if there are 2,500 or more record Unitholders), and (c) the REIT attaches a statement to its U.S. federal income tax return that provides information relating to it, the Units, and beneficial owners of more than 5% of the Units. However, there can be no assurance that these requirements will be satisfied.

In addition, the Units would be considered "regularly traded on an established securities market" if the Units are regularly quoted by more than one broker or dealer making a market in the Units through an interdealer quotation system in the United States. The REIT intends for its Units to be traded through an interdealer quotation system in the United States in a manner that would be considered "regularly traded on an established securities market" for purposes of this exception. Investors are cautioned that there can be no assurances that there will be at least two brokers or dealers regularly quoting the Units on the Pink Sheets or OTCQX in any particular calendar quarter. In addition, neither the Code, the applicable Treasury regulations, administrative pronouncements nor judicial decisions provide guidance as to the frequency or duration with which the Units must be quoted during a calendar quarter to be "regularly quoted." U.S. counsel to the REIT believes that it is reasonable to interpret this exception to the effect that, so long as the brokers or dealers quote the Units during a calendar quarter, any gain from a sale at any time during the quarter would not be subject to U.S. federal income tax for Non-U.S. Holders that own 5% or less of all or a portion of the outstanding Units during the applicable testing period. Due to the lack of guidance from the IRS, however, investors are cautioned that there can be no assurance the IRS would concur in this interpretation.

However, if neither of these exceptions is satisfied, the sale of Units by a non-U.S. person would be subject to U.S. federal income tax at normal graduated rates with respect to gain recognized and the REIT would be required to withhold at a rate of 10% on distributions in excess of the REIT's current and accumulated earnings and profits. In addition, a purchaser of Units would be required to withhold tax at the rate of 10% of the amount realized from the sale and to report and to remit such tax to the IRS. Furthermore, under FIRPTA, if any non-U.S. person holds, actually or constructively, more than 5% of the outstanding Units, the REIT will be required to withhold 35% (or less to the extent provided in applicable Treasury regulations) of any distribution to such Unitholder that could be designated by the REIT as a capital gain dividend. Any such withheld amount is creditable against such Unitholder's FIRPTA tax liability.

In order for the REIT to comply with its withholding obligations under FIRPTA, the Units are subject to notice requirements and transfer restrictions. Non-U.S. persons holding Units are required to provide the REIT with such information as the REIT may request. Furthermore, any non-U.S. person that would be treated as having acquired sufficient Units to be treated as owning more than 5% of the Units is required to notify the REIT by the close of the business day prior to the date of the transfer that would cause the non-U.S. person to own more than 5% of the Units. For the purpose of determining whether a non-U.S. person has acquired more than 5% of the Units, rules of constructive ownership apply which can attribute ownership of Units (i) among family members, (ii) to non-U.S. persons from entities that own Units, to the extent that such non-U.S. persons own interests in such entities and (iii) to entities from non-U.S. persons that own interests in such entities. Under these attribution rules, Units of related entities (including related investment funds) may be aggregated to the extent of overlapping ownership. If any non-U.S. person that otherwise would be treated as having acquired sufficient Units to be treated as owning more than 5% of the Units fails to comply with the notice provisions described above, the excess Units (i.e., the excess of the number of Units they are treated as owning over an amount equal to 5% of the outstanding Units) will be sold, with such non-U.S. persons receiving the lesser of (i) its original purchase price for the excess Units and (ii) the sale price of the excess Units (net of selling expenses). Any such non-U.S. person would also not have any economic entitlement to any distribution by the REIT on an excess Unit, and, if any such distributions are received by the non-U.S. person and are not repaid, the REIT is permitted to withhold from subsequent payments

to the non-U.S. person up to the amount of such forfeited distributions. Non-U.S. persons holding Units are strongly advised to monitor their actual and constructive ownership of Units. See “Restrictions on Ownership and Transfer – FIRPTA” for a more detailed discussion of these rules. Notwithstanding that a non-U.S. person may comply with the notice requirements and transfer restrictions described above, the REIT is entitled to withhold on distributions as otherwise required by law, and, to the extent that the REIT has not sufficiently withheld on prior distributions, is entitled to withhold on subsequent distributions.

Risks Related to the REIT’s Relationship with Milestone

Reliance on Asset Manager

The REIT will rely on the Asset Manager’s expertise in identifying acquisition opportunities, transaction execution and asset management capabilities. The Asset Manager also provides similar services to its other clients, and will concurrently present acquisition opportunities to the REIT and to its other clients. The provision by the Asset Manager of similar services to its other clients may increase the cost of acquiring properties that are of interest to the REIT, increase competition for those acquisitions generally or inhibit their acquisition altogether.

Risks Associated with Asset Management Arrangement

The REIT relies on the Asset Manager with respect to certain advisory services, including the services of the Chief Executive Officer, and the management of its properties. Consequently, the REIT’s ability to achieve its investment objectives depends in large part on the Asset Manager and its ability to advise the REIT. This means that the REIT’s investments are dependent upon the Asset Manager’s business contacts, its ability to successfully hire, train, supervise and manage its personnel and its ability to maintain its operating systems. If the REIT were to lose the services provided by the Asset Manager or its key personnel or if the Asset Manager fails to perform its obligations under its agreements with the REIT, the REIT’s investments and growth prospects may decline. The REIT may be unable to duplicate the quality and depth of management available to it by becoming a self-managed company or by hiring another asset manager. Prospective investors should not purchase any Units unless they are prepared to rely on the Trustees, executive officers and the Asset Manager.

The Asset Management Agreement has an initial term of five years and may be terminated in certain circumstances and is only renewable on certain conditions. Accordingly, there can be no assurance that the REIT will continue to have the benefit of the Asset Manager’s advisory services, including its executive officers, or that the Asset Manager will continue to be the REIT’s asset manager. If the Asset Manager should cease for whatever reason to provide advisory services or be the asset manager, the cost of obtaining substitute services may be greater than the fees the REIT pays the Asset Manager under the Asset Management Agreement, and this may adversely impact the REIT’s ability to meet its objectives and execute its strategy which could materially and adversely affect the REIT’s cash flows, operating results and financial condition. Furthermore, at any time, on 180 days written notice following the termination of the Asset Manager, the Asset Manager may terminate the license agreement with the REIT pursuant to which the REIT has the right to the use of the “Milestone” name, logo and related marks and designs. If the Asset Manager terminated the license agreement the REIT would be required to change its name and this may adversely impact the REIT. The REIT’s property insurance premiums may also be impacted upon the termination of the Asset Manager in the event the REIT is required (or determines) to enter into property insurance arrangements that are completely independent from, and do not therefore get any benefit from, other non-REIT properties owned by the Asset Manager or The Milestone Group.

Past Performance is not a Predictor of Future Results

The past performance of the Asset Manager and its affiliates and the performance of the REIT are dependent on future events and are, therefore, inherently uncertain. The track records of the Asset Manager and its affiliates cannot be relied upon to predict future events due to a variety of factors, including, without limitation, varying business strategies, different local and national economic circumstances, different supply and demand characteristics, varying degrees of competition and varying circumstances pertaining to the real estate markets.

Expedited Transactions

Investment analyses by the Asset Manager may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the Asset Manager at the time of

making an investment recommendation may be limited, and the Asset Manager may not have access to detailed information regarding the investment property, such as physical characteristics, environmental matters, zoning regulations or other local conditions that may affect an investment property. In addition, the Asset Manager expects to rely upon independent consultants in connection with its evaluation of proposed investment properties, and no assurance can be given as to the accuracy or completeness of the information provided by such independent consultants or to the REIT's right of recourse against them in the event errors or omissions do occur.

Risk Factors Related to the Offering

Indemnities under the Investment Agreement

Pursuant to the Investment Agreement, MST Investors and Milesouth have made certain representations and warranties to the REIT. The Investment Agreement includes indemnities by MST Investors and Milesouth in favour of US Holdco, the REIT and their respective affiliates in respect of, among other things, any claims caused by or arising directly or indirectly by reason of any information or statement provided by MST Investors or Milesouth and their respective representatives and included in this prospectus containing, or being alleged to contain, a misrepresentation as well as MST Investors' or Milesouth's non-compliance with any requirement of applicable securities laws in connection with the Offering. MST Investors and Milesouth will guarantee the obligations under the Investment Agreement with the maximum liability of each party limited to up to 35% of the value of each party's Retained Interest on Closing. As security for such guarantees, MST Investors and Milesouth will pledge to the REIT for the initial 18-month period following Closing the foregoing portion of their respective Retained Interest. In addition, the REIT will obtain a six-year prospectus liability insurance policy providing coverage to the Trustees and officers of the REIT, MST Investors and the REIT, subject to certain limits, deductibles and other terms and conditions. There can be no assurance that the REIT will be fully protected in the event of a breach of such representations and warranties or that MST Investors or Milesouth will be in a position to satisfy a successful claim by the REIT in the event any such breach occurs. The REIT may not be able to successfully enforce an indemnity contained in the Investment Agreement against MST Investors or Milesouth or such indemnity may not be sufficient to fully indemnify the REIT from third party claims.

Absence of a Prior Public Market

There is currently no public market for the Units. The Offering Price of the Units offered hereunder was determined by negotiation between the REIT, MST Investors and the Underwriters. The REIT cannot predict at what price the Units will trade and there can be no assurance that an active trading market will develop after the Offering or, if developed, that such a market will be sustained at the price level of the Offering.

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the Appraisals.

Potential Volatility of Unit Price

One of the factors that may influence the market price of the Units is the annual yield on the Units. An increase in market interest rates may lead purchasers of Units to demand a higher annual yield, which accordingly could adversely affect the market price of the Units. In addition, the market price of the Units may be affected by numerous factors such as: (i) changes in general market conditions; (ii) fluctuations in the markets for equity securities; (iii) recommendations by securities research analysts; (iv) changes in the economic performance or market valuations of other issuers that investors deem comparable to the REIT; (v) release or expiration of lock-up or other transfer restrictions on outstanding Units; (vi) sales or perceived sales of additional Units; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the REIT or its competitors; and (viii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the REIT's industry or target markets.

Restrictions on Redemptions

It is anticipated that the redemption right attached to the Units will not be the primary mechanism by which holders of Units liquidate their investment. The entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the following limitations: (i) the total amount payable by the REIT in respect of such Units and all

other Units tendered for redemption in the same calendar month must not exceed $50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) at the time such Units are tendered for redemption, the outstanding Units must be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides fair market value prices for the Units; (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date for more than five trading days during the ten day trading period commencing immediately after the Redemption Date; and (iv) the redemption of the Units must not result in the delisting of the Units on the principal stock exchange on which the Units are listed.

Redemption Notes which may be distributed to holders of Units in connection with a redemption will not be listed on any exchange, no market is expected to develop in Redemption Notes and such securities may be subject to an indefinite "hold period" or other resale restrictions under applicable securities laws. Redemption Notes so distributed may not be qualified investments for Exempt Plans, depending on the circumstances at the time.

Appraisals

Milestone retained the Appraiser to provide independent estimates of the fair market value range in respect of the Initial Properties (see "Assessment and Valuation of the Initial Properties – Independent Appraisal"). Caution should be exercised in the evaluation and use of appraisal results, which are estimates of market value at a specific point in time. In general, appraisals such as the Appraisals represent only the analysis and opinion of qualified experts as of the effective date of such appraisals and are not guarantees of present or future value. There is no assurance that the assumptions employed in determining the appraised values of the Initial Properties are correct as of the date of the prospectus or that such valuations actually reflect an amount that would be realized upon a current or future sale of any of the Initial Properties or that any projections included in the Appraisals will be attainable. In addition, the Appraisals have effective date as at December 10, 2012. As prices in the real estate market fluctuate over time in response to numerous factors, the fair market value of the Initial Properties shown on the Appraisals may be an unreliable indication of their current market value.

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the Appraisals.

Financial Forecast

The forecast results contained in this prospectus were prepared using assumptions that reflect management's intended course for the periods covered, given the judgment of management as to the most probable set of economic conditions. There can be no assurance that the assumptions reflected in the forecast will prove to be accurate. Actual results for the forecast period may vary from the forecast results and those variations may be material. There is no representation by the REIT that actual results achieved in the forecast period will be the same, in whole or in part, as those forecast herein. See "Forward Looking Statements".

Cash Distributions are Not Guaranteed

There can be no assurance regarding the amount of income to be generated by the REIT's properties. The ability of the REIT to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of the REIT, and will be subject to various factors including financial performance, obligations under applicable credit facilities, fluctuations in working capital, the sustainability of income derived from the tenants of the REIT's properties and any capital expenditure requirements. Unlike fixed-income securities, there is no obligation of the REIT to distribute to Unitholders any fixed amount, and reductions in, or suspensions of, cash distributions may occur that would reduce yield based on the Offering price. The market value of the Units will deteriorate if the REIT is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors. See "Certain Canadian Federal Income Tax Considerations".

AFFO may exceed actual cash available to the REIT from time to time because of items such as principal repayments, leasing costs and capital expenditures in excess of stipulated reserves indentified by the REIT in its

calculation of AFFO and redemptions of Units, if any. The REIT may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. Credit facility terms may prohibit payments or distributions from the REIT in default circumstances.

Limited Control

Unitholders will have limited control over changes in the REIT's policies and operations, which increases the uncertainty and risks of an investment in the REIT. The Board will determine major policies, including policies regarding financing, growth, debt capitalization, REIT qualification and distributions. The Board may amend or revise these and other policies without a vote of Unitholders. Under the REIT's organizational documents, Unitholders have a right to vote only on limited matters. The Trustees' broad discretion in setting policies and Unitholders' inability to exert control over those policies increases the uncertainty and risks of an investment in the REIT. In addition, the Declaration of Trust will require that the Chief Executive Officer of the REIT be nominated to serve as a Trustee and so long as Milesouth maintains a certain threshold of effective ownership in the REIT, Milesouth shall have the right to nominate a Trustee for election.

Dilution

The number of Units the REIT is authorized to issue is unlimited. Subject to the rules of any applicable stock exchange on which the Units are listed and applicable securities laws, the REIT may, in its sole discretion, issue additional Units from time to time (including pursuant to any employee incentive compensation plan that may be introduced in the future), and the interests of the holders of Units may be diluted thereby.

Unitholder Liability

The Declaration of Trust provides that no Unitholder will be subject to any liability whatsoever to any person in connection with the holding of a Unit. In addition, legislation has been enacted in the Province of Ontario and certain other provinces and territories that is intended to provide Unitholders in those provinces and territories with limited liability. However, there remains a risk, which is considered by the REIT to be remote in the circumstances, that a holder of Units could be held personally liable for the obligations of the REIT to the extent that claims are not satisfied out of the assets of the REIT. It is intended that the affairs of the REIT will be conducted to seek to minimize such risk wherever possible.

Nature of Investment

The Units represent a fractional interest in the REIT and do not represent a direct investment in the REIT's assets and should not be viewed by investors as direct securities of the REIT's assets. A holder of a Unit of the REIT does not hold a share of a body corporate. As holders of Units of the REIT, the Unitholders will not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The rights of Unitholders are based primarily on the Declaration of Trust. There is no statute governing the affairs of the REIT equivalent to the OBCA or the CBCA which sets out the rights and entitlements of shareholders of corporations in various circumstances. As well, the REIT may not be a recognized entity under certain existing insolvency legislation such as the *Bankruptcy and Insolvency Act* (Canada) and the *Companies Creditors' Arrangement Act* (Canada), and thus the treatment of Unitholders upon an insolvency is uncertain.

Enforceability of Judgments

MST Investors is an entity organized under the laws of a foreign jurisdiction and resides outside Canada. All of the managers and officers of the Partnership and certain of the experts named elsewhere in this prospectus are residents of countries other than Canada. Additionally, all of the Partnership's assets and the assets of these persons are located outside of Canada. As a result, although the Partnership will appoint GODA Incorporators, Inc. as its agent for service of process in Ontario, it may be difficult for Unitholders to initiate a lawsuit within Canada against these non-Canadian residents. In addition, it may not be possible for Unitholders to collect from MST Investors or other non-Canadian residents judgments obtained in courts in Canada predicated on the civil liability provisions of securities legislation of certain of the provinces and territories of Canada. It may also be difficult for Unitholders to succeed in a lawsuit in the United States, based solely on violations of Canadian securities laws.

Financial Reporting and Other Public Company Requirements

As a result of the Offering, the REIT will become subject to reporting and other obligations under applicable Canadian securities laws and rules of any stock exchange on which the Units are listed, including National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*. These reporting and other obligations will place significant demands on the REIT's management, administrative, operational and accounting resources and on the Audit Committee. In order to meet such requirements, the REIT will need to establish systems, implement financial and management controls, reporting systems and procedures and hire accounting and finance staff. If the REIT is unable to accomplish any such necessary objectives in a timely and effective fashion, its ability to comply with its financial reporting requirements and other rules that apply to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause the REIT to fail to meet its reporting obligations or result in material misstatements in its financial statements. If the REIT cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed which could also cause investors to lose confidence in the REIT's reported financial information, which could result in a lower trading price of Units.

Management does not expect that the REIT's disclosure controls and procedures and internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

MATERIAL CONTRACTS

The following are the only material agreements of the REIT or its Subsidiaries that will be in effect on Closing, other than contracts entered into in the ordinary course of business:

(a) Declaration of Trust;

(b) Asset Management Agreement;

(c) Non-Competition and Non-Solicitation Agreement;

(d) Investment Agreement;

(e) Registration Rights Agreement;

(f) Credit Facility;

(g) Underwriting Agreement; and

(h) Partnership Agreement.

Copies of the foregoing documents and the Appraisal will be available on the SEDAR website at www.sedar.com.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this prospectus (including, without limitation, those transactions with Milestone and the Retained Interest Holders described under "The Acquisition", "Arrangements with Milestone" and "Retained Interest") and in the notes to the unaudited pro forma consolidated financial statements of the REIT and audited combined financial statements of the REIT, there are no material interests, direct or indirect, of the Trustees or officers of the REIT, any Unitholder that beneficially owns more than 10% of the Units of the REIT or any associate or affiliate of any of the foregoing persons in any transaction within the last three years or any proposed transaction that has materially affected or would materially affect the REIT or any of its Subsidiaries.

PROMOTER

MST Investors has taken the initiative in founding and organizing the REIT and may therefore be considered a promoter of the REIT for the purposes of applicable securities legislation. MST Investors will hold The Milestone Group's Retained Interest (represented by approximately 5,354,210 Class B Units).

PRINCIPAL UNITHOLDERS

Following Closing, Milesouth will hold, in the aggregate, Units and Class B Units representing an approximate 47.5% interest in the REIT on a fully-diluted basis (an approximate 41.3% interest in the REIT if the Over-Allotment Option is exercised in full) and MST Investors will hold, Class B Units representing an approximate 11.1% interest in the REIT on a fully-diluted basis (an approximate 11.1% interest in the REIT if the Over-Allotment Option is exercised in full). These interests will be held for a minimum period of 18 months following Closing. See "Retained Interest".

PRIOR SALES

On January 17, 2013, the REIT was formed and one Unit was issued for C$10.00 in cash. This Unit will be repurchased by the REIT on Closing.

LEGAL PROCEEDINGS

None of the REIT or its Subsidiaries are involved in any outstanding, threatened or pending litigation that would have a material adverse effect on the REIT.

EXPERTS

The matters referred to under "Eligibility for Investment" and "Certain Canadian Federal Income Tax Considerations", as well as certain other legal matters relating to the issue and sale of the Units, will be passed upon on behalf of the REIT by Goodmans LLP and on behalf of the Underwriters by Davies Ward Phillips & Vineberg LLP.

The matters referred to under "Certain U.S. Federal Income Tax Considerations" will be passed upon on behalf of the REIT by Vinson & Elkins LLP and on behalf of the Underwriters by Shearman & Sterling LLP.

Certain information relating to the Appraisal has been based upon a report by Landauer Valuation & Advisory.

As of the date of this prospectus, the partners and associates of Goodmans LLP, Davies Ward Phillips & Vineberg LLP, Shearman & Sterling LLP, Vinson & Elkins LLP and the designated professionals of the Appraiser, beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the REIT.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the REIT are KPMG LLP, located in Toronto, Ontario and are independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. The transfer agent and registrar for the Units is Computershare Investor Services Inc. at its principal office in Toronto, Ontario.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

GLOSSARY OF TERMS

"**Acquired Issuer**" means an issuer in which the REIT beneficially owns more than 10% of the outstanding securities.

"**Acquiring Person**" means any person who is or becomes the beneficial owner of 20% or more of all Units of the REIT (calculated on a fully-diluted basis), as more particularly described under "Unitholders' Rights Plan – Acquiring Person".

"**Acquisition**" means the acquisition of an ownership interest in the Partnership, resulting in the indirect acquisition of the Initial Properties and the Property Manager, as more particularly described under "The Acquisition".

"**ADA**" means the *Americans with Disabilities Act* of 1990, as amended from time to time.

"**Advance Notice Provision**" means the advance notice provisions contained in the Declaration of Trust, as more particularly described under "Declaration of Trust – Advance Notice Provision".

"**affiliate**" has the meaning given to it in Section 1.3 of National Instrument 45-106 – *Prospectus and Registration Exemptions*.

"**AFFO**" means adjusted funds from operations, as more particularly described under "Presentation of Financial Information".

"**allowable capital loss**" means one-half of any capital loss realized on the disposition of a Unit, as more particularly described under "Certain Canadian Federal Income Tax Considerations – Taxation of Holders – Capital Gains and Losses".

"**Appraisal**" means the independent estimate of the fair market value of the Initial Properties.

"**Appraiser**" means Landauer Valuation & Advisory.

"**Asset Management Agreement**" means the external asset management agreement to be entered into on Closing between Milestone and the REIT pursuant to which Milestone will become the external asset manager of the properties owned by the REIT and will provide certain advisory services to the REIT, as more particularly described under "Arrangements with Milestone – Asset Management Agreement".

"**Asset Manager**" means TMG Partners, L.P., a part of The Milestone Group.

"**Assumed Mortgages**" means, collectively, the mortgages in place with respect to the Initial Properties to be indirectly assumed by the REIT, as more particularly described under "Debt Strategy and Indebtedness – Assumed Mortgages".

"**Audit Committee**" means the audit committee of the Board.

"**Average Annual Leveraged Gross Return**" means an annualized internal rate of return calculation based on periodic contributions and distributions made to/from the assets, and net sales proceeds from realized multifamily transactions, after repayment of debt and applicable transaction costs. Average annual leveraged gross return is a gross return metric calculated before taking into account any applicable asset management fees, placement fees, carried interest, incentive fees, income taxes and fund-level general and administration expenses.

"**Board**" means the board of Trustees of the REIT.

"**Board of Managers**" means the board of managers of US Holdco as more particularly described under "US Holdco".

"**capital gains refund**" has the meaning ascribed to it under "Certain Canadian Federal Income Tax Considerations – Taxation of the REIT".

"**CBCA**" means the *Canada Business Corporations Act*, as amended from time to time.

"**CDS**" means CDS Clearing and Depository Services Inc.

“**Chair**” means the chair of the Board, as more particularly described under “Trustees and Executive Officers of the REIT – Governance and Board of Trustees”.

“**Class A properties**” means properties that were: typically built within the past 10 years; have credit worthy tenants with good income; and have minimal deferred maintenance and repair obligations.

“**Class B properties**” means properties that were: built within the last 20 years; have tenants with a mix of income levels; and have some deferred maintenance and repair obligations.

“**Class A Units**” means Class A limited partnership units of the Partnership, as more particularly described under “The Partnership – Partnership Units”.

“**Class B Units**” means Class B limited partnership units of the Partnership, as more particularly described under “The Partnership – Partnership Units”.

“**Closing**” means the closing of the Offering and the completion of the transactions described under “The Acquisition”.

“**Closing Date**” means the closing date of the Offering, which is expected to occur on or about March 6, 2013 or such other date as the REIT and the Underwriters may agree, but in any event no later than March 20, 2013.

“Code” means the *United States Internal Revenue Code of 1986*, as amended.

“**Code of Conduct**” means the written code of conduct adopted by the REIT, as more particularly described under “Trustees and Executive Officers of the REIT – Governance and Board of Trustees”.

“**Compensation, Governance and Nominating Committee**” means the corporate governance and nominating committee of the Board.

“**Competing Permitted Bid**” means a competing Permitted Bid made while a Permitted Bid is in existence, as more particularly described under “Unitholders’ Rights Plan – Permitted Bid Requirements”.

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

“**Credit Facility**” means the senior revolving operating credit facility in the maximum principal amount of $50 million, as more particularly described under “Debt Strategy and Indebtedness – Credit Facility”.

“**DPSP**” means a deferred profit sharing plan.

“Declaration of Trust” means the amended and restated declaration of trust of the REIT dated as of the Closing Date, as it may be further amended or amended and restated from time to time.

“**Deferred Trust Units**” means deferred trust units issued pursuant to the Deferred Unit Incentive Plan, as more particularly described under “Executive Compensation – Compensation Discussion and Analysis – Deferred Unit Incentive Plan”.

“**Deferred Unit Incentive Plan**” means the deferred unit incentive plan to be adopted by the REIT on Closing, as more particularly described under “Executive Compensation – Compensation Discussion and Analysis – Deferred Unit Incentive Plan”.

“**Demand Distribution**” means the distribution of Units held by Milesouth pursuant to the Demand Registration Right, as more particularly described under “Retained Interest – Registration Rights”.

“**Demand Registration Right**” means the right granted to Milesouth pursuant to the Registration Rights Agreement to require the REIT to use reasonable commercial efforts to file a prospectus qualifying the Units held (or issuable upon the redemption of Class B Units) by Milesouth for distribution, as more particularly described under “Retained Interest – Registration Rights”.

“**Distribution Date**” means the monthly date on which distributions on Units may be made by the REIT.

“**DTU Participants**” means those individuals eligible to participate in the Deferred Unit Incentive Plan, as more particularly described under “Executive Compensation – Compensation Discussion and Analysis – Deferred Unit Incentive Plan”.

"**EBITDA**" means earnings before interest, taxes, depreciation and amortization, as more particularly described under "Presentation of Financial Information – Non-IFRS Measures".

"**Excepted Holder Agreement**" means an agreement entered into on Closing between the REIT and Milesouth setting out the number of Units Milesouth is permitted to acquire. See "Declaration of Trust – Restrictions on Ownership and Transfer – REIT Qualifications".

"**Exempt Plans**" has the meaning ascribed to it under "Eligibility for Investment".

"**Existing Fund**" has the meaning ascribed to it under "Arrangements with Milestone – Non-Competition and Non-Solicitation Agreement".

"**External Property Management Co**" means Milestone Management TRS, Inc., a corporation incorporated under the laws of the State of Delaware.

"FAPI" means "foreign accrual property income", as defined in the Tax Act.

"**FFO**" means funds from operations, as more particularly described under "Presentation of Financial Information – Non-IFRS Measures".

"**FHAA**" means the Fair Housing Amendments Act of 1988, as amended from time to time.

"**FIRPTA**" means the *Foreign Investment in Real Property Tax Act*.

"**Flip-in Event**" means the acquisition by an Acquiring Person, including persons acting jointly or in concert, of 20% or more of the Units, other than by way of a Permitted Bid in certain circumstances, as more particularly described under "Unitholders' Rights Plan – Rights Exercise Privilege".

"**GDP**" means gross domestic product.

"**General Partner**" means TMG MMI, the general partner of the Partnership, which is indirectly controlled by US Holdco.

"**Grandfathered Person**" means any person who, directly or indirectly, (i) owns 20% or more of the Units (calculated on a fully-diluted basis) on Closing or (ii) would own, if all of such person's Class B Units were redeemed for Units, 20% or more of the Units (calculated on a fully-diluted basis) on Closing, as more particularly described under "Unitholders' Rights Plan – Acquiring Person".

"**Gross Book Value**" means, at any time, the greater of (A) the value of the assets of the REIT and its consolidated Subsidiaries, as shown on its then most recent consolidated balance sheet prepared in accordance with IFRS, less the amount of any receivable reflecting interest rate subsidies on any debt assumed by the REIT; and (B) the historical cost of the investment properties, plus (i) the carrying value of cash and cash equivalents, (ii) the carrying value of mortgages receivable; and (iii) the historical cost of other assets and investments used in operations.

"**Holder**" has the meaning ascribed to it under "Certain Canadian Federal Income Tax Considerations".

"**IFRS**" means International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the Canadian Institute of Chartered Accountants in Part I of The Canadian Institute of Chartered Accountants Handbook – Accounting, as amended from time to time.

"**Incentive Fee**" means the incentive fee to be payable by the REIT to Milestone under the Asset Management Agreement, as more particularly described under "Arrangements with Milestone – Asset Management Agreement".

"**Incentive Fee Target**" means, in calculating the Incentive Fee, 15% of any excess AFFO per Unit greater than 103% per Unit as set forth under "Financial Forecast".

"**indebtedness**" means on a consolidated basis: (A) any obligation of the REIT for borrowed money other than the impact of any net discount or premium on indebtedness at the time assumed from vendors of properties at rates of interest less or greater than, respectively; (B) any obligation of the REIT incurred in connection with the acquisition of

property, assets or business other than the amount of future income tax liability arising out of indirect acquisitions; (C) any obligation of the REIT issued or assumed as the deferred purchase price of property; (D) any obligation of the type referred to in clauses (A) through (C) of another person, the payment of which the REIT has guaranteed or for which the REIT is responsible for or liable, provided that (i) an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of the REIT in accordance with IFRS; (ii) obligations referred to in clauses (A) through (C) exclude trade accounts payable, distributions payable to Unitholders and accrued liabilities arising in the ordinary course of business; (iii) exchangeable or redeemable units issued by subsidiaries of the REIT (including for greater certainty, Class B Units) will not constitute indebtedness notwithstanding the classification of such securities as debt under IFRS; and (iv) convertible debentures will constitute indebtedness to the extent of the principal amount thereof outstanding.

"**Independent Trustee**" means a Trustee who is "independent" pursuant to NI 58-101.

"**Independent Unitholders**" has the meaning ascribed to it under "Unitholders' Rights Plan – Permitted Bid Requirements".

"**Initial Properties**" means, collectively, the portfolio of 52 multifamily garden-style residential properties to be indirectly acquired by the REIT on Closing, as more particularly described under "The Initial Properties", and "Initial Property" means any one of them.

"**Initial Term**" means the initial five year term of the Asset Management Agreement, as more particularly described under "Arrangements with Milestone – Asset Management Agreement".

"**Invesco**" means an affiliated entity of Invesco Ltd.

"**Investment Agreement**" means the investment agreement between the REIT, MST Investors and Milesouth pursuant to which the REIT will acquire an ownership interest in the Partnership and thereby indirectly acquiring the Initial Properties and the Property Manager, as more particularly described under "The Acquisition – Investment Agreement".

"**IRS**" means the United States Internal Revenue Service.

"**management**" means the persons acting in the capacities of the REIT's Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, as more particularly described under "Meaning of Certain References".

"**Management Fee**" means the base annual management fee to be payable by the REIT to Milestone under the Asset Management Agreement, as more particularly described under "Arrangements with Milestone – Asset Management Agreement".

"**Milesouth**" means MileSouth Apartment Portfolio LP, a limited partnership formed under the laws of the State of Delaware, an affiliated entity of Invesco Ltd.

"**Milestone**" means the Asset Manager, part of The Milestone Group.

"**MM Group LP**" means MM Group, LP, a limited partnership formed under the laws of the State of Delaware, part of The Milestone Group.

"**MSA**" means a metropolitan statistical area.

"**MST Investors**" means MST Investors, LLC, part of The Milestone Group.

"**named executive officers**" means the REIT's named executive officers for the purposes of National Instrument 51-102 – *Continuous Disclosure Obligations*, as more particularly described under "Executive Compensation".

"**NCI**" means the non-certificated inventory system of CDS.

"**NCREIF**" means National Council of Real Estate Investment Fiduciaries.

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees*.

"**NI 58-101**" means National Instrument 58-101 – *Corporate Governance Guidelines*.

"**NOI**" means net operating income, as more particularly described under "Presentation of Financial Information – Non-IFRS Measures".

"**Nominating Unitholder**" has the meaning ascribed to it under "Declaration of Trust – Advance Notice Provision".

"Non-Competition and Non-Solicitation Agreement" means the non-competition and non-solicitation agreement to be entered into on Closing between Milestone and the REIT, as more particularly described under "Arrangements with Milestone – Non-Competition and Non-Solicitation Agreement".

"**Non-Resident**" means either a "non-resident" of Canada within the meaning of the Tax Act or a partnership that is not a "Canadian partnership" within the meaning of the Tax Act.

"**Non-US Holder**" has the meaning ascribed to it under "Certain U.S. Federal Income Tax Considerations – Taxation of Non-US Holders".

"**Notice Date**" has the meaning ascribed to it under "Declaration of Trust – Advance Notice Provision".

"**OBCA**" means the *Business Corporations Act* (Ontario), as amended from time to time.

"**Offered Investment**" means an opportunity identified by the Asset Manager and presented to the REIT, as more particularly described under "Arrangements with Milestone – Non-Competition and Non-Solicitation Agreement".

"**Offering**" means the distribution of Units qualified under this prospectus.

"**Offering Price**" means the price per Unit sold pursuant to this Offering.

"**Option Plan**" means the Unit option plan of the REIT, as more particularly described under "Executive Compensation – Compensation Discussion and Analysis – Option Plan".

"**Option Plan Participants**" means those individuals and entities eligible to participate in the Option Plan, as more particularly described under "Executive Compensation – Compensation Discussion and Analysis – Option Plan".

"**Over-Allotment Option**" means the option granted by the REIT to the Underwriters pursuant to the Underwriting Agreement exercisable for a period of 30 days from the Closing Date to purchase up to an aggregate of 3,000,000 additional Units at the Offering Price solely to cover any over-allotments, if any, and for market stabilization purposes.

"**Partnership**" means Milestone Multifamily Investors LP, a limited partnership formed under the laws of the State of Delaware, as more particularly described under "The Partnership".

"**Partnership Agreement**" means the amended and restated limited partnership agreement to be entered into on Closing and governing the affairs of the Partnership.

"**PCA Reports**" means, collectively, building condition assessment reports in respect of the Initial Properties, as more particularly described under "Assessment and Valuation of the Initial Properties – Property Condition Assessments".

"**Permitted Bid**" means a bid that is made to all Unitholders and holders of Class B Units by way of a take-over bid circular, as more particularly described under "Unitholders' Rights Plan".

"**Phase I ESA Report**" means a Phase I environmental site assessment report or a phase I environmental site assessment update report.

"**Piggy-Back Distribution**" means any future offering undertaken by the REIT by way of prospectus whereby Milesouth has exercised its Piggy-Back Registration Right, as more particularly described under "Retained Interest – Registration Rights".

“**Piggy-Back Registration Right**” means the right granted to Milesouth pursuant to the Registration Rights Agreement to require the REIT to include Units held by Milesouth in any future offering undertaken by the REIT, as more particularly described under “Retained Interest – Registration Rights”.

“**Pink Sheets**” means an over-the-counter market having an interdealer quotation system.

“**Pledge Agreements**” means the pledge agreements to be entered into on Closing among the Retained Interest Holders and the REIT, as more particularly described under “Investment Agreement”.

“**Principals**” means Robert P. Landin and Jeffrey Goldberg.

“**Principal Entities**” means any entities beneficially owned or controlled by either or both of the Principals.

“**Property Manager**” means the wholly-owned subsidiary of the REIT which currently provides property management services for each of the Initial Properties, as more particularly described under “Benefit of Vertically Integrated Investment Management Platform”.

“**Proposed Amendments**” means all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) before the date of this prospectus.

“**RA**” means the *Rehabilitation Act of 1973*, as amended from time to time.

“**RDSP**” means a registered disability savings plan.

“**REALpac**” means the Real Property Association of Canada.

“**RECs**” means recognized environmental conditions.

“**Redemption Date**” means the date on which any Unit is surrendered for redemption.

“**Redemption Notes**” means unsecured subordinated promissory notes of the REIT having a maturity date and interest rate to be determined at the time of issuance by the Trustees, such promissory notes to provide that the REIT shall at any time be allowed to prepay all or any part of the outstanding principal without notice or bonus.

“**Redemption Price**” means the price per Unit entitled to be received by a Unitholder upon the redemption of Units held by such Unitholder, as more particularly described under “Declaration of Trust – Redemption Right”.

“**Registration Rights Agreement**” means the registration rights agreement to be entered into on Closing between Milesouth and the REIT, as more particularly described under “Retained Interest – Registration Rights”.

“**REIT**” means Milestone Apartments Real Estate Investment Trust, an unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust under the laws of the Province of Ontario.

“**Renewal Target**” means the AFFO per Unit for the year ended December 31, 2017, upon the achievement of which the Asset Management Agreement will be automatically renewed for an additional five year term, as more particularly described under “Arrangements with Milestone – Asset Management Agreement”.

“**RESP**” means a registered education savings plan.

“**Retained Interest**” means, collectively, those Class B Units and Units held by the Retained Interest Holders following Closing.

“**Retained Interest Holders**” means, together, Milesouth, and MST Investors, being those entities which will hold the Retained Interest.

“**Rights**” means rights issued pursuant to the Rights Plan.

“**Rights Plan**” means the Unitholders’ rights plan of the REIT, to be established at Closing, as more particularly described under “Unitholders’ Rights Plan”.

"**RRIF**" means a registered retirement income fund.

"**RRSP**" means a registered retirement savings plan.

"**Rule 144A**" means Rule 144A under the U.S. Securities Act.

"**Securities Act**" means the *Securities Act* (Ontario), as amended from time to time.

"**SEDAR**" means the System for Electronic Data Analysis and Retrieval.

"**Separation Time**" means the time at which the Rights will separate from the Units and Class B Units to which they are attached, as more particularly described under "Unitholders' Rights Plan – Rights Exercise Privilege".

"**SIFT Rules**" means the rules applicable to SIFT trusts and SIFT partnerships in the Tax Act.

"**Subsidiary**" has the meaning ascribed to it in the Securities Act and includes a partnership or other entity.

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder, in each case as amended from time to time.

"**TFSA**" means a tax-free savings account.

"**The Milestone Group**" means affiliates and subsidiaries of The Milestone Group, LLC.

"**TMG MMI**" means TMG MMI LP, a limited partnership formed under the laws of the State of Delaware and part of The Milestone Group.

"**TSX**" means the Toronto Stock Exchange.

"**TSX Publicly Traded Exception**" has the meaning ascribed to it under "Certain U.S. Federal Income Tax Considerations – Disposition of Units".

"**Treaty**" means the Convention between the United States of America and Canada with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended.

"**Trustees**" means, collectively, the trustees of the REIT, and "**Trustee**" means any one of them.

"**Underwriters**" means, collectively, BMO Nesbitt Burns Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Scotia Capital Inc., TD Securities Inc., National Bank Financial Inc., Canaccord Genuity Corp., GMP Securities L.P. and Macquarie Capital Markets Canada Ltd.

"**Underwriting Agreement**" means the underwriting agreement dated as of February 27, 2013 between the REIT, MST Investors, Milesouth and the Underwriters, as more particularly described under "Plan of Distribution".

"**Unitholders**" means the holders of Units from time to time.

"**Units**" means units of the REIT.

"**UPREIT**" means an umbrella partnership real estate investment trust.

"**US Holdco**" means Milestone Apartments Holdings, LLC, a limited liability company established under the laws of the State of Delaware, as more particularly described under "US Holdco".

"**U.S. Holder**" has the meaning ascribed to it under "Certain U.S. Federal Income Tax Considerations – Taxation of Non-U.S. Holders".

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended.

"**U.S. Publicly Traded Exception**" has the meaning ascribed to it under "Certain U.S. Federal Income Tax Considerations – Disposition of Units".

"**USPAP**" means the Uniform Standards of Professional Appraisal Practice.

"**USRPHC**" means a United States Real Property Holding Corporation.

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AUDITORS' CONSENT

We have read the prospectus dated February 27, 2013 relating to the qualification for distribution of units of Milestone Apartments Real Estate Investment Trust (the "REIT"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above mentioned prospectus of:

(i) Our report to the Board of Trustees of the REIT on the financial statements of the REIT for the one-day period ended January 17, 2013 and notes comprising a summary of significant accounting policies and other explanatory information. Our report is dated February 27, 2013; and

(ii) Our report to the Board of Trustees of the REIT on the consolidated statements of forecasted net income and comprehensive income for each of the three-month periods ending March 31, 2013, June 30, 2013, September 30, 2013 and December 31, 2013 and the twelve-month period ending December 31, 2013. Our report is dated February 27, 2013.

(Signed) KPMG LLP
Chartered Accountants, Licensed Public Accountants

Toronto, Ontario
February 27, 2013

Pro Forma Condensed Consolidated Financial Statements
(In U.S. dollars)

MILESTONE APARTMENTS REAL ESTATE INVESTMENT TRUST

As at and for the nine months ended
September 30, 2012 and year ended December 31, 2011
(Unaudited)

MILESTONE APARTMENTS REAL ESTATE INVESTMENT TRUST

Pro Forma Condensed Consolidated Statement of Financial Position
(In thousands of U.S. dollars unless otherwise noted)
September 30, 2012
(Unaudited)

	Milestone Apartment REIT	Milestone Multifamily Investors LP	Milestone Management LP	Notes	Pro forma adjustments	Total
Assets						
Investment properties	$—	$1,111,200	$ —	3(b)	$ 2,915	$1,114,115
Tenant and other receivables	—	2,924	1,544	3(b)	(561)	3,907
Prepaid expenses and other assets	—	2,910	1,121	3(a)(b)(c)	500	4,531
Management contracts	—	—	—	3(b)	3,400	3,400
Restricted cash	—	23,459	—		—	23,459
Cash and cash equivalents	—	11,325	2,131	3(b), 5	(9,805)	3,651
	$—	$1,151,818	$ 4,796		$ (3,551)	$1,153,063
Liabilities and Equity						
Liabilities:						
Mortgages payable	$—	$ 644,639	$ —	3(b)(c)	$ 18,259	$ 662,898
Net assets attributable to partners	—	482,440	—	3(b)	(482,440)	—
Class B Redeemable Units	—	—	—	3(b)	142,774	142,774
Accounts payable and other liabilities	—	24,739	1,509		—	26,248
	—	1,151,818	1,509		(321,407)	831,920
Equity:						
Partners' capital	—	—	(9,907)	3(b)	9,907	—
Unitholders' equity	—	—	—	3(a)(b)	321,143	321,143
Retained earnings	—	—	13,194	3(b)	(13,194)	—
	—	—	3,287		317,856	321,143
	$—	$1,151,818	$ 4,796		$ (3,551)	$1,153,063

See accompanying notes to pro forma condensed consolidated financial statements.

MILESTONE APARTMENTS REAL ESTATE INVESTMENT TRUST

Pro Forma Condensed Consolidated Statement of Income and Comprehensive Income
(In thousands of U.S. dollars unless otherwise noted)
Nine months ended September 30, 2012
(Unaudited)

	Milestone Apartment REIT	Milestone Multifamily Investors LP	Milestone Management LP	Notes	Pro forma adjustments	Total
Revenue:						
Rental	$—	$ 94,822	$ —		$ —	$ 94,822
Other	—	11,173	9,415	3(e)	(4,763)	15,825
	—	105,995	9,415		(4,763)	110,647
Expenses:						
Operating	—	59,216	7,823	3(f)	(9,592)	57,447
Interest	—	20,083	—	3(g)	(2,501)	17,582
Partnership distributions	—	18,743	—	3(g)	(18,743)	—
Distributions on Class B Redeemable Units	—	—	—	3(h)	6,959	6,959
Fair value adjustment of investment properties	—	(49,841)	—	3(m)	49,841	—
Depreciation and amortization	—	—	161	3(i)	510	671
	—	48,201	7,984		26,474	82,659
Income before general, administrative and trust expenses and income taxes	—	57,794	1,431		(31,237)	27,988
General, administrative and trust expenses	—	—	—	3(j)(k)	5,922	5,922
Income before income taxes	—	57,794	1,431		(37,159)	22,066
Income taxes	—	—	—	3(l)	715	715
Net income and comprehensive income	$—	$ 57,794	$1,431		$(37,874)	$ 21,351

See accompanying notes to pro forma condensed consolidated financial statements.

MILESTONE APARTMENTS REAL ESTATE INVESTMENT TRUST

Pro Forma Condensed Consolidated Statement of Income and Comprehensive Income
(In thousands of U.S. dollars unless otherwise noted)
Year ended December 31, 2011
(Unaudited)

	Milestone Apartment REIT	Milestone Multifamily Investors LP	Milestone Management LP	Notes	Pro forma adjustments	Total
Revenue:						
Rental	$—	$120,568	$ —		$ —	$120,568
Other	—	13,980	12,500	3(e)	(5,713)	20,767
	—	134,548	12,500		(5,713)	141,335
Expenses:						
Operating	—	77,710	9,972	3(f)	(12,766)	74,916
Interest	—	32,109	—	3(g)	(3,302)	28,807
Partnership distributions	—	12,390	—	3(g)	(12,390)	—
Distributions on Class B Redeemable Units	—	—	—	3(h)	9,279	9,279
Fair value adjustment of investment properties	—	(97,988)	—	3(m)	97,988	—
Depreciation and amortization	—	—	198	3(i)	680	878
	—	24,221	10,170		79,489	113,880
Income before general, administrative and trust expenses and income taxes	—	110,327	2,330		(85,202)	27,455
General, administrative and trust expenses	—	—	—	3(j)(k)	7,896	7,896
Income before income taxes	—	110,327	2,330		(93,098)	19,559
Income taxes	—	—	—	3(l)	903	903
Net income and comprehensive income	$—	$110,327	$ 2,330		$(94,001)	$ 18,656

See accompanying notes to pro forma condensed consolidated financial statements.

Notes to Pro Forma Condensed Consolidated Financial Statements
(In thousands of U.S. dollars unless otherwise noted)
As at and for the nine months ended September 30, 2012
and year ended December 31, 2011
(Unaudited)

1. Basis of presentation:

Milestone Apartments Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust established pursuant to a Declaration of Trust dated January 17, 2013, and governed by the laws of the Province of Ontario. On this date, one trust unit was issued for $10 cash.

The REIT will issue trust units for cash pursuant to an initial public offering (the "Offering"). On closing of the transactions contemplated in the prospectus (the "Closing"), the REIT will acquire an interest in Milestone Multifamily Investors LP (the "Partnership") and Milestone Management LP (the "Property Manager"). The Partnership owns 52 multi-suite residential properties (the "Initial Properties"). Of the Initial Properties, 60% of the total units are located in the state of Texas, with 34% located in the Dallas/Fort Worth area, 20% located in the Houston area, and 6% located in Austin and San Antonio. The remaining 40% of the REIT's units are located in Florida, Arizona, Tennessee, Georgia and Utah.

These pro forma condensed consolidated financial statements have been prepared from the audited balance sheet of the Partnership and the Property Manager as at September 30, 2012 and the audited statement of income and comprehensive income for the nine months ended September 30, 2012 and the year ended December 31, 2011. These financial statements are included elsewhere in the prospectus.

The pro forma condensed consolidated statement of financial position gives effect to the transactions in note 3 as if they had occurred on September 30, 2012. The pro forma condensed consolidated statements of income and comprehensive income for the nine months ended September 30, 2012 and the year ended December 31, 2011 give effect to the transactions in note 3 as if they had occurred on January 1, 2011.

The pro forma condensed consolidated financial statements are not necessarily indicative of the results that would have actually occurred had the transactions been consummated at the dates indicated, nor are they necessarily indicative of future operating results or the financial position of the REIT.

Within the pro forma condensed consolidated financial statements, TMG Partners LP, which acts as the REIT's asset manager, and other entities under common control, are referred to as "The Milestone Group".

2. Significant accounting policies:

(a) Basis of presentation:

These pro forma condensed consolidated financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and incorporate the principal accounting policies expected to be used to prepare the REIT's financial statements.

(b) Basis of consolidation:

The pro forma condensed consolidated financial statements comprise the financial statements of the REIT and its subsidiaries. Subsidiaries are entities controlled by the REIT. The financial statements of the subsidiaries are prepared for the same reporting periods as the REIT using consistent accounting policies. All intercompany balances, transactions and unrealized gains and losses arising from intercompany transactions are eliminated on consolidation.

(c) Business combinations:

Business combinations are accounted for under the acquisition method under which all identifiable assets acquired and liabilities assumed are measured at fair value as of the acquisition date. Goodwill is the excess of the fair value of the consideration transferred over the net identifiable assets acquired. If the fair value of the net identifiable assets acquired exceeds the consideration transferred, a bargain purchase gain is recognized immediately in profit or loss. Transaction costs incurred in connection with the acquisition are expensed as incurred.

2. Significant accounting policies (continued):

(d) Foreign currency transactions:

The functional and presentation currency of the REIT and its subsidiaries is the U.S. dollar.

Transactions in currencies other than the U.S. dollar are translated at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into U.S. dollars at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in U.S. dollars at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in U.S. dollars translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to U.S. dollars at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For purposes of the pro forma condensed consolidated financial statements, the condensed consolidated statement of financial position and condensed consolidated statements of income and comprehensive income are translated at an assumed Canadian/U.S. dollar exchange rate of $1.00.

(e) Investment properties:

A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment properties include land and building structures situated on the properties. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Subsequent capital expenditures are added to the carrying value of the investment properties only when it is probable that future economic benefits will flow to the property and cost can be measured reliably.

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal.

(f) Cash and cash equivalents:

Cash and cash equivalents include unrestricted cash and short-term investments. Short-term investments, comprising money market instruments, have a maturity of 90 days or less at their date of purchase and are stated at cost, which approximates net realizable value.

(g) Restricted cash:

Restricted cash can only be used for specified purposes. Amounts are usually restricted by the financial institution which holds the debt on the property.

(h) Revenue recognition:

The REIT has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases.

Revenue from investment properties includes all rental income earned from the properties, including minimum rent earned from tenants under lease agreements, property tax and operating cost recoveries, and all other miscellaneous income paid by tenants under the terms of the leases. Revenue recognition under a lease commences when a tenant has the right to use the property and revenue is recognized pursuant to the terms of the lease agreement. Rental revenue includes rental and other charges billed to residents.

Other income includes amounts collected by the properties primarily for application fees, late fees, other fees charged to tenants, utility reimbursements, as well as, management fees and other fees for related services earned from contracts with third parties.

2. Significant accounting policies (continued):

Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as an integral part of the total rental revenue over the term of the lease. Management and related fees are recognized to the extent that it is probable that the economic benefits will flow to the REIT and the revenue can be reliably measured. Revenue is recognized in the accounting period in which the related services are rendered.

An allowance for doubtful accounts is maintained for estimated losses, resulting from the inability of tenants to meet the contractual obligations under their lease agreements. Such allowances are reviewed periodically based on the recovery experience of the REIT and the creditworthiness of the tenants.

(i) Financial instruments:

The REIT initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated as fair value through profit or loss) are recognized initially on the trade date, which is the date that the REIT becomes a party to the contractual provisions of the instrument. The REIT derecognizes a financial asset when the contractual rights to the cash flows from the 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. Any interest in such transferred financial asset that is created or retained by the REIT is recognized as a separate asset or liability.

Financial assets and liabilities are offset and positioned when, and only when, the REIT has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(i) The following summarizes the REIT's classification and measurement of financial assets and liabilities:

Financial assets and liabilities	Classification	Subsequent measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Tenant and other receivables	Loans and receivables	Amortized cost
Mortgage payable	Other financial liabilities	Amortized cost
Class B Redeemable Units	Other financial liabilities	Fair value
Accounts payable and other liabilities	Other financial liabilities	Amortized cost

The REIT classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The REIT initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the REIT becomes a party to the contractual provisions of the instrument.

The REIT derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Mortgages and other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest rate ("EIR") method.

Financing fees and other costs incurred in connection with debt financing are recorded net of the related debt obligation and amortized using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR method.

(ii) Derivative financial instruments:

The REIT uses derivative financial instruments to manage risks from fluctuations in exchange rates and interest rates. All derivative instruments, including embedded derivatives that must be separately accounted for, are valued at their respective fair values in the condensed financial statements.

2. Significant accounting policies (continued):

The REIT uses foreign currency forward contracts to limit the exposure of converting U.S. cash flow into Canadian dollars. These are not designated as fair value or cash flow hedges for accounting purposes; therefore, gains or losses arising from the change in fair values are recognized in net income.

(j) Finance costs:

Finance costs comprise interest expense on borrowings, distributions on redeemable units classified as liabilities and gain (loss) on change in fair value of Class B Redeemable Units.

Finance costs associated with financial liabilities presented at amortized cost are recognized in net income using the effective interest method.

(k) Employee benefits:

(i) Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized as the amount expected to be paid under the short-term cash bonus or profit sharing plans if the REIT has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined contribution plan:

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the statement of income and comprehensive income in the periods during which related services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(l) Income taxes:

(i) Canadian status:

The REIT is a mutual fund trust pursuant to the Income Tax Act (Canada). Under current tax legislation, a mutual fund trust that is not a SIFT trust pursuant to the Income Tax Act (Canada) is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to unitholders. The REIT intends to continue to qualify as a mutual fund trust that is not a Specified Investment Flow-Through Trust (“SIFT”) pursuant to the Income Tax Act (Canada) and to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes.

(ii) U.S. REIT status:

The REIT is treated as a U.S. corporation for all purposes under the United States Internal Revenue Code of 1986, as amended (“the Code”), and, as a result, it is permitted to elect to be treated as a real estate investment trust under the Code, notwithstanding the fact that it is organized as a Canadian entity. In general, a company which elects real estate investment trust status, distributes at least 90% of its real estate investment trust taxable income to its shareholders in any taxable year, and complies with certain other requirements is not subject to U.S. federal income taxation to the extent of the income which it distributes. If it fails to qualify as a real estate investment trust in any taxable year, it will be subject to U.S. federal income tax at regular corporate income tax rates on its taxable income. Even if it qualifies for taxation as a real estate investment trust, it may be subject to certain state and local taxes on its income and property and to U.S. federal income and excise taxes on its undistributed income. The REIT has reviewed the real estate investment trust requirements and has determined that it qualifies as a real estate investment trust under the Code. Accordingly, no provision for U.S. federal income or excise taxes has been made with respect to the income of the REIT.

Certain of the REIT’s operations or a portion thereof are conducted through taxable REIT subsidiaries, or TRS (“corporate subsidiaries”). A TRS is a C-corporation that has not elected real estate investment trust status and as such is subject to U.S. federal and state corporate income tax. The REIT has recorded a provision for U.S. federal and state taxes associated with the TRS of approximately $246 and $289 for the nine months ended September 30, 2012 and the year ended December 31, 2011 respectively, which is included in income tax expense in the pro forma condensed consolidated statement of income and comprehensive income.

2. Significant accounting policies (continued):

(iii) Texas Margin Tax:

Effective January 1, 2007, the state of Texas enacted new legislation that repeals the taxable capital and earned surplus components of the franchise tax and replaces such measures with an annual franchise tax on modified gross income of taxable entities, known as the Texas Margin Tax, which is equal to the lesser of: (1) 70% of a taxable entity's total revenue; or (2) 100% of total revenue less, at the election of the taxpayer: (a) cost of goods sold; or (b) compensation. The rate of tax applicable to the REIT is 1%. Taxable entity is defined to include partnerships, corporations, limited liability companies, business trusts, and other legal entities. The REIT has recorded a provision for Texas Margin Tax of approximately $469 and $614 for the nine months ended September 30, 2012 and the year ended December 31, 2011, respectively, which is included in income tax expense in the pro forma condensed consolidated statement of income and comprehensive income.

(iv) Current taxes:

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(v) Deferred taxes:

Deferred tax of the taxable REIT subsidiaries is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: (i) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and (ii) differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) REIT Units:

The REIT Units are redeemable at the option of the holder and, therefore, are considered puttable instruments in accordance with International Accounting Standards 32, Financial Instruments – Presentation ("IAS 32"). Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case, the puttable instruments may be presented as equity. The REIT units meet the conditions of IAS 32 and are, therefore, classified and accounted for as equity.

(n) Class B Redeemable Units:

The Class B Redeemable Units of the Partnership are redeemable for cash or REIT Units at the option of the REIT. The REIT Units are puttable and, therefore, the Class B Redeemable Units meet the definition of a financial liability under IAS 32. Further, the Class B Redeemable Units are designated as fair value through profit or loss financial liabilities and are measured at fair value at each reporting period with any changes in fair value recorded in profit or loss. The distributions paid on the Class B Redeemable Units are accounted for as finance costs.

2. Significant accounting policies (continued):

(o) Sources of estimation uncertainties:

In making estimates, the REIT relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates in these pro forma condensed consolidated financial statements. The estimates used in determining the recorded amount for assets and liabilities in the pro forma condensed consolidated financial statements include the following:

(i) Investment properties:

The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third-party appraisals.

(ii) Other:

Estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the REIT to its counterparties, the credit risk of the REIT's counterparties relative to the REIT, the estimated future cash flows and discount rates.

(p) Critical judgments:

(i) Accounting for acquisitions:

Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The REIT's acquisitions are generally determined to be asset purchases as the REIT does not acquire an integrated set of processes as part of the acquisition transaction.

(ii) Income taxes:

The REIT is a mutual fund trust pursuant to the Income Tax Act (Canada) and a real estate investment trust pursuant to the Code. Under current tax legislation, the REIT is generally not liable to pay Canadian or US federal income tax provided that its taxable income is fully distributed to unitholders each year. The REIT has reviewed the requirements for real estate investment trust status, and has determined that it is expected to qualify as a real estate investment trust pursuant to the Code.

(q) Future accounting changes:

The following new standards and amendments to existing standards issued by the International Accounting Standards Board may be relevant to the REIT in preparing its consolidated financial statements in future periods:

Standards	Effective date
IFRS 9, Financial Instruments (2010)	Annual period beginning on or after January 1, 2015
IFRS 10, Consolidated Financial Statements, and IFRS 12, Disclosure of Interest in Other Entities	Annual period beginning on or after January 1, 2013
IFRS 13, Fair Value Measurement	Annual period beginning on or after January 1, 2013
IAS 1, Presentation of Financial Statements (amendments)	Annual period beginning on or after January 1, 2012
IAS 32, Financial Instruments – Presentation (amendments)	Annual period beginning on or after July 1, 2014

The REIT intends to adopt these standards on their respective effective dates. The extent of the impact of adoption of these standards on the REIT has not yet been determined.

3. Pro forma adjustments:

The pro forma adjustments to the pro forma condensed consolidated financial statements have been prepared to account for the impact of the acquisition transaction contemplated by the prospectus as described below:

(a) Initial public offering:

The pro forma condensed consolidated financial statements assume that on Closing (the "Closing") the REIT will raise gross proceeds of approximately $200,000 (C$200,000) (excluding any over-allotment option) through the issuance of 20 million units at $10 (C$10) per unit. Costs relating to the Offering including underwriters' fees are expected to be $19,357 (C$19,357) and are charged directly to unitholders' equity, with the exception of $500 related to the Credit Facility which is included in other assets and amortized against income over the life of the facility (note 3).

(b) Acquisition:

Concurrent with or prior to the Closing, it is assumed that the REIT will indirectly acquire the Partnership and the Property Manager from Milesouth Apartment Portfolio LP ("Milesouth") and The Milestone Group, respectively. The Partnership owns 52 multi-suite residential properties located in the United States. The Partnership will restate its capital into Class A voting limited partnership units and Class B non-voting redeemable limited partnership units and the Partnership and Milesouth will settle their obligations to The Milestone Group related to its profits interest in the Partnership up to the date of Closing. As a result of the transactions, it is assumed that the Property Manager will become a wholly owned subsidiary of the Partnership and the REIT will acquire all issued and outstanding Class A units of the Partnership for cash of $180,643. Milesouth will receive 14,000,000 REIT units and 8,923,189 Class B units of the Partnership, with a total value of $229,232 (C$229,232). The Milestone Group will receive 5,354,210 Class B units of the Partnership, with a total value of $53,542 (C$53,542).

The impact of the acquisitions, which have been accounted for as business combinations, is as follows:

	Book value of the Partnership and Property Manager	Fair value adjustment	Total
Investment properties	$1,111,200	$ 2,915	$1,114,115
Tenant and other receivables	4,468	(561)	3,907
Management contracts	—	3,400	3,400
Prepaid expenses and other assets	4,031	—	4,031
Restricted cash	23,459	—	23,459
Cash and cash equivalents	3,651	—	3,651
	1,146,809	5,754	1,152,563
Mortgages payable	(644,639)	(18,259)	(662,898)
Accounts payable and other liabilities	(26,248)	—	(26,248)
	$ 475,922	$(12,505)	$ 463,417
Consideration given by the REIT consists of the following:			
REIT Units			$ 140,000
Class B Redeemable Units of the Partnership			142,774
Cash			180,643
			$ 463,417

The actual calculation and allocation of the purchase price for the transaction outlined above will be based on the assets purchased and liabilities assumed at the effective date of the acquisition and other information available at that date. Accordingly, the actual amounts for each of these assets and liabilities will vary from the pro forma amounts and the variation may be material.

(c) Debt:

On the Closing, the acquired Partnership is assumed to include mortgages on all 52 of the Initial Properties with an outstanding principal balance of $662,898 (including a mark-to-market premium of $16,523), with a weighted average interest rate on such debt of 3.75%. The REIT will finance periodic repayment of principal through non-distributed cash generated on working capital.

3. Pro forma adjustments (continued):

The REIT is expected to have in place on the Closing a new $50 million unsecured credit facility (the "Credit Facility"). The Credit Facility will have a term of two years from the Closing and is expected to bear interest at U.S. 30-day LIBOR plus 425 basis points or the highest of the prime rate, U.S. federal funds rate plus 1/2 of 1.00% and one-month Euro dollar rate plus 1.00%. Upon Closing, no amounts are expected to be drawn on the Credit Facility but the REIT is expected to pay $500 in upfront financing costs related to the Credit Facility.

(d) Sources and uses of cash:

The REIT's sources and uses of cash after the completion of the transactions contemplated in the Offering are as follow:

Sources:	
Proceeds from the Offering	$ 200,000
Cash balances of the Partnership	3,651
Uses:	
Purchase of Partnership Units (note 3(b))	(180,643)
Offering costs and expenses	(19,357)
Cash added to working capital of the REIT	$ 3,651

(e) Revenue:

Prior to its acquisition by the Partnership, the Property Manager earned management and related fees from the Partnership. Revenues have been reduced by $4,763 and $5,713 for the nine months ended September 30, 2012 and the year ended December 31, 2011, respectively, to reflect the elimination of such revenues upon consolidation.

(f) Operating expenses:

Operating costs have been decreased by $9,592 and $12,766 for the nine months ended September 30, 2012 and the year ended December 31, 2011, respectively, to reflect the impact of the following:

(i) Decrease of $4,205 and $5,364 to eliminate the property management fee previously charged by the Property Manager; and

(ii) Reallocation of $5,387 and $7,402 in general and administrative expenses related to $505 and $632 of income taxes and $4,882 and $6,770 of professional and consultant fees that were incurred at the property level and are now included as part of income taxes and trust expenses.

(g) Finance costs:

Finance costs have been increased by $90 and $120 for the nine months ended September 30, 2012 and the year ended December 31, 2011, respectively, to reflect the impact of the Credit Facility. For the same periods, finance costs have been reduced for amortization of mark-to market premium of $2,779 and $3,672 and increased for the impact of deferred financing costs of $188 and $250, respectively.

Finance costs have been reduced by $18,743 and $12,390 for the nine months ended September 30, 2012 and the year ended December 31, 2011, respectively, to remove the distributions from the Partnership to reflect the elimination of such distributions upon consolidation.

(h) Redeemable units:

On the Closing, it is assumed the Partnership will issue Class B Redeemable Units with a fair value of $142,774 (C$142,774). The redeemable units are economically equivalent to trust units and are entitled only to receive distributions equal to those provided to holders of trust units (subject to certain adjustments). These units have been classified as subordinated debt and distributions of $6,959 (C$6,959) and $9,279 (C$9,279) for the nine months ended September 30, 2012 and the year ended December 31, 2011, respectively, have been recorded as financing costs.

As the Class B Redeemable Units are financial liabilities designated as fair value through profit and loss, they will be adjusted to their fair value on an ongoing basis with any fair value adjustments being included in the pro forma condensed consolidated statement of income and

3. Pro forma adjustments (continued):

comprehensive income. As a pro forma assumption of such fair value changes is a prediction rather than an objectively determinable pro forma adjustment, these pro forma condensed consolidated financial statements assume no change in the fair value of the Class B Redeemable LP Units during the nine months ended September 30, 2012 and the year ended December 31, 2011. However, the actual REIT financial statements will include fair value changes and such changes could be material. For illustrative purposes, a 10% change in the market value of a Unit of the REIT, into which redeemable units may be exchanged, would result in a fair value change of approximately $14,277.

(i) Depreciation and amortization:

Depreciation and amortization have been increased by $510 and $680 for the nine months ended September 30, 2012 and the year ended December 31, 2011, respectively, to reflect the amortization of management contracts.

(j) Trust expenses:

Trust expenses have been increased by $5,922 and $7,896 for the nine months ended September 30, 2012 and the year ended December 31, 2011, respectively, to reflect the impact of the following:

(i) Reallocation of $4,882 and $6,770 from operating expenses; and

(ii) Increase of $1,040 and $1,126 to reflect management's best estimate of additional trust expenses of the REIT.

Trust expenses include legal fees, audit fees, salaries and benefits for the REIT's Chief Operating Officer and Chief Financial Officer, trustee fees, annual report costs, transfer agent fees, insurance and other miscellaneous costs of $3,280 per annum.

Trust expenses also include asset management fees of $3,463 and $4,618 for the nine months ended September 30, 2012 and the year ended December 31, 2011, respectively, related to the new Asset Management Agreement with TMG Partners LP to be entered into on the Closing. The asset management fee under the new agreement is 0.40% of gross book value, as defined in the agreement, up to $2.0 billion and 0.30% of gross book value, as defined in the agreement, in excess of $2.0 billion. Under the terms of the agreement, TMG Partners LP is eligible to earn certain incentive fees based on the performance of the REIT. For purposes of preparing the pro forma condensed consolidated financial statements, it has been assumed that such fees have not been earned.

(k) Unit options:

The REIT plans to adopt a unit option plan (the "Plan"). Under the terms of the Plan, the Board of Trustees may from time to time, at its discretion, grant trustees, officers, employees and consultants options to purchase trust units, exercisable for a maximum period of 10 years from the date of grant. The maximum number of units reserved for issuance under the Plan is 10% of the total number of units issued and outstanding from time to time.

On Closing the REIT assumes it will grant 1,425,000 options at an exercise price of $10.50 per unit, expiring January 1, 2023. These options vest as follows:

(i) 25% of the options vest on the first anniversary of the grant date;

(ii) 25% of the options vest on the second anniversary of the grant date;

(iii) 25% of the options vest on the third anniversary of the grant date; and

(iv) 25% of the options vest on the fourth anniversary of the grant date.

The compensation expense of $567 and $754 for the nine months ended September 30, 2012 and the year ended December 31, 2011, respectively, was determined for these options based on the fair value of the options at the grant date using the Black-Scholes option pricing model with the following assumptions:

Expected option life	5.5 years
Risk-free interest rate	1.8%
Expected volatility	25.0%
Dividend yield	6.5%

3. Pro forma adjustments (continued):

(l) Income taxes:

It is assumed that the REIT meets the real estate investment trust requirements under the Code, is not a SIFT trust under the Income Tax Act (Canada), and will make the distributions necessary to not be subject to Canadian or US federal income tax.

This exemption does not extend to corporate subsidiaries of the REIT that are subject to income tax and, as a result, $210 and $271 of additional income taxes has been assumed for the nine months ended September 30, 2012 and the year ended December 31, 2011, respectively.

(m) Fair value adjustment of investment properties:

For purposes of the pro forma condensed consolidated statements of income and comprehensive income of the nine months ended September 30, 2012 and the year ended December 31, 2011, the acquisition of the Partnership was assumed to occur on January 1, 2011. Accordingly, the change in fair value of investment properties that was previously recognized has been reversed.

4. Unitholders' equity:

The REIT is authorized to issue an unlimited number of units. Trust units are ordinary units of the REIT, each of which represents a unitholders' proportionate undivided beneficial interest and voting rights in the REIT.

On the Closing, the REIT anticipates issuing 20 million units for $180,643 (C$180,643), net of issue costs of $19,357 (C$19,357).

5. Cash and cash equivalents:

It is assumed that prior to the Closing, excess of cash has been distributed to vendors. As a result, cash balances in the pro forma condensed consolidated statement of financial position at September 30, 2012 have been reduced by $9,805.

6. Related party transactions:

The pro forma condensed consolidated financial statements include the following transactions with The Milestone Group and Milesouth:

(a) Initial transaction:

The Partnership acquires the Property Manager from The Milestone Group.

The Partnership and Milesouth settle their obligations related to The Milestone Group's profits interest in the Partnership.

(b) Asset management fees:

Management fees of $3,463 and $4,618 are paid to TMG Partners LP for the nine months ended September 30, 2012 and the year ended December 31, 2011, respectively, pursuant to an agreement establishing management fees at 0.40% of gross book value.

(c) Class B Redeemable Units:

Distributions on the Class B Redeemable Units of $6,959 and $9,279 are paid to The Milestone Group and Milesouth for the nine months ended September 30, 2012 and the year ended December 31, 2011, respectively.

Financial Statements
(Expressed in U.S. dollars)

MILESTONE APARTMENTS REAL ESTATE INVESTMENT TRUST

As at and for the one-day period ended
January 17, 2013 (date of formation)

Independent Auditors' Report

To the Trustees of
Milestone Apartments Real Estate Investment Trust

We have audited the accompanying financial statements of Milestone Apartments Real Estate Investment Trust, which comprise the balance sheet as at January 17, 2013 (date of formation), the statements of changes in unitholders' capital and cash flows as at and for the one-day period ended January 17, 2013 (date of formation), 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 these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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, and its financial performance and its cash flows for the one-day period ended January 17, 2013 of Milestone Apartments Real Estate Investment Trust as at January 17, 2013 (date of formation) in accordance with International Financial Reporting Standards.

(Signed) KPMG LLP
Chartered Accountants, Licensed Public Accountants

February 27, 2013
Toronto, Canada

MILESTONE APARTMENTS REAL ESTATE INVESTMENT TRUST

Balance Sheet
(Expressed in U.S. dollars)

January 17, 2013 (date of formation)

Assets	
Cash	$ 10
Unitholders' Capital	$ 10

See accompanying notes to financial statements.

MILESTONE APARTMENTS REAL ESTATE INVESTMENT TRUST

Statement of Changes in Unitholders' Capital
(Expressed in U.S. dollars)

One-day period ended January 17, 2013 (date of formation)

Issuance of unit on formation	$ 10
Unitholders' capital, end of period	$ 10

See accompanying notes to financial statements.

MILESTONE APARTMENTS REAL ESTATE INVESTMENT TRUST

Statement of Cash Flows
(Expressed in U.S. dollars)

One-day period ended January 17, 2013 (date of formation)

Financing activities:	
Issuance of unit	$ 10
Increase in cash, being cash, end of period	$ 10

See accompanying notes to financial statements.

Milestone Apartments Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust dated January 17, 2013, and is governed by the laws of the Province of Ontario. To date, there have been no operations and going forward, the REIT's financial reporting year end will be December 31. The registered office of the REIT is at 333 Bay Street, Suite 3400, Toronto, Ontario. The principal business of the REIT is to acquire multi-suite residential rental properties across the United States.

1. Statement of compliance:

The financial statements of the REIT have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The financial statements were authorized for issue by the Board of Trustees of the REIT on February 27, 2013.

2. Significant accounting policies:

(a) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, unrestricted cash and short-term investments. Short-term investments, comprising money market instruments, have an initial maturity of 90 days or less at their date of purchase and are stated at cost, which approximates fair value. As at January 17, 2013, there were no cash equivalents.

(b) Unitholders' capital:

The Trust Unit is redeemable at the option of the holder and, therefore, is considered a puttable instrument in accordance with International Accounting Standard ("IAS") 32, Financial Instruments—Presentation ("IAS 32"). Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case, the puttable instruments may be presented as equity. The Trust Unit meets the conditions of IAS 32 and is, therefore, classified and accounted for as equity.

The REIT is authorized to issue an unlimited number of Trust Units.

On January 17, 2013, the REIT issued one Trust Unit for cash proceeds of $10.

(c) Future accounting changes:

The following new standards and amendments to existing standards issued by the International Accounting Standards Board may be relevant to the REIT in preparing its consolidated financial statements in future periods:

Standards	Effective date
IFRS 9, Financial Instruments (2010)	Annual period beginning on or after January 1, 2015
IFRS 10, Consolidated Financial Statements, and IFRS 12, Disclosure of Interest in Other Entities	Annual period beginning on or after January 1, 2013
IFRS 13, Fair Value Measurement	Annual period beginning on or after January 1, 2013
IAS 1, Presentation of Financial Statements (amendments)	Annual period beginning on or after January 1, 2012
IAS 32, Financial Instruments—Presentation (amendments)	Annual period beginning on or after July 1, 2014

The REIT intends to adopt these standards on their respective effective dates. The extent of the impact of adoption of these standards on the REIT has not yet been determined.

3. Subsequent events:

On February 27, 2013, the REIT entered into an underwriting agreement, whereby the REIT will raise gross proceeds of $200 million (C$200 million) pursuant to an initial public offering (the "Offering") through the issuance of 20 million units at a price of $10 (C$10) per unit, excluding the over-allotment option. Costs relating to the Offering, including underwriters' fees, are expected to be, $19.4 million (C$19.4 million) and will be charged directly to unitholders' capital.

3. Subsequent events (continued):

The closing (the "Closing") of the transactions contemplated by this prospectus is expected to occur on March 6, 2013.

On the Closing, the REIT will indirectly acquire the Class A limited partnership units of Milestone Multifamily Investors LP (the "Partnership") and Milestone Management LP from Milesouth Apartment Portfolio LP and TMG MMI LP, respectively, for cash of approximately $180,643 and the issuance of $140,000 of Trust Units and $142,774 of Class B redeemable units of the Partnership. The purchase price is supported by third party appraisals. As a result of these transactions, the REIT will indirectly acquire 52 multi-suite residential properties and their related property management platform.

(a) The impact of acquisitions using the purchase method of accounting based on preliminary allocations is as follows:

Investment properties	$1,114,115
Tenant and other receivable	3,907
Management contracts	3,400
Prepaid expenses and other assets	4,031
Restricted cash	23,459
Cash and cash equivalents	3,651
Mortgages, including mark-to-market adjustment of $16.5 million	(662,898)
Accounts payable and other liabilities	(26,248)
Net assets acquired for cash	$463,417
Consideration given by the REIT consists of the following:	
Trust Units	$140,000
Class B Redeemable units of the Partnership	142,774
Cash	180,643
	$463,417

(b) Credit facility:

The REIT is expected to have in place, subsequent to the Closing, a new U.S. $50 million credit facility (the "Credit Facility"). The Credit Facility will be unsecured. The expected rate on the Credit Facility is at the borrower's option, the U.S. 30-day LIBOR plus a margin of 425 basis points, or the highest of the prime rate, U.S. federal funds rate plus 1/2 of 1.00% and one month Eurodollar rate plus 1.00%.

(c) Sources and uses of cash:

The REIT's sources and uses of cash after the completion of the transactions contemplated in the Offering are as follows:

Sources:	
Proceeds from the Offering	$ 200,000
Cash balances of the Partnership	8,800
Uses:	
Purchase of Class B Redeemable Partnership Units	(180,643)
Offering costs and expenses	(19,357)
Cash added to working capital of the REIT	$ 8,800

MILESTONE MULTIFAMILY INVESTORS LP AND SUBSIDIARIES

Consolidated Financial Statements

September 30, 2012, December 31, 2011 and
2010, and January 1, 2010

(With Independent Auditors' Report Thereon)

MILESTONE MULTIFAMILY INVESTORS LP AND SUBSIDIARIES

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Independent Auditors' Report

The Partners
Milestone Multifamily Investors LP:

We have audited the accompanying consolidated statements of financial position of Milestone Multifamily Investors LP and subsidiaries (the Partnership) as of September 30, 2012, December 31, 2011 and 2010, and January 1, 2010, and the related consolidated statements of comprehensive income, changes in net assets attributable to the partners, and cash flows for the nine month period ended September 30, 2012 and the years ended December 31, 2011 and 2010. These consolidated financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Milestone Multifamily Investors LP and subsidiaries as of September 30, 2012, December 31, 2011 and 2010, and January 1, 2010, and the results of their operations and their cash flows for the nine month period ended September 30, 2012 and the years ended December 31, 2011 and 2010 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(Signed) KPMG LLP
Dallas, Texas

February 27, 2013

MILESTONE MULTIFAMILY INVESTORS LP AND SUBSIDIARIES

Consolidated Statements of Financial Position
(In thousands of dollars)

	As of September 30, 2012	As of December 31, 2011	As of September 30, 2011	As of December 31, 2010	As of January 1, 2010
			(Unaudited)		
Assets					
Cash and cash equivalents	$ 11,325	6,881	6,729	4,737	4,541
Restricted cash (note 4)	23,459	24,228	24,456	22,302	19,025
Rent and other receivables (note 5)	2,924	2,844	3,055	2,541	2,144
Prepayments and other current assets (note 6)	2,910	8,249	2,623	1,481	1,708
Derivative Instruments (notes 10 through 14)	—	4	6	29	110
Total current assets	40,618	42,206	36,869	31,090	27,528
Investment property (note 7)	1,111,200	1,044,084	972,657	929,400	824,610
Total noncurrent assets	1,111,200	1,044,084	972,657	929,400	824,610
Total assets	$1,151,818	1,086,290	1,009,526	960,490	852,138
Liabilities					
Other liabilities (note 8)	$ 11,780	10,291	12,581	10,199	11,313
Accounts payable (note 9)	12,222	9,892	10,414	9,053	9,726
Mortgage notes payable (note 10 through 14)	9,942	361,639	363,115	5,304	293,921
Total current liabilities	33,944	381,822	386,110	24,556	314,960
Mortgage notes payable (note 10 through 14)	634,697	292,249	291,374	650,964	407,762
Deferred income	737	959	1,036	1,273	1,082
Net assets attributable to the partners (notes 3 and 15)	482,440	411,260	331,006	283,697	128,334
Total noncurrent liabilities	1,117,874	704,468	623,416	935,934	537,178
Total liabilities	$1,151,818	1,086,290	1,009,526	960,490	852,138

Refer to Note 25 for effects of adoption of IFRS.

The accompanying notes are an integral part of these consolidated financial statements.

MILESTONE MULTIFAMILY INVESTORS LP AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
(In thousands of dollars)

	Nine months ended September 30, 2012	Year ended December 31, 2011	Nine months ended September 30, 2011	Year ended December 31, 2010
			(Unaudited)	
Rental revenue	$ 94,822	120,568	90,034	116,660
Other income	11,173	13,980	10,521	14,230
Total revenue	105,995	134,548	100,555	130,890
Property operating and maintenance expenses	(45,280)	(58,788)	(45,052)	(59,048)
Real estate taxes (note 3)	(9,757)	(12,484)	(10,048)	(12,653)
General and administrative expenses (note 17)	(4,913)	(6,750)	(4,964)	(7,221)
Unrealized loss – derivatives (notes 10 through 14)	(4)	(25)	(23)	(81)
Gain on involuntary conversion (note 16)	738	337	292	479
Total operating expenses	(59,216)	(77,710)	(59,795)	(78,524)
Operating profit before net finance expenses and change in fair value of investment property	46,779	56,838	40,760	52,366
Interest income	9	200	184	1
Interest expenses	(20,092)	(32,309)	(24,242)	(30,926)
Distributions to the partners	(18,743)	(12,390)	(9,390)	(12,377)
Net finance expenses	(38,826)	(44,499)	(33,448)	(43,302)
Profit for the period before change in fair value of investment property	7,953	12,339	7,312	9,064
Change in fair value of investment property (note 7)	49,841	97,988	33,031	91,587
Other comprehensive income for the period, net of tax	—	—	—	—
Increase in net assets attributable to the partners	$ 57,794	110,327	40,343	100,651

Refer to note 25 for effects of adoption of IFRS.

The accompanying notes are an integral part of these consolidated financial statements.

MILESTONE MULTIFAMILY INVESTORS LP AND SUBSIDIARIES

Statement of Changes in Net Assets Attributable to the Partners
(In thousands of dollars)

	TMG MMI LP (General Partner)	Milesouth Apartment Portfolio LP (Limited Partner)	Total
Balance at January 1, 2010	$(1,440)	129,774	128,334
Contributions	—	54,712	54,712
Increase in net assets attributable to the partners	—	100,651	100,651
Balance at December 31, 2010	(1,440)	285,137	283,697
Contributions	—	17,236	17,236
Increase in net assets attributable to the partners	1,440	108,887	110,327
Balance at December 31, 2011	—	411,260	411,260
Balance at December 31, 2010	(1,440)	285,137	283,697
Contributions (unaudited)	—	6,966	6,966
Increase in net assets attributable to the partners (unaudited)	—	40,343	40,343
Balance at September 30, 2011 (unaudited)	(1,440)	332,446	331,006
Balance at December 31, 2011	—	411,260	411,260
Contributions	—	13,386	13,386
Increase in net assets attributable to the partners	—	57,794	57,794
Balance at September 30, 2012	$ —	482,440	482,440

Refer to Note 25 for effects of adoption of IFRS.

The accompanying notes are an integral part of these consolidated financial statements.

MILESTONE MULTIFAMILY INVESTORS LP AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(In thousands of dollars)

	Nine months ended September 30, 2012	Year ended December 31, 2011	Nine months ended September 30, 2011	Year ended December 31, 2010
			(Unaudited)	
Cash flows from operating activities:				
Increase in net assets attributable to the partners	$ 57,794	110,327	40,343	100,651
Adjustments for:				
Net interest expense	19,745	31,647	23,905	30,206
Distribution expense	18,743	12,390	9,390	12,377
Amortization of deferred financing costs	338	462	337	719
Unrealized loss – derivative instruments (notes 10 to 14)	4	25	23	81
Margin tax expense (note 3)	441	582	433	547
Gain on involuntary conversion (note 16)	(738)	(337)	(292)	(479)
Change in fair value of investment property (note 7)	(49,841)	(97,988)	(33,031)	(91,587)
Net effect of changes in operating accounts:				
Rent and other receivables (note 5)	(789)	250	(80)	(35)
Prepaid expenses and other assets (note 6)	5,339	(6,768)	(1,142)	227
Accrued real estate taxes (note 8)	1,942	106	2,382	(1,708)
Accounts and other accrued expenses (notes 8 and 9)	2,021	(1,875)	(6,448)	(912)
Tenant security deposits (note 9)	431	212	124	(259)
Interest received	9	200	184	1
Margin tax paid (note 3)	(569)	(562)	(562)	(560)
Net cash from operating activities	54,870	48,671	35,566	49,269
Cash flows from investing activities:				
Additions to investment property (note 7)	(17,990)	(17,986)	(11,022)	(14,243)
Insurance proceeds	1,960	3,243	654	1,836
Restricted cash (note 4)	1,541	(994)	(1,460)	(2,398)
Net cash used in investing activities	(14,489)	(15,737)	(11,828)	(14,805)
Cash flows from financing activities:				
Capital contributions from partner (note 15)	13,386	17,236	6,966	54,712
Distributions to partner (note 15)	(18,743)	(12,390)	(9,390)	(12,377)
Principal reductions of mortgage notes payable	(5,558)	(5,304)	(3,919)	(3,385)
Repayment of mortgage notes payable (notes 10 and 13)	(356,173)	—	—	(45,000)
Interest paid	(19,542)	(29,400)	(14,709)	(27,200)
Loan proceeds from refinancing (note 10)	355,165	—	—	—
Payment of financing costs	(3,700)	—	—	(140)
Restricted cash (note 4)	(772)	(932)	(694)	(878)
Net cash used in financing activities	(35,937)	(30,790)	(21,746)	(34,268)
Net increase in cash and cash equivalents	4,444	2,144	1,992	196
Cash and cash equivalents at beginning of period	6,881	4,737	4,737	4,541
Cash and cash equivalents at end of period	$ 11,325	6,881	6,729	4,737
Supplemental disclosure of cash flow information:				
Accounts payable capitalized to investment property	$ 1,530	1,379	—	38

Refer to Note 25 for effects of adoption of IFRS.

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements
January 1, 2010, December 31, 2010 and 2011, and September 30, 2012
(In thousands of dollars)

(1) Reporting Entity

Milestone Multifamily Investors LP (the Partnership) was formed on April 13, 2006 as a Delaware limited partnership. The Partnership was formed for the purpose of acquiring the outstanding general and limited partnership interests of TIO Milestone LP. On June 13, 2006, pursuant to the terms of a Partnership Interest Purchase Agreement (Purchase Agreement), the Partnership acquired the entire outstanding general and limited partnership interests of TIO Milestone LP. TIO Milestone LP owned, through various subsidiary entities (Subsidiaries), 57 individual apartment properties containing an aggregate of 18,665 units located primarily in the Southwest and Southeast United States. None of these subsidiaries is considered to be individually material; therefore they have not been listed in the notes to the consolidated financial statements. See note 24 for information regarding the Partnership's parent. The principal offices of the Partnership are located at 5429 Lyndon B. Johnson Freeway #800, Dallas, Texas 75240. The Partnership will terminate on December 31, 2050, unless sooner terminated pursuant to the provisions in the partnership agreement, or unless the termination date is amended by the partners.

As of September 30, 2012, the Partnership owned 52 apartment properties (the Properties) containing 16,944 units. The apartment properties' collective occupancy rate was 93.7% at September 30, 2012.

(2) Basis of Preparation

(a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). These are the Partnership's first consolidated financial statements in accordance with IFRSs and IFRS 1 has been applied. The Partnership's first annual IFRS financial statements are those for the year end December 31, 2011 with a date of transition of January 1, 2010.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Partnership is provided in note 25.

The consolidated financial statements were authorized for issue by the partners on February 27, 2013.

(b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis except for investment properties and derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in U.S. Dollars, which is the Company's functional currency, and all amounts have been rounded to the nearest thousands, except when otherwise indicated.

(c) Use of Estimates and Judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting periods.

In determining estimates of fair market value for its investment properties, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. Should the underlying assumptions change, actual results could differ from the estimated amounts. The critical estimates and assumptions underlying the valuation of real estate properties are outlined in note 7.

(d) Geographic Concentration Risk

The Partnership is exposed to geographic concentration risk as 60% of its units are located in the state of Texas, of which 34% are located in the Dallas/Fort Worth area, 20% are located in the Houston area, and 6% are located in Austin and San Antonio. The remaining 40% of the Partnership's units are located in Florida, Arizona, Tennessee, Georgia, and Utah.

(3) Significant Accounting Policies

(a) Basis of Consolidation

The accompanying consolidated financial statements include the accounts and operations of the Partnership and its wholly owned subsidiaries. Subsidiaries are entities controlled by the Partnership. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and account balances have been eliminated in consolidation.

(b) Cash and Cash Equivalents

All cash and investments in money market accounts, excluding restricted cash, which have a maturity of three months or less at the time of purchase, are considered to be cash and cash equivalents and approximate fair value.

(c) Restricted Cash

Restricted cash consists of funds held by lenders for the payment of (i) property taxes, insurance and replacement reserves, and other deposits as required by various loan agreements and (ii) security deposits as required by states. Restricted cash is not available for general operating purposes.

(d) Financial Instruments

The Partnership initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Partnership becomes a party to the contractual provisions of the instrument. The Partnership derecognizes a financial asset when the contractual rights to the cash flows from the 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. Any interest in such transferred financial assets that is created or retained by the Partnership is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Partnership has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Non-Derivative Financial Instruments

The following summarizes the Partnership's classification and measurement of financial assets and liabilities:

Financial assets and liabilities	Classification	Subsequent measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Accounts receivables (rent and other receivables)	Loans and receivables	Amortized cost
Other liabilities	Other financial liabilities	Amortized cost
Mortgage notes payable	Other financial liabilities	Amortized cost
Accounts payable and other liabilities	Other financial liabilities	Amortized cost
Net assets attributable to the partners	Financial liabilities	—

The Partnership classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Partnership initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the Partnership becomes a party to the contractual provisions of the instrument.

The Partnership derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Mortgages and other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method.

Financing fees and other costs incurred in connection with debt financing are recorded net of the related debt obligation and amortized using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR calculation.

The Partnership has analyzed and evaluated the provisions in the partnership agreement, which stipulates that the net assets of the Partnership will be distributed to the partners at the termination date of the Partnership. The Partnership will terminate on December 31, 2050, unless sooner

(Continued)

terminated pursuant to the provisions in the partnership agreement, or unless the termination date is amended by the partners. As such, the Partnership has issued financial instruments (i.e., partnership interests) that contain a contractual obligation to deliver to the partners their share of net assets upon liquidation of the Partnership, which is certain to occur due to the limited life stipulated in the partnership agreement. As a consequence, these financial instruments meet the definition of a financial liability in accordance with IAS 32, *Financial Instruments: Presentation* (IAS 32), and are presented on the statement of financial position as net assets attributable to the partners, as they do not qualify for the exception to financial liability classification provided in IAS 32. As a consequence, distributions to partners have been recognized as a finance expense in the statement of comprehensive income, in accordance with the requirements of IAS 32.

Derivative Financial Instruments

The Partnership utilizes interest rate cap agreements to hedge its interest costs on variable rate debt. As the Partnership has elected not to prepare and maintain documentation required to qualify for hedge accounting, the fair value adjustment is recognized immediately in income or loss.

(e) Prepaid Expenses

The Partnership prepays certain expenses that cover future periods, such as insurance premiums. Payments for these items are reflected as a prepaid expense on the accompanying consolidated statement of financial position and amortized to the appropriate expense account over the future benefit period.

(f) Investment Properties

A property is determined to be investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment properties include land, building structures, as well as homes situated on the properties. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Subsequent capital expenditures are added to the carrying value of the investment properties only when it is probable that future economic benefits will flow to the property and cost can be measured reliably.

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal.

The Partnership records sales of its real estate assets at the time title is transferred to the purchasers, adequate down payments are received, and the Partnership relinquishes substantial ownership risks of the assets. Upon satisfying these requirements, a gain or loss is recognized as the difference between the proceeds received, less selling costs, and the carrying amount of the assets sold.

(g) Revenue Recognition

Revenue from investment properties includes all rental income earned from the properties including minimum rent earned from tenants under lease agreements, property tax, and operating cost recoveries, and all other miscellaneous income paid by tenants under the terms of the leases. Revenue recognition under a lease commences when a tenant has right to use the property and revenue is recognized pursuant to the terms of the lease agreement. Rental revenue includes rental and other charges billed to residents. Other income includes amounts collected by the Properties primarily for cable, telephone, and vending.

Amounts collected from residents are recognized as income when due, which, due to the short term nature of the leases, approximates straight line revenue recognition. Lease incentives granted are recognized as an integral part of the total rental revenue over the term of the lease. Ongoing credit evaluations are performed and an allowance for doubtful accounts is provided for the portion of accounts receivable that is estimated to be uncollectible.

Deferred revenue relates to upfront fees received from tenant service providers. Deferred revenue is recognized over the life of the service contracts.

(h) Income Taxes

No provision for income taxes has been recorded in the accompanying consolidated financial statements, as the partners are required to report their share of the Partnership’s earnings in their respective income tax returns. The Partnership’s tax returns and the amounts of allocable income

or loss are subject to examination by federal and state taxing authorities. If such examinations result in changes to income or loss, the tax liability of the partners could be changed accordingly.

Certain of our operations or a portion thereof are conducted through taxable REIT subsidiaries, or TRS (corporate subsidiaries). A TRS is a C-corporation that has not elected REIT status and as such is subject to United States federal and state corporate income tax. The REIT has recorded a provision for federal and state taxes associated with the TRS of approximately $36 thousand for the nine month period ended September 30, 2012 ($18 thousand for the year ended December 31, 2011, $18 thousand for the nine month period ended September 30, 2011, and $12 thousand for the year ended December 31, 2010), which is included in general and administrative expenses on the consolidated statement of operations.

The Partnership evaluates the uncertainties of tax positions taken or expected to be taken on a return based on the probability of whether the position taken will be sustained upon examination by tax authorities. The Partnership recognizes tax positions taken or to be taken in a tax return when they become probable. The Partnership concluded that it has no material uncertain tax liabilities to be recognized as of September 30, 2012, December 31, 2011, September 30, 2011 (unaudited), December 31, 2010 or January 1, 2010.

(i) Texas Margin Tax

Effective January 1, 2007, the state of Texas enacted new legislation that repeals the taxable capital and earned surplus components of the franchise tax and replaces such measures with an annual franchise tax on modified gross income of taxable entities, known as the Texas Margin Tax, which is equal to the lesser of: (1) 70% of a taxable entity's total revenue; or (2) 100% of total revenue less, at the election of the taxpayer: (a) cost of goods sold; or (b) compensation. The rate of tax applicable to the Partnership is 1%. Taxable entity is defined to include partnerships, corporations, limited liability companies, business trusts, and other legal entities. The Partnership has recorded the following provisions for Texas Margin Tax, which is included in general and administrative expenses on the consolidated statement of comprehensive income and in accounts payable and other accrued expenses in the consolidated statement of financial position:

	September 30, 2012	December 31, 2011	September 30, 2011	December 31, 2010	January 1, 2010
			(Unaudited) (In millions)		
Texas margin expense	$0.4	0.6	0.4	0.5	0.6
Texas margin accrual	0.4	0.6	0.4	0.5	0.6

(j) Net Finance Expenses

Net finance expenses is comprised of interest income, interest expense, and distributions to partners. Interest income comprises interest income on funds invested, dividend income, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Interest expenses comprise interest expense on borrowings and losses on hedging instruments that are recognized in profit or loss. All borrowing costs are recognized in profit or loss using the effective interest method, except for those amounts capitalized as part of the cost of qualifying property, plant and equipment.

Distributions to partners are recognized in profit and loss as finance costs when they have been authorized. The Partnership generally makes distributions out of operating profit after interest income and expense, only to the extent that such amount is positive. Further, the Partnership does not make distributions in excess of the anticipated working capital requirements of the forthcoming year. For the periods presented, all distributions were made to Milesouth and $0 to TMG MMI LP.

(k) Fair Value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value may be based on other observable current market transactions in the same instrument, without modification or on a valuation technique using market-based inputs.

Fair value measurements recognized in the consolidated statements of financial position are categorized using the following fair value hierarchy that reflects the significance of inputs used in determining the fair values:

Level 1: Valuations based on quoted prices in active markets for identical assets as of the reporting date.

Level 2: Valuations based on pricing inputs that are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date.

Level 3: Valuations derived from other valuation methodologies, including pricing models, discounted, cash flow models, and similar techniques. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and significant professional judgment in determining the fair value assigned to such assets or liabilities.

The following information relates to estimated fair values of the Partnership's financial instruments as of September 30, 2012, December 31, 2011, September 30, 2011 (unaudited), December 31, 2010, and January 1, 2010:

For cash and cash equivalents, restricted cash, rent and other receivables, prepaid expenses and other assets, accounts payable and other accrued expenses, accrued interest, accrued real estate taxes and tenant security deposit liability, the carrying amounts approximate fair value because of the short maturity of these instruments.

For investment property, external, independent appraisal companies, having appropriate recognized professional qualifications and recent experience in the location and category of property being valued, value the Partnership's investment property portfolio annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows (cap rate) then is applied to the net annual cash flows to arrive at the property valuation.

See notes 10 through 14 for the fair value of the Partnership's derivative instruments.

See note 19 for fair value of the Partnership's mortgage notes payable.

(l) Published International Financial Reporting Standards (IFRS) and Interpretations (IFRIC), Not Yet Applied/Applicable

The following new standards, amendments to standards and interpretations are not yet effective for the period ended September 30, 2012, and have not been applied in preparing these consolidated financial statements:

IFRS 9, *Financial Instruments: Classification and Measurement*

In November 2009 and October 2010, the first part of IFRS 9 relating to the classification and measurement of financial assets and financing liabilities was issued. IFRS 9 will ultimately replace IAS 39, *Financial Instruments: Recognition and Measurement.* The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after January 1, 2015. The potential effects of this amendment are currently under review and are not expected to have an effect on the Partnership's financial statements.

IFRS 10, *Consolidated Financial Statements*

IFRS 10 replaces the consolidation guidance in IAS 27, *Consolidated and Separate Financial Statements* and SIC 12, *Consolidation – Special Purpose Entities* by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has (1) power over the investee; (2) exposure, or rights, to variable returns from its involvement with the investee; and (3) the ability to use its power over the investee to affect the amount of the returns. The new standard is mandatory for annual periods beginning on or after January 1, 2013. IFRS 10 is currently not anticipated to have an effect on the Partnership's financial statements.

IFRS 11, *Joint Arrangements*

IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31, *Interests in Joint Ventures.* The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets. The new standard is mandatory for annual periods beginning on or after January 1, 2013. Neither IAS 31 nor IFRS 11 are currently relevant to the Partnership.

IFRS 12, ***Disclosure of Interest in Other Entities***

IFRS 12 requires extensive disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. An entity is required to disclose information that helps users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements. The new standard is mandatory for annual periods beginning on or after January 1, 2013. IFRS 12 is currently not anticipated to have a significant effect on the Partnership's financial statements.

IAS 28 (2011), ***Investments in Associates and Joint Ventures***

IAS 28 is amended for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

IAS 1 (2011), ***Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income***

The amendments to IAS 1 provide guidance on the presentation of items contained in other comprehensive income (OCI) and their classification within OCI. The new standard is mandatory for annual periods beginning on or after July 1, 2012. The amendments are not currently anticipated to have an effect on the Partnership's financial statements.

IFRS 13, ***Fair Value Measurements***

On May 12, 2011, the IASB issued IFRS 13, *Fair Value Measurements,* which establishes a single source of guidance for fair value measurement under IFRSs. IFRS 13 defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurements. The standard does not include requirements on when fair value measurements is required; it prescribes how fair value is to be measured if another standard requires it. The new standard is mandatory for annual periods beginning on or after January 1, 2013. The amendments are currently not anticipated to have a significant effect on the Partnership's financial statements.

Amendments to IAS 32 ***Financial Instruments: Presentation – Offsetting of Financial Assets and Financial Liabilities***

The amendments to IAS 32 are intended to clarify existing application issues relating to the offsetting rules and reduce the level of diversity in current practice. The amendments are effective for annual periods beginning on or after January 1, 2014. The amendments are not currently anticipated to have a significant effect on the Partnership's financial statements.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

The amendments apply to a particular class of business that qualify as investment entities. The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. The amendments are effective from January 1, 2014 with early adoption permitted. These amendments are not relevant to the Partnership.

(4) Restricted Cash

	September 30, 2012	December 31, 2011	September 30, 2011	December 31, 2010	January 1, 2010
			(Unaudited)		
Funds held by lenders	$17,094	18,550	18,998	17,483	15,040
Additional loan on collateral	5,581	4,895	4,675	4,035	3,229
Tenant security deposits	784	783	783	784	756
Restricted cash	$23,459	24,228	24,456	22,302	19,025

(5) Rent and Other Receivables

	September 30, 2012	December 31, 2011	September 30, 2011	December 31, 2010	January 1, 2010
			(Unaudited)		
Tenant rent receivable	$ 893	242	318	265	887
Insurance loss receivable	350	914	797	362	48
Other operating receivables	1,681	1,688	1,940	1,914	1,209
Rent and other receivables	$2,924	2,844	3,055	2,541	2,144

(6) Prepayments and Other Current Assets

	September 30, 2012	December 31, 2011	September 30, 2011	December 31, 2010	January 1, 2010
			(Unaudited)		
Prepaid insurance, net	$2,593	1,097	2,326	1,235	1,396
Utility deposits	238	238	238	238	238
Refinance rate lock deposit	—	6,904	—	—	—
Other prepaid assets	79	10	59	8	74
Prepayments and other current assets	$2,910	8,249	2,623	1,481	1,708

(7) Investment Property

Reconciliations of the carrying amount for investment properties at the beginning and end of the current and prior time periods are set out below:

	September 30, 2012	December 31, 2011	September 30, 2011	December 31, 2010
			(Unaudited)	
Balance at January 1	$1,044,084	929,400	929,400	824,610
Acquisitions	—	—	—	—
Change in fair value	49,841	97,988	33,031	91,587
Capital expenditures	17,990	17,986	11,022	14,243
Casualty loss (note 16)	(715)	(1,290)	(796)	(1,040)
Investment properties	$1,111,200	1,044,084	972,657	929,400

The fair value of the properties was determined using the direct capitalization income method. The high, low, and overall weighted average cap rates are set out below:

	September 30, 2012	December 31, 2011	September 30, 2011	December 31, 2010	January 1, 2010
			(Unaudited)		
Cap rate:					
High	6.3%	6.9%	7.2%	8.1%	9.4%
Low	5.7%	5.5%	5.7%	5.6%	5.3%
Weighted average	6.1%	6.2%	6.4%	6.5%	7.7%

(8) Other Liabilities

	September 30, 2012	December 31, 2011	September 30, 2011	December 31, 2010	January 1, 2010
			(Unaudited)		
Real estate tax liability	$ 9,743	7,801	10,077	7,695	9,403
Accrued mortgage interest	2,037	2,490	2,504	2,504	1,910
Other liabilities	$11,780	10,291	12,581	10,199	11,313

(9) Accounts Payable

	September 30, 2012	December 31, 2011	September 30, 2011	December 31, 2010	January 1, 2010
			(Unaudited)		
Resident prepaid rent	$ 272	1,404	286	1,295	1,716
Current operating payables	7,280	4,776	6,110	4,522	3,534
Tenant security deposits	2,543	2,112	2,024	1,900	2,159
Deferred income	323	316	316	399	599
Accrued expenses	1,804	1,284	1,678	937	1,718
Accounts payable	$12,222	9,892	10,414	9,053	9,726

(10) Mortgage Notes Payable – September 30, 2012

At September 30, 2012, the remaining principal balances of the Partnership's debt consisted of the following (in thousands):

	Interest rate	Maturity	September 30, 2012
Conventional fixed rate debt:			
Beech Street Capital, LLC	4.15%	2/1/2022	$150,490
CBRE Capital Markets, Inc	3.93	2/1/2019	142,130
CBRE Capital Markets, Inc	4.16	2/1/2022	43,840
CBRE Capital Markets, Inc	3.76	7/1/2022	17,250
Holliday Fenoglio Fowler, L.P.	5.97	5/1/2016	26,238
Green Park Financial LP Master Credit Facility	3.37	4/1/2015	236,929
Total conventional fixed debt	3.87%		616,877
Tax exempt variable rate bonds:			
Prudential Multifamily Mortgage, Inc.	1.15% – 1.18%	2/1/2028	23,740
Prudential Multifamily Mortgage, Inc.	1.18	2/1/2027	7,760
Total tax exempt variable debt	1.17%		31,500
Balance at September 30, 2012			$648,377
Carrying value at September 30, 2012			$644,639

As of September 30, 2012, the Partnership had collateralized all of its 52 properties under various mortgage loans.

(a) Tax-Exempt Mortgage Notes Payable

As of September 30, 2012, the Partnership had four variable rate tax-exempt loans in the amount of $31.5 million, which were collateralized by four properties. The loans were financed from the proceeds of tax-exempt bonds, which have certain income requirements for residents in a certain number of units. However, in no event is the rent charged for any unit below the market rate rent for that particular property. These variable rate tax-exempt loans are payable in monthly installments of interest only at the weekly bond rate plus various facility fees.

(b) Covenant Compliance Requirements

The Partnership's debt agreements contain customary representations, warranties, and events of default, which require the Partnership to comply with affirmative and negative covenants. The primary restrictive covenants provide that: (i) the gross real estate assets, as defined, shall produce a ratio of gross real estate assets plus unrestricted cash to total debt of not less than 1.15 to 1 and (ii) the Partnership and its subsidiaries maintain a cash and cash equivalent balance of not less than $3.0 million. As of September 30, 2012, the Partnership was in compliance with all covenants of its debt agreements.

(c) Debt Valuation Adjustment

At the date of acquisition, the Partnership recorded the fixed rate debt assumed in connection with the Purchase Agreement (see note 1) at estimated fair market values. This resulted in an original debt valuation adjustment of $12.1 million, which resulted in a decrease to the recorded amount of indebtedness assumed. The carrying value is accreted to face value by the maturity date using the effective interest method.

(d) Debt Refinancing

In January 2012, the Partnership refinanced the CMBS loans with CBRE Capital Markets and Beech Street Capital. Debt in the amount of $342.8 million was retired and the new loans totaled $337.9 million. The terms of the new loans range from seven to ten years at fixed interest rates ranging from 3.93% to 4.16%. Also, in July 2012, a loan with Prudential Multifamily Mortgage in the amount $13.3 million was retired and new debt in the amount of $17.3 million was placed on the same property at a rate of 3.76% for a ten year term.

(e) Debt Principal and Interest Maturities

Debt principal and interest maturities as of September 30, 2012 for the three months ending December 31, 2012 and the next five years ending December 31 of the respective year (including balloon payments) are as follows (in thousands):

	Principal	Balloon payment	Interest	Total payments
2012	$ 2,003	—	6,156	8,159
2013	10,826	—	24,397	35,223
2014	11,888	—	23,975	35,863
2015	8,358	223,635	18,541	250,534
2016	6,941	24,952	14,919	46,812
2017	7,134	—	14,303	21,437
Thereafter	22,785	329,855	50,191	402,831
Total	$69,935	578,442	152,482	800,859

(f) Derivative Instruments

Pursuant to the provisions of the loan agreements, all variable rate debt is required to be hedged against interest rate exposure. The Partnership utilizes interest rate cap agreements to hedge its interest costs on variable rate debt. As the Partnership has elected not to use hedge accounting, a fair value adjustment of $4 thousand was recorded as an unrealized loss in the consolidated statement of comprehensive income for the period ended September 30, 2012.

Following is a summary of the Partnership's interest rate cap agreements as of September 30, 2012 (in thousands):

Description of derivative instrument	Notional amount at September 30, 2012	Maturity date	Cap rate	Carrying value and fair value at September 30, 2012
Interest rate cap agreements:				
Bank of America, N.A.	$ 4,925	11/1/2013	4.90%	$ —
SMBC Derivative Products Limited	6,215	2/15/2013	5.50	—
SMBC Derivative Products Limited	12,600	6/15/2013	5.50	—
The Bank of New York Mellon	7,170	9/1/2014	5.50	—
Total	$30,910			$ —

The following table represents a summary of the changes in fair value for the year ended September 30, 2012 of Level 3 interest rate cap agreements carried at fair value as of September 30, 2012:

	Interest rate cap agreements
Balance as of December 31, 2011	$ 4
Unrealized loss for the period	4
Balance as of September 30, 2012	$—

(11) Mortgage Notes Payable – December 31, 2011

At December 31, 2011, the remaining principal balances of the Partnership's debt consisted of the following (in thousands):

	Interest rate	Maturity	December 31, 2011
Conventional fixed rate debt:			
CMBS loans	5.18% – 5.25%	4/1/2012	$342,841
Holliday Fenoglio Fowler, L.P.	5.97	5/1/2016	26,468
Prudential Multifamily Mortgage, Inc.	6.80	7/1/2012	13,469
Green Park Financial LP Master Credit Facility	3.37	4/1/2015	240,665
Total conventional fixed debt	5.24%		623,443
Tax exempt variable rate bonds:			
Prudential Multifamily Mortgage, Inc.	1.19%	2/1/2028	23,740
Prudential Multifamily Mortgage, Inc.	1.19	2/1/2027	7,760
Total tax exempt variable debt	1.19%		31,500
Balance at December 31, 2011			$654,943
Carrying value at December 31, 2011			$653,888

As of December 31, 2011, the Partnership had collateralized all of its 52 properties under various mortgage loans.

(a) Tax-Exempt Mortgage Notes Payable

As of December 31, 2011, the Partnership had four variable rate tax-exempt loans in the amount of $31.5 million, which were collateralized by four properties. The loans were financed from the proceeds of tax-exempt bonds, which have certain income requirements for residents in a certain number of units. However, in no event is the rent charged for any unit below the market rate rent for that particular property. These variable rate tax-exempt loans are payable in monthly installments of interest only at the weekly bond rate plus various facility fees.

(b) Covenant Compliance Requirements

The Partnership's debt agreements contain customary representations, warranties, and events of default, which require the Partnership to comply with affirmative and negative covenants. The primary restrictive covenants provide that: (i) the gross real estate assets, as defined, shall produce a ratio of gross real estate assets plus unrestricted cash to total debt of not less than 1.15 to 1 and (ii) the Partnership and its subsidiaries maintain a cash and cash equivalent balance of not less than $3.0 million. As of December 31, 2011, the Partnership was in compliance with all covenants of its debt agreements.

(c) Derivative Instruments

Pursuant to the provisions of the loan agreements, all variable rate debt is required to be hedged against interest rate exposure. The Partnership utilizes interest rate cap agreements to hedge its interest costs on variable rate debt. As the Partnership has elected not to use hedge accounting, a fair value adjustment of $25 thousand was recorded as an unrealized loss in the consolidated statement of comprehensive income for the year ended December 31, 2011.

(Continued)

Following is a summary of the Partnership's interest rate cap agreements as of December 31, 2011 (in thousands):

Description of derivative instrument	Notional amount at December 31, 2011	Maturity date	Cap rate	Carrying value and Fair value at December 31, 2011
Interest rate cap agreements:				
Bank of America, N.A.	$ 4,925	11/1/2013	4.90%	$ 1
SMBC Derivative Products Limited	6,215	2/15/2013	5.50	—
SMBC Derivative Products Limited	12,600	6/15/2013	5.50	—
The Bank of New York Mellon	7,170	9/1/2014	5.50	3
Total	$30,910			$ 4

The following table represents a summary of the changes in fair value for the year ended December 31, 2011 of Level 3 interest rate cap agreements carried at fair value as of December 31, 2011:

	Interest rate cap agreements
Balance as of December 31, 2010	$29
Unrealized loss for the year	25
Balance as of December 31, 2011	$ 4

(12) Mortgage Notes Payable – September 30, 2011 (unaudited)

At September 30, 2011, the remaining principal balances of the Partnership's debt consisted of the following (in thousands):

	Interest rate	Maturity	September 30, 2011
Conventional fixed rate debt:			
CMBS loans	5.18% – 5.25%	4/1/2012	$342,841
Holliday Fenoglio Fowler, L.P.	5.97	5/1/2016	26,546
Prudential Multifamily Mortgage, Inc.	6.80	7/1/2012	13,536
Green Park Financial LP Master Credit Facility	3.37	4/1/2015	241,904
Total conventional fixed debt	5.24%		624,827
Tax exempt variable rate bonds:			
Prudential Multifamily Mortgage, Inc.	1.19%	2/1/2028	23,740
Prudential Multifamily Mortgage, Inc.	1.19	2/1/2027	7,760
Total tax exempt variable debt	1.19%		31,500
Balance at September 30, 2011			$656,327
Carrying value at September 30, 2011			$654,489

As of September 30, 2011, the Partnership had collateralized all of its 52 properties under various mortgage loans.

(a) Tax-Exempt Mortgage Notes Payable

As of September 30, 2011, the Partnership had four variable rate tax-exempt loans in the amount of $31.5 million, which were collateralized by four properties. The loans were financed from the proceeds of tax-exempt bonds, which have certain income requirements for residents in a certain number of units. However, in no event is the rent charged for any unit below the market rate rent for that particular property. These variable rate tax-exempt loans are payable in monthly installments of interest only at the weekly bond rate plus various facility fees.

(b) Covenant Compliance Requirements

The Partnership's debt agreements contain customary representations, warranties, and events of default, which require the Partnership to comply with affirmative and negative covenants. The primary restrictive covenants provide that: (i) the gross real estate assets, as defined, shall produce

a ratio of gross real estate assets plus unrestricted cash to total debt of not less than 1.15 to 1 and (ii) the Partnership and its subsidiaries maintain a cash and cash equivalent balance of not less than $3.0 million. As of September 30, 2011, the Partnership was in compliance with all covenants of its debt agreements.

(c) Derivative Instruments

Pursuant to the provisions of the loan agreements, all variable rate debt is required to be hedged against interest rate exposure. The Partnership utilizes interest rate cap agreements to hedge its interest costs on variable rate debt. As the Partnership has elected not to use hedge accounting, a fair value adjustment of $23 thousand was recorded as an unrealized loss in the consolidated statement of comprehensive income for the period ended September 30, 2011.

Following is a summary of the Partnership's interest rate cap agreements as of September 30, 2011 (in thousands):

Description of derivative instrument	Notional amount at September 30, 2011	Maturity date	Cap rate	Carrying value and Fair value at September 30, 2011
Interest rate cap agreements:				
Bank of America, N.A.	$ 4,925	11/1/2013	4.90%	$1
SMBC Derivative Products Limited	6,215	2/15/2013	5.50	1
SMBC Derivative Products Limited	12,600	6/15/2013	5.50	1
The Bank of New York Mellon	7,170	9/1/2014	5.50	3
Total	$30,910			$6

The following table represents a summary of the changes in fair value for the year ended September 30, 2011 of Level 3 interest rate cap agreements carried at fair value as of September 30, 2011:

	Interest rate cap agreements
Balance as of December 31, 2010	$29
Unrealized loss for the period	23
Balance as of September 30, 2011	$ 6

(13) Mortgage Notes Payable – December 31, 2010

At December 31, 2010, the remaining principal balances of the Partnership's debt consisted of the following (in thousands):

	Interest rate	Maturity	December 31, 2010
Conventional fixed rate debt:			
CMBS loans	5.18% – 5.25%	4/1/2012	$342,841
Holliday Fenoglio Fowler, L.P.	5.97	5/1/2016	26,640
Prudential Multifamily Mortgage, Inc.	6.80	7/1/2012	13,730
Green Park Financial LP Master Credit Facility	3.37	4/1/2015	245,536
Total conventional fixed debt	5.24%		628,747
Tax exempt variable rate bonds:			
Prudential Multifamily Mortgage, Inc.	1.29%	2/1/2028	23,740
Prudential Multifamily Mortgage, Inc.	1.30	2/1/2027	7,760
Total tax exempt variable debt	1.29%		31,500
Balance at December 30, 2010			$660,247
Carrying value at December 31, 2010			$656,268

As of December 31, 2010, the Partnership had collateralized all of its 52 properties under various mortgage loans.

(a) Tax-Exempt Mortgage Notes Payable

As of December 31, 2010, the Partnership had four variable rate tax-exempt loans in the amount of $31.5 million, which were collateralized by four properties. The loans were financed from the proceeds of tax-exempt bonds, which have certain income requirements for residents in a certain number of units. However, in no event is the rent charged for any unit below the market rate rent for that particular property. These variable rate tax-exempt loans are payable in monthly installments of interest only at the weekly bond rate plus various facility fees.

(b) Covenant Compliance Requirements

The Partnership's debt agreements contain customary representations, warranties, and events of default, which require the Partnership to comply with affirmative and negative covenants. The primary restrictive covenants provide that: (i) the gross real estate assets, as defined, shall produce a ratio of gross real estate assets plus unrestricted cash to total debt of not less than 1.15 to 1 and (ii) the Partnership and its subsidiaries maintain a cash and cash equivalent balance of not less than $3.0 million. As of December 31, 2010, the Partnership was in compliance with all covenants of its debt agreements.

(c) Derivative Instruments

Pursuant to the provisions of the loan agreements, all variable rate debt is required to be hedged against interest rate exposure. The Partnership utilizes interest rate cap agreements to hedge its interest costs on variable rate debt. As the Partnership has elected not to use hedge accounting, a fair value adjustment of $81 thousand was recorded as an unrealized loss in the consolidated statement of comprehensive income for the year ended December 31, 2010.

Following is a summary of the Partnership's interest rate cap agreements as of December 31, 2010 (in thousands):

Description of derivative instrument	Notional amount at December 31, 2010	Maturity date	Cap rate	Carrying value and Fair value at December 31, 2010
Interest rate cap agreements:				
Bank of America, N.A.	$ 4,925	11/1/2013	4.90%	$ 6
SMBC Derivative Products Limited	6,215	2/15/2013	5.50	2
SMBC Derivative Products Limited	12,600	6/15/2013	5.50	7
The Bank of New York Mellon	7,170	9/1/2014	5.50	14
Total	$30,910			$29

The following table represents a summary of the changes in fair value for the year ended December 31, 2010 of Level 3 interest rate cap agreements carried at fair value as of December 31, 2010:

	Interest rate cap agreements
Balance as of January 1, 2010	$110
Unrealized loss for the year	81
Balance as of December 31, 2010	$ 29

(14) Mortgage Notes Payable – January 1, 2010

At January 1, 2010, the remaining principal balances of the Partnership's debt consisted of the following (in thousands):

	Interest rate	Maturity	January 1, 2010
Conventional fixed rate debt:			
CMBS loans	5.18% – 5.25%	4/1/2012	$342,841
Holliday Fenoglio Fowler, L.P.	5.97	5/1/2016	26,640
Prudential Multifamily Mortgage, Inc.	6.80	7/1/2012	13,974
Total conventional fixed debt	5.24%		383,455
Tax exempt variable rate bonds:			
Prudential Multifamily Mortgage, Inc.	1.29%	2/1/2028	23,740
Prudential Multifamily Mortgage, Inc.	1.30	2/1/2027	7,760
Total tax exempt variable debt	1.29%		31,500
Variable rate notes:			
Green Park Financial LP Master Credit Facility	0.60%	3/22/2010	293,677
Total variable rate notes			293,677
Total debt			708,632
Balance at January 1, 2010			$708,632
Carrying value at January 1, 2010			$701,683

As of January 1, 2010, the Partnership had collateralized all of its 52 properties under various mortgage loans.

(a) Tax-Exempt Mortgage Notes Payable

As of January 1, 2010, the Partnership had four variable rate tax-exempt loans in the amount of $31.5 million, which were collateralized by four properties. The loans were financed from the proceeds of tax-exempt bonds, which have certain income requirements for residents in a certain number of units. However, in no event is the rent charged for any unit below the market rate rent for that particular property. These variable rate tax-exempt loans are payable in monthly installments of interest only at the weekly bond rate plus various facility fees.

(b) Covenant Compliance Requirements

The Partnership's debt agreements contain customary representations, warranties, and events of default, which require the Partnership to comply with affirmative and negative covenants. The primary restrictive covenants provide that: (i) the gross real estate assets, as defined, shall produce a ratio of gross real estate assets plus unrestricted cash to total debt of not less than 1.15 to 1 and (ii) the Partnership and its subsidiaries maintain a cash and cash equivalent balance of not less than $3.0 million. As of January 1, 2010, the Partnership was in compliance with all covenants of its debt agreements.

(c) Derivative Instruments

Pursuant to the provisions of the loan agreements, all variable rate debt is required to be hedged against interest rate exposure. The Partnership utilizes interest rate cap agreements to hedge its interest costs on variable rate debt.

(Continued)

Following is a summary of the Partnership's interest rate cap agreements as of January 1, 2010 (in thousands):

Description of derivative instrument	Notional amount at January 1, 2010	Maturity date	Cap rate	Carrying value and Fair value at January 1, 2010
Interest rate cap agreements:				
Bank of America, N.A.	$ 4,925	11/1/2013	4.90%	$ 22
Natixis Financial Prodicts, Inc.	257,668	4/1/2010	7.53	—
SMBC Derivative Products Limited	36,009	4/1/2010	8.32	—
SMBC Derivative Products Limited	6,215	2/15/2013	5.50	12
SMBC Derivative Products Limited	12,600	6/15/2013	5.50	32
The Bank of New York Mellon	7,170	9/1/2014	5.50	44
Total	$324,587			$110

(15) Net Assets Attributable to the Partners

In April 2006, a limited partnership agreement was formed between TMG MMI LP (TMG), the general partner, and Milesouth Apartment Portfolio LP (Milesouth), the limited partner. In accordance with the partnership agreement, as amended, the ownership interests of the partners are as follows: the general partner has a profits interest once certain returns are achieved at the Partnership level and the limited partner has a 100% capital interest.

(a) Capital Contributions

Effective with the closing of the Purchase Agreement and in accordance with the partnership agreement, Milesouth contributed cash to the Partnership in the amount of $281.7 million. Pursuant to the partnership agreement, Milesouth may make additional capital contributions to the Partnership to fund operating or capital expenditures. For the periods below Milesouth contributed the following amounts to fund capital expenditures:

	September 30, 2012	December 31, 2011	September 30, 2011	December 31, 2010
			(Unaudited)	
Contributions	$13,386	17,236	6,966	54,712

(b) Allocation of Increase in Net Assets Attributable to the Partners

The Partnership's increase in net assets attributable to the partners is allocated pursuant to the terms of the partnership agreement.

(16) Gain on Involuntary Conversion

Periodically, properties sustain damage as a result of fire and hail. Such damage is generally covered by property insurance policies in effect at the time of occurrence. The table below outlines the insurance receivable, insurance proceeds, and related gains recorded in the statements of financial position and statements of comprehensive income.

	September 30, 2012	December 31, 2011	September 30, 2011	December 31, 2010
			(Unaudited)	
Insurance receivable	$ 350	914	797	362
Insurance proceeds	1,960	3,243	654	1,836
Gain on involuntary conversion	738	337	292	479

(17) General and Administrative Expenses

	September 30, 2012	December 31, 2011	September 30, 2011	December 31, 2010
			(Unaudited)	
Management fees (note 18)	$3,487	4,586	3,433	4,582
Professional fees	1,029	1,657	1,151	2,035
Other	397	507	380	604
Total general and administrative expenses	$4,913	6,750	4,964	7,221

(18) Related-Party Transactions

The Partnership and its subsidiaries entered into separate property management agreements with an affiliate of TMG MMI LP. These agreements are to provide property management services for a fee equal to generally 3% of gross collected revenues of the Properties, which is included in property operating and maintenance expense in the accompanying consolidated statement of comprehensive income. An affiliate is to receive a construction management fee equal to 7% of all capital expended for upgrade projects and all other capital projects in excess of $7,500, which were capitalized and included in investment property in the accompanying consolidated statements of financial position.

The fees for the following periods are as follows:

	September 30, 2012	December 31, 2011	September 30, 2011	December 31, 2010
			(Unaudited)	
3% property management fee	$3,154	4,023	3,019	3,874
7% construction management fee	558	349	238	277
	$3,712	4,372	3,257	4,151

Also, in accordance with the partnership agreement, an affiliate is to receive an additional management fee of 1% of the gross collections from the Properties if certain conditions are met, which was included in general and administrative expense in the accompanying consolidated statement of comprehensive income. In accordance with the partnership agreement, an affiliate of Milestone is to receive a quarterly asset management fee for services rendered to the Partnership equal to 8.75 basis points times the aggregate deemed gross capitalization, as defined, of the Properties. For the following periods, the Partnership recorded the following asset management fees:

	September 30, 2012	December 31, 2011	September 30, 2011	December 31, 2010
			(Unaudited)	
Management fee	$3,487	4,586	3,433	4,582

(19) Fair Value Disclosure of Financial Instruments

The following disclosure of estimated fair value of financial instruments was determined by the Partnership using available market information and appropriate valuation methodologies. However, considerable judgment is necessary to interpret market data and develop the related estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that could be realized upon disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

	September 30, 2012		December 31, 2011		September 30, 2011		December 31, 2010		January 1, 2010	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
					(Unaudited)					
Financial assets										
Cash and cash equivalents	$ 11,235	11,235	6,881	6,881	6,729	6,729	4,737	4,737	4,541	4,541
Restricted cash	23,459	23,459	24,228	24,228	24,456	24,456	22,302	22,302	19,025	19,025
Rent and other receivables	2,924	2,924	2,844	2,844	3,055	3,055	2,541	2,541	2,144	2,144
Derivative instruments	—	—	4	4	6	6	29	29	110	110
Financial Liabilities										
Other liabilities	11,780	11,780	10,291	10,291	12,581	12,581	10,199	10,199	11,313	11,313
Fixed rate mortgage notes payable	616,877	635,012	623,443	630,581	624,827	629,887	628,747	626,939	383,455	386,551
Variable rate mortgage notes payable	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500	325,177	325,177
Accounts payable	12,959	12,959	10,850	10,850	11,450	11,450	10,326	10,326	10,808	10,808

The fixed rate mortgages, were prepayable and subject to prepayment penalties of $145.6 million, $12.4 million and $28.8 million, which would be required to retire these notes at September 30, 2012, December 31, 2011 and December 31, 2010.

(20) Commitments and Contingencies

The Partnership is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. While the resolution of these matters cannot be predicted with certainty, management believes that the final outcome of such matters will not have a material adverse effect on the financial position, results of operations, or cash flows of the Partnership.

The Partnership had entered into certain agreements related to a capital improvement program. The following amounts remained committed under these contracts for work expected to be completed in subsequent years as follows:

	September 30, 2012	December 31, 2011	September 30, 2011	December 31, 2010	January 31, 2010
			(Unaudited)		
			(In millions)		
Capital improvements program	$—	0.4	—	0.8	0.4

(21) Financial Risk Management

The Partnership's activities expose it to credit risk and liquidity risk. Risk management is carried out by chief financial officer under policies approved by senior executive management.

(a) Credit Risk

Credit risk is the risk that (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The properties mitigate the risk of credit loss with respect to residents by evaluating creditworthiness of new residents, obtain security deposits wherever permitted by legislation, and geographically diversifying the location of the properties. The Partnership monitors their collection experience on a monthly basis and ensure that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the consolidated statement of income and comprehensive income.

(b) Market Risk

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices and comprises the following:

Interest Rate Risk

The investment properties are subject to the risks associated with debt financing; including the risk that mortgages and credit facilities will not be refinanced on terms as favorable as those of the existing indebtedness. The Partnership's objective of managing interest rate risk is to minimize the volatility of the Partnership's income. At September 30, 2012, December 31, 2011, September 30, 2011 (unaudited), and December 31, 2010, interest rate risk has been minimized as all of the Partnership's long term debt is financed at fixed interest rates with maturities scheduled over a number of years, with the exception of two mortgages totaling $31.5 million that are subject to floating interest rates.

(c) Liquidity Risk

Liquidity risk is the risk that the Partnership may encounter difficulties in assessing capital and refinancing its financial obligation as they come due. To mitigate the risk associated with the refinancing of maturing debt, the Partnership staggers the maturity dates of their mortgage portfolio over a number of years.

(22) Segment Information

All of the Partnership's income properties are located in the U.S. and the Partnership operates in one segment.

(Continued)

(23) Capital Management

The Partnership's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. Capital consists of total equity. The Partners monitor capital using tools designed to anticipate cash needs and to maintain adequate working capital, while also distributing appropriate amounts to the partners on a regular basis.

(24) Subsequent Events

The Partnership has evaluated subsequent events from the balance sheet date through February 27, 2013, the date at which the consolidated financial statements were issued.

The Partnership is contemplating selling partial LP interests in a to-be-formed REIT, through an IPO. In conjunction with the transaction, an affiliate would be contributed to the Partnership in exchange for LP interests in the Partnership.

(25) Explanation of Transition to IFRSs

As stated in note 2(a), these are the Partnership's first consolidated financial statements prepared in accordance with IFRSs.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the period ended September 30, 2012, the comparative information presented in these financial statements for the periods ended September 30, 2011 (unaudited), December 31, 2011, and December 31, 2010 and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (the Partnership's date of transition).

In preparing these consolidated financial statements in accordance with IFRS 1, the partnership has applied certain optional and mandatory exemptions from full retrospective application of IFRS. The optional exemptions applied are described below.

In preparing its opening IFRS balance sheet, the Partnership has adjusted amounts reported previously in financial statements prepared in accordance with U.S. GAAP. An explanation of how the transition from U.S. GAAP to IFRSs has affected the Partnership's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of Net Assets Attributable to the Partners

	January 1, 2010	December 31, 2010
Total equity under U.S. GAAP	$ 63,116	72,252
Effects of transition to IFRS:		
A) Eliminate accumulated depreciation	172,873	227,074
B) Record investment properties at fair value	(107,655)	(15,629)
Net assets attributable to the partners under IFRS	$ 128,334	283,697

Under U.S. GAAP, the net assets of the Partnership have been accounted for as equity; however, as discussed in note 3(d), under IFRS the net assets attributable to the partners are classified as a financial liability due to the mandatory distribution of such net assets to the partners on the date of liquidation, as stipulated in the partnership agreement.

The properties are considered investment properties under IAS 40, *Investment Property* (IAS 40). Investment property includes land and buildings held primarily to earn rental income and/or capital appreciation. Investment property is initially recorded at cost under IAS 40 (which include transaction costs). However, subsequent to initial recognition, IFRS requires that an entity choose either the cost or fair value model to account for investment property. The Partnership has elected to use the fair value model. The adjustments to net assets attributable to the partners represent the removal of previous accumulated depreciation and to record the cumulative unrealized loss in respect to the Partnership's real estate properties.

(Continued)

Reconciliation of Comprehensive Net Loss / Increase in Net Assets Attributable to the Partners for the Year Ended December 31, 2010

Comprehensive net loss under U.S. GAAP	$ (33,199)
Change in fair value of investment properties	91,587
Reversal of depreciation expense	54,640
Distributions to the partners	(12,377)
Increase in net assets attributable to the partners under IFRS	$100,651

In accordance with IFRS and the Partnership's policy choice to adopt the fair value model to account for its real estate properties, changes in fair value each reporting period will be included in comprehensive income. In addition, under the fair value model, depreciation expense on investment properties is no longer recorded.

Furthermore, in conjunction with the financial liability classification of net assets attributable to the partners under IFRS, as discussed in note 3(d) distributions to partners is classified as a finance expense in the statement of comprehensive income under IFRS, instead of being recorded in equity under U.S. GAAP.

Material Adjustments to the Statement of Cash Flows for Year Ended December 31, 2010

Including the change in fair value of investment properties of $91,587 and removing depreciation expense of $54,640 were the material adjustments related to the fair value of investment property policy election to convert the U.S. GAAP statement of cash flows to IFRS.

As a result of classifying distributions to partners as a finance expense under IFRS as discussed in note 3(d), the increase in net assets attributable to the partners includes such expense in the IFRS statement of cash flows. Further, distribution expense is included as an adjustment to cash flows from operating activities under IFRS.

Lastly, in the IFRS statement of cash flows, interest received and margin tax paid are recorded in cash flows from operating activities; interest paid is recorded in cash flows from financing activities. There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows previously presented under U.S. GAAP.

MILESTONE MANAGEMENT, L.P.

Financial Statements

September 30, 2012, December 31, 2011 and
2010 and January 1, 2010

(With Independent Auditors' Report Thereon)

MILESTONE MANAGEMENT, L.P.

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Independent Auditors' Report

The Partners
Milestone Management, L.P.:

We have audited the accompanying statements of financial position of Milestone Management, L.P. (the Partnership) as of September 30, 2012, December 31, 2011 and 2010, and January 1, 2010, and the related statements of comprehensive income, changes in equity, and cash flows for the nine month period ended September 30, 2012 and the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Milestone Management, L.P. as of September 30, 2012, December 31, 2011 and 2010, and January 1, 2010, and the results of their operations and their cash flows for the nine month period ended September 30, 2012 and the years ended December 31, 2011 and 2010 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(Signed) KPMG LLP
Dallas, Texas

February 27, 2013

MILESTONE MANAGEMENT, L.P.

Statements of Financial Position
(In thousands of U.S. dollars)

	September 30, 2012	December 31, 2011	September 30, 2011	December 31, 2010	January 1, 2010
			(Unaudited)		
Assets					
Cash and cash equivalents	$ 2,131	2,359	1,701	844	1,984
Management and other receivables (note 4)	1,544	1,845	2,082	1,259	1,058
Prepayments and other current assets (note 5)	580	687	670	630	63
Total current assets	4,255	4,891	4,453	2,733	3,105
Property, plant, and equipment (note 6)	484	479	482	411	446
Intangible assets (note 7)	57	18	22	40	73
Total noncurrent assets	541	497	504	451	519
Total assets	$ 4,796	5,388	4,957	3,184	3,624
Liabilities and Equity					
Liabilities:					
Trade and other payables (note 8)	$ 442	249	222	113	68
Employee benefits (note 9)	1,067	1,057	1,126	1,169	1,121
Total current liabilities	1,509	1,306	1,348	1,282	1,189
Total liabilities	1,509	1,306	1,348	1,282	1,189
Equity:					
Partners' capital (note 10)	(9,907)	(7,681)	(7,644)	(7,531)	(5,274)
Retained earnings	13,194	11,763	11,253	9,433	7,709
Total equity	3,287	4,082	3,609	1,902	2,435
Total liabilities and equity	$ 4,796	5,388	4,957	3,184	3,624

The accompanying notes are an integral part of these financial statements.

MILESTONE MANAGEMENT, L.P.

Statements of Comprehensive Income
(In thousands of U.S. dollars)

	Nine months ended September 30, 2012	Year ended December 31, 2011	Nine months ended September 30, 2011	Year ended December 31, 2010
			(Unaudited)	
Fee revenue	$ 9,379	12,465	9,533	11,616
Other income	36	35	35	79
Total revenue	9,415	12,500	9,568	11,695
Employee benefits expense (note 11)	(6,317)	(8,127)	(6,115)	(7,908)
Operating expenses	(1,380)	(1,684)	(1,366)	(1,708)
Depreciation expense	(142)	(175)	(129)	(160)
Amortization expense	(19)	(23)	(18)	(36)
Lease rental expense (note 12)	(259)	(311)	(233)	(309)
Reimbursement from TMG Partners, L.P. (note 3)	133	150	113	150
Total expenses	(7,984)	(10,170)	(7,748)	(9,971)
Profit for the period	1,431	2,330	1,820	1,724
Other comprehensive income for the period, net of tax	—	—	—	—
Total comprehensive income for the period	$ 1,431	2,330	1,820	1,724

The accompanying notes are an integral part of these financial statements.

MILESTONE MANAGEMENT, L.P.

Statements of Changes in Equity
(In thousands of U.S. dollars)

	Milestone Management GP, LLC (General Partner)	TMG Partners, LP (Limited Partner)	MM Group, LP (Limited Partner)	Total
Balance at January 1, 2010	$—	2,435	—	2,435
Contributions	—	—	—	—
Distributions	—	(2,257)	—	(2,257)
Comprehensive income for the period	—	1,724	—	1,724
Balance at December 31, 2010	—	1,902	—	1,902
Contributions	—	—	—	—
Distributions	—	(150)	—	(150)
Comprehensive income for the period	—	2,330	—	2,330
Balance at December 31, 2011	$—	4,082	—	4,082
Balance at December 31, 2010	$—	1,902	—	1,902
Contributions (unaudited)	—	—	—	—
Distributions (unaudited)	—	(113)	—	(113)
Comprehensive income for the period (unaudited)	—	1,820	—	1,820
Balance at September 30, 2011 (unaudited)	$—	3,609	—	3,609
Balance at December 31, 2011	$—	4,082	—	4,082
Transfers		(4,082)	4,082	—
Contributions	—	—	—	—
Distributions	—	—	(2,226)	(2,226)
Comprehensive income for the period	—	—	1,431	1,431
Balance at September 30, 2012	$—	—	3,287	3,287

The accompanying notes are an integral part of these financial statements.

MILESTONE MANAGEMENT, L.P.

Statements of Cash Flows
(In thousands of U.S. dollars)

	Nine months ended September 30, 2012	Year ended December 31, 2011	Nine months ended September 30, 2011	Year ended December 31, 2010
			(Unaudited)	
Cash flows from operating activities:				
Profit for the period	$ 1,431	2,330	1,820	1,724
Adjustments for:				
Depreciation (note 6)	142	175	129	160
Amortization of intangible assets (note 7)	19	23	18	36
Net effect of changes in operating accounts:				
Management and other receivables (note 4)	301	(586)	(823)	(201)
Prepayments and other current assets (note 5)	107	(57)	(40)	(567)
Trade and other payables (note 8)	193	136	109	45
Employee benefits (note 9)	10	(112)	(43)	48
Net cash from operating activities	2,203	1,909	1,170	1,245
Cash flows from investing activities:				
Purchases of furniture, fixtures, and equipment (note 6)	(147)	(243)	(200)	(125)
Purchases of software (note 7)	(58)	(1)	—	(3)
Net cash used in investing activities	(205)	(244)	(200)	(128)
Cash flows from financing activities:				
Distributions to partner (note 10)	(2,226)	(150)	(113)	(2,257)
Net cash used in financing activities	(2,226)	(150)	(113)	(2,257)
	(228)	1,515	857	(1,140)
Net increase in cash and cash equivalents:				
Cash and cash equivalents at beginning of period	2,359	844	844	1,984
Cash and cash equivalents at end of period	$ 2,131	2,359	1,701	844

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements
September 30, 2012, December 31, 2011 and 2010 and January 1, 2010
(In thousands of U.S. dollars)

(1) Reporting Entity

In December 2004, Milestone Management, L.P. (the Partnership) was formed as a limited partnership between Milestone Management GP, LLC (MMGP), the general partner, and TMG Partners, L.P. (TMG), the limited partner, as a Delaware limited partnership. Effective January 1, 2012, TMG effectuated a restructuring, which resulted in its limited partnership interest in Milestone Management being transferred to MM Group, L.P. (MMGLP). The principal offices of the Partnership are located at 5429 Lyndon B. Johnson Freeway #800, Dallas, TX 75240. The Partnership was formed for the purpose of providing property management services to affiliates and third party entities.

(2) Basis of Preparation

(a) Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB). These are the Partnership's first financial statements in accordance with IFRS and IFRS 1 *First-time Adoption of International Financial Reporting Standards*, has been applied. The Partnership's first annual IFRS financial statements are those for the year ended December 31, 2011 with a transition date of January 1, 2010. Management has evaluated the financial statements for potential differences between IFRSs and U.S. generally accepted accounting principles (U.S. GAAP), and has concluded there has been none as of the date of transition and for the periods presented, and as such has not prepared a reconciliation of comprehensive income and net equity between U.S. GAAP and IFRSs.

The financial statements were authorized for issue by the partners on February 27, 2013.

(b) Basis of Measurement

The financial statements have been prepared on a historical cost basis. The financial statements are presented in U.S. Dollars, which is the Partnership's functional currency, and all amounts have been rounded to the nearest thousand, except when otherwise indicated.

(c) Use of Estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(d) Geographic Concentration Risk

The Partnership does not report on a geographical basis and no customers represent greater than 10% of the total revenue in any of the periods reported.

(3) Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

(a) Cash and Cash Equivalents

Cash and cash equivalents include all cash, excluding restricted cash, and investments in money market accounts, that have a maturity of three months or less at the time of purchase and approximate fair value.

(b) Non-Derivative Financial Instruments

The Partnership initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit and loss) are recognized initially on the trade date, which is the date that the Partnership becomes a party to the contractual provisions of the instrument. The Partnership derecognizes a financial asset when the contractual rights to the cash flows from the 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. Any interest in such transferred financial assets that is created or retained by the Partnership is recognized as a separate asset or liability.

(Continued)

The Partnership initially recognizes other financial liabilities on the trade date, which is the date that the Partnership becomes a party to the contractual provisions of the instrument. Other financial instruments are initially recognized at fair value less directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest rate (EIR) method. The Partnership derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Partnership has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The following summarizes the Partnership's classification and measurement of financial assets and liabilities:

Financial assets and liabilities	Classification	Subsequent measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Other noncurrent liabilities	Other financial liabilities	Amortized cost

(c) Prepaid Expenses

The Partnership pays certain expenses that cover future periods, such as insurance premiums. Payments for these items are reflected as a prepaid expense on the accompanying statement of financial position and amortized to the appropriate expense account in the accompanying statement of comprehensive income over the future benefit period.

(d) Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, using the straight-line basis over their estimated useful lives, and is generally recognized in the statement of comprehensive income.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Computer equipment	5 years
Fixtures and fittings	7 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

Any gain or loss on disposal of an item of property, plant and equipment is calculated as the difference between the net proceeds from disposal and the carrying amount of the item, and is recognized in the statement of comprehensive income.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Partnership. Ongoing repairs and maintenance are expensed as incurred.

(e) Intangible Assets

Software is capitalized as other intangible assets, and is measured at cost less accumulated amortization and any other accumulated impairment loss.

Intangible assets are amortized on a straight line basis in the statement of comprehensive income over their estimated useful life from the date that they are available for use. The estimated useful life for software for the current and comparative years is 3 years. The Partnership evaluates the useful life for software at each reporting date.

(Continued)

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific assets it relates to. All other expenditure is recognized in the statement of comprehensive income when incurred.

(f) Impairment of Non-financial Assets

The carrying amounts of the Partnership's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognized in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

No indications of impairment were identified at September 30, 2012, December 31, 2011, September 30, 2011 (unaudited), or December 31, 2010.

(g) Employee Benefits

(i) Short-Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Partnership has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the statement of comprehensive income in the periods during which related services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(h) Revenue Recognition

Revenue consists of property management fees and other fees for related services and is recognized to the extent that it is probable that the economic benefits will flow to the Partnership and the revenue can be reliably measured. Revenue is recognized in the accounting period in which the related services are rendered.

(i) Reimbursement from TMG Partners, L.P.

The Partnership receives reimbursement from an affiliate for certain costs. These costs include rent of office space, phone and other overhead costs, as well as human resources and information technology services. For the nine-month period ended September 30, 2012, the year ended December 31, 2011, the nine-month period ended September 30, 2011 (unaudited), and the year ended December 31, 2010, the reimbursements were $0.13 million, $0.15 million, $0.11 million, and $0.15 million, respectively.

(j) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including pre-payments, made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(k) Provisions

A provision is recognized if, as a result of past event, the Partnership has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the provisions. Provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability. The unwinding of the discount is recognized as finance expense.

A provision for onerous contracts is recognized when the expected benefits to be derived from the Partnership are lower than the unavoidable cost of meeting its obligation under the contract.

(l) Income Taxes

No provision for income taxes has been recorded in the accompanying financial statements, as the partners are required to report their share of the Partnership's earnings in their respective income tax returns. The Partnership's tax returns and the amounts of allocable income or loss are subject to examination by federal and state taxing authorities. If such examinations result in changes to income or loss, the tax liability of the partners could be changed accordingly.

The Partnership evaluates the uncertainties of tax positions taken or expected to be taken on a return based on the probability of whether the position taken will be sustained upon examination by tax authorities. The Partnership recognizes tax positions taken or to be taken in a tax return when they become probable. The Partnership concluded that it has no material uncertain tax liabilities to be recognized as at September 30, 2012, December 31, 2011, September 30, 2011 (unaudited), December 31, 2010 or January 1, 2010.

(m) Texas Margin Tax

The State of Texas enacted legislation that repeals the taxable capital and earned surplus components of the franchise tax and replaces such measures with an annual franchise tax on modified gross income of taxable entities, known as the Texas Margin Tax, which is equal to the lesser of: (1) 70% of a taxable entity's total revenue; or (2) 100% of total revenue less, at the election of the taxpayer: (a) cost of goods sold; or (b) compensation. The rate of tax applicable to the Partnership is 1%. Taxable entity is defined to include partnerships, corporations, limited liability companies, business trusts, and other legal entities. The Partnership has recorded the following provisions for Texas Margin Tax, which is included in operating expenses in the statement of comprehensive income:

	September 30, 2012	December 31, 2011	September 30, 2011	December 31, 2010	January 1, 2010
			(Unaudited)		
Texas margin expense	$28	31	23	29	—
Texas margin accrual	28	31	23	29	40

(n) Fair Value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value may be based on other observable current market transactions in the same instrument, with-out modification or on a valuation technique using market-based inputs.

Fair value measurements recognized in the statements of financial position are categorized using the following fair value hierarchy that reflects the significance of inputs used in determining the fair values:

Level 1: Valuations based on quoted prices in active markets for identical assets as of the reporting date.

Level 2: Valuations based on pricing inputs that are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date.

Level 3: Valuations derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and significant professional judgment in determining the fair value assigned to such assets or liabilities.

In terms of the Partnership's financial assets and liabilities, namely, cash and cash equivalents, restricted cash, trade and other receivables, and trade and other payables, the respective carrying amounts of these financial assets and liabilities are assumed to approximate their fair values as of September 30, 2012, December 31, 2011, September 30, 2011 (unaudited), December 31, 2010, and January 1, 2010.

(o) Published International Financial Reporting Standards (IFRS) and Interpretations (IFRIC), Not Yet Applied/Applicable

The following new standards, amendments to standards and interpretations are not yet effective for the period ended September 30, 2012, and have not been applied in preparing these financial statements:

IFRS 9, *Financial Instruments: Classification and Measurement*

In November 2009 and October 2010, the first part of IFRS 9 relating to the classification and measurement of financial assets and financing liabilities was issued. IFRS 9 will ultimately replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after January 1, 2015. The potential effects of this amendment are currently under review and are not expected to have an effect on the Partnership's financial statements.

IFRS 10, *Consolidated Financial Statements*

IFRS 10 replaces the consolidation guidance in IAS 27, *Consolidated and Separate Financial Statements and SIC 12, Consolidation – Special Purpose Entities* by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has (1) power over the investee; (2) exposure, or rights, to variable returns from its involvement with the investee; and (3) the ability to use its power over the investee to affect the amount of the returns. The new standard is mandatory for annual periods beginning on or after January 1, 2013. IFRS 10 is currently not anticipated to have an effect on the Partnership's financial statements.

IFRS 11, *Joint Arrangements*

IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31, *Interests in Joint Ventures*. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets. The new standard is mandatory for annual periods beginning on or after January 1, 2013. Neither IAS 31 nor IFRS 11 are currently relevant to the Partnership.

IFRS 12, *Disclosure of Interest in Other Entities*

IFRS 12 requires extensive disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. An entity is required to disclose information that helps users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements. The new standard is mandatory for annual periods beginning on or after January 1, 2013. IFRS 12 is currently not anticipated to have a significant effect on the Partnership's financial statements.

IAS 28 (2011), *Investments in Associates and Joint Ventures*

IAS 28 is amended for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

IAS 1 (2011), *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 provide guidance on the presentation of items contained in other comprehensive income (OCI) and their classification within OCI. The new standard is mandatory for annual periods beginning on or after July 1, 2012. The amendments are not currently anticipated to have an effect on the Partnership's financial statements.

IFRS 13, *Fair Value Measurements*

On May 12, 2011, the IASB issued IFRS 13, *Fair Value Measurements*, which establishes a single source of guidance for fair value measurement under IFRSs. IFRS 13 defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurements. The standard does not include requirements on when fair value measurements is required; it prescribes how fair value is to be measured if another standard requires it. The new standard is mandatory for annual periods beginning on or after January 1, 2013. The amendments are currently not anticipated to have a significant effect on the Partnership's financial statements.

(Continued)

Amendments to IAS 32 ***Financial Instruments: Presentation – Offsetting of Financial Assets and Financial Liabilities***

The amendments to IAS 32 are intended to clarify existing application issues relating to the offsetting rules and reduce the level of diversity in current practice. The amendments are effective for annual periods beginning on or after January 1, 2014. The amendments are not currently anticipated to have a significant effect on the Partnership's financial statements.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

The amendments apply to a particular class of business that qualify as investment entities. The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. The amendments are effective from January 1, 2014 with early adoption permitted. These amendments are not relevant to the Partnership.

(4) Management Fee and Other Receivables

	September 30, 2012	December 31, 2011	September 30, 2011	December 31, 2010	January 1, 2010
			(Unaudited)		
Management fees and other fees	$1,102	877	986	872	932
Other operating receivables	442	968	1,096	387	126
Management fee and other receivables	$1,544	1,845	2,082	1,259	1,058

(5) Prepayments and Other Current Assets

	September 30, 2012	December 31, 2011	September 30, 2011	December 31, 2010	January 1, 2010
			(Unaudited)		
Prepaid insurance	$505	593	589	576	43
Prepaid rent	23	52	45	54	20
Other prepaid assets	52	42	36	—	—
Prepayments and other current assets	$580	687	670	630	63

(6) Property, Plant and Equipment

Cost

	September 30, 2012	December 31, 2011	September 30, 2011	December 31, 2010	January 1, 2010
			(Unaudited)		
Balance at January 1 of period	$ 966	831	831	872	872
Additions	147	243	200	125	—
Disposals	(124)	(108)	(106)	(166)	—
Total property, plant and equipment	$ 989	966	925	831	872

Accumulated Depreciation

	September 30, 2012	December 31, 2011	September 30, 2011	December 31, 2010	January 1, 2010
			(Unaudited)		
Balance at January 1 of period	$ 487	420	420	426	426
Depreciation for the period	142	175	129	160	—
Disposals	(124)	(108)	(106)	(166)	—
Total accumulated depreciation	$ 505	487	443	420	426

Net Carrying Value

	September 30, 2012	December 31, 2011	September 30, 2011 (Unaudited)	December 31, 2010	January 1, 2010
Net property, plant and equipment	$484	479	482	411	446

(7) Intangibles

Cost

	September 30, 2012	December 31, 2011	September 30, 2011 (Unaudited)	December 31, 2010	January 1, 2010
Balance at January 1 of period	$ 64	94	94	123	123
Additions	58	1	—	3	—
Disposals	(59)	(31)	(30)	(32)	—
Total intangible assets	$ 63	64	64	94	123

Accumulated Depreciation

	September 30, 2012	December 31, 2011	September 30, 2011 (Unaudited)	December 31, 2010	January 1, 2010
Balance at January 1 of period	$ 46	54	54	50	50
Amortization for the period	19	23	18	36	—
Disposals	(59)	(31)	(30)	(32)	—
Total accumulated amortization	$ 6	46	42	54	50

Net Carrying Value

	September 30, 2012	December 31, 2011	September 30, 2011 (Unaudited)	December 31, 2010	January 1, 2010
Net intangible assets	$57	18	22	40	73

(8) Trade and Other Payables

	September 30, 2012	December 31, 2011	September 30, 2011 (Unaudited)	December 31, 2010	January 1, 2010
Trade payables	$ 12	23	18	21	20
Accrued liabilities	430	226	204	92	48
Trade and other payables	$442	249	222	113	68

(9) Employee Benefits

	September 30, 2012	December 31, 2011	September 30, 2011 (Unaudited)	December 31, 2010	January 1, 2010
Salaries and wages accrued	$ 928	991	898	988	938
Provision for employee benefits	75	66	166	181	183
Defined contribution obligation	64	—	62	—	—
Employee benefits	$1,067	1,057	1,126	1,169	1,121

(10) Partners' Capital

In accordance with the Partnership agreement, the respective ownership interests of the general partner and the limited partner are 0.01% and 99.99%.

(a) Capital Contributions

On formation of the Partnership, TMG and MMGP contributed cash in the amount of $0.35 million and $0, respectively, to the Partnership. Pursuant to the Partnership agreement, neither party is required to make additional capital contributions to the Partnership.

(b) Cash Distributions

For the nine-month period ended September 30, 2012, the Partnership distributed $2.2 million to MMGLP and $0 to MMGP. For the year ended December 31, 2011, the nine-month period ended September 30, 2011 (unaudited), and the year ended December 31, 2010, the Partnership distributed $0.15 million, $0.11 million, and $2.3 million, respectively, to TMG and $0 for all periods to MMGP.

(c) Allocation of Net Income

The Partnership's profits or losses are allocated to each of the partners in proportion to their respective ownership interests.

(11) Employee Benefit Expenses

	September 30, 2012	December 31, 2011	September 30, 2011 (Unaudited)	December 31, 2010
Salaries, wages, and bonuses	$5,872	7,827	5,935	7,222
Payroll taxes and burden	268	87	11	480
Contributions to defined contribution plan	177	213	169	206
Employee benefit expenses	$6,317	8,127	6,115	7,908

(12) Operating Leases

At the end of the reporting period, the future minimum lease payments under noncancelable operating leases are payable as follows:

	September 30, 2012	December 31, 2011	September 30, 2011 (Unaudited)	December 31, 2010
Less than one year	$ 327	134	126	281
Between one and five years	1,659	1,341	1,660	212
More than five years	247	813	574	17
Operating leases	$2,233	2,288	2,360	510

The Partnership leases two commercial premises under operating leases. The leases typically run for a period of five years, with an option to renew the lease after that date.

Rent expense was recognized as an expense in the statement of comprehensive income in respect of operating leases as follows:

	September 30, 2012	December 31, 2011	September 30, 2011	December 31, 2010
			(Unaudited)	
Rent expense	$259	311	233	309

(13) Related Party Transactions

Transactions with Affiliates

The Partnership has entered into property management agreements with affiliates, in connection with which it earns a contractually stipulated management fee in exchange for the provision of management services. All transactions are conducted and priced on an arm's-length basis, as compared to similar transactions with other non-affiliated parties.

Fees recognized in the statement of comprehensive income and the management fees receivable from affiliates are as follows:

	September 30, 2012	December 31, 2011	September 30, 2011	December 31, 2010	January 1, 2010
			(Unaudited)		
Fees from affiliates	$5,499	6,810	5,087	6,343	—
Receivables from affiliates	$ 539	541	581	542	496

(14) Contingencies and Commitments

The Partnership is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. While the resolution of these matters cannot be predicted with certainty, management believes that the final outcome of such matters will not have a material adverse effect on the financial position, results of operations or cash flows of the Partnership.

(15) Financial Risk Management

The Partnership's activities expose it to credit risk and liquidity risk. Risk management is carried out by the Chief Operating Officer under policies approved by Senior Executive Management.

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Although for the nine-month period ended September 30, 2012, approximately 58.63% (54.63%, 53.36%, and 54.61% for the year ended December 31, 2011, the nine-month period ended September 30, 2011 (unaudited), and the year ended December 31, 2010, respectively) of the Partnership's management fee revenue is attributable to management fees from a 52 asset portfolio, for which affiliates of the Partnership own the general partnership interest in such portfolio. Credit risk arises from cash and cash equivalents held at banks, trade receivables and other receivables. The Partnership structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. Such risks are subject to a quarterly or more frequent review. The Partnership has policies in place to ensure that property management contracts are entered into only with customers with an appropriate credit history, or affiliates, and the Partnership monitors the credit quality of receivables on an ongoing basis. Cash balances are held only with financial institutions with a Moody's credit rating of A or better.

(b) Liquidity Risk

Liquidity risk is the risk that the Partnership will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Partnership's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring un-acceptable losses or risking damage to the Partnership's reputation.

The Partnership aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities. The Partnership also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. The Partnership did not have any borrowings or lines of credit as at September 30, 2012, December 31, 2011, September 30, 2011 (unaudited), or December 31, 2010.

(16) Segment Information

As the chief operating decision maker reviews financial information for and makes decisions about the Partnership's overall business, the Partner's have identified a single operating segment.

(17) Capital Management Policy

Management considers capital to be the carrying amount of equity. The Partnership manages its capital to ensure its operations are adequately provided for while maximizing the return through the effective management of its resources.

(18) Subsequent Events

The Partnership has evaluated subsequent events from the balance sheet date through February 27, 2013, the date at which the financial statements were issued.

During December of 2012, the Partnership made approximately $1.4 million of distributions to partners.

Milestone Management, L.P., as part of a contemplated IPO transaction of an affiliate, would be contributed to such affiliate at date of closing.

APPENDIX A
MILESTONE APARTMENTS REAL ESTATE INVESTMENT TRUST
CHARTER OF THE AUDIT COMMITTEE
(the "Charter")

1. General

A. Purpose

The Audit Committee (the "**Committee**") is a committee of the Board of Trustees (the "**Board**") of Milestone Apartments Real Estate Investment Trust (the "**REIT**"). The members of the Committee and the chair of the Committee (the "**Chair**") are appointed by the Board on an annual basis (or until their successors are duly appointed) for the purpose of overseeing the REIT's financial controls and reporting and monitoring whether the REIT complies with financial covenants and legal and regulatory requirements governing financial disclosure matters and financial risk management.

2. Composition

The Committee should be comprised of a minimum of three trustees and a maximum of five trustees.

(1) The Committee must be constituted as required under National Instrument 52-110 – *Audit Committees*, as it may be amended or replaced from time to time ("**NI 52-110**").

(2) All members of the Committee must (except to the extent permitted by NI 52-110) be independent (as defined by NI 52-110), and free from any relationship that, in the view of the Board, could be reasonably expected to interfere with the exercise of his or her independent judgment as a member of the Committee.

(3) No members of the Committee shall receive, other than for service on the Board or the Committee or other committees of the Board, any consulting, advisory, or other compensatory fee from the REIT or any of its related parties or subsidiaries.

(4) All members of the Committee must (except to the extent permitted by NI 52-110) be financially literate (which is defined as 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 REIT's financial statements).

(5) Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee on ceasing to be a trustee. The Board may fill vacancies on the Committee by election from among the Board. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all powers of the Committee so long as a quorum remains.

3. Limitations on Committee's Duties

In contributing to the Committee's discharge of its duties under this Charter, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended or may be construed as imposing on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which any member of the Board may be otherwise subject.

Members of the Committee are entitled to rely, absent actual knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, (iii) representations made by management of the REIT ("**Management**") as to the non-audit services provided to the REIT by the external auditor, (iv) financial statements of the REIT represented to them by a member of Management or in a written report of the external auditors to present fairly the financial position of the REIT in accordance with applicable generally accepted accounting principles, and (v) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

4. Meetings

The Committee should meet not less than four times annually. The Committee should meet within 45 days following the end of the first three financial quarters of the REIT and shall meet within 90 days following the end of

the fiscal year of the REIT. A quorum for the transaction of business at any meeting of the Committee shall be a majority of the members of the Committee or such greater number as the Committee shall by resolution determine. The Committee shall keep minutes of each meeting of the Committee. A copy of the minutes shall be provided to each member of the Committee.

Meetings of the Committee shall be held from time to time and at such place as any member of the Committee shall determine upon two days' prior notice to each of the other Committee members. The members of the Committee may waive the requirement for notice. In addition, each of the Chief Executive Officer, the Chief Financial Officer and the external auditor shall be entitled to request that the Chair call a meeting.

The Committee may ask members of Management and employees of the REIT (including, for greater certainty, its affiliates and subsidiaries) or others (including the external auditor) to attend meetings and provide such information as the Committee requests. Members of the Committee shall have full access to information of the REIT (including, for greater certainty, its affiliates, subsidiaries and their respective operations) and shall be permitted to discuss such information and any other matters relating to the results of operations and financial position of the REIT with Management, employees, the external auditor and others as they consider appropriate.

The Committee or its Chair should meet at least once per year with Management and the external auditor in separate sessions to discuss any matters that the Committee or either of these groups desires to discuss privately. In addition, the Committee or its Chair should meet with Management quarterly in connection with the REIT's interim financial statements.

The Committee shall determine any desired agenda items.

5. Committee Activities

As part of its function in assisting the Board in fulfilling its oversight responsibilities (and without limiting the generality of the Committee's role), the Committee will have the power and authority to:

A. Financial Disclosure

(1) Review, approve and recommend for Board approval the REIT's interim financial statements, including any certification, report, opinion or review rendered by the external auditor and the related management's discussion & analysis and press release.

(2) Review, approve and recommend for Board approval the REIT's annual financial statements, including any certification, report, opinion or review rendered by the external auditor, the annual information form, and the related management's discussion & analysis and press release.

(3) Review and approve any other press releases that contain financial information and such other financial information of the REIT provided to the public or any governmental body as the Committee requires.

(4) Satisfy itself that adequate procedures have been put in place by Management for the review of the REIT's public disclosure of financial information extracted or derived from the REIT's financial statements and the related management's discussion & analysis.

(5) Review any litigation, claim or other contingency and any regulatory or accounting initiatives that could have a material effect upon the financial position or operating results of the REIT and the appropriateness of the disclosure thereof in the documents reviewed by the Committee.

(6) Receive periodically Management reports assessing the adequacy and effectiveness of the REIT's disclosure controls and procedures.

B. Internal Control

(1) Review Management's process to identify and manage the significant risks associated with the activities of the REIT.

(2) Review the effectiveness of the internal control systems for monitoring compliance with laws and regulations.

(3) Have the authority to communicate directly with the internal auditor.

(4) Receive periodical Management reports assessing the adequacy and effectiveness of the REIT's internal control systems.

(5) Assess the overall effectiveness of the internal control and risk management frameworks through discussions with Management and the external auditors and assess whether recommendations made by the external auditors have been implemented by Management.

C. Relationship with the External Auditor

(1) Recommend to the Board the selection of the external auditor and the fees and other compensation to be paid to the external auditor.

(2) Have the authority to communicate directly with the external auditor and arrange for the external auditor to be available to the Committee and the Board as needed.

(3) Advise the external auditor that it is required to report to the Committee, and not to Management.

(4) Monitor the relationship between Management and the external auditor, including reviewing any Management letters or other reports of the external auditor, discussing any material differences of opinion between Management and the external auditor and resolving disagreements between the external auditor and Management.

(5) If considered appropriate, establish separate systems of reporting to the Committee by each of management and the external auditor.

(6) Review and discuss on an annual basis with the external auditor all significant relationships they have with the REIT, Management or employees that might interfere with the independence of the external auditor.

(7) Pre-approve all non-audit services (or delegate such pre-approval, as the Committee may determine and as permitted by applicable securities laws) to be provided by the external auditor.

(8) Review the performance of the external auditor and recommend any discharge of the external auditor when the Committee determines that circumstances warrant.

(9) Periodically consult with the external auditor out of the presence of Management about (a) any significant risks or exposures facing the REIT, (b) internal controls and other steps that Management has taken to control such risks, and (c) the fullness and accuracy of the financial statements of the REIT, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.

(10) Review and approve any proposed hiring of current or former partners or employees of the current (and any former) external auditor of the REIT.

D. Audit Process

(1) Review the scope, plan and results of the external auditor's audit and reviews, including the auditor's engagement letter, the post-audit management letter, if any, and the form of the audit report. The Committee may authorize the external auditor to perform supplemental reviews, audits or other work as deemed desirable.

(2) Following completion of the annual audit and quarterly reviews, review separately with each of Management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.

(3) Review any significant disagreements among Management and the external auditor in connection with the preparation of the financial statements.

(4) Where there are significant unsettled issues between Management and the external auditor that do not affect the audited financial statements, the Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.

(5) Review with the external auditor and Management significant findings and the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.

(6) Review the system in place to seek to ensure that the financial statements, management's discussion & analysis and other financial information disseminated to regulatory authorities and the public satisfy applicable requirements.

E. Financial Reporting Processes

(1) Review the integrity of the REIT's financial reporting processes, both internal and external, in consultation with the external auditor.

(2) Periodically consider the need for an internal audit function, if not present.

(3) Review all material balance sheet issues, material contingent obligations and material related party transactions.

(4) Review with Management and the external auditor the REIT's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with Management, the ramification of their use and the external auditor's preferred treatment and any other material communications with Management with respect thereto. Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financial reporting.

F. General

(1) Inform the Board of matters that may significantly impact on the financial condition or affairs of the business.

(2) Respond to requests by the Board with respect to the functions and activities that the Board requests the Committee to perform.

(3) Periodically review this Charter and, if the Committee deems appropriate, recommend to the Board changes to this Charter.

(4) Review the public disclosure regarding the Committee required from time to time by NI 52-110.

(5) The Committee may at its discretion retain independent counsel, accountants and other professionals to assist it in the conduct of its activities and to set and pay (as an expense of the REIT) the compensation for any such advisors.

(6) Review in advance, and approve, the hiring and appointment of the REIT's senior financial executives.

(7) Perform any other activities as the Committee or the Board deems necessary or appropriate.

6. Complaint Procedures

(1) Anyone may submit a complaint regarding conduct by the REIT or its employees or agents (including its external auditor) reasonably believed to involve questionable accounting, internal accounting controls, auditing or other matters. The Chair will have the power and authority to oversee treatment of such complaints.

(2) Complaints are to be directed to the attention of the Chair.

(3) The Committee should endeavour to keep the identity of the complainant confidential.

(4) The Chair will have the power and authority to lead the review and investigation of a complaint. The Committee should retain a record of all complaints received. Corrective action may be taken when and as warranted.

CERTIFICATE OF THE REIT AND THE PROMOTER

Dated: February 27, 2013

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

MILESTONE APARTMENTS REAL ESTATE INVESTMENT TRUST

(Signed) ROBERT P. LANDIN
Chief Executive Officer

(Signed) CHRISTOPHER A. PHILLIPS
Chief Financial Officer

On behalf of the Board of Trustees

(Signed) MICHAEL D. YOUNG
Trustee

(Signed) WILLIAM J. BIGGAR
Trustee

MST INVESTORS, LLC
(as Promoter)

(Signed) ROBERT P. LANDIN

CERTIFICATE OF THE UNDERWRITERS

Dated: February 27, 2013

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada.

BMO NESBITT BURNS INC.

By: (Signed) Ashish P. Mathur

CIBC WORLD MARKETS INC.

By: (Signed) Mark G. Johnson

RBC DOMINION SECURITIES INC.

By: (Signed) Karim Kabbara

SCOTIA CAPITAL INC.

By: (Signed) Bryce Stewart

TD SECURITIES INC.

By: (Signed) Andrew Phillips

NATIONAL BANK FINANCIAL INC.

By: (Signed) Glen Hirsh

CANACCORD GENUITY CORP.

By: (Signed) Justin Bosa

GMP SECURITIES L.P.

By: (Signed) Andrew Kiguel

MACQUARIE CAPITAL MARKETS CANADA LTD.

By: (Signed) David Fleck

- **Benefit from a full-service, vertically integrated** management platform
- **Strong demand** expected from "Echo Boomer" renters
- Aligned management team with **proven multifamily track record**
- **Insufficient supply** of new apartment units

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