PROSPECTUS

Initial Public Offering

June 27, 2014

STARLIGHT U.S. MULTI-FAMILY (NO. 3) CORE FUND

(the "Fund")

Maximum: US$60,000,000 of
Class A Units and/or Class U Units and/or Class D Units
and/or Class F Units and/or Class C Units

This Prospectus qualifies the distribution of up to US$60,000,000 of class A limited partnership units (the "**Class A Units**") and/or class U limited partnership units (the "**Class U Units**") and/or class D limited partnership units (the "**Class D Units**") and/or class F limited partnership units (the "**Class F Units**") and/or class C limited partnership units (the "**Class C Units**", and collectively with the Class A Units, Class U Units, Class D Units and Class F Units, the "**Units**") of the Fund (the "**Offering**") at a price of C$10.00 per Class A Unit, Class D Unit, Class F Unit and Class C Unit and US$10.00 per Class U Unit.

The Fund's investment objectives are to: (a) indirectly acquire, own, and operate a portfolio comprised of recently constructed, Class "A" stabilized, income producing multi-family real estate properties primarily in Texas, Arizona and the southeastern United States ("**U.S.**"); (b) make stable monthly cash distributions; and (c) enhance operating income and property values of the Fund's assets through active management, with the goal of ultimately disposing of the assets at a gain by the end of the Term (as defined herein).

Price: C$10.00 per Class A Unit
US$10.00 per Class U Unit
C$10.00 per Class D Unit
C$10.00 per Class F Unit
C$10.00 per Class C Unit

	Price to the Public[(1)]	Agents' Fee	Net Proceeds to the Fund[(2)]
Per Class A Unit	C$10.00	C$0.525	C$9.475
Per Class U Unit	US$10.00	US$0.525	US$9.475
Per Class D Unit	C$10.00	C$0.525	C$9.475
Per Class F Unit	C$10.00	C$0.225	C$9.775
Per Class C Unit[(3)]	C$10.00	C$0.00	C$10.00
Minimum Offering[(4)]	US$27,000,000	US$885,000	US$26,115,000
Maximum Offering[(5)]	US$60,000,000	US$2,392,500	US$57,607,500

Notes:

(1) The terms of the Offering, including the Offering Price (as defined herein), were determined by negotiation between the Agents (as defined herein) and the Manager (as defined herein), on behalf of the Fund.

Starlight™
U.S. Multi-Family

Starlight™

U.S. Multi-Family

(2) Before deduction of the expenses of the Offering (estimated at US$900,000) which, subject to a maximum of 1.5% of the Gross Subscription Proceeds (as defined herein) and together with the Agents' Fee, will be paid out of the Gross Subscription Proceeds.

(3) Class C Units will only be sold to an Affiliate of the Manager (as defined herein), the principal of the Manager, certain other investors known to the Manager, and the Lead Investors (as defined below), if any.

(4) The Minimum Offering (as defined herein) assumes that US$14,500,000 of Class U Units (and/or the Canadian dollar equivalent thereof in Class A Units), the Canadian dollar equivalent of US$7,000,000 of Class C Units and the Canadian dollar equivalent of US$5,500,000 of Class F Units are issued pursuant to this Prospectus but will actually be calculated based on the subscription proceeds received from the issuance of Class A Units, Class U Units, Class D Units, Class F Units and Class C Units. The minimum subscription amount is C$1,000 in respect of the Class A Units and Class F Units; C$10,000 in respect of the Class D Units; and US$1,000 in respect of the Class U Units. There is no minimum subscription amount in respect of the Class C Units.

(5) The Maximum Offering (as defined herein) assumes that US$40,000,000 of Class U Units (and/or the Canadian dollar equivalent thereof in Class A Units), the Canadian dollar equivalent of US$7,000,000 of Class C Units and the Canadian dollar equivalent of US$13,000,000 of Class F Units are issued pursuant to this Prospectus but will actually be calculated based on the subscription proceeds received from the issuance of Class A Units, Class U Units, Class D Units, Class F Units and Class C Units.

The Fund has received commitments from an Affiliate of Starlight Investments Ltd. (the "**Manager**") and the principal of the Manager to subscribe for a minimum of the Canadian dollar equivalent of US$7,000,000 of Class C Units pursuant to this Prospectus or, at the discretion of the Fund, by way of private placement (which commitment will be reduced by the amount of any subscriptions for Class C Units received from other investors known to the Manager).

The Fund may also seek out commitments from certain institutional and other investors to subscribe for Class C Units, on a lead order or a private placement basis ("**Lead Investors**"). The Fund may issue additional limited partnership units, including limited partnership units of a new class, by way of private placement concurrent with the closing of the Offering at a price of C$10.00 or US$10.00, as the case may be, provided that the proceeds of any such private placements together with the proceeds of the Offering, do not exceed the Maximum Offering amount.

Following the completion of the Offering, the Fund intends to cause Starlight U.S. Multi-Family (No. 3) Core REIT Inc. (the "**U.S. REIT**") to indirectly acquire an interest in a portfolio comprising an aggregate of 891 multi-residential apartment units in three Properties (as defined herein) located in the State of Texas in the Houston and Austin metropolitan areas (the "**Initial Portfolio**"). See "Description of the Activities of the Fund – The Initial Portfolio" and "Use of Proceeds". Net proceeds from the Offering which are in excess of the amount required to complete the purchase of the Initial Portfolio will be used to fund the acquisitions of one or more additional Properties which are expected to occur within nine months following the Closing Date (as defined below) and for general working capital purposes. It is the intention of the Manager that not more than 50% of the Investable Funds be deployed to acquire such additional Properties.

The Fund will target an annual pre-tax distribution yield of at least 7% across all Unit classes and aim to realize a minimum 12% pre-tax, investor internal rate of return across all Unit classes upon disposition of the Properties at or before the end of the targeted three year investment horizon, although each of these figures will necessarily vary as between classes of Units based on the proportionate entitlements of each class of Unit, applicable Unit Class Expenses (as defined herein) and Canadian/U.S. dollar exchange rates. See "Risk Factors" and "Description of the Securities Distributed – Units – Distributions". The *pro rata* monthly distribution on the Units will commence following the end of the Fund's first full operating month after the closing date of the Offering, which is expected to be on or about July 9, 2014 or such later date as the Fund and the Agents may agree, but in any event not later than July 31, 2014 (the "**Closing Date**"). The initial distribution is expected to be paid on September 15, 2014 to Unitholders of record on August 29, 2014 and the distribution amount per Unit will be determined in accordance with the Fund LP Agreement (as defined herein). See "Description of the Securities Distributed – Units – Distributions". Thereafter, the Fund intends to declare monthly cash distributions no later than 7 Business Days (as defined herein) prior to the end of each month, payable within 15 days following the end of the month (or the next Business Day if not a Business Day) in which the distribution is declared to Unitholders as at month-end. In the event that the Gross Subscription Proceeds exceed the Minimum Offering amount, the net proceeds from the Offering will be in excess of the amount required to complete the purchase of the Initial Portfolio and, therefore, initially, not all of the net proceeds from the Offering will be deployed by the Fund to indirectly acquire interests in income-producing properties. The net proceeds from the Offering which exceed the amount required to complete the purchase of the Initial Portfolio are not expected to have an impact on Distributable Cash Flow (as defined herein) and, accordingly, until such excess funds are deployed by the Fund to indirectly acquire interests in income-producing property, the annualized pre-tax distribution yield per Unit can be expected to be less than 7%. See "Risk Factors".

An investment in the securities offered by this Prospectus must be considered speculative as the securities are subject to certain risk factors as set out under the heading "Risk Factors" or otherwise described in this Prospectus. An investment in Units is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Although the Fund intends to distribute its available cash to Unitholders (as defined herein) in accordance with its distribution policies, unlike fixed-income securities, there is no obligation of the Fund to distribute fixed dollar amounts to Unitholders and, as such, the amount of cash distributions is not guaranteed and may be reduced, including to zero, resulting in a reduction in yield based on the Offering Price (as defined herein) of the Fund's Units. The ability of the Fund to make cash distributions on the Units and the actual amount distributed will depend on the ability of the Fund to indirectly acquire the Properties as well as the ongoing operations of the Properties, and will be subject to various factors including those referenced in the "Risk Factors" section of this Prospectus or otherwise described in this Prospectus. The Minimum Return (as defined herein) of 7% per annum payable by the Holding LP (as defined herein) to the Investment LP (as defined herein), which will ultimately form part of the distributions available from the Fund to the Unitholders after payment of all Fund expenses, is a preferred return, but is not guaranteed and may not be paid on a current basis in each year or at all. The return on an investment in the Units is not comparable to the return on an investment in a fixed income security. Cash distributions, including a return of a Unitholder's original investment, are not guaranteed and the anticipated return on investment is based upon many performance assumptions. It is important for purchasers of Units ("Purchasers") to consider the particular risk factors that may affect the real estate investment markets generally and therefore the availability and stability of the distributions to Unitholders. See "Risk Factors" and the risks otherwise described in this Prospectus for a more complete discussion of these risks and their potential consequences.

There is currently no market through which the Units may be sold, and such a market may not develop, and Purchasers may not be able to resell securities purchased under this Prospectus. This may affect the pricing and liquidity of the securities in the secondary market, the transparency and availability of trading prices, and the extent of issuer regulation. See "Risk Factors". The Fund has received conditional approval from the TSX Venture Exchange (the ''Exchange'') to list the Class A Units and Class U Units distributed under the Offering on the Exchange under the symbols "SUS.A" and "SUS.U", respectively. Listing of the Class A Units and Class U Units is subject to the Fund fulfilling all of the requirements of the Exchange. See "Plan of Distribution". As at the date of this Prospectus, the Fund does not have any of its securities listed or quoted and has not applied to list or quote any of its securities on the Toronto Stock Exchange, a U.S. marketplace, or any other marketplace within or outside Canada and the U.S.

On the Closing Date, the Fund will convert the net subscription amounts from the Class A Units, Class D Units, Class F Units and Class C Units (the "**Canadian Dollar Units**") received into U.S. dollars. The relative entitlement of a holder of a Canadian Dollar Unit to receive distributions from the Fund and to receive proceeds upon the termination of the Fund (as compared to the entitlement of a holder of a Class U Unit) will depend, in part, on the Canadian/U.S. dollar exchange rate at which the Fund is able to convert such proceeds on the Closing Date. Furthermore, (i) the amount of distributions on the Canadian Dollar Units, (ii) any returns of capital and (iii) the distribution of proceeds on the termination of the Fund to such holders, will be determined and declared in U.S. dollars at the time of such distributions and accordingly will depend, in part, on the Canadian/U.S. dollar exchange rate at each such time. In respect of the Canadian Dollar Units, the Fund will convert each U.S. dollar distribution payable on the Canadian Dollar Units into Canadian dollars at the spot exchange rate available to the Fund on the date of declaration in respect of such distribution and holders of Canadian Dollar Units will receive Canadian dollar distributions. As a result, although holders of Canadian Dollar Units will receive Canadian dollar distributions, the amount of such distributions will be determined based upon the Canadian/U.S. dollar exchange rate at the time of declaration of such distributions. See "Description of the Securities Distributed – Units – Distributions". The Fund does not intend to enter into any hedging arrangements to limit the impact of changes in the Canadian/U.S. dollar exchange rate for holders of Canadian Dollar Units and therefore it is anticipated that holders of Canadian Dollar Units will have full exposure to changes in the exchange rate between the Canadian and U.S. dollar. See "Risk Factors".

Unitholders will generally be required to include (or generally be entitled to deduct), in computing their income for each taxation year, their proportionate share of the income (or loss) of the Fund allocated to them by the Fund for the fiscal period of the Fund ending in or coincidentally with such taxation year. Such allocation may bear no relation to the cash distributions made by the Fund to Unitholders for such period. If a Unitholder receives distributions from the Fund in a year which exceed the amount of income for income tax purposes allocated to such Unitholder by the Fund for the year, any such excess distributions will generally not be included in the Unitholder's income for the year, but will result in a net reduction of the adjusted cost base of the Unitholder's Units. In the event that cash distributions paid to a Unitholder in a fiscal period of the Fund are less than the income for income tax purposes allocated to such Unitholder for the year, the full amount of such income will be required to be included in the Unitholder's income for the year and any such shortfall in distributions will generally result in a net increase in the adjusted cost base of the Unitholder's Units. See "Certain Canadian Federal Income Tax Considerations".

The after-tax return from an investment in Units to a Unitholder subject to Canadian income tax will depend in part on the Unitholder's ability to recognize for purposes of the Tax Act (as defined herein) U.S. or other foreign taxes considered to be paid by or on behalf of the Unitholder through the foreign tax credit or foreign tax deduction mechanisms in the Tax Act. See "Certain Canadian Federal Income Tax Considerations" and "Certain U.S. Federal Income Tax Considerations".

CIBC World Markets Inc. (the "**Lead Agent**"), National Bank Financial Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., Raymond James Ltd., TD Securities Inc., Dundee Securities Ltd., GMP Securities L.P., Canaccord Genuity Corp. and Desjardins Securities Inc. (collectively with the Lead Agent, the "**Agents**") conditionally offer the Units on a best efforts basis, subject to prior sale, if, as and when issued by the Fund and accepted by the Agents in accordance with the conditions contained in the Agency Agreement (as defined herein), and subject to the approval of certain Canadian legal matters on behalf of the Fund and the Manager by Blake, Cassels & Graydon LLP and on behalf of the Agents by McCarthy Tétrault LLP. See "Plan of Distribution".

Registration and transfers of Units will be effected only through the book entry only system administered by CDS Clearing and Depository Services Inc. ("**CDS**"). A Purchaser will receive only a customer confirmation from the registered dealer which is a CDS participant from or through which Units are purchased. Beneficial owners of Units will not have the right to receive physical certificates evidencing their ownership of such securities. See "Plan of Distribution".

The Manager, on behalf of a Subsidiary of the U.S. REIT, has secured a first mortgage loan in respect of the purchase of one of the Properties in the Initial Portfolio in the amount of up to approximately US$23,900,000 and the U.S. REIT will be indirectly assuming its proportionate interest in respect of two first mortgage loans in connection with the purchase of two of the Properties in the Initial Portfolio in the aggregate amount of US$37,900,000, each with a U.S. Affiliate of a Canadian chartered bank that is an Affiliate of the Lead Agent. Consequently, the Fund may be considered a "connected issuer" of the Lead Agent, as such term is defined in National Instrument 33-105 – ***Underwriting Conflicts*****. See "Description of the Activities of the Fund – The Initial Portfolio – Financing of the Initial Portfolio" and "Plan of Distribution – Relationship Between the Fund and the Lead Agent".**

There will be no closing of the Offering unless the Minimum Offering is achieved. The closing of the Offering will not proceed unless all preconditions to the closing of the acquisitions of the Properties comprising the Initial Portfolio have been satisfied or waived. The distribution under the Offering will not continue for a period of more than 90 days after the date of the receipt obtained from the principal securities regulatory authority for the final prospectus for the Offering (the "Final Prospectus"). If one or more amendments to the Final Prospectus are filed and the principal securities regulatory authority has issued a receipt for any such amendment, the distribution under this Offering will not continue for a period of more than 90 days after the latest date of a receipt for any such amendment. In any case, the total period of distribution under the Offering will not continue for a period of more than 180 days from the date of the receipt for the Final Prospectus. If the Minimum Offering is not achieved during the 90 day period, subscription funds received by the Agents will be returned to subscribers without any deductions, unless the subscribers have otherwise instructed the Agents.

The following persons are incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or reside outside of Canada. The persons named below have appointed the following agents for service of process:

Name of Person or Company	Name and Address of Agent for Service
CBRE, Inc.	CBRE Limited, 145 King St. W., Suite 300, Toronto, Ontario M5H 1J8

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

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FORWARD-LOOKING STATEMENTS

This Prospectus includes statements with respect to the Fund, including its business operations and strategy, and financial performance and condition, which may constitute forward-looking information, future oriented financial information, or financial outlooks (collectively, "**forward-looking information**") within the meaning of Canadian securities laws. Forward-looking information may relate to the Fund's future outlook and anticipated events, including future results, performance, achievements, prospects or opportunities for the Fund, Fund No. 1 and Fund No. 2 or the real estate industry and the Offering and may include statements regarding the financial position, budgets, litigation, projected costs, capital expenditures, financial results, taxes, plans and objectives of, or involving, the Fund. Particularly, statements regarding the Fund's expected annual distribution yield, total return on liquidation, target investments, exit strategy and timing thereof, use of local property managers and analytical business strategy, the expected date of completion of the Offering, future market demographics and projected occupancy rates of the Initial Portfolio, are forward-looking information. Such forward-looking information in some cases, can be identified by terminology such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "seek", "aim", "estimate", "target", "project", "predict", "forecast", "potential", "continue", "likely", "schedule", or the negative thereof or other similar expressions concerning matters that are not historical facts.

Forward-looking information in this Prospectus includes, but is not limited in any manner to statements with respect to:

(a) opportunities in the U.S. multi-family real estate market and the availability of a substantial inventory of recently constructed, Class "A", income-generating properties therein;

(b) optimal market conditions in Texas, Arizona and the southeastern U.S.;

(c) limited availability of higher leveraged acquisition financing in the U.S. and constraints on development;

(d) expectations regarding recent economic developments in the U.S., the future recovery of the U.S. real estate markets generally and the U.S. to Canadian dollar exchange rates;

(e) the forecasted financial results of the Fund for the periods set out in the "Financial Forecast" section of this Prospectus;

(f) the Fund's intention, after the completion of the acquisition of the Initial Portfolio, to use the remaining net proceeds from the Offering within nine months to acquire additional Properties and that not more than 50% of the Investable Funds be deployed to acquire such additional Properties.;

(g) opportunities to increase the NOI of the Initial Portfolio;

(h) the availability of financing for the Properties;

(i) the Fund's intention to make distributions monthly;

(j) the possibility of the Manager leveraging its network in the multi-family sector to explore possible co-investments between the Fund and potential co-investors;

(k) the Fund's objective to enhance operating income and property values and ultimately dispose of its assets at a gain by the end of the Term; and

(l) the expected public filings of the Fund.

Material factors and assumptions used by management of the Fund to develop the forward-looking information include, but are not limited to, the Fund's current expectations about: vacancy and rental growth rates in the U.S. multi-family market; demographic trends in the U.S.; opportunity for currency appreciation; the realization of property value appreciation and timing thereof; the inventory of multi-family real estate properties; the availability of properties (other than the Initial Portfolio) for acquisition and the price at which such properties may be acquired; the price at which Properties may be disposed and the timing thereof; closing and other transaction costs in connection with the acquisition and disposition of Properties; the availability of mortgage financing and current interest rates; the capital structure of the Fund; the extent of competition for properties; the population of multi-family real estate market participants; assumptions about the markets in which the U.S. REIT intends to operate; expenditures and fees in connection with the maintenance, operation and administration of the Properties; the ability of the Manager to manage and operate the Properties; the global and North American economic environment; foreign currency exchange rates; and governmental regulations or tax laws. With respect to factors and assumptions used to calculate the 12% pre-tax, investor internal rate of return, please see "Description of the Securities Distributed – Units – Distributions". While management considers these assumptions to be reasonable based on currently available information, they may prove to be incorrect.

Although the Manager believes that the expectations reflected in such forward-looking statements are reasonable and represent the Fund's internal projections, expectations and beliefs at this time, such statements involve known and unknown risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond the Fund's control, may affect the operations, performance and results of the Fund, and could cause actual results in future periods to differ materially from current expectations of estimated or anticipated events or results expressed or implied by such forward-looking statements. Such factors include, among other things, the availability of suitable Properties for purchase by the Fund, the availability of mortgage financing for such Properties, and general economic and market factors, including interest rates, prospective purchasers of real estate, the attractiveness of the Fund's Properties and the ability of the Fund to sell its Properties upon termination of the Fund, business competition, changes in government regulations or income tax laws. See "Risk Factors".

Investors are cautioned against placing undue reliance on forward-looking statements.

Except as required by law, the Fund undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

MEANING OF CERTAIN TERMS

In this Prospectus, all references to "$" or "C$" are to Canadian dollars and all references to "US$" are to U.S. dollars, unless otherwise noted. Certain terms used in this Prospectus are defined under "Glossary of Terms".

In this Prospectus, references to the Fund include its Subsidiaries (as defined herein), where the context requires, and any reference to the U.S. REIT includes its Subsidiaries and any nominee entities on behalf of the U.S. REIT, where the context requires. In addition, any reference to the indirect acquisition of Properties by the Fund means the acquisition of the Properties by the Fund through its interest in the Investment LP through the Investment LP's interest in the Holding LP through the Holding LP's interest in the U.S. REIT, which will be the indirect acquirer of such Properties through single purpose entities.

Unless otherwise noted herein, the disclosure in this Prospectus assumes that the Fund will wholly and indirectly acquire the Properties without participation by any co-investors. Co-investors, if any, may invest by acquiring securities of the Investment LP, the U.S. REIT or otherwise as the directors of Starlight U.S. Multi-Family (No. 3) Core GP, Inc. (the general partner of the Fund) determine to be in the best interests of the Fund. Such co-investors would be entitled to the rights associated with securities of the Investment LP and/or the U.S. REIT, as applicable, as described in this Prospectus. On the Closing Date or shortly thereafter, Starlight Investments Acquisition LLC will indirectly transfer its 50% interest in Sunset Ridge to the Fund by way of the Sunset Ridge Purchase Agreement and the Property will be co-owned by the Fund and Fund No. 1 pursuant to the terms of the Sunset Ridge LLC Agreement. See "Risk Factors – Risks of Real Estate Investment and Ownership – Co-Investment/Joint Ventures".

Unless otherwise noted herein, the disclosure in this Prospectus assumes that (a) all Class C Units are sold under the Prospectus, (b) certain other investors known to the Manager will subscribe for C$2,000,000 of Class C Units, which aggregate subscription amount will reduce the Canadian dollar equivalent of US$7,000,000 of Class C Units committed to be purchased by the Manager and the principal of the Manager, and (c) there is no concurrent private placement of additional limited partnership units and there are not any Lead Investors.

MARKET DATA

This Prospectus contains statistical data, market research and industry forecasts that were obtained from government and industry publications and reports or are based on estimates derived from such publications and reports and the Manager's knowledge of, and experience in, the markets in which the Fund operates. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. Actual outcomes may vary materially from those forecast in such publications or reports, and the prospect for material variation can be expected to increase as the length of the forecast period increases. While the Manager believes this data to be reliable, market and industry data is subject to variations and cannot be verified due to limits on the availability and reliability of data inputs and other limitations and uncertainties inherent in any statistical survey. Accordingly, the accuracy, currency and completeness of this information cannot be guaranteed. None of the Fund, the Manager or the Agents has independently verified any of the data from third-party sources referred to in this Prospectus or ascertained the underlying assumptions relied upon by such sources.

NON-IFRS MEASURES

In this Prospectus, the Fund uses certain non-International Financial Reporting Standards ("**IFRS**") financial measures, which include funds from operations ("**FFO**"), adjusted funds from operations ("**AFFO**"), net operating income ("**NOI**"), gross book value ("**Gross Book Value**"), capitalization rate ("**Capitalization Rate**") indebtedness ("**Indebtedness**"), interest coverage ratio ("**Interest Coverage Ratio**") and indebtedness coverage ratio ("**Indebtedness Coverage Ratio**"). These terms are not measures recognized under IFRS as prescribed by the International Accounting Standards, do not have standardized meanings prescribed by IFRS and should not be compared to or construed as alternatives to profit/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. FFO, AFFO, NOI, Gross Book Value, Indebtedness, Interest Coverage Ratio and Indebtedness Coverage Ratio, as computed by the Fund, may not be comparable to similar measures as reported by other trusts or companies in similar or different industries. The Fund uses these measures to better assess the Fund's underlying performance and provides these additional measures so that investors may do the same. The IFRS measurement most directly comparable to FFO, AFFO and NOI is net income. FFO, AFFO and NOI should not be construed as alternatives to net income or cash flow from operating activities, determined in accordance with IFRS as indicators of the Fund's performance.

"FFO" is defined as net income in accordance with IFRS, excluding: (i) fair value adjustments on investment properties; (ii) gains (or losses) from sales of investment properties; (iii) amortization of tenant incentives; (iv) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; and (v) deferred income tax expense, after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties. FFO is presented in this Prospectus because management considers this non-IFRS measure to be an important measure of the Fund's operating performance.

"AFFO" is defined as FFO subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on mortgages acquired, amortization of deferred financing and leasing costs, and compensation expense related to deferred unit incentive plans, (ii) adjusting for any differences resulting from recognizing property revenues on a straight-line basis and (iii) deducting a reserve for normalized maintenance capital expenditures and suite make ready costs, as determined by the Fund. Other adjustments may be made to AFFO as determined by the General Partner in its discretion. AFFO is presented in this Prospectus because management considers this non-IFRS measure to be an important performance measure to determine the sustainability of future distributions paid to Unitholders after the provision for maintenance capital expenditures. 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 defined as revenue after Operating Expenses (as defined herein) have been deducted and adjusting for the NOI of equity accounted entities, joint ventures and non-controlling interests. NOI is presented in this Prospectus because management considers this non-IFRS measure to be an important measure of the Fund's operating performance and uses this measure to assess the Fund's operating performance on an unlevered basis.

"Gross Book Value" is defined as the fair market value of the investment properties of the Fund. Gross Book Value is presented in this Prospectus because management considers this non-IFRS measure to be an important measure of the Fund's financial condition.

“Capitalization Rate” is defined as the yield of a property calculated by dividing the NOI of the property by the purchase price of the property. Capitalization is presented in this Prospectus because management considers it relevant in interpreting the purchase price of the Properties being acquired.

“Indebtedness” is defined as the face value of mortgages payable and is a measure of the amount of debt financing utilized by the Fund. Indebtedness is presented in this Prospectus because management considers this non-IFRS measure to be an important measure of the Fund’s financial condition.

“Interest Coverage Ratio” is defined as net income in accordance with IFRS before tax plus finance costs which include amortization of financing costs and mortgage premium, less finance income and adjusted for other non-cash items divided by mortgage interest expenses. Generally, a higher Interest Coverage Ratio indicates a lower credit risk. Interest Coverage Ratio is presented in this Prospectus because management considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual interest indebtedness payments and ultimately the ability of the Fund to make cash distributions to investors in Units.

“Indebtedness Coverage Ratio” is defined as net income in accordance with IFRS before tax plus finance costs, which include amortization of financing costs and mortgage premium, less finance income and adjusted for other non-cash items divided by mortgage interest and principal payments. Generally, a higher Indebtedness Coverage Ratio demonstrates a stronger ability to satisfy the obligation requirements. Indebtedness Coverage Ratio is presented in this Prospectus because management considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual principal and interest mortgage payments and ultimately the ability of the Fund to make cash distributions to investors in Units.

MARKETING MATERIALS

The following marketing materials (as such term is defined in National Instrument 41-101 – *General Prospectus Requirements* (“**NI 41-101**”)) have been filed with the securities commission or similar authority in each of the provinces of Canada in connection with the Offering and are incorporated by reference into this Prospectus (collectively, the “**Marketing Materials**”):

(1) the template version of the roadshow presentation dated June, 2014; and

(2) the template version of the term sheet dated May 29, 2014.

Information in the initial template versions of the roadshow presentation and the term sheet have been modified in view of the following modifications contained in this Prospectus:

- the purchase price to be paid by the Fund to Starlight Investments Ltd. for Allure pursuant to the Allure Purchase Agreement is now US$43.15 million;
- the commitment of the Affiliate of the Manager and the principal of the Manager of US$7,000,000 of Class C Units will be reduced by the amount of any subscriptions for Class C Units received from other investors known to the Manager;
- the inclusion of the average lease terms for each of Allure and Cinco Ranch of 12 months and 13 months for Sunset Ridge; and
- certain changes which consequentially followed from the items described above.

Pursuant to subsection 13.7(7) of NI 41-101, the Fund has prepared revised template versions of the roadshow presentation and term sheet, which have been blacklined to reflect the modified statements. The foregoing summary of modifications is not exhaustive and is qualified by the contained in the revised template versions of the roadshow presentation and the term sheet and the blacklined versions of such documents which have been filed with the securities commission or similar authority in each of the provinces of Canada and can be viewed under the Fund’s profile on SEDAR at www.sedar.com.

The template versions of the Marketing Materials are not part of this Prospectus to the extent that the contents of the template versions of the Marketing Materials have been modified or superseded by a statement contained in this Prospectus.

In addition, any template version of any other marketing materials filed with the securities commission or similar authority in each of the provinces of Canada in connection with this Offering after the date hereof but prior to the termination of the distribution of the securities under this Prospectus is deemed to be incorporated by reference into this Prospectus.

ELIGIBILITY FOR INVESTMENT

Based on the current provisions of the Tax Act, in the opinion of Blake, Cassels & Graydon LLP, counsel to the Fund, and McCarthy Tétrault LLP, counsel to the Agents, provided that, at all relevant times, the Class A Units and Class U Units are listed on a "designated stock exchange" as defined in the Tax Act (which includes Tier 1 and Tier 2 of the Exchange), the Class A Units and Class U Units will be qualified investments for trusts governed by Plans (which includes RRSPs, RESPs, RRIFs, deferred profit sharing plans, registered disability savings plans and TFSAs). The Class D Units, Class F Units and the Class C Units likely are not qualified investments for Plans. Prospective Purchasers of Class D Units, Class F Units and Class C Units should consult with their own tax advisors in this regard.

The Class A Units and Class U Units will not be a prohibited investment for a trust governed by a TFSA, RRSP or RRIF provided the holder of such TFSA or the annuitant of such RRSP or RRIF, as the case may be, (i) deals at arm's length with the Fund for purposes of the Tax Act, and (ii) does not have a "significant interest" in the Fund, as defined in the Tax Act. Prospective Purchasers who intend to hold Class A Units and/or Class U Units in a TFSA, RRSP or RRIF are advised to consult their personal tax advisors.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. Certain terms and abbreviations used in this summary are defined in the Glossary of Terms provided herein.

Issuer: Starlight U.S. Multi-Family (No. 3) Core Fund (the "**Fund**") is a newly-created "closed-end" limited partnership, sponsored and asset managed by Starlight Investments Ltd. (the "**Manager**"). The Fund is governed by the laws of Ontario and was established on May 1, 2014 pursuant to the Fund LP Agreement. The Fund was established for the primary purpose of indirectly acquiring, owning and operating a portfolio of income producing rental properties in the U.S. multi-family real estate market. See "Corporate Structure".

General Partner: The general partner of the Fund is Starlight U.S. Multi-Family (No. 3) Core GP, Inc. (the "**General Partner**"), a corporation incorporated under the laws of Ontario. All of the issued and outstanding securities of the General Partner are held by the Manager (as defined herein).

As required by law, the Fund LP Agreement provides for the management and control of the Fund by a general partner rather than a board of directors and officers. The General Partner has a board consisting of three directors, the majority of whom, upon closing of the Offering, will be independent. The directors of the General Partner, upon closing of the Offering, will be Daniel Drimmer, Derek Lobo, and Harry Rosenbaum. The officers of the General Partner will be Daniel Drimmer (Chief Executive Officer), Tamara L. Lawson (Chief Financial Officer) and Evan Kirsh (President). Each such director and officer has prior experience in the U.S. multi-family sector (and in Texas) gained through the deployment and management of Fund No. 1 and Fund No. 2. See "Directors and Officers" and "The Manager and the Management Agreement".

The Manager: The Fund will be managed by the Manager, a company incorporated under the laws of Ontario, which will be engaged by the Fund in the identification, acquisition, ownership, operation and disposition of income producing multi-family real estate properties. Led by a team of industry veterans with a record of creating long-term investor value, the Manager is an experienced multi-family real estate owner and asset manager. The Manager's principal, Daniel Drimmer, has over 18 years of experience identifying undervalued properties in the multi-family real estate sector, acquiring such properties and realizing value through individual asset or portfolio sales. The Manager has prior experience in the U.S. multi-family sector, including in Texas, gained through, in particular, the deployment and management of Fund No. 1 and Fund No. 2 and has an established network in Texas from which to source future acquisitions.

The Manager currently owns and/or asset manages C$3.5 billion in assets in Canada and the U.S., including over 27,000 suites (of which approximately 2,344 suites are located in Texas) and 2 million square feet of commercial space through various entities, including its partnership with an institutional investor. The Manager has extensive experience both overseeing and working with external property managers and provides asset management services to True North Apartment REIT (TSX: TN.UN), True North Commercial REIT (TSX: TNT.UN), Fund No. 1 (TSX-V: UMF.A and UMF.U) and Fund No. 2 (TSX-V: SUD.A and SUD.U). The Manager employs over 100 professionals.

During the past ten years, the principal of the Manager, Daniel Drimmer, acquired, operated and sold in excess of 75,000 multi-family suites. Also during this time period, the Manager has established a reputation for identifying acquisitions and driving value through a hands-on asset management approach. The Manager is principally owned by Daniel Drimmer (see the biography of Mr. Drimmer under "Directors and Officers – Name, Address, Occupation and Security Holdings – Personal Profiles").

Historical performance of Fund No. 1 and Fund No. 2 is shown for illustrative purposes only and does not guarantee the future performance of any particular investment or the Fund, which will vary. See "The Manager and the Management Agreement".

Fund No. 1

The Manager, as promoter, closed its first offering on April 18, 2013 through Fund No. 1 and raised approximately US$47.2 million. These funds were substantially deployed in a portfolio of recently constructed, stabilized, Class "A", multi-family assets in Texas within five months of the closing of the offering, comprising US$118.4 million of apartment product and purchased interests in 1,368 apartment units in Houston and Dallas, Texas. Subsequently, Fund No. 1 acquired a 25% interest in 379 apartment units in Dallas, Texas for US$10.325 million and a 50% interest in 257 apartment units in Houston, Texas for US$12.3 million. Property managers engaged on the portfolio of Fund No. 1 include Greystar and Pinnacle, two of the largest and most well-respected apartment managers in the U.S. with approximately 215,000 and 135,000 multi-family units under management, respectively.

Property	**Location**	**# of Suites**	**Price Per Suite**	**Price Per Square Foot**
Falls at Copper Lake	9140 Highway 6 North, Houston, Texas	374	US$108,489	US$108
Bridgemoor at Denton	2801 Spencer Road, Denton, Texas	240	US$106,250	US$130
Villages of Towne Lake	4055 Village Drive, McKinney, Texas	126	US$115,079	US$118
Greenhaven Apartments	8690 Virginia Parkway, McKinney, Texas	216	US$108,796	US$123
Falls at Eagle Creek (35% Interest)	9702 N. Sam Houston Highway, Humble, Texas	412	US$99,515	US$108
Soho Parkway (25% Interest)	6653 McKinney Ranch Parkway, McKinney, Texas	379	US$108,971	US$113
Sunset Ridge (50%) [(1)]	14807 Woodland Hills Dr, Humble, Texas	257	US$95,720	US$104
TOTAL/AVERAGE		**2,004**	**US$106,729**	**US$115**

Notes:

(1) Fund No. 1 acquired a 50% interest in Sunset Ridge on May 20, 2014.

Operating results for Fund No. 1 since inception for the period February 12, 2013 to March 31, 2014 included:

(a) Strong overall NOI margin of 55.8% and year-over-year rental growth of over 5%.

(b) Weighted average occupancy of Fund's properties of 94.4%.

(c) AFFO payout ratio of 85.75%.

(d) Conservative leverage of 60.0% of gross book value as at March 31, 2014. Interest Coverage Ratio for the period of 2.58 times and Indebtedness Coverage Ratio of 2.08 times.

(e) Weighted average interest rate of 3.35% and weighted average term to maturity of 3.22 years.

(f) Maintenance capital expenditures below budget and on time.

As the Manager had expected, the U.S. dollar has appreciated against the Canadian dollar since Fund No. 1's initial public offering closed. The listed limited partnership units of Fund No. 1 (UMF.A:TSXV and UMF.U:TSXV) have traded at or close to their issue price since the closing of the offering.

The Manager engaged the Appraiser on May 1, 2014 to appraise Fund No. 1's portfolio. The appraised value of the portfolio (excluding Sunset Ridge, which was acquired by Fund No. 1 after the completion of the appraisal) was in aggregate US$150,116,500, which amount exceeds the aggregate purchase price of such Properties by US$21,366,500 or 16.60%. This also represents a 48.2% increase over the equity proceeds raised in Fund No. 1's initial public offering. This increase in appraised value was due to NOI growth and not Capitalization Rate compression and reflects strong underlying fundamentals and market conditions as well as the Manager's active asset management strategy. There is no guarantee that Fund No. 1 would be able to sell the properties for their appraised value.

Fund No. 2

The Manager, as promoter, closed its second offering on November 15, 2013 through Fund No. 2 and raised approximately US$32.7 million. These funds were substantially deployed in a portfolio of recently constructed, stabilized, Class "A", multi-family assets in Texas within five months of the closing of the offering, comprising US$94.6 million of apartment product and purchased interests in 1,131 apartment units in Houston, Austin and Dallas, Texas. Property managers engaged on the portfolio of Fund No. 2 include Greystar and Alliance, two of the largest and most well-respected apartment managers in the U.S. with approximately 215,000 and 72,000 multi-family units under management, respectively.

Property	**Location**	**# of Suites**	**Price Per Suite**	**Price Per Square Foot**
Palm Valley	1301 North A.W. Grimes Boulevard, Round Rock, Texas	340	US$107,206	US$110
Falls at Eagle Creek (65% Interest)	9702 N. Sam Houston Highway, Humble, Texas	412	US$101,286	US$110
Soho Parkway (75% Interest)	6653 McKinney Ranch Parkway in McKinney, Texas	379	US$108,971	US$113
TOTAL/AVERAGE		**1,131**	**US$105,991**	**US$111**

Operating results for Fund No. 2 for the three month period ending March 31, 2014 included:

(a) Occupancy was 0.6% above forecast at 93.4%, including Fund No. 2's interest in the Falls at Eagle Creek.

(b) NOI margin for the period of 51.7%, including Fund No. 2's interest in the Falls at Eagle Creek.

(c) AFFO payout ratio of 91.71%.

(d) Weighted average interest rate of 3.01% and weighted average term to maturity of 2.60 years including the impact of its interest in the Falls at Eagle Creek. Fund No. 2 had an Interest Coverage Ratio of 2.29 times, including the impact from its equity investment in the Falls at Eagle Creek.

(a) Maintenance capital expenditures below budget and on time.

As the Manager had expected, the U.S. dollar has appreciated against the Canadian dollar since Fund No. 2's initial public offering closed. The listed limited partnership units of Fund No. 2 (SUD.A:TSXV and SUD.U:TSXV) have traded at or close to their issue price since the closing of the offering.

The Manager engaged the Appraiser on May 1, 2014 to appraise Fund No. 2's portfolio. The appraised value of the portfolio was in aggregate US$100,263,500, which amount exceeds the aggregate purchase price of the Properties by US$5,714,000 or 6.09%. This also represents an 18.2% increase over the equity proceeds raised in Fund No. 2's initial public offering. This increase in appraised value was due to NOI growth and not Capitalization Rate compression and reflects strong underlying fundamentals and market conditions as well as the Manager's active asset management strategy. There is no guarantee that Fund No. 2 would be able to sell the properties for their appraised value.

Investment Objectives: The Fund's investment objectives are to:

(a) indirectly acquire, own, and operate a portfolio comprised of recently constructed, Class "A" stabilized, income producing multi-family real estate properties primarily in Texas, Arizona and the southeastern U.S.;

(b) make stable monthly cash distributions; and

(c) enhance the operating income and property values of the Fund's assets through active management, with the goal of ultimately disposing of the assets at a gain by the end of the Term.

Investment Strategy: The Fund was established for the purposes of investing indirectly in recently constructed, Class "A", core income producing rental properties in the U.S. multi-family real estate market. The Manager believes that the U.S. multi-family real estate sector presents a compelling investment opportunity and provides competitive long term returns when compared to other real estate asset classes. The Fund will target an annual pre-tax distribution yield of at least 7% across all Unit classes and aim to realize a minimum 12% pre-tax, investor internal rate of return across all Unit classes upon disposition of the Properties at or before the end of the targeted three year investment horizon, although each of these figures will necessarily vary as between classes of Units based on the proportionate entitlements of each class of Unit, applicable Unit Class Expenses (as defined herein) and Canadian/U.S. dollar exchange rates. See "Risk Factors". In order to meet its investment objectives, the Fund's investment strategy will be as follows:

Core Acquisition of U.S. Multi-Family Real Estate

(a) Identify acquisition opportunities in addition to the Initial Portfolio in the U.S. multi-family residential market by leveraging the Manager's relationships with principals, operators, and brokers located in the Fund's target markets and by its ability to source "off" market opportunities.

(b) Target multi-family assets that are:

(i) constructed in 2008 or later, Class "A", stabilized properties with the potential to benefit from active management;

(ii) located in primary markets in Texas, as well as Tennessee, North Carolina, Arizona, Georgia, and Florida, with favourable demographics and fundamentals;

(iii) located in mature areas with few barriers to new development; and

(iv) stabilized, with the potential to benefit from an active management strategy.

(c) Complete a comprehensive due diligence program, including cash flow and return modeling, operating expense reviews, and third party reports including market studies, structural and environmental assessments and appraisals.

(d) Conduct a broad canvass of the lending community, including lenders with whom the Manager enjoys long-term relationships, to secure debt financing on competitive terms.

(e) Explore, from time to time, co-investment opportunities involving the Fund and one or more co-investors in addition to Sunset Ridge. See "Investment Strategy – Potential Co-Investments".

Asset Value Enhancement Through Active Management Strategy

(a) Acquire from merchant builders and private equity funds (not operators).

(b) Prepare a property-specific asset management plan to improve NOI margins by:

(i) increasing rental rates through rental rate mapping and the use of yield management software;

(ii) identifying and realizing upon ancillary income opportunities;

(iii) reducing Operating Expenses; and

(iv) utilizing reputable best in class U.S.-based property managers.

(c) Perform targeted, discrete capital expenditures in order to increase asking rental rates.

(d) Strengthen tenant relationships and increase tenant retention through customer service initiatives and new service offerings.

(e) Implement revenue management software and seek ancillary income opportunities (e.g. door-to-door waste pick-up service).

(f) Reduce operating expenses such as staffing, maintenance contracts, advertising and insurance through economies of scale.

(g) Perform selective, discrete in-suite, capital expenditures (e.g. faux wood flooring, granite counter tops, fenced-in yards etc.) and cosmetic improvements to increase rental rates.

Texas, Arizona and Southeastern U.S.

The Manager will target acquisitions primarily within Texas, Arizona and the southeastern U.S. where markets feature:

(a) compelling population, economic and employment growth rates;

(b) 'landlord friendly' legal environments; and

(c) comfortable climates and quality of life.

The Fund expects to indirectly acquire Properties in Florida, Georgia, North Carolina, Arizona, Tennessee and/or Texas and the Manager believes that each of these states exhibits the characteristics above.

Value Realization Through Strategic Dispositions

(a) Asset value increases are expected by the Manager to be realized through a combination of NOI growth, Capitalization Rate compression, currency appreciation and a pricing premium on the aggregated portfolio.

(b) The Manager, on behalf of the Fund, will execute dispositions throughout the Term on a single asset or portfolio basis through private and public market transactions to maximize value.

(c) The private real estate investment market and the public capital markets will be monitored to seek an exit strategy that can be executed with a view towards maximizing disposition proceeds.

Strategic U.S. Market and Asset Class Focus

The Manager believes that:

(a) multi-family fundamentals are strong, featuring both declining vacancy rates and appealing rental growth rates due to a reduction in home ownership and strong employment growth;

(b) limited availability of higher leveraged acquisition financing in the U.S. has decreased the number of competitive bidders in the target investment market;

(c) positive demographic trends increasingly support strong demand for rental accommodation, while the U.S. housing crisis has shifted away from home ownership in favour of rental housing, which should enhance the sector's performance;

(d) new supply of multi-family product remains below historical levels;

(e) attractive mortgage debt financing rates create positive leverage;

(f) the Canadian dollar is trading close to historical highs, presenting an opportunity for U.S. dollar currency appreciation; and

(g) multi-family real estate provides strong, risk-adjusted, long term returns compared to other real estate asset classes.

The Manager will provide the Fund with the platform necessary to capitalize on this opportunity, offering its experience, expertise, and the benefit of its established network of industry contacts. The Manager believes that the multi-family real estate sector in the U.S. currently provides an opportunity to acquire multi-family properties at favourable pricing. The Manager believes that, since recovering from the global financial crisis, real estate investment trusts and institutional investors have focused their attention on trophy assets that have lower perceived risk, higher liquidity, and more favourable lending characteristics. The Manager also believes that the recent increase in U.S. bond yields has reduced the amount of debt available to purchasers of multi-family real estate who are seeking higher, levered returns. Consequently, the Manager believes that there exists a substantial inventory of recently constructed, stabilized, Class "A", income-generating, multi-family properties that it can source on an "on" and "off" market basis at attractive pricing.

Capital growth will be pursued by the Manager through value-added enhancements to the Properties and organic growth in suite rental rates. Additionally, the Manager expects that the low interest rate environment and investors' demand for yield will lead to an increase in demand for income-producing real estate and, ultimately, an overall reduction in Capitalization Rates.

Financing Strategy

The Fund's financing strategy is to access short term financing at comparatively low interest rates, and maintain flexibility by not locking in at higher long term interest rates. The Fund is differentiated by a three-year time horizon, subject to two one-year extensions at the discretion of the General Partner, and the goal is to align the term of debt to the investment holding period. As part of this strategy, the intent is to offer the portfolio unencumbered by any mortgages at the end of the holding period to prospective buyers.

Investment Highlights: *Optimal U.S. Submarkets* – The Manager believes that Texas, and the submarkets of Houston and Austin specifically, exhibit optimal characteristics for targeted, core multi-family investments. Both submarkets have performed extremely well during economic recovery in the U.S. According to the U.S. Bureau of Labor Statistics, Houston and Austin's unemployment rates were 5.7% and 4.8% as at February 2014, respectively, compared to the U.S. national unemployment rate of 6.7%. These lower than average unemployment rates were spurred on by significant job creation in both markets.

Both regions feature robust multi-family real estate markets. Vacancy has been steadily falling in both Houston and Austin, with vacancy in buildings built after 2000 at 4.9% and 5.3%, respectively, according to MPF Research as at Q1 2014. A significant reduction in supply brought on by slowed construction during and after the 2008 financial crisis has been unable to satisfy demand for accommodations, resulting in positive absorption and higher rental rates.

Optimal U.S. Market Conditions – The Manager believes that the U.S. multi-family real estate market exhibits conditions that are optimal for a targeted, core investment program. While the U.S. economy experiences modest economic growth and limited availability of credit, the Manager believes that asset pricing will remain attractive. Moreover, according to Marcus & Millichap, multi-family real estate sector fundamentals are strong, owing to a shift away from home ownership and positive demographic trends supporting rental accommodation.

According to Marcus & Millichap, since a significant decline in apartment prices began in 2007, prices have recovered across the U.S. and the market outlook remains positive. The Manager is of the view that a convergence of demographic and market factors will continue to support this sector's recovery and that now is an opportune time to invest in this asset class.

Favourable Demographic Trends – According to Marcus & Millichap, the U.S. multi-family real estate market is currently supported by a larger-than-normal cohort of Americans entering the 18 to 34 year old age bracket, representing the prime renting years of many Americans. According to Marcus & Millichap, rental demand from this age bracket is anticipated to increase in aggregate by 1.2 million to 1.4 million people over the next several years. The National Association of Home Builders believes that demand for multi-family suites will also be fueled by continued immigration, as immigrants have historically exhibited a rental accommodation rate of 47%.

According to the U.S. Census Bureau, Housing Vacancies and Home Ownership, since its peak in 2004, the U.S. home ownership rate has fallen from approximately 69.2% to its recent level of approximately 64.8% as at March 31, 2014, creating an increased renter pool of over 13 million people. The Manager is of the view that events in 2008 surrounding aggressive mortgage lending and the ensuing collapse of the U.S. asset-backed securities market created a relatively negative bias toward home ownership. Given an approximate occupied housing inventory of approximately 133 million suites as of December 31, 2013, each one percentage-point decline in the U.S. home ownership rate adds approximately 1.33 million households to the rental market.

Defensive Nature of Multi-Family Sector – The Manager believes that the multi-family real estate sector provides investors with favourable sector and industry characteristics in comparison to other asset classes. With a historically low vacancy rate compared to the office and retail asset classes, multi-family real estate investments have exhibited robust performance that has been driven by strong demand and limited new supply. Moreover, according to Investment Property Databank, multi-family real estate investments have provided some of the most attractive returns over the past 20 years, among the major income-producing real estate asset classes.

Favourable Foreign Exchange Exposure – After trading close to or above par with the U.S. dollar for the last three years due to high commodity prices and a relatively sound Canadian financial system, the Canadian dollar has recently lost some ground to the U.S. Dollar, which the Manager believes is at least partially attributable to improved growth prospects in the U.S. In prior decades, the Canadian dollar has typically traded significantly below the U.S. dollar. The average retail investor in Canada has been historically limited to the stock market for U.S. exposure and recent capital markets volatility has rendered this option potentially less desirable. The Manager believes that an investment in Units will allow retail investors to take advantage of opportunities in the U.S. multi-family real estate market, while (other than in the case of Class U Units) also providing exposure to the U.S. dollar.

Lower Debt Levels – In the Manager's view, investors' ability to obtain higher leverage acquisition financing for multi-family real estate has been limited by tightening lending standards and reductions in the amount of loans being undertaken by agency lenders. The Manager believes that reduced loan-to-value ratios will decrease the number of competitive bidders in the investment market particularly for assets that require a higher equity investment.

Attractive Mortgage Debt Financing Rates – Interest rates on mortgage debt have continued to decline and remain well below historical levels, providing strong, positive leverage for property owners that are able to obtain financing. Current mortgage rates are in the 2% to 3% range.

Constraints on Development – According to the U.S. Census Bureau, new residential construction, multi-family housing starts are below historical levels. The Manager believes that lower supply and increased demand for the existing supply will allow landlords to command higher rents and improve NOI margins.

The Initial Portfolio

Following the completion of the Offering, the Fund intends to cause the U.S. REIT to indirectly acquire interests in the Initial Portfolio, comprising interests in aggregate of 891 multi-residential units in three Properties located in the State of Texas in the markets of Houston and Austin.

Houston is the second largest MSA in Texas and leads the state's economy, with job growth exceeding even that of Dallas-Fort Worth according to Dallas-Fort Worth Economic Development. Houston's economy has a broad industrial base in the energy, aeronautics and technology industries, and according to Forbes Magazine, is second only to New York City in its number of Fortune 500-headquartered companies. Houston's apartment vacancy was 6.4% in the first quarter of 2014. The apartment market is bolstered by strong fundamentals; rents have grown by 4.7% in the past year according to MPF Research.

According to the U.S. Census Bureau, Austin-Round Rock-San Marcos is the thirty-fifth largest Metropolitan area in the U.S. with a population of 1.8 million people as of the 2012 U.S. census estimate. The region's unemployment rate was 4.8% as at February 2014, compared to the U.S. national unemployment rate of 6.7%. Apartment vacancy is currently at 4.9% with rents having grown 4.5% in the past year according to MPF Research.

The following table highlights certain information about the Initial Portfolio:

Allure

Cinco Ranch

Sunset Ridge

Property	Year Completed	Fund Ownership Interest	Total Units	Rentable Area (Sq. Ft.)	Average Suite Size (Sq. Ft.)	Land Area (acres)	Purchase Price[(1)]	Purchase Price Per Suite	Purchase Price Per Sq. Ft.	Average Occupancy[(2)]	Average Monthly In Place Rent Per Sq. Ft.[(3)]	Average Monthly In Place Rent Per Suite[(3)]
Allure	2013	100%	334	329,104	985	19.97	US$43,150,000[(4)]	US$129,192	US$131	94.3%	US$1.13	US$1,116
Cinco Ranch[(5)]	2009	100%	300	287,502	958	16.34	US$34,900,000	US$116,333	US$121	94.3%	US$1.07	US$1,017
Sunset Ridge	2013	50%	257	235,465	916	11.45	US$12,500,000[(6)]	US$97,276	US$106	94.6%	US$1.09	US$999
Totals		**87.9%**	**891**	**852,071**	**956**	**47.76**	**US$90,550,000**	**US$115,657**	**US$121**	**94.4%**	**US$1.10**	**US$1,058**

Notes:

(1) The purchase price of Cinco Ranch has been negotiated by the Manager with a third party vendor. The Fund's interest in Allure and Sunset Ridge is being acquired from an Affiliate of the Manager at a purchase price to be based on the Property's appraised value (see "Description of the Activities of the Fund – The Initial Portfolio – Purchase Agreements and Sunset Ridge LLC Agreement"). These amounts do not include estimated closing costs/adjustments relating to the acquisitions.

(2) As at May 20, 2014 for Allure and Cinco Ranch and as at May 19, 2014 for Sunset Ridge. Totals adjusted to reflect 50% ownership interest in Sunset Ridge.

(3) Based on units occupied or leased as at May 20, 2014 for Allure and Cinco Ranch and as at May 19, 2014 for Sunset Ridge, net of concessions. Totals adjusted to reflect 50% ownership interest in Sunset Ridge.

(4) The purchase price of Allure is to be reduced by the principal amount outstanding under an existing Mortgage Loan and mezzanine loan to be indirectly assumed by the U.S. REIT. Immediately prior to the closing date for the acquisition of Allure, the principal amount of indebtedness due under the Mortgage Loan and mezzanine loan are expected to be US$29,500,000 and US$7,000,000, respectively. However, if the Maximum Offering is achieved, the Allure mezzanine loan will be repaid in full on closing and will not be assumed by the U.S. REIT. See "Description of the Activities of the Fund – The Initial Portfolio – Financing of the Initial Portfolio".

(5) Cinco Ranch Acquisition LLC has executed a term sheet with a lender to finance a part of the purchase price of Cinco Ranch with a Mortgage Loan of up to approximately US$23,900,000. This Mortgage Loan would be reduced to US$23,100,000 under the Maximum Offering.

(6) Represents the estimated purchase price of a 50% interest in Sunset Ridge. The purchase price for Sunset Ridge is to be reduced by the principal amount outstanding under an existing Mortgage Loan. As of May 23, 2014 the outstanding principal amount under the existing Mortgage Loan was US$16,800,000, of which 50%, or US$8,400,000, is to be indirectly assumed by the U.S. REIT. See "Description of the Activities of the Fund – The Initial Portfolio – Financing of the Initial Portfolio".

The Initial Portfolio has a Canadian equivalent Capitalization Rate of 6.09% based on the Manager's calculation of NOI. The average lease term for each of Allure and Cinco Ranch is 12 months. The average lease term for Sunset Ridge is 13 months.

Each of the three Properties is a well-located and well-maintained apartment property with a wide array of amenities to attract and retain residents. The owner of Cinco Ranch is at arm's length to the Manager. Interests in Allure and Sunset Ridge are being acquired from an Affiliate of the Manager. See "The Promoter".

Purchase Agreements and Sunset Ridge LLC Agreement

The Fund intends to cause the U.S. REIT to indirectly acquire interests in the Initial Portfolio on the Closing Date or shortly thereafter for a total purchase price of approximately US$90,550,000 pursuant to the purchase agreements described below.

In order for the Fund to be in a position to acquire Properties shortly after the Closing Date which are consistent with its Investment Restrictions and Operating Policies, and therefore efficiently deploy Investable Funds without undue delay, it was necessary for Starlight Investments Acquisition LLC to acquire Allure and a 50% interest in Sunset Ridge and hold such Properties for resale to the Fund, since such Properties would not have otherwise been commercially available to the Fund on the Closing Date.

The following is a summary of certain material provisions of the Allure Purchase Agreement, the Cinco Ranch Purchase Agreement and the Sunset Ridge Purchase Agreement. This summary does not purport to be complete and reference should be made to the agreements themselves, copies of each of which will be made available promptly and in any event within seven days after its execution at www.sedar.com.

Allure Purchase and Sale Agreement

Allure was indirectly acquired by Starlight Investments Acquisition LLC, an entity controlled by Daniel Drimmer, on June 25, 2014 for US$42,500,000 (inclusive of a US$500,000 credit, which was applied on closing). On the Closing Date or shortly thereafter, Starlight Investments Acquisition LLC will indirectly transfer its ownership in Allure to the Fund by way of the Allure Purchase Agreement and the Property will be wholly owned by the Fund. Pursuant to the Allure Purchase Agreement between Starlight Investments Acquisition LLC, a Delaware limited liability company, as seller, and U.S. REIT, a Maryland corporation, as buyer, U.S. REIT will agree to purchase 100% of the outstanding limited liability company interests in Allure LLC for the purchase price of US$43,150,000 less the outstanding principal amounts of the existing mortgage loan and mezzanine loan on the Property. Accordingly, the Fund will pay more to indirectly acquire Allure from Starlight Investments Acquisition LLC than Starlight Investments Acquisition LLC paid to acquire the Property, due to the time, cost and associated market and legal risks related to warehousing the Property for the Fund for the period from June 25, 2014 to July 10, 2014 (the scheduled closing date for the Fund's acquisition).

Allure LLC owns all of the outstanding limited liability company interests in Allure Acquisition LLC which is the registered owner of Allure. The Allure Purchase Agreement will contain customary closing conditions, covenants and representations and warranties which survive, including representations and warranties from Starlight Investments Acquisition LLC in relation to, among other things, organization and authority; authorization and enforceability of the Allure Purchase Agreement against Starlight Investments Acquisition LLC; title to the limited liability company interests of Allure LLC; no liens or other encumbrances; non-contravention of any governing documents or contracts; no litigation; capitalization; compliance with all laws, rules, and regulations; taxes; and that certain historical information relating to Allure is true in all material respects. The representations and warranties survive the closing date of the acquisition of Allure for 180 days.

Starlight Investments Acquisition LLC, as seller, will make no representation with respect to this Prospectus and the Allure Purchase Agreement will provide that in no event shall the liability of Starlight Investments Acquisition LLC to U.S. REIT for any and all breaches of any representation or warranty exceed US$650,000. Subject to the satisfaction or waiver of conditions precedent set out in the Allure Purchase Agreement, the U.S. REIT's acquisition of limited liability company interests in Allure LLC is scheduled to close on or about July 10, 2014, unless otherwise extended. Purchasers of Units under this Prospectus will not have a direct statutory right of action for misrepresentation against Starlight Investments Acquisition LLC. The sole remedy for a misrepresentation in this prospectus in respect of Allure will be through the U.S. REIT bringing an action for a breach by Starlight Investments Acquisition LLC of the representations and warranties in the Allure Purchase Agreement, subject to the limitations described above.

Cinco Ranch Purchase and Sale Agreement

Pursuant to the Cinco Ranch Purchase Agreement between Prim Residences at Cinco Ranch, LLC, a Delaware limited liability company, as seller, and Cinco Ranch Acquisition LLC, a Delaware limited liability company, as buyer, Cinco Ranch Acquisition LLC, an Affiliate of the Manager, agreed to purchase Cinco Ranch from Prim Residences at Cinco Ranch, LLC, for the purchase price of US$34,900,000. The Cinco Ranch Purchase Agreement contains customary closing conditions, covenants and representations and warranties, including representations and warranties from Prim Residences at Cinco Ranch, LLC, in relation to, among other things, authority and good standing; no violation of contract or constating documents; no litigation, compliance with statutes, laws, rules and regulations; environmental matters; and that certain historical information relating to Cinco Ranch is true in all material respects. The representations and warranties survive the closing date of the acquisition of Cinco Ranch until March 31, 2015.

Prim Residences at Cinco Ranch, LLC, as seller, made no representation with respect to this Prospectus and the Cinco Ranch Purchase Agreement provides that in no event shall the liability of Prim Residences at Cinco Ranch, LLC to Cinco Ranch Acquisition LLC for any and all breaches of any representation or warranty exceed US$500,000. Purchasers of Units under this Prospectus will not have a direct statutory right of action for misrepresentation against Prim Residences at Cinco Ranch, LLC. The sole remedy for a misrepresentation in this prospectus in respect of Cinco Ranch will be through Cinco Ranch Acquisition LLC bringing an action for a breach by Prim Residences at Cinco Ranch, LLC of the representations and warranties in the Cinco Ranch Purchase Agreement, subject to the limitations described above.

Subject to the satisfaction or waiver of conditions precedent, the purchase of the Property is scheduled to close on July 10, 2014, unless otherwise extended. Pursuant to the Cinco Ranch Purchase Agreement, Cinco Ranch Acquisition LLC paid an initial deposit of US$150,000 and a second deposit of US$350,000. All deposits will be applied to the purchase price at closing. The U.S. REIT will acquire all of the membership interests in Cinco Ranch Acquisition LLC from an Affiliate of the Manager on the Closing Date or shortly thereafter.

Sunset Ridge Purchase and Sale Agreement

Sunset Ridge was previously indirectly acquired on May 20, 2014 by Fund No. 1 (50%) and Starlight Investments Acquisition LLC (50%), an entity controlled by Daniel Drimmer for US$24,600,000. On the Closing Date or shortly thereafter, Starlight Investments Acquisition LLC will indirectly transfer its 50% interest in Sunset Ridge to the Fund by way of the Sunset Ridge Purchase Agreement and the Property will be co-owned by the Fund and Fund No. 1 pursuant to the terms of the Sunset Ridge LLC Agreement. Pursuant to the Sunset Ridge Purchase Agreement between Starlight Investments Acquisition LLC, a Delaware limited liability company, as seller, and U.S. REIT, a Maryland corporation, as buyer, U.S. REIT will agree to purchase 50% of the outstanding limited liability company interests in Sunset Ridge LLC for the purchase price of US$12,500,000 less a 50% share of the outstanding principal amounts of the existing mortgage loan on the Property. Accordingly, the Fund will pay more to indirectly acquire its interest in Sunset Ridge from Starlight Investments Acquisition LLC than Starlight Investments Acquisition LLC paid to acquire the same proportional interest, due to the time, cost and associated market and legal risks related to warehousing the Property for the Fund for the period from May 20, 2014 to July 10, 2014 (the scheduled closing date for the Fund’s acquisition).

Sunset Ridge LLC owns all of the outstanding limited liability company interests in Sunset Ridge Acquisition LLC which is the registered holder of Sunset Ridge. The Sunset Ridge Purchase Agreement will contain customary closing conditions, covenants and representations and warranties which survive, including representations and warranties from Starlight Investments Acquisition LLC in relation to, among other things, organization and authority; authorization and enforceability of the Sunset Ridge against Starlight Investments Acquisition LLC; title to the limited liability company interests of Sunset Ridge LLC; no liens or other encumbrances; non-contravention of any governing documents or contracts; no litigation; capitalization; compliance with all laws, rules, and regulations; taxes, and that certain historical information relating to Sunset Ridge is true in all material respects. The representations and warranties survive the closing date of the acquisition of Sunset Ridge for 180 days.

Starlight Investments Acquisition LLC, as seller, will make no representation with respect to this Prospectus and the Sunset Ridge Purchase Agreement will provide that in no event shall the liability of Starlight Investments Acquisition LLC to U.S. REIT for any and all breaches of any representation or warranty exceed US$250,000. Subject to the satisfaction or waiver of conditions precedent set out in the Sunset Ridge Purchase Agreement, the U.S. REIT’s acquisition of limited liability company interests in Sunset Ridge LLC is scheduled to close on July 10, 2014, unless otherwise extended. Purchasers of Units under this Prospectus will not have a direct statutory right of action for misrepresentation against Starlight Investments Acquisition LLC. The sole remedy for a misrepresentation in this prospectus in respect of Sunset Ridge will be through the U.S. REIT bringing an action for a breach by Starlight Investments Acquisition LLC of the representations and warranties in the Sunset Ridge Purchase Agreement, subject to the limitations described above.

Following the acquisition of Sunset Ridge, Fund and Fund No. 1 will each be responsible for the liabilities of Sunset Ridge on a *pro-rata* ownership basis.

Sunset Ridge LLC Agreement

All decision making in respect of Sunset Ridge, including day-to-day and material decisions, will be jointly made through the established governance practices of the Fund and Fund No. 1 in accordance with the Sunset Ridge LLC Agreement.

The Sunset Ridge LLC Agreement prohibits any member from selling, transferring, assigning, mortgaging, hypothecating or otherwise encumbering all or any part of its member interests without the prior written consent of the mezzanine loan lender, until such time as the existing mezzanine loan is indefeasibly paid or discharged in accordance with its terms, and all members.

In connection with the ongoing operation of Sunset Ridge, all contributions, including equity, transaction costs, capital expenditures and other ongoing costs are the responsibility of each of its members, indirectly, in accordance with their respective proportionate ownership share in the capital of Sunset Ridge LLC.

Independent Appraisals of the Initial Portfolio

The Manager retained the Appraiser to provide an independent estimate of the fair market value of each of the Properties comprising the Initial Portfolio. Based on the Appraisals, the estimated market value of the Properties comprising the Initial Portfolio is US$45,020,000 for Allure, US$35,020,000 for Cinco Ranch and US$13,085,000 for a 50% interest in Sunset Ridge. This Prospectus assumes that the estimated aggregate market value of the Initial Portfolio is approximately US$93,125,000. See "Description of the Activities of the Fund – The Initial Portfolio – Independent Appraisals of the Initial Portfolio".

Selected Financial and Operating Information

The following selected financial information of the Initial Portfolio has been derived from, and should be read in conjunction with, the financial statements which comprise the Initial Portfolio for the three months ended March 31, 2014 and accompanying notes, in each case prepared in accordance with IFRS and contained elsewhere in this Prospectus. Amounts are presented in thousands of U.S. dollars.

The selected consolidated financial information should be read in conjunction with "Management's Discussion and Analysis" and the audited consolidated financial statements and accompanying notes contained elsewhere in this Prospectus. The selected consolidated financial information set out below may not be indicative of the Fund's future performance.

Three months ended March 31, 2014	**Allure**	**Cinco Ranch**	**Sunset Ridge (1)**	**Initial Portfolio**
Income Statement Data				
Revenues:				
Revenue from property operations	1,101	933	693	**2,727**
Expenses:				
Property operating	373	325	226	**924**
Realty taxes	168	222	124	**514**
	541	547	350	**1,438**
NOI	560	386	343	**1,289**
NOI margin	51%	41%	49%	**47%**

Notes:

(1) The Fund will indirectly acquire a 50% interest in Sunset Ridge following the Closing Date. If the Fund had owned this 50% interest in Sunset Ridge during the three months ended March 31, 2014, it would have contributed approximately US$172 to NOI before financing costs and other expenses.

THE OFFERING

Offering: Class A Units and/or Class U Units and/or Class D Units and/or Class F Units and/or Class C Units

Issue Size: Minimum Offering: US$27,000,000 of Units
Maximum Offering: US$60,000,000 of Units

Price: C$10.00 per Class A Unit
US$10.00 per Class U Unit
C$10.00 per Class D Unit
C$10.00 per Class F Unit
C$10.00 per Class C Unit

Minimum Subscription Amount: Class A – C$1,000 (100 Class A Units) or
Class U – US$1,000 (100 Class U Units) or
Class D – C$10,000 (1,000 Class D Units) or
Class F – C$1,000 (100 Class F Units)

Leverage: The Manager believes the current U.S. multi-family rental property debt financing market offers debt financing at attractive interest rates that the Manager intends to utilize in order to seek an increased return on equity. The Manager will target an overall loan-to-value ratio of the Mortgage Loans (as defined herein) between 60% to 70% of the purchase price of the Properties as a whole, plus the amount of any property improvement reserve account approved by the lenders. Notwithstanding the foregoing, the Fund LP Agreement limits total indebtedness of the Fund to no more than 75% of the Investable Funds (or, at the discretion of the General Partner, the appraised value of the Properties).

See "Capitalization – Long-Term Debt" and "Investment Restrictions and Operating Policies".

Distributions: The Fund will target an annual pre-tax distribution yield of at least 7% across all Unit classes and aim to realize a minimum 12% pre-tax, investor internal rate of return across all Unit classes upon disposition of the Properties at or before the end of the targeted three year investment horizon, although each of these figures will necessarily vary as between classes of Units based on the proportionate entitlements of each class of Unit, applicable Unit Class Expenses (as defined herein) and Canadian/U.S. dollar exchange rates. See "Risk Factors".

The achievement of the 12% pre-tax, investor internal rate of return is based on the following assumptions:

(a) a typical property (a "**Sample Target Property**") is acquired for approximately, on-average, US$40 million with a 6% Capitalization Rate (Canadian equivalent);

(b) the acquisition of the Sample Target Properties are partially financed by way of Mortgage Loans in an amount equal to, on average, approximately 65% of each Sample Target Property's value and at an average interest rate of approximately 2.50%;

(c) real estate closing costs in respect of each Sample Target Property are 3% of the purchase price; annual interest payments, capital expenditures and general and administrative expenses and asset management fees in respect of each Sample Target Property are equal to 2.5% of the purchase price; and

(d) capital appreciation of 3.5% in respect of each Sample Target Property (which is to be realized from approximately 3% NOI growth).

Accordingly, the pre-tax, investor rate of return from the Sample Target Property would be comprised of approximately 8.5% from ongoing cash flow (7% of which is indirectly distributed to Unitholders as a result of the payment of the Minimum Return by Holding LP to Investment LP and a further 1.5% of which is indirectly distributed to Unitholders following the payment of Carried Interest) and 3.5% from capital appreciation. In addition, further upside may be realized through achieving a portfolio premium upon the disposition of the Sample Target Property by the Fund, above target NOI growth, Capitalization Rate compression and U.S. dollar appreciation against the Canadian dollar.

The *pro rata* monthly distribution on the Units will commence following the end of the Fund's first full operating month after the Closing Date. The initial distribution is expected to be paid on September 15, 2014 to Unitholders of record on August 29, 2014 and the distribution amount per Unit will be determined in accordance with the Fund LP Agreement. Thereafter, the Fund intends to declare monthly cash distributions no later than seven Business Days (as defined herein) prior to the end of each month, payable within 15 days following the end of the month (or the next Business Day if not a Business Day) in which the distribution is declared to Unitholders as at month-end. In the event that the Gross Subscription Proceeds exceed the Minimum Offering amount, the net proceeds from the Offering will be in excess of the amount required to complete the purchase of the Initial Portfolio and, therefore, initially, not all of the net proceeds from the Offering will be deployed by the Fund to indirectly acquire interests in income-producing properties. The net proceeds from the Offering which exceed the amount required to complete the purchase of the Initial Portfolio are not expected to have an impact on Distributable Cash Flow and, accordingly, until such excess funds are deployed by the Fund to indirectly acquire interests in income-producing property, the annualized pre-tax distribution yield per Unit can be expected to be less than 7%. See "Risk Factors".

The Fund will initially own all of the issued and outstanding Investment LP Units. The Investment LP will initially own all of the issued and outstanding Holding LP Units. The Holding LP will initially own all of the issued and outstanding U.S. REIT Common Stock and U.S. REIT ROC Shares and may also own U.S. REIT Notes.

Holders of U.S. REIT Common Stock and U.S. REIT ROC Shares will receive all dividends and returns of capital (including proceeds from redemptions of U.S. REIT ROC Shares) from their investment in U.S. REIT Common Stock and U.S. REIT ROC Shares, respectively, as and when declared, out of the assets of the U.S. REIT properly available for the payment of dividends and redemptions of U.S. REIT ROC Shares as described herein. Holders of U.S. REIT Notes, if any, will receive all interest and repayments of principal on the U.S. REIT Notes.

Holders of Holding LP Units will be entitled to receive from Distributable Cash, after the return of their respective invested capital in the Holding LP, a minimum return of 7% per annum (cumulative but not compounded), calculated on their invested capital in the Holding LP (the "**Minimum Return**") and the balance of the Distributable Cash will be distributed 75% to holders of Holding LP Units and 25% to the Holding GP, as the Carried Interest.

The ability of the Fund to make cash distributions on the Units and the actual amount distributed will depend on the ability of the Fund to indirectly acquire the Properties as well as the ongoing operations of the Properties, and will be subject to various factors including those referenced in the "Risk Factors" section of this Prospectus. The Minimum Return of 7% per annum payable by the Holding LP to the Investment LP, which will ultimately form part of the distributions available from the Fund to the Unitholders after payment of all Fund expenses, is a preferred return, but is not guaranteed and may not be paid on a current basis in each year or at all. The return on an investment in the Units is not comparable to the return on an investment in a fixed income security. Cash distributions, including a return of a Unitholder's original investment, are not guaranteed and the anticipated return on investment is based upon many performance assumptions.

On the Closing Date, the Fund will convert the net subscription amounts from the Canadian Dollar Units received into U.S. dollars. The relative entitlement of a holder of a Canadian Dollar Unit to receive distributions from the Fund and to receive proceeds upon the termination of the Fund (as compared to the entitlement of a holder of a Class U Unit) will depend, in part, on the Canadian/U.S. dollar exchange rate at which the Fund is able to convert such proceeds on the

Closing Date. Furthermore, (i) the amount of distributions on the Canadian Dollar Units, (ii) any returns of capital and (iii) the distribution of proceeds on the termination of the Fund to such holders, will be determined and declared in U.S. dollars at the time of such distributions and accordingly will depend, in part, on the Canadian/U.S. dollar exchange rate at each such time. In respect of the Canadian Dollar Units, the Fund will convert each U.S. dollar distribution payable on the Canadian Dollar Units into Canadian dollars at the spot exchange rate available to the Fund on the date of declaration in respect of such distribution and holders of Canadian Dollar Units will receive Canadian dollar distributions. As a result, although holders of Canadian Dollar Units will receive Canadian dollar distributions, the amount of such distributions will be determined based upon the Canadian/U.S. dollar exchange rate on the date of declaration. The Fund does not intend to enter into any hedging arrangements to limit the impact of changes in the Canadian/U.S. dollar exchange rate for holders of Canadian Dollar Units and therefore it is anticipated that holders of Canadian Dollar Units will have full exposure to changes in the exchange rate between the Canadian and U.S. dollar.

See “Description of the Securities Distributed – Units – Distributions” and “Risk Factors”.

Term: The term of the Fund will be three years, subject to two one-year extensions at the discretion of the General Partner (the “**Term**”) or subject to earlier termination, as described below. The Term may also be extended (including following the exercise of the two one-year extensions by the General Partner) by Special Resolution of the Unitholders, subject to approval by the General Partner.

Notwithstanding the Term of the Fund outlined above, the Fund will be wound down and terminated as soon as practicable following the Disposition of all Properties in one or more transactions.

See “Description of the Securities Distributed – Units – Termination of the Fund LP Agreement”.

Use of Proceeds: Assuming that the Maximum Offering is sold, the Gross Subscription Proceeds will be US$60,000,000. The Fund will use these proceeds, net of Fund expenses, to acquire Investment LP Units. The Fund may also temporarily hold cash and investments for the purposes of paying its expenses and liabilities and making distributions to Unitholders.

The Investment LP will invest the proceeds from the issuance of Investment LP Units to the Fund to acquire Holding LP Units. The Holding LP will invest the proceeds from such issuance to acquire U.S. REIT Common Stock and U.S. REIT ROC Shares. The Holding LP may also acquire U.S. REIT Notes. The U.S. REIT will use the proceeds from the issuance of U.S. REIT Common Stock, U.S. REIT ROC Shares and the U.S. REIT Notes (if any) to directly or indirectly acquire the Initial Portfolio and, from time to time, one or more additional Properties. As a result, an investment in Units will be an indirect investment in the acquisition, ownership and operation of the Properties, and the returns on and of capital payable in respect of the U.S. REIT Common Stock and the U.S. REIT ROC Shares and any interest and repayment of principal on the U.S. REIT Notes (if any) will ultimately flow through to Unitholders (and, where applicable, any other Persons having a direct or indirect interest in such amounts, including the Holding GP through its general partnership interest in the Holding LP).

The Manager is targeting deployment of the unallocated portion of the net proceeds of the Offering (after completion of the acquisition of the Initial Portfolio) to fund the acquisition of one or more additional Properties within nine months following the Closing Date. It is the intention of the Manager that not more than 50% of the Investable Funds be deployed to acquire such additional Properties. Assuming the Maximum Offering is achieved, this would result in the Fund acquiring such additional Properties using no greater financial leverage than was used to acquire the Initial Portfolio. Notwithstanding the foregoing, the Fund may subsequently determine to increase its financial leverage, subject to the provisions of the Fund LP Agreement, which permits total indebtedness of the Fund to be no more than 75% of the Investable Funds provided that, if approved by the General Partner, the appraised value of the Properties may be used instead of Investable Funds for the purposes of this determination.

The timing of such investment will depend, among other things, upon the identification of Properties meeting the Fund's criteria for acquisition. Pending its investment in the acquisition of Properties, the unallocated portion of the net proceeds of the Offering and other funds not fully invested in the Properties from time to time will be held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, deposits with a savings institution, trust company, credit union or similar financial institution that is organized or chartered under the laws of the U.S. or a state of the U.S., short-term government debt securities or money market instruments maturing prior to one year from the date of issue and otherwise as permitted pursuant to the Investment Restrictions and Operating Policies of the Fund, under the supervision of the General Partner and the Manager.

See "Use of Proceeds".

Eligibility for Investment: In the opinion of Blake, Cassels & Graydon LLP, counsel to the Fund, and McCarthy Tétrault LLP, counsel to the Agents, provided that, at all relevant times, the Class A Units and Class U Units are listed on a "designated stock exchange" as defined in the Tax Act (which includes Tier 1 and Tier 2 of the Exchange), the Class A Units and Class U Units will be qualified investments for trusts governed by Plans (which includes RRSPs, RESPs, RRIFs, deferred profit sharing plans, registered disability savings plans and TFSAs). The Class D Units, Class F Units and the Class C Units likely are not qualified investments for Plans. Prospective Purchasers of Class D Units, Class F Units and Class C Units should consult with their own tax advisors in this regard. See "Eligibility for Investment".

Liquidity: The Fund will not be required to redeem the Units at any time. There is currently no market through which the Units may be sold, and such a market may not develop, and Purchasers may not be able to resell securities purchased under this Prospectus. This may affect the pricing and liquidity of the securities in the secondary market, the transparency and availability of trading prices, and the extent of issuer regulation.

Closing of the Offering is conditioned upon the Class A Units and/or Class U Units being approved for listing on the Exchange. As at the date of this Prospectus, the Fund does not have any of its securities listed or quoted and has not applied to list or quote any of its securities on the Toronto Stock Exchange, a U.S. marketplace, or any other marketplace within or outside Canada and the U.S. Listing of the Class A Units and Class U Units is subject to the Fund fulfilling all of the requirements of the Exchange. See "Plan of Distribution".

Risk Factors: These securities are speculative in nature. Purchasers should consider the following risk factors before purchasing Units:

This is Partly a Blind Pool Offering – After completion of the acquisition of the Initial Portfolio, although the Fund expects that the unallocated Investable Funds will be applied to the purchase of one or more additional Properties, the Manager has not yet identified any additional Properties for potential investment by the U.S. REIT. It is the intention of the Manager that not more than 50% of the Investable Funds be deployed to acquire such additional Properties.

The Unitholders' return on their investments in the Units will vary depending on the return on investment achieved on the Properties, including the Initial Portfolio, acquired with the Investable Funds. Accordingly, if the net proceeds of the Offering exceed the amount required to purchase the Initial Portfolio, until such time as the excess funds are deployed by the Fund to indirectly acquire interests in income-producing property, the annualized pre-tax distribution yield across all Unit classes can be expected to be less than 7%.

No Prior Public Market for Units – Prior to the Offering, no public market existed for the Units. An active and liquid market for the Units may not develop following the completion of the Offering or, if developed, may not be maintained. If an active public market does not develop or is not maintained, investors may have difficulty selling their Units. The Offering Price of Units was determined by negotiation among the Manager, on behalf of the Fund, and the Agents and may not be indicative of the price at which the Units will trade following the completion of the Offering. The Fund cannot assure investors that the market price of Units will not materially decline below the Offering Price. Accordingly, an investment in Units is suitable solely for persons able to make and bear the economic risk of a long term investment.

Volatile Market Price for Units – The market price for Units may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Fund's control, including the following: (i) actual or anticipated fluctuations in the Fund's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to the Fund; (iv) addition or departure of the Fund's or the Manager's executive officers and other key personnel; (v) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Fund or its competitors; and (vi) news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in the Fund's industry or target markets.

Reliance on the Manager – Prospective Purchasers assessing the risks and rewards of this investment will, in large part, be relying on the expertise of the Manager and its principal, Daniel Drimmer. If the Manager loses the services of Daniel Drimmer, Tamara Lawson and/or Evan Kirsh, the business, financial condition and results of operations of the Fund may be materially adversely affected. See "Directors and Officers" and "The Manager and the Management Agreement".

Less than Maximum Offering – If less than all of the Units offered are sold pursuant to this Offering, then less than the maximum proceeds will be available to the Fund. Consequently, the Fund may be unable to implement its business development plans in the manner currently intended. If less than the Maximum Offering is sold, the Fund will still indirectly acquire the Initial Portfolio.

Distributions may be Reduced or Suspended – Although the Fund intends to distribute its available cash to Unitholders, such cash distributions may be reduced or suspended. The ability of the Fund to pay Unitholders a targeted annual pre-tax distribution yield of 7% across all Unit classes and the actual amount distributed or paid to Unitholders on termination of the Fund will vary as between the classes of Units based on the proportionate entitlements of each class of Unit, applicable Unit Class Expenses, Canadian/U.S. dollar exchange rates, and will depend on the ability of the Fund to fully deploy the net proceeds of the Offering to indirectly acquire the Properties and manage the ongoing operations of the Properties and the ability of the Holding LP to pay the Investment LP the Minimum Return. The Minimum Return is a preferred return, but is not guaranteed and may not be paid on a current basis in each year or at all. As a result, the cash distributions payable to Unitholders may not be paid on a current basis in each year or at all. The return on an investment in the Units is not comparable to the return on an investment in a fixed income security. Cash distributions, including a return of a Unitholder's original investment, are not guaranteed and their recovery by an investor is at risk and the anticipated return on investment is based upon many performance assumptions. It is important for Purchasers to consider the particular risk factors that may affect the real estate investment markets generally and therefore the availability and stability of the distributions to Unitholders.

Experience of Directors and Officers – While the officers of the Fund and the Directors have significant experience in multi-family real estate in Canada, their direct experience in multi-family real estate in the U.S. is more limited. Investors are cautioned that the experience of the officers of the Fund and the Directors may not be relevant to their achievement of the investment objectives of the Fund. See "Directors and Officers" and "The Manager and the Management Agreement".

Risks of Real Estate Investment and Ownership – An investment in Units is an investment in U.S. real estate through the Fund's indirect interest in the U.S. REIT and the Properties, directly or indirectly, acquired by it. Investment in real estate is subject to numerous risks. See "Risk Factors – Risks of Real Estate Investment and Ownership".

Co-Investment/Joint Ventures – The Manager may explore, from time to time, co-investment opportunities involving the Fund and one or more co-investors in addition to Sunset Ridge. The Manager may also invest in, or be a participant in, joint ventures and partnerships with third parties in respect of the Properties. Such co-investment opportunities and joint ventures or partnerships may involve certain additional risks.

There is no limitation preventing the Fund from purchasing from Fund No. 1 the remaining 50% interest in Sunset Ridge, provided that the Fund has available Investable Funds to be deployed at that time. In such circumstances, the purchase price would be determined with reference to an independent appraisal to be obtained by the Fund. The Acquisition Fee would be payable by the U.S. REIT to the Manager in connection with the Fund's acquisition of the remaining 50% interest in Sunset Ridge.

On the Closing Date or shortly thereafter, Starlight Investments Acquisition LLC, an Affiliate of the Manager, will indirectly transfer its 50% interest in Sunset Ridge to the Fund by way of the Sunset Ridge Purchase Agreement and the Property will be co-owned by the Fund and Fund No. 1 pursuant to the terms of the Sunset Ridge LLC Agreement. All decision making in respect of Sunset Ridge, including day-to-day and material decisions, will be jointly made through the established governance practices of the Fund and Fund No. 1 in accordance with the Sunset Ridge LLC Agreement and that the Fund and Fund No. 1 will each be responsible for the liabilities of Sunset Ridge on a pro-rata ownership basis. There can be no assurance that the interests of Fund No. 1 will be in alignment with those of the Fund, which may adversely impact the value of the Fund's interest in Sunset Ridge and the value of the Fund.

See "Risk Factors – Risks of Real Estate Investment and Ownership – Co-Investment/Joint Ventures" and "Risk Factors – Risks of Real Estate Investment and Ownership – Same Management Group for Various Entities".

Limited Recourse Against Property Vendors – Purchasers under this Prospectus will not have a direct statutory right or any other rights against Starlight Investments Acquisition LLC and Prim Residences At Cinco Ranch, LLC, the vendors of the Property interests comprising the Initial Portfolio, and their respective securityholders. The sole remedy of the Fund against Starlight Investments Acquisition LLC, and Prim Residences At Cinco Ranch, LLC or any of their respective securityholders will be through the U.S. REIT or Cinco Ranch Acquisition LLC bringing an action against the applicable vendor for a breach of the representations and warranties contained in such agreement, subject to the limitations described above. The vendors' liability to the Fund under the purchase agreements for breach of representations and warranties is capped at US$250,000 for Sunset Ridge, US$500,000 for Cinco Ranch and US$650,000 for Allure. In addition, the vendors have not made any representation to the Fund, and are not making any representation to investors in the Offering, as to the disclosure in this Prospectus constituting full, true and plain disclosure of all material facts related to the Properties comprising the Initial Portfolio, or that this Prospectus does not contain a misrepresentation with respect to such Properties. Accordingly, the vendors will not have any liability to investors in the Offering if the Prospectus disclosure relating to the Properties comprising the Initial Portfolio does not meet such standard or contains a misrepresentation.

Possible Loss of Limited Liability of Limited Partners – Unitholders may lose their limited liability in certain circumstances, including by taking part in the control of the Fund's business. The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province, but carrying on business in another jurisdiction, have not been authoritatively established. If limited liability is lost, there is a risk that Unitholders may be liable beyond their contribution and share of the Fund's undistributed net income in the event of judgment on a claim in an amount exceeding the sum of the General Partner's net assets and the Fund's net assets. A transferee of a Unit will become a Unitholder and shall be subject to the obligations and entitled to the rights of Unitholders under the Fund LP Agreement on the date on which the General Partner amends the Fund's record of

Unitholders to reflect that the transferee is a Unitholder or at such time as the General Partner, in its sole discretion, recognizes the transferee as a Unitholder. See "Description of the Securities Distributed – Units – Transfer of Units".

Historical Financial Information and Pro Forma Financial Information – The historical financial information relating to the Initial Portfolio included in this Prospectus has been derived from historical accounting records. The General Partner believes that the assumptions underlying the financial statements are reasonable. However, the financial statements may not reflect what the Fund's financial position, results of operations or cash flows would have been had the Fund been a standalone entity during the historical periods presented or what the Fund's financial position, results of operations or cash flows will be in the future.

Non-IFRS Measures – The *pro forma* financial information set out in this Prospectus includes certain measures which do not have standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. There are no directly comparable measures calculated in accordance with GAAP, as such measures are based on investments that are external to the Fund. The measures used are meaningful to the investors as they are based on the average investor's individual investment in the entities mentioned.

Reliance on Assumptions – The Fund's investment objectives and strategy have been formulated based on the Manager's analysis and expectations regarding recent economic developments in the U.S., the future recovery of the U.S. real estate markets generally, and the U.S. to Canadian dollar exchange rate. Such analysis may be incorrect and such expectations may not be realized, in which case, if the U.S. REIT fails to generate sufficient funds to allow the Holding LP to pay the Minimum Return, Unitholders can expect the annualized pre-tax distribution yield per Unit to be less than 7%.

Timing for Investment of Net Subscription Proceeds – Although the Manager is targeting deployment of the unallocated Gross Subscription Proceeds within nine months following the Closing Date, the time period for the full investment of the net proceeds of the Offering in Properties other than the Initial Portfolio is not certain and may exceed nine months. The timing of such investment will depend, among other things, upon the identification of Properties meeting the Fund's criteria for acquisition. It is the intention of the Manager that not more than 50% of the Investable Funds be deployed to acquire such additional Properties. There is a risk that the Manager may not invest all net proceeds of the Offering in Properties in a timely manner and, therefore, the Holding LP may not be able to generate sufficient funds to pay the Minimum Return, in which case, Unitholders can expect the annualized pre-tax distribution yield across all Unit classes to be less than 7%.

Same Management Group for Various Entities – The services of the Manager as manager of the Fund are not exclusive to the Fund. The Manager or any of its affiliates and associates may, at any time, engage in the promotion, management or administration of other investment portfolios and realty trusts in similar asset classes, including Fund No. 1 and Fund No. 2. Accordingly, the Manager may face conflicts of interest in the day-to-day operations, selection of real estate investments, and allocation of investment opportunities. In such circumstances, there is a risk that conflicts may arise regarding the allocation of properties among the various entities managed by the Manager and in connection with the exit from those properties. While the Manager owes fiduciary, legal and financial duties to the Fund and its Unitholders, these duties may from time to time conflict with the duties owed to the Manager's other real estate joint ventures and funds, including Fund No. 1 and Fund No. 2.

The independent directors of the General Partner are the same individuals who serve as directors of the general partner of Fund No. 1 and Fund No. 2. As a result, if the Properties of the Fund are held jointly or in partnership with either Fund No. 1 (as is the case with Sunset Ridge) or Fund No. 2, the Directors may be considered to be in a conflict of interest in the event the interests of the Fund and Fund No. 1 and/or Fund No. 2 are not aligned.

With respect to Sunset Ridge, although the interests of the Fund and Fund No. 1 are generally well aligned, a conflict may arise should Fund No. 1 wish to dispose of its interest at a time when it would not otherwise be in the Fund's best interest to do so. Pursuant to the Sunset Ridge LLC Agreement, the Fund is required to consent to any disposition membership interest in Sunset Ridge LLC, including a disposition of such interests by Fund No. 1. Should Fund No. 1 wish to dispose of its membership interest, the Fund may choose to: (a) consent to the disposition of Fund No. 1's 50% interest in Sunset Ridge, (b) acquire the membership interests of Fund No. 1 not already owned by it, provided that the Fund has available Investable Funds to be deployed at that time, pursuant to the terms of the Fund LP Agreement, at a purchase price determined based on an independent appraisal and in accordance with market practice, (c) dispose of its 50% interest at the same time as Fund No. 1 to realize a control premium associated with 100% ownership, or (d) pursue such other transaction or course of action deemed to be in the best interest of the Fund as determined by the Directors. The Directors in determining the Fund's course of action, will be required to act in compliance with their duties and obligations under corporate law and the Fund LP Agreement, which may require the appointment of additional, independent directors, which do not have a conflict of interest or the implementation of such other measurers or courses of action as deemed appropriate in the circumstances.

Currency Exchange Rate Risk – Although investors in the Canadian Dollar Units will be investing in Canadian dollars and will receive distributions and distributions of proceeds on termination of the Fund in Canadian dollars, such distributions, and distributions of proceeds on termination of the Fund will be calculated based on the Canadian dollar equivalent of a given distribution (which calculation shall use the U.S. spot exchange rate available to the Fund on the date of declaration in respect of such distribution). The Canadian dollar is not maintained at a fixed exchange rate compared to the U.S. dollar but rather the value of the Canadian dollar has a floating exchange rate in relation to the U.S. dollar. Additionally, the business of the Fund's Subsidiaries and its Affiliates will be conducted in the U.S. Consequently, any income and gains will be earned and any expenses and losses will be incurred in U.S. dollars. As a result of fluctuations in the Canada/U.S. dollar exchange rate, the value of an investment in Canadian Dollar Units and the distributions on such Units, when expressed in Canadian dollars, may be greater or less than that determined only with reference to U.S. dollars. Accordingly, investors who purchase Canadian Dollar Units are subject to currency exchange rate risk. The Fund does not intend to enter into any hedging arrangements to limit the impact of changes in the Canadian/U.S. dollar exchange rate for holders of Canadian Dollar Units and therefore it is anticipated that holders of Canadian Dollar Units will have full exposure to changes in the exchange rate between the Canadian and U.S. dollar.

Tax Matters – The Fund (including the Investment LP, the Holding LP and the U.S. REIT) will be subject to the tax laws of Canada and the U.S., as applicable. The tax treatment of such entities may have a material adverse effect on the Fund's financial position and may adversely impact funds available for distribution to Unitholders. In addition, future legislative, judicial or administrative changes to Canadian or U.S. tax laws could affect the tax implications to the Fund, its Subsidiaries and Unitholders. There are numerous Canadian and U.S. tax risks associated with an investment in Units. Prospective Purchasers are advised to refer to "Certain Canadian Federal Income Tax Considerations", "Certain U.S. Federal Income Tax Considerations", "Risk Factors – Risk Factors Relating to the Fund's Canadian Tax Status" and "Risk Factors – Risk Factors Relating to the Fund's U.S. Tax Status".

For a more complete discussion of the risks associated with an investment in Units, see "Risk Factors".

SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable by the Fund.

Type of fee	Amount and Description
Agents' Fee:	C$0.525 (5.25%) per Class A Unit and Class D Unit, C$0.225 (2.25%) per Class F Unit and US$0.525 (5.25%) per Class U Unit. The Agents' Fee for the Class A Units, Class D Units and Class U Units includes a selling concession of 3%. The Agents' Fee will be paid out of the Gross Subscription Proceeds. No Agents' Fee, selling concession or other commissions will be paid in connection with the issuance of Class C Units under this Prospectus.
Expenses of the Offering:	The expenses of the Offering are estimated to be US$900,000 which, together with the Agents' Fee, will be paid by the Fund from the Gross Subscription Proceeds subject to a maximum of 1.5% of the Gross Subscription Proceeds.
Carried Interest:	In the event that the holders of Holding LP Units receive the Minimum Return, the Holding GP will be entitled to receive 25% of all Distributable Cash from the Holding LP after (i) payment of all expenses of the Holding LP and amounts equal to the anticipated expenses of the Investment LP and the Fund, (ii) repayment of the invested capital of the holders of Holding LP Units, and (iii) payment of the Minimum Return.
Asset Management Fee:	In consideration for providing management services, the Fund and the U.S. REIT will pay the Manager an aggregate base annual management fee calculated and payable on a monthly basis in arrears in cash on the first day of each month equal to 0.35% of the sum of: (i) the historical purchase price of the Properties in U.S. dollars, and (ii) the cost of any capital expenditures in respect of the Properties since the date of their indirect acquisition by the Fund, plus an amount equal to the Service Fee (as defined below). See "The Manager and the Management Agreement – The Management Agreement".
Acquisition Fee:	In consideration for providing financing and other services in connection with the acquisition of the Properties, the U.S. REIT will pay the Manager an acquisition fee (the "**Acquisition Fee**") equal to: (i) 1.00% of the purchase price paid by the U.S. REIT for the purchase of a Property, on the first US$100,000,000 of Properties acquired, (ii) 0.75% of the purchase price paid by the U.S. REIT for the purchase of a Property, on the next US$100,000,000 of Properties acquired, and (iii) 0.50% of the purchase price paid by the U.S. REIT for the purchase of a Property, on Properties in excess of US$200,000,000 acquired. Such Acquisition Fee shall be paid in full upon the completion of the purchase of each such Property. See "The Manager and the Management Agreement – The Management Agreement".
Property Management and Capital Expenditure Fees:	The Manager expects that the fees payable to third party property managers will include a property management fee between 2.5% and 3% of the gross revenue from the managed Properties and a market capital expenditure fee for capital expenditures relating to construction, renovations or deferred maintenance. For capital projects, the Manager may, in its discretion, undertake the capital expenditures and receive a capital expenditure fee commensurate with the capital expenditure fee payable to a third party property manager. See "Description of the Activities of the Fund – Management and Leasing of the Properties".
Service Fee:	The Manager will pay an annual service fee (the "**Service Fee**") equal to 0.5% of the gross subscription proceeds received for the Class A Units and/or the Class U Units to registered dealers based on the number of Class A Units and/or the Class U Units held by clients of such registered dealers at the end of the relevant quarter (calculated and paid at the end of each calendar quarter commencing on September 30, 2014).

Ongoing Expenses of the Fund:

Pursuant to the Management Agreement, the Fund and the U.S. REIT will collectively pay for all ordinary expenses incurred in connection with its operation and administration. It is expected that these expenses will include, without limitation: mailing and printing expenses for periodic reports to Unitholders and other Unitholder communications; any reasonable out-of-pocket expenses incurred by the Manager or its agents and paid to third parties in connection with their on-going obligations to the Fund; fees payable to the auditors; appraisers and legal advisors of the Fund; regulatory filing fees; administrative expenses and costs incurred in connection with the continuous public filing requirements of the Fund; investor relations; costs and expenses arising as a result of complying with all Applicable Laws; regulations and policies; insurance expenses; extraordinary expenses the Fund may incur; and any expenditures incurred upon the termination of the Fund. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager (and any of its officers, directors, employees consultants or agents) or the Directors or the executive officers of the Fund are entitled to an indemnity from the Fund. The aggregate annual amount of these fees and expenses is estimated to be approximately US$235,000.

In addition, because the Fund will indirectly own and operate physical real estate assets, the Fund will be indirectly responsible for the payment of ordinary course Operating Expenses relating to real estate, which expenses are customary for real estate related entities such as salaries and benefits for on-site employees, insurance, utilities, repairs and maintenance, advertising and general and administrative expenses. Certain of the Operating Expenses will be payable to the Manager in connection with its management of the Fund.

See “Description of the Activities of the Fund – Operating Expenses of the Fund”.

GLOSSARY OF TERMS

Certain terms and abbreviations used in this Prospectus are defined below:

"**Acquisition Fee**" means a fee payable to the Manager by the U.S. REIT pursuant to the Management Agreement in consideration for the Manager providing financing and other services to the U.S. REIT, as described in "The Manager and the Management Agreement – The Management Agreement";

"**Affiliate**" means an affiliate as defined under National Instrument 45-106 – *Prospectus and Registration Exemptions*, as replaced or amended from time to time, subject to the terms "person" and "issuer" in such instrument being ascribed the same meaning as "Person" herein;

"**Agency Agreement**" means the agreement dated June 27, 2014 among the Fund, the Manager and the Agents;

"**Agents**" means, collectively, the Lead Agent, National Bank Financial Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., Raymond James Ltd., TD Securities Inc., Dundee Securities Ltd., GMP Securities L.P., Canaccord Genuity Corp. and Desjardins Securities Inc.;

"**Agents' Fee**" means a fee payable by the Fund equal to C$0.525 (5.25%) per Class A Unit and Class D Unit, C$0.225 (2.25%) per Class F Unit and US$0.525 (5.25%) per Class U Unit. For greater certainty, the Agents' Fee for the Class A Units, Class D Units and Class U Units includes a selling concession of 3%;

"**Aggregate Class A Interest**" is equal to (i) the aggregate gross proceeds received by the Fund for the issuance of the Class A Units pursuant to the Offering (calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date) less the aggregate Agents' Fee payable in respect of the Class A Units (calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date), divided by (ii) the number of Class A Units issued pursuant to the Offering, multiplied by (iii) the number of Class A Units outstanding at the time the Aggregate Class A Interest is being calculated;

"**Aggregate Class C Interest**" is equal to (i) the aggregate gross proceeds received by the Fund for the issuance of the Class C Units pursuant to the Offering (calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date), divided by (ii) the number of Class C Units issued pursuant to the Offering following the cancellation of the initial Class C Unit, multiplied by (iii) the number of Class C Units outstanding at the time the Aggregate Class C Interest is being calculated;

"**Aggregate Class D Interest**" is equal to (i) the aggregate gross proceeds received by the Fund for the issuance of Class D Units pursuant to the Offering (calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date) less the aggregate Agents' Fee payable in respect of the Class D Units (calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date), divided by (ii) the number of Class D Units issued pursuant to the Offering, multiplied by (iii) the number of Class D Units outstanding at the time the Aggregate Class D Interest is being calculated;

"**Aggregate Class F Interest**" is equal to (i) the aggregate gross proceeds received by the Fund for the issuance of Class F Units pursuant to the Offering (calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date), less the aggregate Agents' Fee payable in respect of the Class F Units (calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date), divided by (ii) the number of Class F Units issued pursuant to the Offering, multiplied by (iii) the number of Class F Units outstanding at the time the Aggregate Class F Interest is being calculated;

"**Aggregate Class U Interest**" is equal to (i) the aggregate gross proceeds received by the Fund for the issuance of the Class U Units pursuant to the Offering less the aggregate Agents' Fee payable in respect of the Class U Units, divided by (ii) the number of Class U Units issued pursuant to the Offering, multiplied by (iii) the number of Class U Units outstanding at the time the Aggregate Class U Interest is being calculated;

"**Aggregate Units Interest**" means, at any time, the sum of (i) the Aggregate Class A Interest, (ii) the Aggregate Class C Interest, (iii) the Aggregate Class D Interest, (iv) the Aggregate Class F Interest and (v) the Aggregate Class U Interest, at such time, which, on the Closing Date, shall be equal to the Net Subscription Proceeds;

"**Alliance**" means Alliance Residential Company;

"**Allure**" means the Property known as The Allure;

"**Allure LLC**" means Allure Multi-Family Holding LLC, a Delaware limited liability company;

"**Allure Purchase Agreement**" has the meaning set out under "Description of the Activities of the Fund – The Initial Portfolio – Purchase Agreements and Sunset Ridge LLC Agreement";

"**AMR**" means average monthly rent;

"**Appraisals**" means the independent appraisals of the fair market value of each of the Properties comprising the Initial Portfolio prepared by the Appraiser;

"**Appraiser**" means CBRE, Inc.;

"**Applicable Laws**" means, in respect of any Person, all laws, statutes, regulations, statutory rules, principles of common law or equity, orders and terms and conditions of any grant of approval, permission, authority or license of any governmental authority applicable to such Person or its business, undertaking and property having jurisdiction over the Person or its business, undertaking or property, in each case as amended from time to time;

"**Asset Management Fee**" means an annual fee payable to the Manager by the Fund and the U.S. REIT in accordance with the terms of the Management Agreement, in consideration of the Manager providing management services to the Fund and the U.S. REIT, as described in "The Manager and the Management Agreement – The Management Agreement";

"**ASTM Practice E1527-13**" means American Society for Testing and Materials Standard Practice E1527-13;

"**Austin**" means the Austin area in Texas, U.S.;

"**BCA Reports**" means the building condition assessment reports for each Property comprising the Initial Portfolio;

"**Bid Units**" has the meaning set out in "Description of the Securities Distributed – Units – Coattail Provisions";

"**Board**" means the board of directors of the General Partner;

"**Business Day**" means any day which is not a Saturday, Sunday or statutory holiday in the Province of Ontario or any state in which any of the Properties are located;

"**Canadian Dollar Units**" means the Class A Units, Class C Units, Class D Units and Class F Units;

"**Capitalization Rate**" means the yield of a Property calculated by dividing the NOI of the Property by the purchase price of the Property;

"**Carried Interest**" means the Holding GP's interest in the allocations and distributions of the Holding LP, being in the event that holders of Holding LP Units receive the Minimum Return, 25% of all Distributable Cash from the Holding LP after (a) payment of all expenses of the Holding LP and amounts equal to the anticipated expenses of the Investment LP and the Fund, (b) repayment of the invested capital of the holders of Holding LP Units, and (c) payment of the Minimum Return;

"**Cash Flow**" means, for any Distribution Period:

(a) the sum of all cash amounts received by the Fund for or in respect of such Distribution Period, including amounts received as a limited partner holding Investment LP Units pursuant to the terms of the

Investment LP Agreement and all other income, interest, distributions, dividends, proceeds from the investment in Investment LP Units (other than by way of security interest), returns of capital and repayments of indebtedness, as well as all amounts received by the Fund in any prior Distribution Period to the extent not previously distributed; less

(b) all costs and expenses of the Fund that, in the opinion of the Board, may reasonably be considered to have accrued and become owing in respect of, or which relate to, such Distribution Period or a prior Distribution Period if not accrued in such prior period; less

(c) any interest expense incurred by the Fund between distributions,

provided that any funds borrowed by the Fund will not be included in the calculations of Cash Flow in respect of any Distribution Period;

"**CBCA**" means the *Canada Business Corporations Act*, as amended from time to time;

"**CDS**" means CDS Clearing and Depository Services Inc.;

"**Certificate**" has the meaning set out under "Certain Canadian Federal Income Tax Considerations".

"**Charter**" has the meaning set out under "Description of the Securities Distributed – The U.S. REIT – General";

"**Cinco Ranch**" means the Property known as Residences at Cinco Ranch;

"**Cinco Ranch Purchase Agreement**" has the meaning set out under "Description of the Activities of the Fund – The Initial Portfolio – Purchase Agreements and Sunset Ridge LLC Agreement";

"**Class A Units**" means the units of beneficial limited partnership interests in the Fund, designated as "Class A Units";

"**Class C Hold Period**" means a period of four months after the Closing Date during which the Class C Units may not be sold;

"**Class C Unit Exchange Rate**" is equal to (i) (A) the aggregate gross proceeds received by the Fund for the issuance of the Class C Units pursuant to the Offering, divided by (B) the number of Class C Units issued pursuant to the Offering following the cancellation of the initial Class C Unit, divided by (ii) (A) the aggregate gross proceeds received by the Fund for the issuance of Class A Units pursuant to the Offering less the aggregate Agents' Fee payable in respect of the Class A Units, divided by (B) the number of Class A Units issued pursuant to the Offering;

"**Class C Units**" means the units of beneficial limited partnership interests in the Fund, designated as "Class C Units";

"**Class D Unit Exchange Rate**" is equal to (i) (A) the aggregate gross proceeds received by the Fund for the issuance of the Class D Units pursuant to the Offering less the aggregate Agents' Fee payable in respect of the Class D Units, divided by (B) the number of Class D Units issued pursuant to the Offering, divided by (ii) (A) the aggregate gross proceeds received by the Fund for the issuance of Class A Units pursuant to the Offering less the aggregate Agents' Fee payable in respect of the Class A Units, divided by (B) the number of Class A Units issued pursuant to the Offering;

"**Class D Units**" means the units of beneficial limited partnership interests in the Fund, designated as "Class D Units";

"**Class F Unit Exchange Rate**" is equal to (i) (A) the aggregate gross proceeds received by the Fund for the issuance of the Class F Units pursuant to the Offering less the aggregate Agents' Fee payable in respect of the Class F Units, divided by (B) the number of Class F Units issued pursuant to the Offering, divided by (ii) (A) the aggregate gross proceeds received by the Fund for the issuance of Class A Units pursuant to the Offering less the aggregate Agents' Fee payable in respect of the Class A Units, divided by (B) the number of Class A Units issued pursuant to the Offering;

"**Class F Units**" means the units of beneficial limited partnership interests in the Fund, designated as "Class F Units";

"**Class Offer**" has the meaning set out under "Description of the Securities Distributed – Unit – Coattail Provisions";

"**Class U Units**" means the units of beneficial limited partnership interests in the Fund, designated as "Class U Units";

"**Closing Date**" means the closing date of the Offering which is expected to be on or about July 9, 2014 or such later date as the Fund and the Agents may agree, but in any event not later than July 31, 2014;

"**Coattail Units**" has the meaning set out under "Description of the Securities Distributed – Units – Coattail Provisions";

"**Coattail Exchange Rate**" is equal to (i) (A) the aggregate gross proceeds received by the Fund for the issuance of the Coattail Units pursuant to the Offering (if the Coattail Units are Class A Units, calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date), less the aggregate Agents' Fee payable in respect of the Coattail Units (if the Coattail Units are Class A Units calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date), divided by (B) the number of Coattail Units issued pursuant to the Offering, divided by (ii) (A) the aggregate gross proceeds received by the Fund for the issuance of the applicable class of Bid Units pursuant to the Offering (if the Bid Units are Class C Units, Class D Units or Class F Units calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date) less the aggregate Agents' Fee payable in respect of the Bid Units, divided by (B) the number of the applicable class of Bid Units issued pursuant to the Offering;

"**Code**" means the *United States Internal Revenue Code of 1986*, as amended from time to time;

"**Conversion End Date**" has the meaning set out under "Description of the Securities Distributed – Units – Coattail Provisions";

"**Convertible Units**" means the Class C Units, Class D Units and Class F Units;

"**Cost Approach**" has the meaning set out under "Description of the Activities of the Fund – The Initial Portfolio – Independent Appraisals of the Initial Portfolio";

"**CRA**" means the Canada Revenue Agency;

"**Directors**" means the directors of the General Partner;

"**Disposition**" means the direct or indirect sale, assignment or other transfer, when completed, of a Property, in whole or in part, and includes any sale, assignment or other transfer to the Manager or to any Person with an ownership interest in the Manager or to any Person in respect of which the Manager or any such Person has an ownership or financial interest provided that the Manager has disclosed such interest to the Fund in writing prior to the commencement of the negotiation of the sale price for such Disposition. "Disposition" does not include any sale, assignment or other transfer to any Subsidiary of the Fund and "**Dispose**" and "**Disposed**" have corresponding meanings;

"**Distributable Cash**" means, for any period, an amount equal to the aggregate of (i) all dividends and returns of capital (including redemption proceeds) on the U.S. REIT Common Stock and U.S. REIT ROC Shares, as and when declared, out of the Distributable U.S. REIT Assets, and (ii) interest and repayments of principal on the U.S. REIT Notes (if any), in each case, received by the Holding LP from the U.S. REIT, after payment of all current obligations of the Holding LP;

"**Distributable Cash Flow**" means, for any Distribution Period, an amount equal to the Cash Flow for such Distribution Period, less any amount that the General Partner may reasonably consider to be necessary to provide for the payment of any costs or expenses, including any tax liability of the Investment LP, the Investment GP or the Fund, that have been or are reasonably expected to be incurred in the activities and operations of the Investment LP or the Fund (to the extent that such costs or expenses have not otherwise been taken into account in the calculation of the Cash Flow) and less such reserves or amounts as are, in the opinion of the General Partner, necessary or desirable;

"**Distributable U.S. REIT Assets**" means assets of the U.S. REIT properly available for the payment of dividends and returns of capital, including all cash flow from operations of the Properties in a period after payment of all current obligations relating to the Properties, including, without limitation, all current principal and interest payments under the Mortgage Loans and the U.S. REIT Notes (if any) after the creation of reasonable working capital and capital improvement reserves as determined by the Manager, payment of the Asset Management Fee and the Acquisition Fee to the Manager and payment of the fees payable to the property managers;

"**Distribution Period**" means each month of each calendar year expected to commence on August 1, 2014;

"**Entity**" means any one of the Fund, the Investment LP, the Holding LP or the U.S. REIT and "**Entities**" means two or more of them;

"**Escrow Agreement**" means the escrow agreement to be entered into between the Fund, the Escrow Securityholder and Equity Financial Trust Company, as escrow agent, pursuant to which the Escrowed Units will be held in escrow in accordance with National Policy 46-201 – *Escrow for Initial Public Offerings*;

"**Escrow Securityholder**" mean an Affiliate of the Manager, whose Escrowed Units are subject to escrow pursuant to the Escrow Agreement;

"**Escrowed Units**" has the meaning set out under "Escrowed Securities";

"**Exchange**" means the TSX Venture Exchange;

"**Final Prospectus**" means the Final Prospectus to be filed by the Fund with the securities commissions or other securities regulatory authorities in each of the Provinces of Canada;

"**Fund**" means Starlight U.S. Multi-Family (No. 3) Core Fund, a newly-created "closed-end" limited partnership governed by the laws of Ontario established on May 1, 2014 pursuant to the Fund LP Agreement, and, where the context requires, includes its Subsidiaries;

"**Fund LP Agreement**" means the agreement establishing the Fund dated May 1, 2014, as it may be amended and restated from time to time, among the General Partner and all persons who become Unitholders as provided therein;

"**Fund No. 1**" means Starlight U.S. Multi-Family Core Fund;

"**Fund No. 2**" means Starlight U.S. Multi-Family (No. 2) Core Fund;

"**Fund Property**" means all of the property and assets of the Fund;

"**GAAP**" means Canadian generally accepted accounting principles for publicly accountable enterprises as defined by the Accounting Standards Board of The Canadian Institute of Chartered Accountants, as amended from time to time, which for fiscal years beginning on or after January 1, 2011, shall be IFRS;

"**General Partner**" means Starlight U.S. Multi-Family (No. 3) Core GP, Inc., a corporation incorporated under the laws of Ontario, and the general partner of the Fund;

"**Greystar**" means Greystar Real Estate Partners;

"**Gross Subscription Proceeds**" means the gross proceeds (in U.S. dollars) received by the Fund from (i) the issuance of the Canadian Dollar Units pursuant to the Offering (calculated in U.S. dollars based on the Canadian dollar/U.S. dollar spot exchange rate available to the Fund on the Closing Date), and (ii) the issuance of Class U Units pursuant to the Offering;

"**Holding GP**" means Starlight U.S. Multi-Family (No. 3) Core Holding (GP) L.P., a Delaware limited partnership that was established pursuant to the laws of Delaware on June 24, 2014, and the general partner of the Holding LP;

"**Holding LP**" means Starlight U.S. Multi-Family (No. 3) Core Holding L.P., a Delaware limited partnership that was established by the Investment LP and the Holding GP pursuant to the laws of Delaware and the Holding LP Agreement;

"**Holding LP Agreement**" means the agreement establishing the Holding LP dated June 25, 2014, as it may be amended and restated from time to time, between the Investment LP and the Holding GP and all persons who become holders of Holding LP Units as provided therein;

"**Holding LP Units**" means limited partnership units of the Holding LP;

"**Houston**" means the Houston-Sugar Land-Baytown area in Texas, U.S.;

"**IFRS**" means International Financial Reporting Standards;

"**Income Capitalization Approach**" has the meaning set out under "Description of the Activities of the Fund – The Initial Portfolio – Independent Appraisals of the Initial Portfolio";

"**Initial Portfolio**" means the portfolio comprising an aggregate of 891 multi-residential units in three Properties located in the State of Texas in Austin and Houston, interests in which will be indirectly acquired by the Fund following the completion of the Offering;

"**Investable Funds**" means the sum of (i) the net proceeds from the Offering (including the proceeds of any concurrent private placement) and (ii) the net proceeds received from the Mortgage Loans;

"**Investment GP**" means Starlight U.S. Multi-Family (No. 3) Investment GP, Inc., a corporation incorporated under the laws of Ontario and the general partner of the Investment LP;

"**Investment LP**" means Starlight U.S. Multi-Family (No. 3) Core Investment L.P., an Ontario limited partnership that was established by the Fund and the General Partner pursuant to the laws of Ontario and the Investment LP Agreement;

"**Investment LP Agreement**" means the agreement establishing the Investment LP dated June 19, 2014, as it may be amended and restated from time to time, between the Fund and the Investment GP and all persons who become holders of Investment LP Units as provided therein;

"**Investment LP Units**" means limited partnership units of the Investment LP;

"**Investment Restrictions**" means the investment restrictions of the Fund, as more particularly described under "Descriptions of the Activities of the Fund – Investment Restrictions and Operating Policies – Investment Restrictions";

"**IRS**" means the U.S. Internal Revenue Service;

"**Lead Agent**" means CIBC World Markets Inc.;

"**Lead Investors**" means institutional investors committed to subscribing for Class C Units, on a lead order basis;

"**LIBOR**" means the London Interbank Offered Rate;

"**Management Agreement**" means an agreement to be entered into between the Fund, the U.S. REIT and the Manager pursuant to which the Manager will provide certain services relating to the Properties;

"**Manager**" means Starlight Investments Ltd., an Ontario corporation, or a Subsidiary thereof, and the manager of the Fund and the U.S. REIT pursuant to the Management Agreement;

"**Marcus & Millichap**" means Marcus & Millichap Real Estate Investment Services;

"**Maximum Offering**" means the offering of a maximum of US$60,000,000 of Units, which amount shall be reduced by the aggregate subscription amount for any Class C Units sold on a concurrent private placement basis at the discretion of the Fund to an Affiliate of the Manager and the principal of the Manager, certain other investors known to the Manager and Lead Investors, if any;

"**MD&A**" means management's discussion and analysis;

"**MI 61-101**" means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* as replaced or amended from time to time;

"**Minimum Offering**" means the offering of a minimum of US$27,000,000 of Units, which amount shall be reduced by the aggregate subscription amount for any Class C Units sold on a concurrent private placement basis at the discretion of the Fund to an Affiliate of the Manager and the principal of the Manager, certain other investors known to the Manager and Lead Investors, if any;

"**Minimum Return**" means a return to holders of Holding LP Units equal to 7% per annum, calculated on the invested capital of the holders of Holding LP Units, which amount represents a cumulative preferential entitlement of the holders of Holding LP Units to distributions of Distributable Cash;

"**Mortgage Loans**" means one or more mortgages, charges, pledges, hypothecs, liens, security interests or other encumbrances of any kind or nature whatsoever of the Properties, to be granted by the U.S. REIT (or, if a Property is held by a Subsidiary or nominee entity on behalf of the U.S. REIT, by such entity) to one or more lenders, the proceeds of which will be used to finance the purchase, ownership and leasing of such Property;

"**MSA**" means a metropolitan statistical area;

"**NI 51-102**" means National instrument 51-102 – *Continuous Disclosure Obligations*

"**NOI**" means income from a Property after Operating Expenses have been deducted, but before deducting income taxes and financing expenses (interest and principal payments);

"**Net Subscription Proceeds**" means the net proceeds (in U.S. dollars) received by the Fund from (a) the issuance of the Canadian Dollar Units pursuant to the Offering (calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date) and (b) the issuance of Class U Units pursuant to the Offering, minus (c) the Total Agents' Fee;

"**Offering**" means the offering of up to US$60,000,000 of Units;

"**Offering Price**" means C$10.00 per Class A Unit, Class D Unit, Class F Unit and Class C Unit, and US$10.00 per Class U Unit;

"**Operating Expenses**" means all amounts paid or payable on account of expenses in the operation of and/or leasing of the Properties;

"**Operating Policies**" means the operating policies of the Fund, as more particularly described under "Descriptions of the Activities of the Fund – Investment Restrictions and Operating Policies – Operating Policies";

"**Ordinary Resolution**" means a resolution of the unitholders, limited partners or shareholders of an Entity, as the case may be, approved by not less than 50% of the votes cast by those persons who vote in person or by proxy at a duly convened meeting of the respective Entity, or a written resolution signed by the unitholders, limited partners or shareholders of an Entity, entitled, in the aggregate, to not less than 50% of the aggregate number of votes of those persons;

"**Person**" includes any individual, firm, partnership, limited partnership, limited liability partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, trust, unincorporated association or organization, governmental authority, syndicate or other entity, whether or not having legal status, however designated or constituted;

"**Pinnacle**" means Pinnacle Family of Companies;

"**Plans**" means RRSPs, RESPs, TFSAs, RRIFs, registered disability savings plans and deferred profit sharing plans, as those phrases are defined in the Tax Act, and "**Plan**" means any of them;

"**Properties**" means the lands and premises located in the U.S. or interests therein to be purchased, owned and leased, by the U.S. REIT or its Affiliates, including the Initial Portfolio, and "**Property**" means one of the Properties;

"**Proportionate Class A Interest**" is equal to the Aggregate Class A Interest, divided by the Aggregate Units Interest;

"**Proportionate Class C Interest**" is equal to the Aggregate Class C Interest, divided by the Aggregate Units Interest;

"**Proportionate Class D Interest**" is equal to the Aggregate Class D Interest, divided by the Aggregate Units Interest;

"**Proportionate Class F Interest**" is equal to the Aggregate Class F Interest, divided by the Aggregate Units Interest;

"**Proportionate Class U Interest**" is equal to the Aggregate Class U Interest, divided by the Aggregate Units Interest;

"**Prospectus**" means this prospectus and any amendments hereto and documents incorporated by reference herein;

"**Purchaser**" means a purchaser of Units;

"**REIT**" has the meaning set out under "The U.S. REIT – Restrictions on Ownership and Transfer";

"**Related Party**" means, with respect to any person, a person who is a "related party" as that term is defined in MI 61-101;

"**RESPs**" means registered education savings plans as defined in the Tax Act;

"**ROC Share Redemption Amount**" means the redemption amount of a U.S. REIT ROC Share fixed at a stated U.S. dollar value, payable in cash on the redemption date (or if earlier, the date of the U.S. REIT's liquidation, dissolution or winding-up or the date that the U.S. REIT ROC Shares have been redeemed in full);

"**RRIFs**" means registered retirement income funds as defined in the Tax Act;

"**RRSPs**" means registered retirement savings plans as defined in the Tax Act;

"**Sales Comparison Approach**" has the meaning set out under "Description of the Activities of the Fund – The Initial Portfolio – Independent Appraisals of the Initial Portfolio";

"**Series A U.S. REIT Preferred Stock**" has the meaning set out "The U.S. REIT – Series A U.S. REIT Preferred Stock";

"**SIFT Rules**" means the provisions of the Tax Act applicable to SIFT trusts, SIFT partnerships and their unitholders, as applicable;

"**Securities Act**" means the *Securities Act* (Ontario), and the regulations thereunder, as amended from time to time;

"**Service Fee**" means an annual service fee equal to 0.5% of the gross subscription proceeds received for the Class A Units and/or the Class U Units that will be paid to registered dealers by the Manager based on the number of Class A Units and/or the Class U Units held by clients of such registered dealers at the end of the relevant quarter (calculated and paid at the end of each calendar quarter commencing on September 30, 2014);

"**Special Resolution**" means a resolution of the unitholders, limited partners or shareholders of an Entity, as the case may be, approved by not less than $66^2/_3$% of the votes cast by those persons who vote in person or by proxy at a duly convened meeting of the respective Entity, or a written resolution signed by the unitholders, limited partners or shareholders of an Entity, entitled, in the aggregate, to not less than $66^2/_3$% of the aggregate number of votes of those persons;

"**Subsidiary**" includes, with respect to any Person, an entity controlled, directly or indirectly, by such Person and, in respect of the Fund, shall include the Investment LP, the Holding LP, the U.S. REIT and any special purpose vehicle wholly owned by the U.S. REIT and "**Subsidiaries**" means any two or more of them;

"**Sunset Ridge**" means the Property known as The Villages of Sunset Ridge;

"**Sunset Ridge LLC**" means Sunset Ridge Multi-Family Holding LLC, a Delaware limited liability company governed by the Sunset Ridge LLC Agreement;

"**Sunset Ridge LLC Agreement**" means the limited liability company operating agreement in respect of Sunset Ridge LLC dated as of May 15, 2014 as may be amended from time to time, which will govern the indirect ownership of Sunset Ridge by the Fund and Fund No. 1;

"**Sunset Ridge Purchase Agreement**" has the meaning set out under "Description of the Activities of the Fund – The Initial Portfolio – Purchase Agreements and Sunset Ridge LLC Agreement";

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations promulgated thereunder, as amended from time to time;

"**Term**" means the term of the Fund, being three years, subject to two one-year extensions at the discretion of the General Partner;

"**TFSAs**" means tax-free savings accounts as defined in the Tax Act;

"**Total Agents' Fee**" means the sum of (i) the aggregate Agents' Fee payable in respect of the Class A Units, Class D Units and Class F Units (calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date), and (ii) the aggregate Agents' Fee payable in respect of the Class U Units;

"**Trade-Mark Licence Agreement**" means the trade-mark licence agreement between the Manager and the Fund pursuant to which the Manager will grant to the Fund a non-exclusive royalty-free licence to, among other things, use the "STARLIGHT U.S. MULTI-FAMILY" and "STARLIGHT U.S. MULTI-FAMILY & Design" trade-marks in Canada and the U.S. for the purpose of conducting its activities as provided for by the Fund LP Agreement;

"**Treaty**" means the *Canada-United States Convention with Respect to Taxes on Income and on Capital*;

"**Unit Class Expenses**" means the expenses of the Fund allocable to a specific class of Units. Specifically, for Class A Units and the Class U Units, these Unit Class Expenses include a portion of the Management Fee equal to the Service Fee in respect of Class A Units and Class U Units;

"**Units**" means the Class A Units, Class U Units, Class D Units, Class F Units and Class C Units, collectively;

"**Unitholder**" means a holder of record of any Units;

"**U.S.**" means the United States of America;

"**U.S. LLC GP**" means Starlight U.S. Multi-Family (No. 3) Core Holding (GP), LLC, the general partner of the Holding GP;

"**USPAP**" means the Uniform Standards of Professional Appraisal Practice under the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute;

"**U.S. REIT**" means Starlight U.S. Multi-Family (No. 3) Core REIT Inc., a Maryland corporation;

"**U.S. REIT Common Stock**" means the common stock, US$0.01 par value per share, of the U.S. REIT;

"**U.S. REIT Notes**" means the subordinated unsecured promissory notes that may be issued by the U.S. REIT to the Holding LP;

"**U.S. REIT Preferred Stock**" has the meaning set out under "The U.S. REIT – General";

"**U.S. REIT ROC Shares**" means shares in the capital of the U.S. REIT which are designated within such capital as Series B Cumulative Voting Preferred Shares; and

"**U.S. Securities Act**" means the United States *Securities Act of 1933*, as it may be amended from time to time.

1. CORPORATE STRUCTURE

1.1 Name and Formation

The Fund

The Fund is a newly-created "closed-end" limited partnership, sponsored and asset managed by the Manager. The Fund is governed by the laws of Ontario and was established on May 1, 2014 pursuant to the Fund LP Agreement. The Board of the General Partner is currently comprised of Daniel Drimmer, Tamara Lawson and David Hanick. The directors of the General Partner upon closing of the Offering will be Daniel Drimmer, Derek Lobo and Harry Rosenbaum. All of the issued and outstanding shares of the General Partner are owned by the Manager.

The address of the Fund's head and registered office is 1801 – 3300 Bloor St West, West Tower, Toronto, ON M8X 2X2.

The Investment LP

The Investment LP is a limited partnership formed on June 19, 2014 pursuant to and governed by the laws of Ontario. The Investment LP will make an election pursuant to the Code to be classified as a corporation for U.S. federal income tax purposes effective on the date of its formation. The general partner of the Investment LP is Investment GP, a corporation incorporated pursuant to the laws of Ontario. All of the issued and outstanding shares of Investment GP will be owned by the Fund.

The Holding LP

The Holding LP is a limited partnership formed on June 25, 2014 pursuant to and governed by the laws of Delaware. The general partner of the Holding LP is the Holding GP, a limited partnership formed pursuant to and governed by the laws of Delaware. The general partner of the Holding GP is U.S. LLC GP, a limited liability company that was formed pursuant to and governed by the laws of Delaware. All of the issued and outstanding limited partnership units of the Holding GP and all of the outstanding shares of U.S. LLC GP will be owned by the Manager.

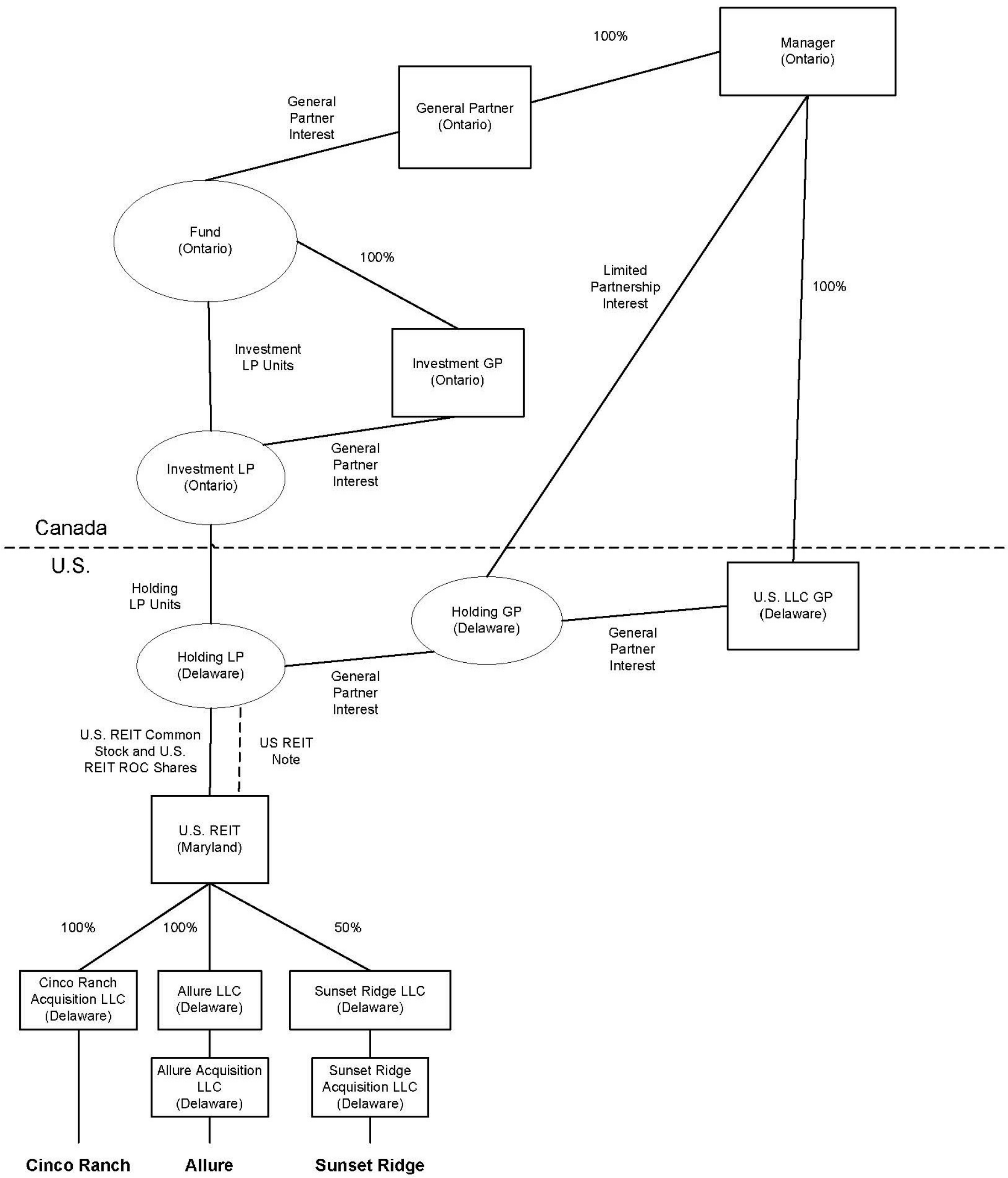
The U.S. REIT

The U.S. REIT is a Maryland corporation. The U.S. REIT intends to take the necessary steps to qualify as a real estate investment trust pursuant to the Code.

The U.S. REIT was established, among other things, for the purposes of acquiring, owning and operating the Properties. In order to accommodate the expected requirements of lenders and to segregate any risks of ownership between Properties, the U.S. REIT intends to have each of the Properties owned by a separate underlying limited partnership, limited liability company or other Subsidiary wholly owned by the U.S. REIT.

1.2 Inter-corporate Relationships

The following chart sets forth the relationships among the Fund, the Investment LP, the Holding LP, the U.S. REIT and the Manager (and certain related entities).



2. INVESTMENT STRATEGY

The Fund was established for the purposes of investing indirectly in recently constructed, Class "A", core income producing rental properties in the U.S. multi-family real estate market. The Manager believes that the U.S. multi-family real estate sector presents a compelling investment opportunity and provides competitive long term returns when compared to other real estate asset classes.

2.1 Investment Objectives

The Fund's investment objectives are to:

(a) indirectly acquire, own, and operate a portfolio comprised of recently constructed, Class "A" stabilized, income producing multi-family real estate properties primarily in Texas, Arizona and the southeastern U.S.;

(b) make stable monthly cash distributions; and

(c) enhance the operating income and property values of the Fund's assets through active management, with the goal of ultimately disposing of the assets at a gain by the end of the Term.

The Fund will target an annual pre-tax distribution yield of at least 7% across all Unit classes and aim to realize a minimum 12% pre-tax, investor internal rate of return across all Unit classes upon disposition of the Properties at or before the end of the targeted three year investment horizon, although each of these figures will necessarily vary as between classes of Units based on the proportionate entitlements of each class of Unit, applicable Unit Class Expenses and Canadian/U.S. dollar exchange rates. See "Risk Factors" and "Description of the Securities Distributed – Units – Distributions". An annual pre-tax distribution yield of 7% would represent an expected AFFO payout ratio of approximately 72.0%, assuming the Minimum Offering is achieved and based on the applicable Agents' Fee and costs of the Offering. The target AFFO payout ratio, assuming the Maximum Offering is achieved and all funds are fully deployed, is 68.3%. The Fund will seek to achieve its investment objectives by focusing on mature, stabilized assets in primary markets exhibiting favourable population and demographic characteristics.

2.2 Investment Strategy

In order to meet its investment objectives, the Fund's investment strategy will be as follows:

Core Acquisition of U.S. Multi-Family Real Estate

(a) Identify acquisition opportunities in addition to the Initial Portfolio in the U.S. multi-family residential market by leveraging the Manager's relationships with principals, operators, and brokers located in the Fund's target markets and by its ability to source "off-market" opportunities.

(b) Target multi-family assets that are:

(i) constructed in 2008 or later, Class "A", stabilized properties with the potential to benefit from active management;

(ii) located in primary markets in Texas, as well as Tennessee, North Carolina, Arizona, Georgia, and Florida, with favourable demographics and fundamentals;

(ii) located in mature areas with few barriers to new development; and

(iii) stabilized, with the potential to benefit from an active management strategy.

(c) Complete a comprehensive due diligence program, including cash flow and return modeling, operating expense reviews, and third party reports including market studies, structural and environmental assessments and appraisals.

(d) Conduct a broad canvass of the lending community, including lenders with whom the Manager enjoys long-term relationships, to secure debt financing on competitive terms.

(e) Explore, from time to time, co-investment opportunities involving the Fund and one or more co-investors in addition to Sunset Ridge. See “– Potential Co-Investments” below.

Asset Value Enhancement Through Active Management Strategy

(a) Acquire from merchant builders and private equity funds (not operators).

(b) Prepare a property-specific asset management plan to improve NOI margins by:

  (i) increasing rental rates through rental rate mapping and the use of yield management software;

  (ii) identifying and realizing upon ancillary income opportunities;

  (iii) reducing Operating Expenses; and

  (iv) utilizing reputable best-in-class U.S.-based property managers.

(c) Perform targeted, discrete capital expenditures in order to increase asking rental rates.

(d) Strengthen tenant relationships and increase tenant retention through customer service initiatives and new service offerings.

(e) Implement revenue management software and seek ancillary income opportunities (e.g. door-to-door waste pick-up service).

(f) Reduce operating expenses such as staffing, maintenance contracts, advertising and insurance through economies of scale.

(g) Perform selective, discrete in-suite, capital expenditures (e.g. faux wood flooring, granite counter tops, fenced-in yards etc.) and cosmetic improvements to increase rental rates.

Texas, Arizona and Southeastern U.S.

The Manager will target acquisitions primarily within Texas, Arizona and the southeastern U.S. where markets feature:

(a) compelling population, economic and employment growth rates;

(b) ‘landlord friendly’ legal environments; and

(c) comfortable climates and quality of life.

The Fund expects to indirectly acquire Properties in Florida, Georgia, North Carolina, Arizona, Tennessee and/or Texas and the Manager believes that each of these states exhibits the characteristics above.

Value Realization Through Strategic Dispositions

(a) Asset value increases are expected by the Manager to be realized through a combination of NOI growth, Capitalization Rate compression, currency appreciation and a pricing premium on the aggregated portfolio.

(b) The Manager, on behalf of the Fund, will execute dispositions throughout the Term on a single asset or portfolio basis through private and public market transactions to maximize value.

(c) The private real estate investment market and the public capital markets will be monitored to seek an exit strategy that can be executed with a view towards maximizing disposition proceeds.

Strategic U.S. Market and Asset Class Focus

The Manager believes that:

(a) multi-family fundamentals are strong, featuring both declining vacancy rates and appealing rental growth rates due to a reduction in home ownership and strong employment growth;

(b) limited availability of higher leveraged acquisition financing in the U.S. has decreased the number of competitive bidders in the target investment market;

(c) positive demographic trends increasingly support strong demand for rental accommodation, while the U.S. housing crisis has shifted away from home ownership in favour of rental housing, which should enhance the sector's performance;

(d) new supply of multi-family product remains below historical levels;

(e) attractive mortgage debt financing rates create positive leverage;

(f) the Canadian dollar is trading close to historical highs, presenting an opportunity for U.S. dollar currency appreciation; and

(g) multi-family real estate provides strong, risk-adjusted long term returns compared to other real estate asset classes.

The Manager will provide the Fund with the platform necessary to capitalize on this opportunity, offering its experience, expertise, and the benefit of its established network of industry contacts. The Manager believes that the multi-family real estate sector in the U.S. currently provides an opportunity to acquire multi-family properties at favourable pricing. The Manager believes that, since recovering from the global financial crisis, real estate investment trusts and institutional investors have focused their attention on trophy assets that have lower perceived risk, higher liquidity, and more favourable lending characteristics. The Manager also believes that the recent increase in U.S. bond yields has reduced the amount of debt available to purchasers of multi-family real estate who are seeking higher, levered returns. Consequently, the Manager believes that there exists a substantial inventory of recently constructed, stabilized, Class "A", income-generating, multi-family properties that it can source on an "on" and "off" market basis at attractive pricing.

Capital growth will be pursued by the Manager through value-added enhancements to the Properties and organic growth in suite rental rates. Additionally, the Manager expects that the low interest rate environment and investors' demand for yield will lead to an increase in demand for income-producing real estate and, ultimately, an overall reduction in Capitalization Rates.

Financing Strategy

The Fund's financing strategy is to access short term financing at comparatively low interest rates, and maintain flexibility by not locking in at higher long term interest rates. The Fund is differentiated by a three-year time horizon, subject to two one-year extensions at the discretion of the General Partner, and the goal is to align the term of debt to the investment holding period. As part of this strategy, the intent is to offer the portfolio unencumbered by any mortgages at the end of the holding period to prospective buyers.

The U.S. Economy

The Manager believes that the U.S. economy is poised for a strong recovery led by improving broad market conditions in 2014. While the turmoil on Capitol Hill produced fiscal measures that clearly curbed growth in 2013, broad-based productivity and employment gains have demonstrated the resilience of the economy, according to Marcus & Millichap. With government policy anticipated to be less of a negative influence, a housing recovery in progress and improving U.S. energy and manufacturing, the U.S. economy is forecast to grow by an annualized rate of 3.0% in 2014 and 2015.

According to Marcus & Millichap, the U.S. economy has recovered 7.7 million jobs since hiring began to recover at the end of the recession, adding back over 88% of the lost positions. In 2014, companies are forecast to add an additional 2.7 million jobs as growth in the global economy will support employment in the energy, trade, transportation, technology, and housing sectors.

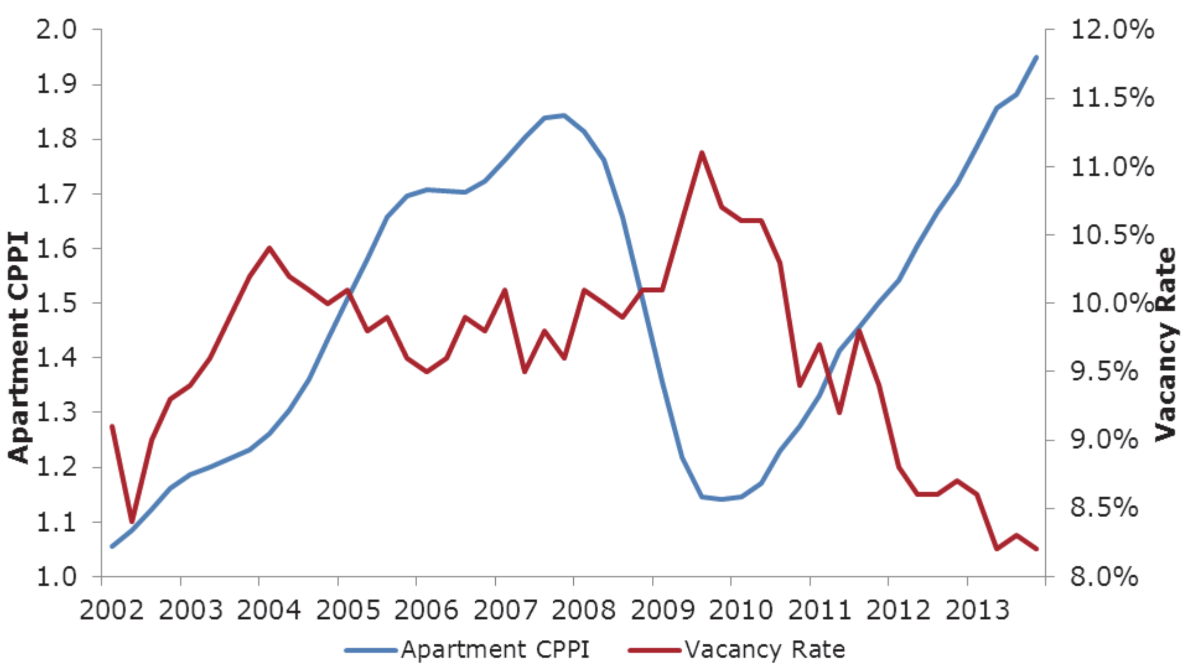
According to CIBC World Markets Inc., the U.S. Federal Reserve will slow down the tapering of its asset purchase program in 2014, giving more time for the U.S. economy to achieve above-consensus growth. Treasury rates are expected to remain very close to their 50-year low until mid-2015, when gradual increases are expected.

The U.S. Multi-Family Real Estate Sector

The Manager believes that the outlook for the multi-family market remains positive, owing to the strong demand for rental housing during times of early economic recovery. The Manager believes that robust demographic trends continue to support the multi-family residential market, including: higher levels of immigration; an increase in young adults between 18 to 34 years old leaving their parents' households; a continued shift away from homeownership; and a growing diversity in household composition. According to Marcus & Millichap, household formations exceeded one million in 2012, surpassing the average of the preceding five years, and increasing demand from immigrants and young adults will generate sufficient demand for rental housing.

The chart below illustrates the recovery in rental vacancy rates since they reached a peak of 11.1% in the third quarter of 2009. From a vacancy perspective, the market is the healthiest it has been in over ten years; prices have climbed back to pre-recession levels and currently sit at a level exceeding late-2007 prices according to the MIT Center for Real Estate. This positive momentum demonstrates the opportunity that the Manager has identified to strategically acquire recently-constructed, well-located, stabilized assets in a market environment poised to see further price increases.

U.S. Rental Vacancy Rate vs. National Apartment Price Index



Source: U.S. Census Bureau, MIT Center for Real Estate
"CPPI" – Commercial Property Price Index

According to Marcus & Millichap, the outlook for U.S. apartment buildings remains strong as the cohort of residents aged 18 to 34 years old, as well as immigrants, will increase demand for rental housing in aggregate by 1.2 million to 1.4

million people annually for the next several years as U.S. prospects for employment and wage growth improve. A forecasted 215,000 apartment suites will be completed in 2014 which will slightly increase vacancy rates in urban markets. However, the impact on national rental rates will be minimal as they are forecasted to increase by 2.6% in 2014.

2.3 Investment Rationale

The Manager believes that:

- the multi-family real estate sector presents a compelling investment opportunity and provides competitive, long term returns compared to other real estate asset classes;
- the multi-family real estate sector's robust performance and historically high occupancy rate have been driven by strong demand for rental accommodation, coupled with lower than historical new supply;
- a shift away from home ownership and positive demographic trends will enhance the sector's performance; and
- in today's low interest rate and volatile global market environment, an investment in income-producing, multi-family real estate compares favourably to other asset classes.

The Manager believes that, since recovering from the global financial crisis, real estate investment trusts and institutional investors have focused their attention on trophy assets that have lower perceived risk, higher liquidity, and more favourable lending characteristics. The Manager also believes that the recent increase in U.S. bond yields has reduced the amount of debt available to purchasers of multi-family real estate who are seeking higher, levered returns. Consequently, the Manager believes that there exists a substantial inventory of recently constructed, stabilized, Class "A", income-generating, multi-family properties that it can source on an "on" and "off" market basis at attractive pricing.

Capital growth will be pursued by the Manager through value-added enhancements to the Properties and organic growth in suite rental rates. Additionally, the Manager expects a low interest rate environment and that investors' demand for yield will lead to an increase in demand for income-producing real estate and, ultimately, an overall reduction in Capitalization Rates.

2.4 Investment Highlights

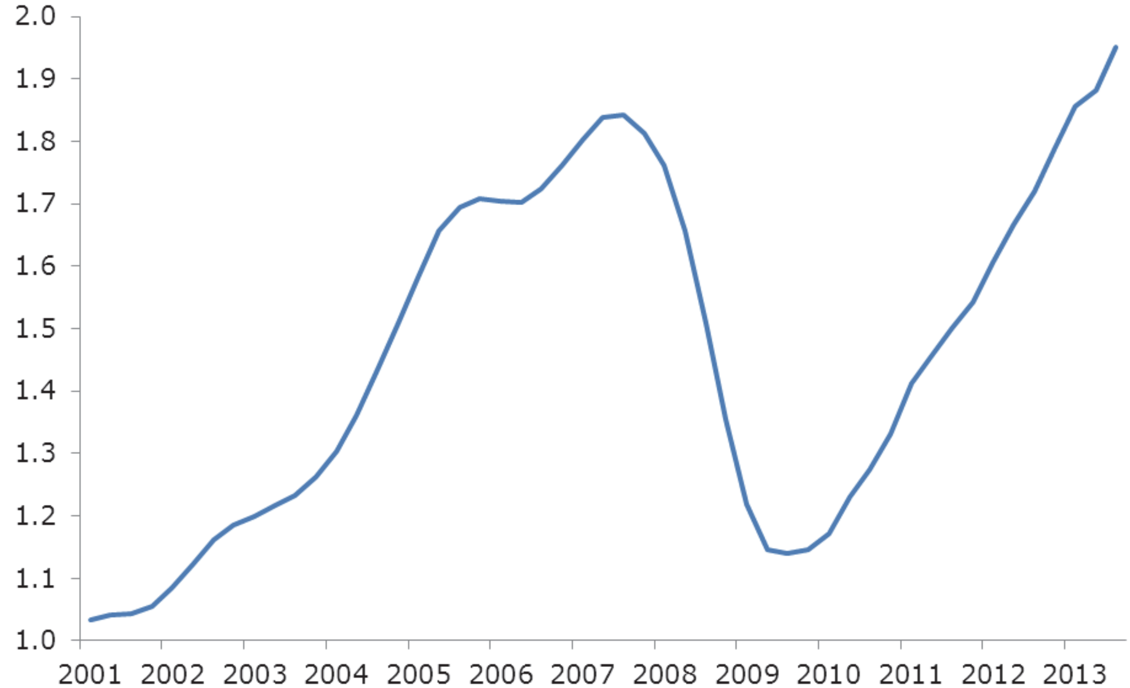
Optimal U.S. Submarkets – The Manager believes that Texas, and the submarkets of Houston and Austin specifically, exhibit optimal characteristics for targeted, core multi-family investments. Both submarkets have performed extremely well during economic recovery in the U.S. According to the U.S. Bureau of Labor Statistics, Houston and Austin's unemployment rates were 5.7% and 4.8% as at February 2014, respectively, compared to the U.S. national unemployment rate of 6.7%. These lower than average unemployment rates were spurred on by significant job creation in both markets.

Both regions feature robust multi-family real estate markets. Vacancy has been steadily falling in both Houston and Austin, with vacancy in buildings built after 2000 at 4.9% and 5.3%, respectively, according to MPF Research as at Q1 2014. A significant reduction in supply brought on by slowed construction during and after the 2008 financial crisis has been unable to satisfy demand for accommodations, resulting in positive absorption and higher rental rates.

Optimal U.S. Market Conditions – The Manager believes that the U.S. multi-family real estate market exhibits conditions that are optimal for a targeted, core investment program. While the U.S. economy experiences modest economic growth and limited availability of credit, the Manager believes that asset pricing will remain attractive. Moreover, according to Marcus & Millichap, multi-family real estate sector fundamentals are strong, owing to a shift away from home ownership and positive demographic trends supporting rental accommodation.

According to Marcus & Millichap, since a significant decline in apartment prices began in 2007, prices have recovered across the U.S. and the market outlook remains positive. The Manager is of the view that a convergence of demographic and market factors will continue to support this sector's recovery and that now is an opportune time to invest in this asset class.

U.S. Apartment Price Index

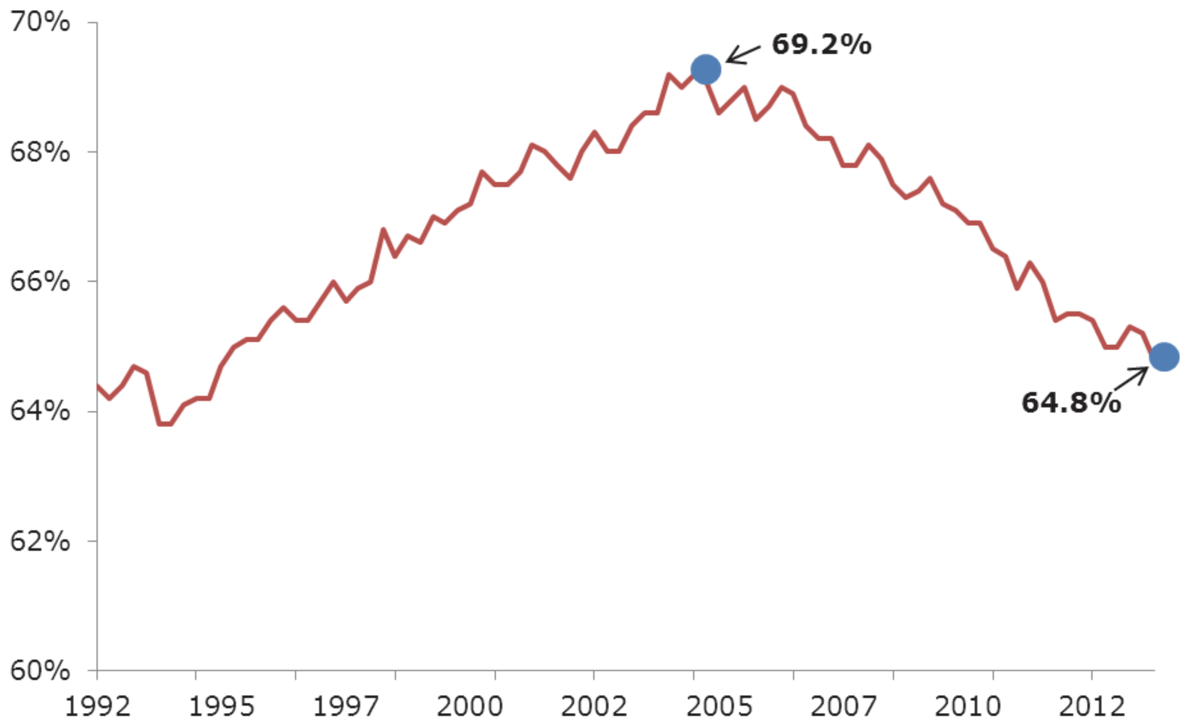


Source: MIT Center for Real Estate

Favourable Demographic Trends – According to Marcus & Millichap, the U.S. multi-family real estate market is currently supported by a larger-than-normal cohort of Americans entering the 18 to 34 year old age bracket, representing the prime renting years of many Americans. According to Marcus & Millichap, rental demand from this age bracket is anticipated to increase in aggregate by 1.2 million to 1.4 million people over the next several years. The National Association of Home Builders believes that demand for multi-family suites will also be fueled by continued immigration, as immigrants have historically exhibited a rental accommodation rate of 47%.

According to the U.S. Census Bureau, Housing Vacancies and Home Ownership, since its peak in 2004, the U.S. home ownership rate has fallen from approximately 69.2% to its recent level of approximately 64.8% as at March 31, 2014, creating an increased renter pool of over 13 million people. The Manager is of the view that events in 2008 surrounding aggressive mortgage lending and the ensuing collapse of the U.S. asset-backed securities market created a relatively negative bias toward home ownership. Given an approximate occupied housing inventory of approximately 133 million suites as of December 31, 2013, each one percentage-point decline in the U.S. home ownership rate adds approximately 1.33 million households to the rental market.

U.S. Home Ownership Rate



Source: U.S. Census Bureau

Defensive Nature of Multi-Family Sector – The Manager believes that the multi-family real estate sector provides investors with favourable sector and industry characteristics in comparison to other asset classes. With a historically low vacancy rate compared to the office and retail asset classes, multi-family real estate investments have exhibited robust performance that has been driven by strong demand and limited new supply. Moreover, according to Investment Property Databank, multi-family real estate investments have provided some of the most attractive returns over the past 20 years, among the major income-producing real estate asset classes.

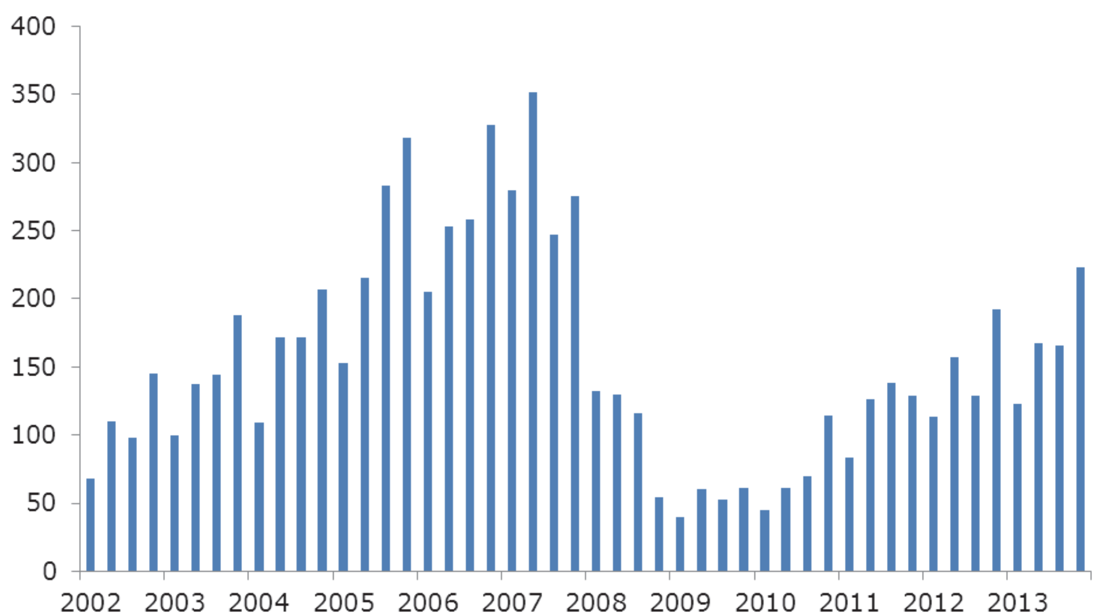
Favourable Foreign Exchange Exposure – After trading close to or above par with the U.S. dollar for the last three years due to high commodity prices and a relatively sound Canadian financial system, the Canadian dollar has recently lost some ground to the U.S. Dollar, which the Manager believes is at least partially attributable to higher prospects for growth in the U.S. In prior decades, the Canadian dollar has typically traded significantly below the U.S. dollar. The average retail investor in Canada has been historically limited to the stock market for U.S. exposure and recent capital markets volatility has rendered this option potentially less desirable. The Manager believes that an investment in Units will allow retail investors to take advantage of opportunities in the U.S. multi-family real estate market, while (other than in the case of Class U Units) also providing exposure to the U.S. dollar.

CAD/USD Exchange Rate

Source: Bank of Canada

Lower Debt Levels – In the Manager's view, investors' ability to obtain higher leverage acquisition financing for multi-family real estate has been limited by tightening lending standards and reductions in the amount of loans being undertaken by agency lenders. The Manager believes that reduced loan-to-value ratios will decrease the number of competitive bidders in the investment market particularly for assets that require a higher equity investment.

Commercial/Multi-Family Mortgage Bankers Originations Index(1)

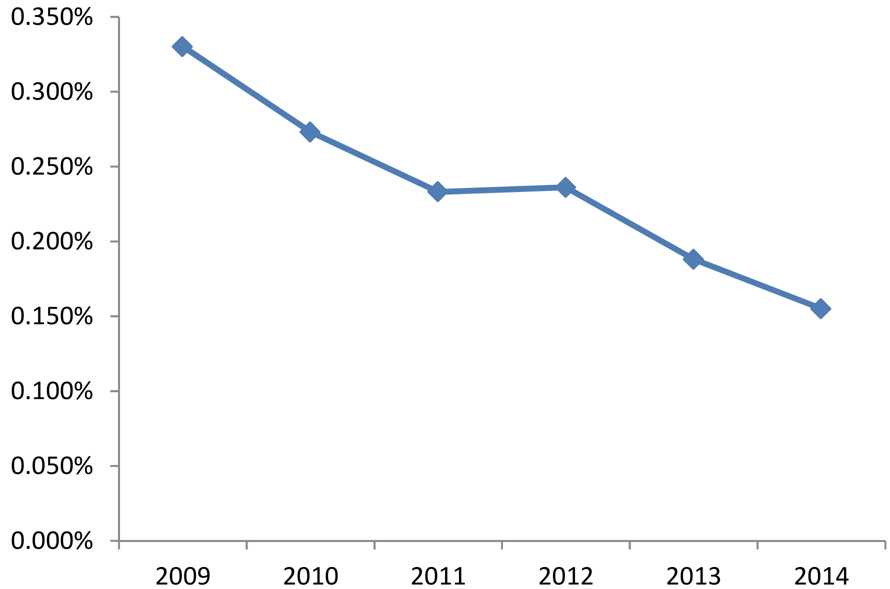


(1) 2001 quarterly average = 100.

Source: Mortgage Bankers Association of America

Attractive Mortgage Debt Financing Rates – Interest rates on mortgage debt have continued to decline and remain well below historical levels, providing strong, positive leverage for property owners that are able to obtain financing. Historical average one month LIBOR rates are shown on the graph below. Current mortgage rates are in the 2% to 3% range.

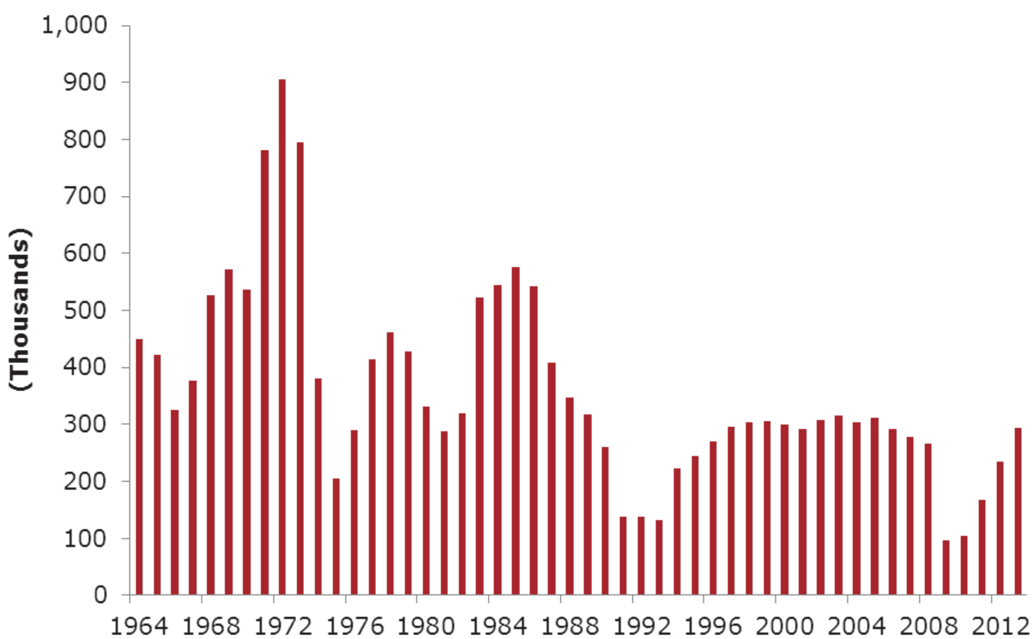
Key Mortgage Lending Benchmark Historical
Average One Month LIBOR Rates



Source: Mortgage Bankers Association of America

Constraints on Development – According to the U.S. Census Bureau, new residential construction, multi-family housing starts are below historical levels. The Manager believes that lower supply and increased demand for the existing supply will allow landlords to command higher rents and improve NOI margins.

U.S. Multi-Family(1) Housing Starts



(1) Buildings with five or more suites.

Source: U.S. Census Bureau

2.5 Potential Co-Investments

The Manager has extensive experience in the multi-family real estate sector, including in the U.S. During the past ten years, the principal of the Manager, Daniel Drimmer, acquired, operated and sold in excess of 75,000 multi-family suites. Throughout this period, the Manager has developed a broad network of, and has maintained ongoing relationships with, numerous sophisticated investors in the multi-family real estate sector (including, in particular, real estate investment trusts and pension funds). The Manager may leverage its network and ongoing relationships with such investors by exploring, from time to time, potential co-investment opportunities involving the Fund and one or more co-investors. Such co-investment opportunities may allow the Fund to participate in the acquisition of larger portfolios than it would otherwise be able to acquire acting as a sole purchaser. As such, the Fund has been structured to facilitate co-investments by one or more co-investors, provided the Fund retains voting control of the Investment LP, the Holding LP and the U.S. REIT. Notwithstanding the foregoing, the Fund may not control some or all of the decision making with respect to the Properties that are the subject of a co-investment, including Sunset Ridge. Should the Fund determine that it is in the best interests of the Fund to acquire any Property with a co-investor, conflicts of interest could arise between the Fund and such co-investor, including with respect to the sale of such Property. See "Risk Factors".

With respect to Sunset Ridge, the Property was previously acquired on May 20, 2014 by Fund No. 1 (50%) and Starlight Investments Acquisition LLC (50%), an entity controlled by Daniel Drimmer. Starlight Investments Acquisition LLC will transfer its interest in Sunset Ridge to the Fund on the Closing Date or shortly thereafter such that the two Funds will co-own the Property. All decision making in respect of Sunset Ridge, including day-to-day and material decisions, will be jointly made through the established governance practices of the Fund and Fund No. 1 in accordance with the Sunset Ridge LLC Agreement and that the Fund and Fund No. 1 will each be responsible for the liabilities of Sunset Ridge on a pro-rata ownership basis. In the event that either party wishes to dispose of its limited liability company indirect interest in Sunset Ridge, the Sunset Ridge LLC Agreement provides that the other party will be required to dispose of its limited liability company indirect interest in Sunset Ridge on the same terms and conditions.

3. INVESTMENT RESTRICTIONS AND OPERATING POLICIES

3.1 Investment Restrictions

The Fund LP Agreement provides certain restrictions on investments that may be made directly or indirectly by the Fund. The assets of the Fund may be invested only in accordance with the following restrictions:

(a) the Fund may only invest, directly or indirectly, in interests (including fee ownership and leasehold interests) in multi-family real estate properties located in the U.S. and assets ancillary thereto necessary for the operation of such real estate and such other activities as are consistent with the other Investment Restrictions of the Fund, provided that the Fund may invest up to 25% of the Investable Funds in real properties which do not comply with the foregoing;

(b) notwithstanding anything else contained in the Fund LP Agreement, the Fund will not make any investment, take any action or omit to take any action that would result in the Class A Units and/or Class U Units not being a "qualified investment" for trusts governed by Plans for the purposes of the Tax Act;

(c) neither the appraised value nor the purchase price of the interest of the Fund in any single Property shall exceed US$75 million unless approved by the General Partner;

(d) except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, deposits with a savings institution, trust company, credit union or similar financial institution that is organized or chartered under the laws of the U.S. or a state of the U.S., 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 Restrictions and Operating Policies of the Fund, the Fund 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 General Partner);

(e) the Fund 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;

(f) the Fund shall not invest in raw land for development, except for the purpose of the renovation or expansion of existing Properties;

(g) the Fund may invest in mortgages (including participating or convertible mortgages) and similar instruments where: (i) the General Partner has approved such investment, (ii) the real property which is security therefor is income producing real property which otherwise meets the Investment Restrictions, (iii) the aggregate book value of the investments of the Fund in mortgages, after giving effect to the proposed investment, will not exceed 25% of the Investable Funds, (iv) such investments are not entered into for speculative purposes, and (v) the General Partner believes that such investments will provide the Fund with the opportunity to acquire the Property underlying such investment within one year from the date such investment is made;

(h) the Fund shall not take any action, or acquire, retain or hold any investment in any entity or other property that would result in the Fund, the Investment LP or the Holding LP being a "SIFT partnership" as defined in the Tax Act and, without limiting the generality of the foregoing, shall not at any time hold any "non-portfolio property" as defined in subsection 122.1(1) of the Tax Act;

(i) the Fund shall not invest more than 10% of the Investable Funds in securities of a publicly traded entity; and

(j) the Fund shall cause the U.S. REIT to only make investments and adopt Operating Policies and undertake activities that will allow the U.S. REIT to meet all requisite organizational, operational, income, asset and distribution requirements for the U.S. REIT to qualify as a REIT under the Code.

3.2 Operating Policies

The Fund LP Agreement provides that the operations and affairs of the Fund, the Investment LP, the Holding LP and the U.S. REIT are to be conducted in accordance with the following policies:

(a) the Fund shall not purchase, sell, market or trade in currency or interest rate futures contracts other 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) the Fund may only engage in construction or development of real property to maintain its real properties in good repair or to improve the income producing potential of properties in which the Fund has an interest;

(c) title to each real property shall be held by and registered in the name of the U.S. REIT, a corporation, a partnership or other entity wholly-owned, directly or indirectly, by the Fund or the U.S. REIT or jointly-owned, directly or indirectly, by the Fund or the U.S. REIT, with joint venturers or in such other manner which, in the opinion of the General Partner, is commercially reasonable;

(d) the Fund shall not incur or assume any indebtedness if, after giving effect to the incurrence or assumption of such indebtedness, the total indebtedness of the Fund would be more than 75% of the Investable Funds provided that, if approved by the General Partner, the appraised value of the Properties may be used instead of Investable Funds for the purposes of this paragraph (d);

(e) the Fund shall obtain and maintain at all times property insurance coverage in respect of potential liabilities of the Fund and the accidental loss of value of the assets of the Fund from risks, in amounts, with such insurers, and on such terms as the General Partner considers appropriate, taking into account all relevant factors including the practice of owners of comparable properties;

(f) the Fund 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 Fund shall conduct 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 General Partner;

(g) the Fund shall obtain a property condition assessment of each real property that it intends to acquire; and

(h) the Fund shall obtain an independent appraisal of each property, or an independent valuation of a portfolio of properties, that it intends to acquire.

For the purpose of the foregoing Investment Restrictions and Operating Policies, the assets, liabilities and transactions of a corporation or other entity wholly or partially-owned by the Fund, including the U.S. REIT, will be deemed to be those of the Fund and they will be accounted for in accordance with the methods prescribed by IFRS, except in the case of the Investment Restrictions described in 3.1(b), (h) and (j) above to the extent that such treatment would be inconsistent with the relevant requirements or interpretation of the Tax Act or the Code. In addition, any references in the foregoing Investment Restrictions 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.

3.3 Amendments to Investment Restrictions and Operating Policies

Pursuant to the Fund LP Agreement, all of the Investment Restrictions and the Operating Policy contained in paragraph (d) set out under the heading "Operating Policies" may be amended only by Special Resolution. The remaining Operating Policies may be amended by Ordinary Resolution. Notwithstanding the foregoing, the Board may, without the approval of or notice to Unitholders, amend the Fund LP Agreement for certain limited purposes specified therein. See "Description of the Securities Distributed – Units – Amendments to the Fund LP Agreement".

Notwithstanding the foregoing paragraph, if at any time a government or regulatory authority having jurisdiction over the Fund or any property owned directly or indirectly by the Fund shall enact any law, regulation or requirement which is in conflict with any Investment Restriction or Operating Policy of the Fund then in force (other than subparagraph (b) of the "Investment Restrictions"), such Investment Restriction or Operating Policy in conflict shall, if the Board, on the advice of legal counsel to the Fund, so resolves, be deemed to have been amended to the extent necessary to resolve any such conflict and any such resolution of the Board shall not require the prior approval of Unitholders.

4. DESCRIPTION OF THE ACTIVITIES OF THE FUND

The Fund will invest the proceeds from the issuance of Units in Investment LP Units. The Investment LP will invest the proceeds from the issuance of such Investment LP Units in Holding LP Units. The Holding LP will use the proceeds from the issuance of such Holding LP Units to acquire U.S. REIT Common Stock and U.S. REIT ROC Shares. The Holding LP may also acquire U.S. REIT Notes. The U.S. REIT will use the proceeds from the issuance of the U.S. REIT Common Stock, the U.S. REIT ROC Shares and the U.S. REIT Notes (if any) to directly or indirectly acquire the Properties, including the Initial Portfolio. See "Description of the Activities of the Fund – The Initial Portfolio" and "Investment Strategy".

As a result, an investment in Units will be an indirect investment in the acquisition, ownership and leasing of the Properties and the Minimum Return and other returns on and of capital payable to the Investment LP will also ultimately form part of the Distributable Cash Flow and be available for distribution to Unitholders after payment of all Fund expenses.

4.1 Activities of the Fund

The Fund was established on May 1, 2014 for the purpose of investing indirectly in a portfolio of recently constructed, Class "A", stabilized, income producing rental properties in the U.S. multi-family real estate market. The Manager believes that the multi-family real estate sector presents a compelling investment opportunity and provides competitive long term returns compared to other real estate asset classes and that, in particular, the multi-family real estate sector in the U.S. currently presents the Manager with the opportunity to acquire mature multi-family properties at favourable pricing. The Fund's principal undertaking will be to issue Units and to acquire, own and operate the Properties indirectly through the U.S. REIT. The Fund does not have an operating history. The Fund's ultimate objective, through the U.S. REIT, is to enhance operating income and property values and ultimately dispose of its assets at a gain by the end of the Term.

The Term of the Fund will be three years, subject to two one-year extensions at the discretion of the General Partner or subject to earlier termination as described below. The Term may also be extended (including following the exercise of the two one-year extensions by the General Partner) by Special Resolution of the Unitholders, subject to approval by the General Partner. Notwithstanding the Term of the Fund outlined above, the Fund will be wound down and promptly terminated as soon as practicable following the Disposition of all Properties in one or more transactions.

4.2 Trademarks

At or prior to the Closing Date, the Manager will grant to the Fund a non-exclusive royalty-free licence to, among other things, use the "STARLIGHT U.S. MULTI-FAMILY" and "STARLIGHT U.S. MULTI-FAMILY & Design" trade-marks in Canada and the U.S. for the purpose of conducting its activities as provided for by the Fund LP Agreement and on such other terms to be set out in the Trade-Mark Licence Agreement. The Manager may terminate the Trade-Mark Licence Agreement in accordance with the termination provisions set out therein, including: (i) in the event of a material breach of the Trade-Mark Licence Agreement by the Fund that remains uncured for 60 days following notice from the Manager; (ii) upon the discontinuance by the Fund of its operations for a continuous period of three months which are not restarted within 30 days following written notice from the Manager; (iii) in the event that the Fund becomes bankrupt or makes an assignment for the benefit of creditors, or if all or any part of its business is placed in the hands of a receiver or trustee, or if the Fund seeks the benefit of any statute for the protection of creditors or fails for reason of impecuniosity to meet its debts as they become due; (iv) in the event that the Management Agreement is terminated; or (v) upon the dissolution or winding-up of the Fund.

4.3 Business of the Investment LP, the Holding LP and the U.S. REIT

The Investment LP was established for the purposes of issuing Investment LP Units and investing in Holding LP Units. The Holding LP was established for the purposes of issuing Holding LP Units and investing in U.S. REIT Common Stock and U.S. REIT ROC Shares and U.S. REIT Notes (if any). The U.S. REIT was incorporated for the purposes of owning and leasing a portfolio of income producing rental properties in the U.S. multi-family real estate market. Each of the Properties may be owned by a separate underlying limited partnership or other Subsidiary entity established and owned by the U.S. REIT. See "Corporate Structure – Inter-corporate Relationships".

4.4 The Properties

The U.S. REIT intends, on recommendation from the Manager, to invest (directly or indirectly through a Subsidiary) the proceeds realized from the issuance of the U.S. REIT Common Stock, the U.S. REIT ROC Shares, the U.S. REIT Notes (if any) and the Mortgage Loans (directly or indirectly through one or more Subsidiaries) in income producing rental properties in the U.S. multi-family real estate market, including the Initial Portfolio. See "– The Initial Portfolio" below. The Manager intends to manage the Properties with the view to preserving capital and providing monthly cash returns. The Manager will focus on Properties that were constructed in 2008 or later, Class "A", stabilized properties with the potential to benefit from active management; located in primary markets in Texas, as well as Tennessee, North Carolina, Arizona, Georgia, and Florida, with favourable demographics and fundamentals; located in mature areas at below replacement values with barriers to new development; and with the potential to benefit from an active asset management strategy.

The Fund's investment objectives are to indirectly acquire, own, and operate a portfolio comprised of recently constructed, Class "A" stabilized, income producing multi-family real estate properties primarily in Texas, Arizona and the southeastern U.S.; make stable monthly cash distributions; and enhance the operating income and property values of the Fund's assets through active management, with the goal of ultimately disposing of the assets at a gain by the end of the Term.

The Fund will provide disclosure for each of the Properties acquired by the U.S. REIT in the Fund's interim and annual management discussion & analysis, which disclosure is expected to be similar to that provided for Fund No. 1 and Fund No. 2. The Fund anticipates such information will include, for each Property, details on the location, size, age, suite distribution, occupancy, purchase price and purchase date. Disclosure will also include any material capital expenditures intended to be made on the Property and a summary of the results of any third party appraisal. The Fund will cause the U.S. REIT to obtain or update independent third party property appraisals on an annual basis and will report to Unitholders an adjusted aggregate appraised value of the Fund's assets on a per Unit and class by class basis.

To the extent that the acquisition of a Property constitutes a "material change" or "significant acquisition" under NI 51-102, the Fund will file a press release, material change report and/or business acquisition report, as applicable, for the acquisition containing the required disclosure.

4.5 Management and Leasing of the Properties

The Manager believes that maximizing revenue and careful scrutiny of capital expenditures is the key to driving value when investing in real estate. The Manager intends to enhance the value of the Properties through an active asset management strategy, which includes property-specific business plans to improve NOI. Such asset management plans will focus on increasing rental rates through the use of yield management software, increasing ancillary revenue, reducing Operating Expenses and utilizing U.S.-based third party property managers. The Manager believes that active management of leasing is key to driving revenue as it allows the Manager to be intimately aware of resident needs. This allows the Manager to anticipate future revenue opportunities and mitigate potential leasing risks. The Manager intends to enhance assets with targeted, discrete capital expenditures to increase asking rental rates and to improve resident relationships and increase resident retention through customer service initiatives and new service offerings. The Manager believes that it is aligned, through the investment in the Fund by its Affiliate, to ensure that capital will not be spent unnecessarily and only where it is beneficial to the long-term value of the investment.

In order to allow the Manager to focus on value creation opportunities that will have the most significant impact on investor returns, the Manager will engage reputable, U.S.-based third party property managers for the ongoing day-to-day management of the Properties. The Manager intends to structure third party property management agreements such that the applicable property manager will be rewarded for increases in the operating income achieved through the management of a Property, thereby aligning the interests of the applicable property manager with that of the Fund. The Manager expects that the fees payable to third party property managers will include a property management fee between 2.5% and 3% of the gross revenue from the managed Properties and a market capital expenditure fee for capital expenditures relating to construction, renovations or deferred maintenance. For capital projects, the Manager may, in its discretion, undertake the capital expenditures and receive a capital expenditure fee commensurate with the capital expenditure fee payable to a third party property manager.

The Manager may decide that it is in the best interest of the U.S. REIT to manage the Properties directly in which case the property management fee to be paid to the Manager or an Affiliate of the Manager would be comparable to, and competitive with, the fees charged by arm's length property managers for management of properties of a like kind. In such circumstances, the Manager expects that it would employ local employees to assist in its property management duties based on local market capabilities and experience.

4.6 Operating Expenses of the Fund

Pursuant to the Management Agreement, the Fund and the U.S. REIT will collectively pay for all ordinary expenses incurred in connection with their operation and administration. It is expected that these expenses will include, without limitation: mailing and printing expenses for periodic reports to Unitholders and other Unitholder communications; any reasonable out-of-pocket expenses incurred by the Manager or its agents and paid to third parties in connection with their on-going obligations to the Fund; regulatory filing fees; administrative expenses and costs incurred in connection with the continuous public filing requirements of the Fund; investor relations; costs and expenses arising as a result of complying with all Applicable Laws; regulations and policies; insurance expenses; extraordinary expenses the Fund may incur; and any expenditures incurred upon the termination of the Fund. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager (and any of its officers, directors, employees consultants or agents) or the Directors or the executive officers of the Fund are entitled to an indemnity from the Fund. The aggregate annual amount of these fees and expenses is estimated to be approximately US$235,000.

In addition, because the Fund will indirectly own and operate physical real estate assets, the Fund will be indirectly responsible for the payment of ordinary course Operating Expenses relating to real estate, which expenses are customary for real estate related entities such as salaries and benefits for on-site employees, insurance, utilities, repairs and maintenance, advertising and general and administrative expenses. Certain of the Operating Expenses will be payable to the Manager in connection with its management of the Fund.

4.7 The Initial Portfolio

Overview

Following the completion of the Offering, the Fund intends to cause the U.S. REIT to indirectly acquire interests in a portfolio comprising an aggregate of 891 multi-residential units in three Properties located in the State of Texas in the markets of Houston and Austin. The Properties are in desirable geographic locations, well-tenanted and indicative of the types of properties that the Fund intends to continue to cause the U.S. REIT to acquire as part of its business strategy. The following table highlights certain information about the Initial Portfolio:

Property	Year Completed	Fund Ownership Interest	Total Units	Rentable Area (Sq. Ft.)	Average Suite Size (Sq. Ft.)	Land Area (acres)	Purchase Price[1]	Purchase Price Per Suite	Purchase Price Per Sq. Ft.	Average Occupancy[2]	Average Monthly In Place Rent Per Sq. Ft.[3]	Average Monthly In Place Rent Per Suite[3]
Allure	2013	100%	334	329,104	985	19.97	US$43,150,000[4]	US$129,192	US$131	94.3%	US$1.13	US$1,116
Cinco Ranch[5]	2009	100%	300	287,502	958	16.34	US$34,900,000	US$116,333	US$121	94.3%	US$1.07	US$1,017
Sunset Ridge	2013	50%	257	235,465	916	11.45	US$12,500,000[6]	US$97,276	US$106	94.6%	US$1.09	US$999
Totals		**87.9%**	**891**	**852,071**	**956**	**47.76**	**US$90,550,000**	**US$115,657**	**US$121**	**94.4%**	**US$1.10**	**US$1,058**

Notes:

(1) The purchase price of Cinco Ranch has been negotiated by the Manager with a third party vendor. The Fund's interest in Allure and Sunset Ridge is being acquired from an Affiliate of the Manager at a purchase price to be based on the Property's appraised value (see "Description of the Activities of the Fund – The Initial Portfolio – Purchase Agreements and Sunset Ridge LLC Agreement"). These amounts do not include estimated closing costs/adjustments relating to the acquisitions.

(2) As at May 20, 2014 for Allure and Cinco Ranch and as at May 19, 2014 for Sunset Ridge. Totals adjusted to reflect 50% ownership interest in Sunset Ridge.

(3) Based on units occupied or leased as at May 20, 2014 for Allure and Cinco Ranch and as at May 19, 2014 for Sunset Ridge, net of concessions. Totals adjusted to reflect 50% ownership interest in Sunset Ridge.

(4) The purchase price of Allure is to be reduced by the principal amount outstanding under an existing Mortgage Loan and mezzanine loan to be indirectly assumed by the U.S. REIT. Immediately prior to the closing date for the acquisition of Allure, the principal amount of indebtedness due under the Mortgage Loan and mezzanine loan are expected to be US$29,500,000 and US$7,000,000, respectively. However, if the Maximum Offering is achieved, the Allure mezzanine loan will be repaid in full on closing and will not be assumed by the U.S. REIT. See "Description of the Activities of the Fund – The Initial Portfolio – Financing of the Initial Portfolio".

(5) Cinco Ranch Acquisition LLC has executed a term sheet with a lender to finance a part of the purchase price of Cinco Ranch with a Mortgage Loan of up to approximately US$23,900,000. This Mortgage Loan would be reduced to US$23,100,000 under the Maximum Offering.

(6) Represents the estimated purchase price of a 50% interest in Sunset Ridge. The purchase price for Sunset Ridge is to be reduced by the principal amount outstanding under an existing Mortgage Loan. As of May 23, 2014 the outstanding principal amount under the existing Mortgage Loan was US$16,800,000, of which 50%, or US$8,400,000, is to be indirectly assumed by the U.S. REIT. See "Description of the Activities of the Fund – The Initial Portfolio – Financing of the Initial Portfolio".

The Initial Portfolio has a Canadian equivalent Capitalization Rate of 6.09% based on the Manager's calculation of NOI. The average lease term for each of Allure and Cinco Ranch is 12 months. The average lease term for Sunset Ridge is 13 months.

Each of the three Properties is a well-located and well-maintained apartment property with a wide array of amenities to attract and retain residents. The owner of Cinco Ranch is at arm's length to the Manager. Interests in Allure and Sunset Ridge are being acquired from an Affiliate of the Manager.

The Houston Metropolitan Area

The Houston-Sugar Land-Baytown MSA is the second largest MSA in Texas and the fifth largest MSA in the U.S. According to the U.S. Bureau of Labor Statistics, Houston continues to lead the Texas economy, with strong job growth**.** Houston's economy has a broad industrial base in the energy, aeronautics, and technology industries, and, according to Forbes Magazine is second only to New York City in its number of Fortune 500-headquartered companies.

According to the U.S. Bureau of Labor Statistics, Houston is estimated to have gained 77,000 jobs from February 2013 to February 2014, which translates to a 2.8% increase over the previous year's total employment; this was driven mainly by growth in the private sector. The trade, transportation and utilities, and leisure and hospitality sectors posted outsized expansion during the past year. These industries often generate lower-paying positions, which supports renter demand.

The Houston Metropolitan Apartment Market

According to Marcus & Millichap, despite forecasts of record-low interest rates for the foreseeable future, many renters are expected to remain unqualified for home mortgages due to tighter lending practices which will translate into a stronger demand for rental suites and continued rental growth. Over the past year, Houston's apartment market featured some of the strongest rent growth on record since the late 1990s. Developers were behind during Houston's recovery cycle and a surge in demand was met with less-than-adequate supply. The Manager believes that developers have become more active recently and new supply should catch up with renter demand within the next 12 to 18 months.

According to MPF Research, the Houston apartment market consists of 600,631 apartment units. Occupancy was 93.6% at the end of the first quarter of 2014 with newer apartment units (built after 2000) having an occupancy of 95.1%. Year over year rent growth was 4.7%. Apartment development was slow to rebound in Houston during the economic downturn (especially in the suburbs) and is only now starting to catch up. According to the U.S. Department of Labor, year-over-year job growth in Houston increased by 2.7%, placing Houston eighth in the U.S. among markets with over 800,000 jobs. Despite the competition from new product and home sales, strong economic growth should keep Houston's overall performance in good shape. MPF Research expects Houston's overall occupancy to stay steady at 93.2% during the next year with annual rent growth of 3.5%.

Humble/Kingwood (Sunset Ridge)

According to Nielsen/Claritas, the Humble/Kingwood neighbourhood in Houston has an upper-middle income demographic profile with a median household income of US$80,621 and an average household income of US$99,829 within a three mile radius of Sunset Ridge. The majority of the population holds manufacturing, transport/warehouse/utilities, educational services and health care related jobs. According to Nielsen/Claritas, the population within a one mile radius of Sunset Ridge is expected to grow by 3.17% per year in the next five years.

According to MPF Research, the Humble/Kingwood sub-market inventory consists of 14,160 suites. The Humble/Kingwood multi-family rental market had an occupancy rate of 93.9% in the first quarter of 2014. Effective rents for the year ended March 31, 2014 increased by 3.7%. Sub-market occupancy is expected to remain stable at 94.0% until the first quarter of 2015 as no new projects are scheduled to be delivered.

Katy (Cinco Ranch)

According to Nielsen/Claritas, the Cinco Ranch neighbourhood in Houston has an upper middle income demographic profile with a median household income of US$108,860 and an average household income of US$133,818 within a three mile radius of Cinco Ranch. The majority of the population holds manufacturing, retail trade, educational, health care and professional/technical related jobs. According to Nielsen/Claritas, the population within a one mile radius of Cinco Ranch is expected to grow by 3.27% per year in the next five years.

According to MPF Research, Cinco Ranch is located in the Katy sub-market which inventory consists of 11,636 apartment units. The Katy multi-family rental sub-market had an occupancy of 95.8% in the first quarter of 2014 and occupancy is projected to be 94.0% as of the first quarter of 2015. Effective rents for the quarter increased by 3.5% over the previous year.

The Austin-Round Rock-San Marcos Area

According to the U.S. Census Bureau, Austin-Round Rock-San Marcos is the thirty-fifth largest Metropolitan area in the U.S. with a population of 1.8 million people as of the 2012 U.S. census estimate. Forbes Magazine ranked Austin as first on the list of "America's Fastest Growing Cities" (January 2013) and first on the list of the "Best Cities for Jobs" among the top metropolitan areas in the U.S. (May 2012). According to the U.S. Bureau of Labor Statistics, Austin is estimated to have gained 32,600 jobs from February 2013 to February 2014, which translates to a 3.9% increase over the previous year's total employment. Austin had an unemployment rate of 4.8% as at February 2014, 1.9% below the U.S. national unemployment rate of 6.7%.

Historically, Austin was primarily known for two reasons: The University of Texas and the capital of State Government. During the 1980's, however, the Austin Chamber of Commerce set an aggressive course toward changing Austin's economy. Through tax incentives and the marketing of the University of Texas, Austin began an aggressive campaign to attract the high-technology industry to the area. Austin has attracted thousands of high-technology companies. Its employer base includes Dell World Headquarters, State Farm, Motorola, Samsung, Apple and IBM. Austin is recognized as providing a high quality of life in a relaxed and comfortable atmosphere. The metropolitan area has long been established as a pro-business city, and with state tax incentives, the warm climate, central time zone and a low cost of living, Austin is expected to be a leader in terms of business and population growth in the years ahead.

The Austin Apartment Market

The Austin area was less affected than other high-growth areas by the 2008 financial crisis and experienced a rapid recovery. A construction slowdown in 2009 and 2010 left little room for absorption during the ensuing recovery and vacancy fell significantly. Construction costs have consequently risen, due to a combination of higher prices for materials and a smaller labour force that has adjusted by moving to other industries.

According to MPF Research, the Austin apartment market consists of 193,699 apartment suites. Apartment occupancy was 95.1% at the end of the first quarter of 2014 with annual rent growth of 4.5%. Apartment development was slow to rebound in Austin after the economic downturn and is only now starting to catch up. According to the U.S. Department of Labor, year-over-year job growth in Austin increased by 3.9%, placing Austin second in the U.S. among markets with over 800,000 jobs. Despite the competition from new product and home sales, strong economic growth, strong demographics and a lack of available housing inventory are expected to maintain Austin's overall performance. MPF Research expects Austin's overall occupancy to drop slightly to 93.7% over the next year with annual rent growth of 2.6%.

Cedar Park, Texas (Allure)

According to Nielsen/Claritas, the Cedar Park neighbourhood in Austin has a middle income demographic profile with median household income of US$76,241 and an average household income of US$89,743 within a one mile radius of Allure. The majority of the population holds manufacturing, retail trade, professional/scientific/technical/administrative, educational services and health care/social assistance related jobs. According to Nielsen/Claritas, the population within a one mile radius of Allure is expected to grow by 4.04% per year in the next five years.

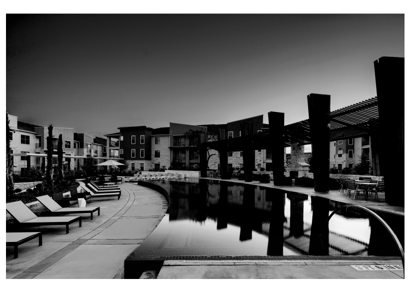
According to MPF Research, the Cedar Park sub-market inventory consists of 8,547 suites. Occupancy was 91.0% in the first quarter of 2014. Annual rent for the year ended Q1 2014 was increased 4.3%. With only one new project to be delivered in 2014, sub-market occupancy is expected to increase to 92.9% over the next year.

Residential Tenancy Legislation

The State of Texas has not currently enacted residential tenancy legislation that imposes rent control guidelines that could limit the U.S. REIT's ability to raise rental rates at its Properties. While rental rates are generally not increased during the term of a lease (which typically ranges from six to 12 months), there are no current State of Texas guidelines or regulations restricting the increase of rent payable by residential tenants after the lease term has expired. There can be no assurances, however, that such legislation, regulations or guidelines will not be enacted or promulgated in the future.

Description of the Initial Portfolio

Allure



Allure was completed in 2013 and is located approximately 32 kilometres northwest of downtown Austin at 701 North Vista Ridge, Cedar Park, Texas. The site is in a rapidly growing suburb of Austin. It is comprised of 334 apartment units in 22 three-storey buildings, including walk-up and two-storey townhouse units, and a central clubhouse located on a 19.97 acre site as follows:

Suite Type	Sq. Ft.	Number of Suites
1 Bedroom	590 to 853	153
2 Bedrooms	1,002 to 1,125	133
3 Bedrooms	1,280 to 1,555	48
Average/Total	**985**	**334**

The 334 total units that comprise the Property are constructed on a gross building area of 334,466 square feet. Units consist of one, two and three bedrooms. The Property contains 605 total parking spaces including 370 open spaces, 109 carports and 126 garage spaces.

The complex has a central clubhouse that contains numerous modern amenities including a resort style swimming pool with a sun deck and outdoor grilling station and a clubhouse with a fitness centre, tech/business centre and an internet lounge and cafe. Unit features consist of 9 foot ceilings and modern interior finishes such as faux wood flooring, brushed nickel hardware and stainless steel appliances (there are three different finish packages in the various apartment units).

As of May 20, 2014 Allure was 94.3% occupied and produced an average monthly rent in the amount of US$1.13 per square foot based on the monthly in-place rent of all occupied suites.

Allure is currently managed directly by the owner of the Property. After the U.S. REIT's acquisition of Allure, it is the Manager's intention to have the Property managed by Alliance, the ninth largest, third party, multi-family, property manager in the U.S. with 232 projects and approximately 72,000 units under management as of January 2014. As one of North America's largest property managers, the Manager believes that Alliance will be able to reduce the operating costs of Allure based upon its vast property management experience and its significant economies of scale in Texas.

Cinco Ranch

Cinco Ranch is a Class "A", garden-style apartment community located in rapidly expanding Katy submarket in west Houston, Texas. The community consists of 300 apartment units and was completed in 2009. It is comprised of 13 three-storey and one two-storey apartment buildings with a central clubhouse on a 16.34 acre site as follows:

Suite Type	Sq. Ft.	Number of Suites
1 Bedroom	692 to 814	134
2 Bedrooms	993 to 1,202	134
3 Bedrooms	1,204 to 1,209	32
Average/Total	**958**	**300**

The 300 total units that comprise the Property are constructed on a gross building area of 294,811 square feet. Units consist of one, two and three bedrooms. The Property contains 540 total parking spaces, including 81 detached and 64 carports.

Property amenities include a resort style swimming pool fitness centre, picnic area with barbeque and business and conference centre. Unit finishes include granite counter tops in kitchens and bathrooms, crown molding and 9 foot ceilings.

As of May 20, 2014, Cinco Ranch was 94.3% occupied and produced an average monthly rent in the amount of US$1.07 per square foot based on the monthly in-place rent of all occupied suites.

Cinco Ranch is currently managed by Michaelson Real Estate Group LLC. After the U.S. REIT's acquisition, it is the Manager's intention to have the Property managed by Alliance. As one of North America's largest property managers, the Manager believes that Alliance will be able to reduce the operating costs of Cinco Ranch based upon its vast property management experience and its significant economies of scale in Texas.

Sunset Ridge

The Villages at Sunset Ridge is a Class "A", garden-style apartment community located in Humble, Texas, approximately 31 kilometres northeast of downtown Houston. The community consists of 257 apartment units and was completed in 2013. It is comprised of nine three-storey apartment buildings with a central clubhouse on 11.45 acres of land as follows:

Suite Type	Sq. Ft.	Number of Suites
1 Bedroom	639 to 880	147
2 Bedrooms	915 to 1,365	92
3 Bedrooms	1,336	18
Average/Total	**916**	**257**

The 257 total apartment units that comprise the Property are constructed on a gross building area of 240,174 square feet. Units range in size from one bedroom to three bedrooms. The Property contains 393 parking spaces including 307 open surface spaces, 30 carports and 56 garage spaces.

Property amenities include an outdoor swimming pool, fitness centre, business centre, games room with a billiards table and a dog park. Unit finishes include faux wood flooring and faux granite counter tops and black on black appliances.

As of May 19, 2014, Sunset Ridge was 94.6% occupied and produced an average monthly rent in the amount of US$1.09 per square foot based on the monthly in-place rent of all occupied suites.

Sunset Ridge is currently managed by Greystar. After the U.S. REIT's acquisition, it is the Manager's intention for the Property to continue to be managed by Greystar.

Purchase Agreements and Sunset Ridge LLC Agreement

The Fund intends to cause the U.S. REIT to indirectly acquire interests in the Initial Portfolio on the Closing Date or shortly thereafter for a total purchase price of approximately US$90,550,000 pursuant to the purchase agreements described below.

In order for the Fund to be in a position to acquire Properties shortly after the Closing Date which are consistent with its Investment Restrictions and Operating Policies, and therefore efficiently deploy Investable Funds without undue delay, it was necessary for Starlight Investments Acquisition LLC to acquire Allure and a 50% interest in Sunset Ridge and hold such Properties for resale to the Fund, since such Properties would not have otherwise been commercially available to the Fund on the Closing Date.

The following is a summary of certain material provisions of the Allure Purchase Agreement, Cinco Ranch Purchase Agreement and Sunset Ridge Purchase Agreement. This summary does not purport to be complete and reference should be made to the agreements themselves, copies of each of which will be made available promptly and in any event within seven days after its execution at www.sedar.com.

Allure Purchase and Sale Agreement

Allure was indirectly acquired by Starlight Investments Acquisition LLC, an entity controlled by Daniel Drimmer, on June 25, 2014 for US$42,500,000 (inclusive of a US$500,000, which was applied on closing). On the Closing Date or shortly thereafter, Starlight Investments Acquisition LLC will indirectly transfer its ownership in Allure to the Fund by way of the Allure Purchase Agreement and the Property will be wholly owned by the Fund. Pursuant to the Allure Purchase Agreement between Starlight Investments Acquisition LLC, a Delaware limited liability company, as seller, and U.S. REIT, a Maryland corporation, as buyer, U.S. REIT will agree to purchase 100% of the outstanding limited liability company interests in Allure LLC for the purchase price of US$43,150,000 less the outstanding principal amounts of the existing mortgage loan and mezzanine loan on the Property. Accordingly, the Fund will pay more to indirectly acquire Allure from Starlight Investments Acquisition LLC than Starlight Investments Acquisition LLC paid to acquire the Property, due to the time, cost and associated market and legal risks related to warehousing the Property for the Fund for the period from June 25, 2014 to July 10, 2014 (the scheduled closing date for the Fund's acquisition).

Allure LLC owns all of the outstanding limited liability company interests in Allure Acquisition LLC which is the registered owner of Allure. The Allure Purchase Agreement will contain customary closing conditions, covenants and representations and warranties which survive, including representations and warranties from Starlight Investments Acquisition LLC in relation to, among other things, organization and authority; authorization and enforceability of the Allure Purchase Agreement against Starlight Investments Acquisition LLC; title to the limited liability company interests of Allure LLC; no liens or other encumbrances; non-contravention of any governing documents or contracts; no litigation; capitalization; compliance with all laws, rules, and regulations; taxes; and that certain historical information relating to Allure is true in all material respects. The representations and warranties survive the closing date of the acquisition of Allure for 180 days.

Starlight Investments Acquisition LLC, as seller, will make no representation with respect to this Prospectus and the Allure Purchase Agreement will provide that in no event shall the liability of Starlight Investments Acquisition LLC to U.S. REIT for any and all breaches of any representation or warranty exceed US$650,000. Subject to the satisfaction or waiver of conditions precedent set out in the Allure Purchase Agreement, the U.S. REIT's acquisition of limited liability company interests in Allure LLC is scheduled to close on or about July 10, 2014, unless otherwise extended. Purchasers of Units under this Prospectus will not have a direct statutory right of action for misrepresentation against Starlight Investments Acquisition LLC. The sole remedy for a misrepresentation in this prospectus in respect of Allure will be through the U.S. REIT bringing an action for a breach by Starlight Investments Acquisition LLC of the representations and warranties in the Allure Purchase Agreement, subject to the limitations described above.

Cinco Ranch Purchase and Sale Agreement

Pursuant to the Cinco Ranch Purchase Agreement between Prim Residences at Cinco Ranch, LLC, a Delaware limited liability company, as seller, and Cinco Ranch Acquisition LLC, a Delaware limited liability company, as buyer, Cinco Ranch Acquisition LLC, an Affiliate of the Manager, agreed to purchase Cinco Ranch from Prim Residences at Cinco Ranch, LLC, for the purchase price of US$34,900,000. The Cinco Ranch Purchase Agreement contains customary closing conditions, covenants and representations and warranties, including representations and warranties from Prim Residences at Cinco Ranch, LLC, in relation to, among other things, authority and good standing; no violation of contract or constating documents; no litigation, compliance with statutes, laws, rules and regulations; environmental matters; and that certain historical information relating to Cinco Ranch is true in all material respects. The representations and warranties survive the closing date of the acquisition of Cinco Ranch until March 31, 2015.

Prim Residences at Cinco Ranch, LLC, as seller, made no representation with respect to this Prospectus and the Cinco Ranch Purchase Agreement provides that in no event shall the liability of Prim Residences at Cinco Ranch, LLC to Cinco Ranch Acquisition LLC for any and all breaches of any representation or warranty exceed US$500,000. Purchasers of

Units under this Prospectus will not have a direct statutory right of action for misrepresentation against Prim Residences at Cinco Ranch, LLC. The sole remedy for a misrepresentation in this prospectus in respect of Cinco Ranch will be through Cinco Ranch Acquisition LLC bringing an action for a breach by Prim Residences at Cinco Ranch, LLC of the representations and warranties in the Cinco Ranch Purchase Agreement, subject to the limitations described above.

Subject to the satisfaction or waiver of conditions precedent, the purchase of the Property is scheduled to close on July 10, 2014, unless otherwise extended. Pursuant to the Cinco Ranch Purchase Agreement, Cinco Ranch Acquisition LLC paid an initial deposit of US$150,000 and a second deposit of US$350,000. All deposits will be applied to the purchase price at closing. The U.S. REIT will acquire all of the membership interests in Cinco Ranch Acquisition LLC from an Affiliate of the Manager on the Closing Date or shortly thereafter.

Sunset Ridge Purchase and Sale Agreement

Sunset Ridge was previously indirectly acquired on May 20, 2014 by Fund No. 1 (50%) and Starlight Investments Acquisition LLC (50%), an entity controlled by Daniel Drimmer for US$24,600,000. On the Closing Date or shortly thereafter, Starlight Investments Acquisition LLC will indirectly transfer its 50% interest in Sunset Ridge to the Fund by way of the Sunset Ridge Purchase Agreement and the Property will be co-owned by the Fund and Fund No. 1 pursuant to the terms of the Sunset Ridge LLC Agreement. Pursuant to the Sunset Ridge Purchase Agreement between Starlight Investments Acquisition LLC, a Delaware limited liability company, as seller, and U.S. REIT, a Maryland corporation, as buyer, U.S. REIT will agree to purchase 50% of the outstanding limited liability company interests in Sunset Ridge LLC for the purchase price of US$12,500,000 less a 50% share of the outstanding principal amounts of the existing mortgage loan on the Property. Accordingly, the Fund will pay more to indirectly acquire its interest in Sunset Ridge from Starlight Investments Acquisition LLC than Starlight Investments Acquisition LLC paid to acquire the same proportional interest, due to the time, cost and associated market and legal risks related to warehousing the Property for the Fund for the period from May 20, 2014 to July 10, 2014 (the scheduled closing date for the Fund's acquisition).

Sunset Ridge LLC owns all of the outstanding limited liability company interests in Sunset Ridge Acquisition LLC which is the registered holder of Sunset Ridge. The Sunset Ridge Purchase Agreement will contain customary closing conditions, covenants and representations and warranties which survive, including representations and warranties from Starlight Investments Acquisition LLC in relation to, among other things, organization and authority; authorization and enforceability of the Sunset Ridge against Starlight Investments Acquisition LLC; title to the limited liability company interests of Sunset Ridge LLC; no liens or other encumbrances; non-contravention of any governing documents or contracts; no litigation; capitalization; compliance with all laws, rules, and regulations; taxes, and that certain historical information relating to Sunset Ridge is true in all material respects. The representations and warranties survive the closing date of the acquisition of Sunset Ridge for 180 days.

Starlight Investments Acquisition LLC, as seller, will make no representation with respect to this Prospectus and the Sunset Ridge Purchase Agreement will provide that in no event shall the liability of Starlight Investments Acquisition LLC to U.S. REIT for any and all breaches of any representation or warranty exceed US$250,000. Subject to the satisfaction or waiver of conditions precedent set out in the Sunset Ridge Purchase Agreement, the U.S. REIT's acquisition of limited liability company interests in Sunset Ridge LLC is scheduled to close on July 10, 2014, unless otherwise extended. Purchasers of Units under this Prospectus will not have a direct statutory right of action for misrepresentation against Starlight Investments Acquisition LLC. The sole remedy for a misrepresentation in this prospectus in respect of Sunset Ridge will be through the U.S. REIT bringing an action for a breach by Starlight Investments Acquisition LLC of the representations and warranties in the Sunset Ridge Purchase Agreement, subject to the limitations described above.

Following the acquisition of Sunset Ridge, Fund and Fund No. 1 will each be responsible for the liabilities of Sunset Ridge on a *pro-rata* ownership basis.

Sunset Ridge LLC Agreement

All decision making in respect of Sunset Ridge, including day-to-day and material decisions, will be jointly made through the established governance practices of the Fund and Fund No. 1 in accordance with the Sunset Ridge LLC Agreement.

The Sunset Ridge LLC Agreement prohibits any member from selling, transferring, assigning, mortgaging, hypothecating or otherwise encumbering all or any part of its member interests without the prior written consent of the mezzanine loan lender, until such time as the existing mezzanine loan is indefeasibly paid or discharged in accordance with its terms, and all members.

In connection with the ongoing operation of Sunset Ridge, all contributions, including equity, transaction costs, capital expenditures and other ongoing costs are the responsibility of each of its members, indirectly, in accordance with their respective proportionate ownership share in the capital of Sunset Ridge LLC.

Financing of the Initial Portfolio

Allure

In respect of the acquisition of Allure, the U.S. REIT will indirectly assume the existing first Mortgage Loan on the Property in favour of an affiliate of a Canadian chartered bank. The loan is expected to be dated as of July 10, 2014 and have a 3-year term with two, one-year extension options. The loan is interest only for the first year. Monthly principal and interest payments (based on a 30-year amortization and a deemed 5.5% interest rate) are to be paid (a) commencing on the start of the second year, for the remainder of the 3-year term in the event that the mezzanine loan (as described below) is not repaid and (b) during each extension term (if applicable). In the event the mezzanine loan is repaid in full during the 3-year term, interest-only payments are required for the remainder of the 3-year term. Interest is payable on such loan at an annual rate of one month LIBOR + 2.00% but shall never be less than one month LIBOR as of the closing date of the loan + 2.00%. Other than for standard exclusions such as fraud, gross negligence and environmental hazards, the loan is non-recourse to the U.S. REIT. As of the closing date, the principal amount of indebtedness due thereunder is expected to be US$29,500,000.

Unless the Maximum Offering is achieved, the U.S. REIT will also indirectly assume a mezzanine loan through Allure LLC with Timbercreek Mortgage Servicing Inc. The loan is expected to be dated July 10, 2014 and have a 3-year term with two, one-year extension options. The loan is interest only at a rate of 9.25%. Other than for standard exclusions such as fraud, gross negligence and environmental hazards, the loan is non-recourse to the U.S. REIT. As of the closing date, the principal amount of indebtedness due thereunder is expected to be US$7,000,000. The mezzanine loan can be repaid immediately at or following the Closing Date and will be repaid by an Affiliate of the Manager, in full, if the Maximum Offering is achieved. The loan may be prepaid on 30 days' written notice without the incurrence of any fee.

Cinco Ranch

The Manager, on behalf of Cinco Ranch, LLC, has secured a first Mortgage Loan with an affiliate of a Canadian chartered bank in respect of the purchase of Cinco Ranch in the amount of up to approximately US$23,900,000, for a three year term with two, one-year extension options. The loan will be interest only for the entire 3-year term, however, during each extension term (if applicable), principal and interest payments are due based on a 30-year amortization and a deemed 5.5% interest rate. The interest will be payable on such loan at an annual rate of one-month LIBOR +2.00% but shall never be less than one month LIBOR as of the closing date of the loan + 2.00%. The loan will be secured by a first mortgage on Cinco Ranch and such other security as is standard for such loans. Other than for standard exclusions such as fraud, gross negligence and environmental hazards, the loan will be non-recourse to the U.S. REIT. Under the Maximum Offering, the Mortgage Loan will be reduced to US$23,100,000 (or such other amount such that not less than 50% of the Investable Funds would be used to fund the purchase of the Initial Portfolio).

Sunset Ridge

In respect of the acquisition of Sunset Ridge, the U.S. REIT will indirectly assume its proportionate share of the existing first Mortgage Loan on the Property in favour of an affiliate of a Canadian chartered bank. The loan is dated as of May 20, 2014 and has a 3-year term with two, one-year extension options. The loan is interest only for the first year. Commencing on the start of the second year, monthly principal and interest payments (based on a 30-year amortization and a deemed 5.5% interest rate) are to be paid (a) commencing on the start of the second year, for the remainder of the 3-year term in the event that the mezzanine loan (as described below) is not repaid and (b) during each extension term (if applicable). In the event the mezzanine loan is repaid in full during the 3-year term, interest-only payments are required for the remainder of the 3-year term. Interest is payable on such loan at an annual rate of one month LIBOR + 2.00% but shall never be less than one month LIBOR as of the closing date of the loan + 2.00%. Other than for standard exclusions such as fraud, gross negligence and environmental hazards, the loan is non-recourse to the U.S. REIT. As of May 20, 2014, the principal amount of indebtedness due thereunder was US$16,800,000 (of which the U.S. REIT will assume US$8,400,000).

50% of the existing Sunset Ridge mezzanine loan will be repaid in connection with the closing of the U.S. REIT's 50% interest in the Property.

Based on the current LIBOR rate as at May 1, 2014, the weighted average interest rate on all debt is expected to be 2.87% based upon the Minimum Offering and 2.15% under the Maximum Offering. The expected loan to value for the Initial Portfolio is expected to be approximately 74.1% based on the Minimum Offering and 65.7% under the Maximum Offering, in each case including the closing costs of the Initial Portfolio.

Building Condition Assessments

Building condition assessment reports ("**BCA Reports**") were prepared for each Property comprising the Initial Portfolio by an independent consulting service for the purposes of ascertaining the overall condition of the Initial Portfolio and the continued operation thereof, recommending any repairs or corrective actions and verifying compliance with governing legislation. The below table summarizes the expenditures recommended in the BCA Reports.

Initial Portfolio
Capital Needs Estimate (US$)

	Year					
	1	**2**	**3**	**4**	**5**	**Total**
Allure	$51,200	$52,480	$53,791	$58,896	$56,515	**$272,882**
Cinco Ranch	$53,425	$54,761	$60,152	$57,533	$171,282	**$397,153**
Sunset Ridge[(1)]	$44,775	$45,894	$47,041	$51,837	$49,423	**$238,970**
Total	**$149,400**	**$153,135**	**$160,984**	**$168,266**	**$277,220**	**$909,005**

Notes:

(1) Each member of Sunset Ridge LLC shall be responsible for its *pro-rata* ownership share of the estimated capital required which in the case of the Fund will be 50%.

Allure

The BCA Report for Allure was completed on March 24, 2014. The report states that the Property is in good overall condition, and no large scale, significant areas of the Property or buildings require immediate critical or priority repairs. The report recommends total capital expenditures (including inflation) in the amount of approximately US$272,882 over the next five years, as summarized in the table above.

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the Property. The roofs were reported to be approximately one year old and in good condition and no active roof leaks were observed during interior inspections. Exterior walls showed no signs of settlement, cracking, or water leaks and the building foundations are stated to be in excellent condition.

Cinco Ranch

The BCA Report for Cinco Ranch was completed on May 12, 2014. The report states that the Property is in fair to good overall condition, and will require US$61,950 in immediate repairs.

The report recommends total capital expenditures (including inflation) in the amount of approximately US$397,153 over the next five years, as summarized in the table above. US$440,000 of capital expenditures will be funded up front to improve the Property's cosmetic appeal and complete immediate repairs.

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the Property. The roofs were reported to be approximately five years old and in good condition and no active roof leaks were observed during interior inspections. Exterior walls showed no signs of settlement, cracking, or water leaks. The building foundations are stated to be in good condition.

Sunset Ridge

The BCA Report for Sunset Ridge was completed on January 31, 2014. The report states that the Property is in good overall condition and no large scale, significant areas of the Property or buildings require immediate critical or priority repairs. The report recommends total capital expenditures (including inflation) in the amount of approximately US$238,970 over the next five years, as summarized in the table above. Approximately US$280,000 of capital expenditures will be funded up front to improve the Property's cosmetic appeal.

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the Property. The roofs were reported to be approximately one year old and in good condition, with no damages to shingles or guttering requiring priority repairs, and no active roof leaks were observed during interior inspections. Exterior walls showed no signs of settlement, cracking, or water leaks and inspections of building foundations showed no signs of serious settlement or other foundation-related concerns.

Environmental Site Assessments

Each of the Properties comprising the Initial Portfolio has been the subject of a Phase I environmental site assessment report prepared by an independent environmental consultant. The report for Allure was issued on March 24, 2014, the report for Cinco Ranch was issued on May 13, 2014 and the report for Sunset Ridge was issued on January 31, 2014. The purpose of these Phase I environmental site assessment reports was to identify any recognized environmental conditions associated with the Initial Portfolio. The reports were prepared in general accordance with the guidelines set forth in the American Society for Testing and Materials Standard Practice E1527-13 ("**ASTM Practice E1527-13**").

Each report indicated that, in accordance with ASTM Practice E1527-13, there is no evidence of recognized environmental conditions, historical recognized environmental conditions or *de minimis* conditions associated with any of the Properties comprising the Initial Portfolio. The reports state that no further environmental studies are recommended on any of the Properties comprising the Initial Portfolio at this time.

The Manager is not aware of any non-compliance with environmental laws at any of the Properties comprising the Initial Portfolio that would have a material adverse effect on the Fund. The Manager is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of the Properties comprising the Initial Portfolio that would materially adversely affect the Fund or the values of the Initial Portfolio, taken as a whole, as determined pursuant to the Appraisals discussed below.

Independent Appraisals of the Initial Portfolio

The Manager retained the Appraiser to provide an independent appraisal of the fair market value of each of the Properties comprising the Initial Portfolio (collectively, the "**Appraisals**"). The Appraisal in respect of Allure was completed on March 31, 2014, the Appraisal in respect of Cinco Ranch was completed on May 13, 2014 and the Appraisal in respect of Sunset Ridge was completed on May 5, 2014.

The Appraisals were prepared in conformity with the requirements of 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 current economic definition of "market value" agreed upon by various agencies that regulate federal financial institutions in the U.S. and as used in the Appraisals is, "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". Implicit in this 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 own best interests; (iii) a reasonable time is allowed for exposure in the open market; (iv) payment is made in terms of cash in U.S. dollars or in 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. The Appraisers were not given any limiting instructions by the Manager.

Based on the Appraisals, the estimated market value of each Property comprising the Initial Portfolio is US$45,020,000 for Allure, US$35,020,000 for Cinco Ranch and US$26,170,000 for Sunset Ridge. This Prospectus allocates value as follows:

Property	Estimate Value (US$)
Allure (100% interest)	$45,020,000
Cinco Ranch (100% interest)	$35,020,000
Sunset Ridge (50% interest)	$13,085,000
Total	**$93,125,000**

Based on the agreed purchase price to be paid for the Initial Portfolio of US$90,550,000, the valuation by the Appraiser of the Initial Portfolio at US$93,125,000 is a total of US$2,575,000 greater than the aggregate purchase price to be paid for the Initial Portfolio.

In valuing the Properties comprising the Initial Portfolio (including the estimated market value of each Property), the Cost Approach, Sales Comparison Approach and Income Capitalization Approach were utilized by the Appraiser. The cost approach is based on the presumption that a purchaser will not pay more for a property than the cost of a substitute property that contains the equivalent utility for the purchaser, in particular when the appraised property involves new improvements representing the best use of the land, or when the property is improved with specialized improvements resulting in fewer comparable properties (the "**Cost Approach**"). The Appraiser did not utilize the Cost Approach in respect of Cinco Ranch. The sales comparison approach utilizes the sales of comparable properties, as adjusted for differences in the properties, to determine a property's value. Such valuation typically uses physical suites of comparison, including price per square foot, price per suite, price per floor, etc. These adjustments are applied to the physical suites of comparison as derived from the comparable sale. The suites of comparison chosen for the property is then used to yield a total value. Economic suites of comparison are analyzed as opposed to adjusted to determine relevant differences, with the final estimate derived based on the general comparisons (the "**Sales Comparison Approach**"). The income capitalization approach reflects the property's income-producing capabilities. Such approach assumes value is created by a purchaser's expectation of the benefits to be derived in the future. Specifically estimated is the amount a purchaser would be willing to pay to receive an income stream plus reversion value from a property over a period of time. The two common valuation techniques associated with the income capitalization approach are direct capitalization and the discounted cash flow analysis (the "**Income Capitalization Approach**").

The Appraiser visited each Property comprising the Initial Portfolio to assess location and general physical characteristics and estimated the highest and best use for each Property. In appraising each Property comprising the Initial Portfolio, the Appraiser assumed that title to the Property was clear and marketable and that there were no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value, the Property was not affected by any hazardous materials that may be present on or near the Property, construction components were in working condition and adequate for the buildings on the Property, the building foundations were of adequate load-bearing capacity to support any improvements and that the Property was in full compliance with all applicable federal, state, and local environmental regulations and laws, unless as stated in the respective Appraisal. The Appraiser further assumed that all factual data furnished by the Manager, the current Property owner, the owner's representative, or persons designated by the Manager or the owner to supply such data was accurate and correct, unless otherwise specifically noted in the respective Appraisal.

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 Appraisals are based on various assumptions of future expectations and while the Appraiser's internal forecasts of NOI for the Properties comprising the Initial Portfolio are 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.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

5.1 Allure Management's Discussion and Analysis

The following management's discussion and analysis ("**Allure MD&A**") of the financial results of Allure dated June 27, 2014 for the three months ended March 31, 2014 (the "**Allure Interim MD&A**"), together with the audited period from April 1, 2013 (commencement of operations) to December 31, 2013 (the "**Allure Annual MD&A**") should be read in conjunction with Allure audited financial statements and accompanying notes for these periods included in this Prospectus. See "Index to Financial Statements" and "Exemptions from Certain Disclosure Requirements".

Basis of Presentation

Allure's audited financial statements for the period from April 1, 2013 (commencement of operations) to December 31, 2013 and audited three months ended March 31, 2014 have been prepared in accordance with IFRS. Allure presentation currency is the U.S. dollar. Unless otherwise stated, amounts expressed in this Allure MD&A are in thousands of U.S. dollars, except for per suite information and household income statistics.

Business Overview, Property Profile and Strategy

Allure was completed in 2013 and is located approximately 32 kilometres northwest of downtown Austin at 701 North Vista Ridge, Cedar Park, Texas. The site is in a rapidly growing suburb of Austin. It is comprised of 334 apartment units in 22 three-storey buildings, including walk-up and two-storey townhouse units, and a central clubhouse located on a 19.97 acre site as follows:

Unit Type	Sq. Ft.	Number of Units
1 Bedroom	590 to 853	153
2 Bedrooms	1,002 to 1,125	133
3 Bedrooms	1,280 to 1,555	48
Average/Total	**985**	**334**

The 334 total units that comprise the Property are constructed on a gross building area of 334,466 square feet. Units consist of one, two and three bedrooms. The Property contains 605 total parking spaces including 370 open spaces, 109 carports and 126 garage spaces.

The complex has a central clubhouse that contains numerous modern amenities including a resort-style swimming pool with a sun deck and outdoor grilling station and a clubhouse with a fitness centre, tech/business centre and an internet lounge and cafe. Unit features consist of 9 foot ceilings and modern interior finishes such as faux wood flooring, brushed nickel hardware and stainless steel appliances (there are three different finish packages in the various apartment units).

As of May 20, 2014 Allure was 94.3% occupied and produced an average monthly rent in the amount of US$1.13 per square foot based on the monthly in-place rent of all occupied suites.

Allure is currently managed directly by the Owner of the Property. After the U.S.REIT's acquisition of Allure, it is the Manager's intention to have the Property managed by Alliance, the ninth largest, third party, multi-family, property manager in the U.S. with 232 projects and approximately 72,000 units under management as of January 2014.

Interim Financial and Operational Highlights

	As at March 31, 2014
Operational Information	
Total suites	334
Occupancy %	93.7%
Weighted average in-place rent	$1,112
Summary of Financial Information	
Gross Book Value [(1)]	$43,000
Indebtedness [(2)]	$33,799
Indebtedness to Gross Book Value [(3)]	78.6%
Mortgage interest rate	
BBVA loan	3.5%
Heitman loan	16%
Mortgage term to maturity	December 27, 2014

	Three months ended March 31, 2014
Summary of Financial Information	
Revenue from property operations	$1,102
NOI	$550
Net income and comprehensive income	$(77)

Notes:

(1) "Gross Book Value" includes impact of any fair value adjustment of investment properties.

(2) "Indebtedness" excludes unamortized financing costs.

(3) Defined as Indebtedness divided by Gross Book Value.

Annual Financial and Operational Highlights

	As at December 31, 2013
Operational Information	
Total suites	334
Occupancy %	85.0%
Weighted average in-place rent	$1,103
Summary of Financial Information	
Gross Book Value [(1)]	$43,000
Indebtedness [(2)]	$31,894
Indebtedness to Gross Book Value [(3)]	74.2%
Mortgage interest rate	
BBVA loan	3.5%
Heitman loan	16%
Mortgage term to maturity	December 27, 2014

	Period from April 1, 2013 (commencement of operations) to December 31, 2013
Summary of Financial Information	
Revenue from property operations	$1,663
NOI	$89
Net income and comprehensive income	$6,078

Notes:

(1) "Gross Book Value" includes impact of any fair value adjustment of investment properties.

(2) "Indebtedness" excludes unamortized financing costs.

(3) Defined as Indebtedness divided by Gross Book Value.

Interim AMR and Occupancy

The following table contains the AMR and occupancy rate of Allure as at March 31, 2014. Since the Property did not commence operations until April 1, 2013, there were no comparative figures available as at March 31, 2013.

	March 31, 2014	
	AMR	Occ. %
Allure	$1,112	93.7%

As at March 31, 2014, AMR for Allure was $1,112 and occupancy was 93.7%. The rates and occupancy as of March 31, 2014 are a testament to the quality and desirability of Allure and as well as the surrounding Austin market as a whole.

Annual AMR and Occupancy

The following table contains the AMR and occupancy rate of Allure as at December 31, 2013.

	December 31, 2013	
	AMR	Occ. %
Allure	$1,103	85.0%

As at December 31, 2013, AMR was $1,103 and occupancy was 85%. The Property was in gradual lease up stage at this point in time. As the Property commenced operations on April 1, 2013 there were no comparative figures available as at December 31, 2012.

Interim Financial Performance

Allure's financial performance for the three months ended March 30, 2014 is summarized below. Since the Property did not commence operations until April 1, 2013, there were no comparative figures available.

	Three months ended March 31, 2014
Revenue from property operations	$1,102
Property operating expenses	552
Income (loss) before undernoted items	550
Finance costs	627
Fair value adjustment of investment property	-
Net income (loss) and other comprehensive income (loss)	$(77)
Calculation of NOI	
Revenue from property operations	$1,102
Operating expenses	552
NOI	$550
NOI margin	49.9%
Number of suites	334

As discussed above, the accounting policies adopted under IFRS have been applied in preparing the financial statements for the three months ended March 31, 2014.

Revenue from Property Operations

Revenue from Property operations includes the monthly rent charges for the lease of apartment suites, other ancillary income and the reimbursement by the tenants of utility expenses incurred. Other ancillary income includes amounts from parking, valet waste removal, pet rents, application fees, late charges, etc.

Revenue from Property operations for the three months ended March 31, 2014 was $1,102. Since the Property did not commence operations until April 1, 2013, there were no comparative figures available.

Property operating expenses

Property operating expenses for the three months ended March 31, 2014 were $552. Since the Property did not commence operations until April 1, 2013, there were no comparative figures available. Property operating expenses as a percentage of Property revenues for the three months ended March 31, 2014 were 50.1%, representing a healthy NOI margin of 49.9%.

On April 1, 2013, the owner of the Property entered into a management agreement with NRP Management LLC, an unrelated party, for the services rendered in connection with the leasing and operations of the Property. The fee for services is equal to 3.5% of the gross collections of the Property or $7,000 per month whichever is greater, as defined within the management agreement. For the three months ended March 31, 2014, property management fees in the amount of $40 were incurred pursuant to this property management agreement.

Finance Costs

Finance costs for the three months ended March 31, 2014 were $627 for the three months ended March 31, 2014, representing the interest on the mortgage payable. Since the Property did not commence operations until April 1, 2013, there were no comparative figures available.

Investment Property – Fair Value Adjustments

Allure has selected the fair value method to account for real estate classified as investment property. The determination of fair value is based, among other things, on rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions, net of any outflows in respect of the investment property operations.

As a result, Allure recorded a fair value adjustment of $nil for the three months ended March 31, 2014.

Net Operating Income

The NOI for the three months ended March 31, 2014 was $550. The Property had a healthy NOI margin for the three months ended March 31, 2014 of 49.9%. See "Non-IFRS Measures".

Annual Financial Performance

Allure's financial performance for the period from April 1, 2013 (commencement of operations) to December 31, 2013 is summarized below:

	Period from April 1, 2013 (commencement of operations) to December 31, 2013
Revenue from property operations	$1,663
Property operating expenses	1,574
Income before undernoted items	$89
Finance costs	1,429
Fair value gain of investment property	(7,418)
Net income and other comprehensive income	$6,078
Calculation of NOI	
Revenue from property operations	$1,663
Operating expenses	1,574
NOI	$89
NOI margin	5.4%
Number of suites	334

As discussed above, the accounting policies adopted under IFRS have been applied in preparing the financial statements for the period from April 1, 2013 (commencement of operations) to December 31, 2013.

Revenue from Property Operations

Revenue from property operations includes the monthly rent charges for the lease of apartment suites, other ancillary income and the reimbursement by the tenants of utility expenses incurred. Other ancillary income includes amounts from forfeited deposits, vending machines and late charges.

Revenue from property operations for the period from April 1, 2013 to December 31, 2013 was $1,663.

Property operating expenses

Property operating expenses for the period from April 1, 2013 to December 31, 2013 was $1,574. The property operating expenses consist of realty taxes of $415 and operating costs of $1,159 including management fees, insurance, utilities, general and administrative expenses, salaries, etc. Property management fees of $79 were incurred for the period from April 1, 2013 to December 31, 2013 and are included within operating costs.

Finance Costs

Finance costs for the period from April 1, 2013 to December 31, 2013 were $1,429, representing the interest on the mortgage payable.

Investment Property – Fair Value Adjustments

Allure has selected the fair value method to account for real estate classified as investment property. The determination of fair value is based, among other things, on rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions, net of any outflows in respect of the investment property operations.

As a result, Allure recorded a positive fair value adjustment of $7,418 for the period from April 1, 2013 to December 31, 2013. As the investment property fair value is based on expected future earnings and capitalization rates, the fair value adjustment was indicative to some degree of operations subsequent to December 31, 2013.

Net Operating Income

The NOI for the period from April 1, 2013 to December 31, 2013 was $89 with no comparative annual period. The Property was in a lease up phase during the first 9 months of 2013 with occupancy as of December 31, 2013 reaching a high of 85% for the period to date. See “Non-IFRS Measures”.

Capital Investments

Allure is committed to improving its operating performance by incurring appropriate capital expenditures in order to replace and maintain its productive capacity so as to sustain its rental income generating potential over its useful life. In accordance with IFRS, the Property capitalizes all capital improvement expenditures which enhance the service potential of Allure and extend the useful life of the asset.

Liquidity and Capital Reserves

Cash flow from operating activities represents the primary source of liquidity to fund debt service, capital improvements and tenant inducements and leasing costs. Allure’s cash flow from operating activities is dependent upon the occupancy levels, the rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect Allure’s net cash flow from operating activities and liquidity.

Allure expects to be able to meet all of its obligations as they become due.

Interim Cash Flows

The following table details the changes in cash and cash equivalents for the three months ended March 31, 2014. There were no comparative figures available as the operations commenced on April 1, 2013.

(In thousands of dollars)	Three months ended March 31, 2014
Cash from (used in) operating activities	$217
Cash from (used in) investing activities	-
Cash from (used in) financing activities	108
Increase (decrease) in cash and cash equivalents	325
Cash and cash equivalents, beginning of period	109
Cash and cash equivalents, end of period	$434

Cash and cash equivalents on hand at March 31, 2014 was $434. Cash from operating activities for the three months ended March 31, 2014 was $217. The cash used in investing activities for the three months ended March 31, 2014 was $nil as there were no additions to the investment property. Cash used in financing activities for the three months ended March 31, 2014 of $108 relates to new financing received in the amount of $626, net of $518 of interest paid.

Annual Cash Flows

The following table details the changes in cash and cash equivalents for the period from April 1, 2013 (commencement of operations) to December 31, 2013:

(In thousands of dollars)	Period from April 1, 2013 (commencement of operations) to December 31, 2013
Cash from (used in) operating activities	($3,042)
Cash from (used in) investing activities	(3,660)
Cash from (used in) financing activities	6,579
Increase (decrease) in cash and cash equivalents	(123)
Cash and cash equivalents, beginning of period	232
Cash and cash equivalents, end of period	$109

Cash and cash equivalents on hand at December 31, 2013 was $109. Cash used in operating activities for the period from April 1, 2013 to December 31, 2013 was $3,042 and was derived from operations of the Property. Cash used in investing activities for the period from April 1, 2013 to December 31, 2013 was $3,660 and was due to additions to investment property. Cash from financing activities for the period from April 1, 2013 to December 31, 2013 was $6,579 and relates to mortgage proceeds of $7,522, partially offset by interest paid of $943.

Interim Mortgages Payable

Allure is pledged as security for a mortgage payable. As of March 31, 2014, unamortized financing fees of $60 were netted against the mortgage payable.

(In thousands of dollars)	
BBVA loan payable	$22,804
Heitman loan payable	9,716
Less unamortized financing fees	(69)
Carrying amount	$32,451

The BBVA mortgage interest rate was 3.5% and the loan is interest only until December 27, 2014, the maturity date.

The Heitman loan had an internal rate of return of 16% to the lender and a maturity date of December 27, 2014.

Annual Mortgages Payable

Allure is pledged as security for a mortgage payable. As of December 31, 2013, unamortized financing fees of $94 were netted against the mortgage payable.

(In thousands of dollars)	
BBVA loan payable	$22,178
Heitman loan payable	9,716
Less unamortized financing fees	(94)
Carrying amount	$31,800

Significant Accounting Policies and Changes in Accounting Policies

A summary of the significant accounting policies are described in Note 2 to Allure's audited financial statements.

Use of Estimates

The preparation of Allure's financial statements in accordance with IFRS requires estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and disclosure of the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

The following significant areas use estimates and assumptions made by management in the preparation of the financial statements.

Investment Properties

Allure selected the fair value method to account for real estate classified as investment property. A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in profit and loss during the period in which they arise. Fair values are primarily determined by using the capitalized net operating income method which applies a capitalization rate to the future stabilized cash flows of Allure. The capitalization rate applied is reflective of the characteristics, location and market of Allure. The stabilized cash flows of the 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. Allure determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts.

Subsequent capital expenditures are charged to investment property only when it is probable that future economic benefits of the expenditure will flow to Allure and the cost can be measured reliably.

Financial Instruments

Financial instruments are classified as one of the following: (i) fair value through profit and loss "FVTPL", (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in divisional equity. Allure derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

Allure's deposits, tenant receivables and other receivables, restricted cash and cash have been designated as loans and receivables; and mortgages payable, tenant rental deposits, accounts payable and accrued liabilities and finance costs payable have been designated as other liabilities. Allure has neither available-for-sale nor held-to-maturity instruments.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the condensed combined financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

Future Outlook

Pursuant to a purchase and sale agreement executed as of March 4, 2014, between NVR Cedar Park JV, a Texas limited liability company, as seller, and Allure Acquisition LLC, a Delaware limited liability company, as buyer, Allure Acquisition LLC agreed to purchase Allure from NVR Cedar Park JV, LLC, for the purchase price of $42,500 (inclusive of a $500 credit). The purchase of the Property closed on June 25, 2014. Pursuant to the purchase and sale agreement, Allure Acquisition LLC has paid an initial deposit of $300 and a second deposit of $350. Both deposits were applied to the purchase price at closing.

The objective of Allure is to generate stable and growing cash flow and to maximize Allure's value through active management. The Manager has estimated that the current rental rates for some of the units within Allure are below market. Residential tenancy legislation in Texas currently does not restrict the ability of a landlord to increase rents to the same extent that similar laws provide in various provinces in Canada. The Manager estimates that there is an opportunity to increase the net operating income over the short to medium term by raising market rental rates.

5.2 Cinco Ranch Management's Discussion and Analysis

The following management's discussion and analysis ("**Cinco Ranch MD&A**") of the financial results of Residences at Cinco Ranch dated June 27, 2014 for the three months ended March 31, 2014 and 2013 (unaudited) (the "**Cinco Ranch Interim MD&A**"), together with the years ended December 31, 2013 and the period from April 19, 2012 (date of acquisition) to December 31, 2012 (the "**Cinco Ranch Annual MD&A**"), should be read in conjunction with Cinco

Ranch's unaudited financial statements and audited financial statements and accompanying notes for these periods included in this Prospectus. See "Index to Financial Statements" and "Exemptions from Certain Disclosure Requirements".

Basis of Presentation

Cinco Ranch's audited financial statements for the three months ended March 31, 2014 and 2013 (unaudited), and the year ended December 31, 2013 and the period from April 19, 2012 (date of acquisition) to December 31, 2012 have been prepared in accordance with IFRS. Cinco Ranch's presentation currency is the U.S. dollar. Unless otherwise stated, amounts expressed in this Cinco Ranch MD&A are in thousands of U.S. dollars, except for per suite information and household income statistics.

Business Overview, Property Profile and Strategy

Cinco Ranch is a Class "A", garden-style apartment community located in rapidly expanding Katy submarket in west Houston, Texas. The community consists of 300 apartment units and was completed in 2009. It is comprised of 13 three-storey and one two-storey apartment building with a central clubhouse on a 16.34 acre site as follows:

Unit Type	Sq. Ft.	Number of Units
1 Bedroom	692 to 814	134
2 Bedrooms	993 to 1,020	134
3 Bedrooms	1,204 to 1,209	32
Average/Total	**958**	**300**

The 300 total units that comprise the Property are constructed on a gross building area of 294,811 square feet. Units consist of one, two and three bedrooms. The Property contains 540 total parking spaces, including 81 detached and 64 carports.

Property amenities include a resort style swimming pool fitness centre, picnic area with barbeque and business and conference centre. Unit finishes include granite counter tops in kitchens and bathrooms, crown molding and 9 foot ceilings.

As of May 20, 2014, Cinco Ranch was 94.3% occupied and produced an average monthly rent in the amount of US$1.07 per square foot based on the monthly in-place rent of all occupied suites.

Cinco Ranch is currently managed by Michelson Realty Estate Group LLC. After the U.S. REIT's acquisition, it is the Manager's intention to have the Property managed by Alliance.

According to Nielsen/Claritas, the Cinco Ranch neighbourhood in Houston has an upper middle income demographic profile with a median household income of US$108,860 and an average household income of US$133,818 within a three mile radius of Cinco Ranch. The majority of the population holds manufacturing, retail trade, educational, health care and professional/technical related jobs. According to Nielsen/Claritas, the population within a one mile radius of Cinco Ranch is expected to grow by 3.27% per year in the next five years.

According to MPF Research, Cinco Ranch is located in the Katy sub-market which inventory consists of 11,636 apartment units. The Katy multi-family rental sub-market had an occupancy of 95.8% in the first quarter of 2014. Effective rents for the quarter increased by 3.5% over the previous year.

Interim Financial and Operational Highlights

	As at March 31, 2014	As at March 31, 2013 (unaudited)
Operational Information		
Total suites	300	300
Occupancy %	92.0%	97.3%
Weighted average in-place rent	$1,013	$973
Summary of Financial Information		
Gross Book Value [(1)]	$34,900	$30,053
Indebtedness [(2)]	-	-
Indebtedness to Gross Book Value [(3)]	N/A	N/A
Mortgage interest rate	N/A	N/A
Mortgage term to maturity	N/A	N/A

	Three months ended March 31, 2014	Three months ended March 31, 2013 (unaudited)
Summary of Financial Information		
Revenue from property operations	$933	$922
NOI	$386	$434
Net income and comprehensive income	$386	$1,734

Notes:

(1) "Gross Book Value" includes impact of any fair value adjustment of investment properties.

(2) There is no mortgage on this Property.

(3) Defined as Indebtedness divided by Gross Book Value.

Annual Financial and Operational Highlights

	As at December 31, 2013	As at December 31, 2012
Operational Information		
Total suites	300	300
Occupancy %	96.0%	98.3%
Weighted average in-place rent	$1,025	$969
Summary of Financial Information		
Gross Book Value [(1)]	$34,900	$30,000
Indebtedness [(2)]	-	-
Indebtedness to Gross Book Value [(3)]	N/A	N/A
Mortgage interest rate	N/A	N/A
Mortgage term to maturity	N/A	N/A

	Year ended December 31, 2013	Period from April 19, 2012 (date of acquisition) to December 31, 2012
Summary of Financial Information		
Revenue from property operations	$3,765	$2,538
NOI	$1,622	$1,118
Net income and comprehensive income	$6,295	$2,033

Notes:

(1) "Gross Book Value" includes impact of any fair value adjustment of investment properties.

(2) "Indebtedness" excludes unamortized financing costs.

(3) Defined as Indebtedness divided by Gross Book Value.

Interim AMR and Occupancy

The following table contains the AMR and occupancy rate of Cinco Ranch as at March 31, 2014 and March 31, 2013.

	March 31, 2014		March 31, 2013	
	AMR	Occ. %	AMR	Occ. %
Cinco Ranch	$1,013	92.0%	$973	97.3%

As at March 31, 2014, AMR for Cinco Ranch was $1,013. AMR for Cinco Ranch as at March 31, 2013 was $973. AMR was higher as at March 31, 2014 because the Property has high stable occupancy and the owner was increasing rental rates based on demand.

As at March 31, 2014, Cinco Ranch occupancy was 92% compared with 97.3% as at March 31, 2013. The slightly reduced occupancy of 5.3% was partially offset by increased AMR of 4.1%. As at March 31, 2013 actual occupancy was above the expected occupancy.

Annual AMR and Occupancy

The following table contains the AMR and occupancy rate of Cinco Ranch as at December 31, 2013 and 2012:

	December 31, 2013		December 31, 2012	
	AMR	Occ. %	AMR	Occ. %
Cinco Ranch	$1,025	96.0%	$969	98.3%

As at December 31, 2013, AMR was $1,025 compared to $969 as at December 31, 2012. The occupancy was 96.0% as at December 31, 2013 compared to 98.3% as at December 31, 2012. The slightly reduced occupancy of 2.3% was offset by increased AMR of 5.8% which more than offset the lower occupancy.

Interim Financial Performance

Cinco Ranch's financial performance for the three months ended March 30, 2014 and 2013 is summarized below:

	Three months ended March 31, 2014	Three months ended March 31, 2013 (unaudited)
Revenue from property operations	$933	$922
Property operating expenses	547	488
Income (loss) before undernoted items	$386	$434
Fair value gain of investment property	-	(1,300)
Net income (loss) and other comprehensive income (loss)	$386	$1,734
Calculation of NOI		
Revenue from property operations	$933	$922
Operating expenses	547	488
NOI	$386	$434
NOI margin	41.4%	47.1%
Number of suites	300	300

As discussed above, the accounting policies adopted under IFRS have been applied in preparing the financial statements for the three months ended March 31, 2014 and 2013.

Revenue from Property Operations

Revenue from property operations includes the monthly rent charges for the lease of apartment suites, other ancillary income and the reimbursement by the tenants of utility expenses incurred. Other ancillary income includes amounts from application fees, trash removal, parking, late charges, etc.

Revenue from property operations for the three months ended March 31, 2014 was $933 compared to $922 for the three months ended March 31, 2013, for an increase of $11 or 1.2%.

Property operating expenses

Property operating expenses for the three months ended March 31, 2014 were $547 compared with $488 for the period for the three months ended March 31, 2013, for an increase of $59 or 12.1%. The increase was driven by additional maintenance expenses and increased realty taxes.

Pursuant to a management agreement with Michelson Management Services, LLC, an unrelated party, Michelson Management Services, LLC renders services in connection with the leasing and operations of the Property. The fee for services is equal to 3.0% percent of the gross rent receipts of the Property, as defined within the management agreement. As of March 31, 2014 and March 31, 2013, $28 and $28, respectively, were incurred and paid.

Investment Property – Fair Value Adjustments

Cinco Ranch has selected the fair value method to account for real estate classified as investment property. The determination of fair value is based, among other things, on rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions, net of any outflows in respect of the investment property operations.

Cinco Ranch recorded a fair value adjustment of $nil for the three months ended March 31, 2014 and a positive adjustment of $1,300 for the three months ended March 31, 2013 due to improvement in the Property's net operating income.

Net Operating Income

The NOI for the three months ended March 31, 2014 was $386 compared to $434 for the three months ended March 31, 2014 and 2013, for a decrease of $48 or 11.1%. The decrease in NOI is mainly caused by increases in operating costs discussed above. The Property NOI margin for the three months ended March 31, 2014 was 41.4% compared to 47.1% for the three months ended March 31, 2013. The reduced margins were due to additional maintenance and realty taxes. See "Non-IFRS Measures".

Annual Financial Performance

Cinco Ranch's financial performance for the year ended December 31, 2013 and period from April 19, 2012 (date of acquisition) to December 31, 2012 is summarized below:

	Year ended December 31, 2013	**Period from April 19, 2012 (date of acquisition) to December 31, 2012**
Revenue from property operations	$3,765	$2,538
Property operating expenses	2,143	1,420
Income before undernoted items	$1,622	$1,118
Fair value gain of investment property	(4,673)	(915)
Net income and other comprehensive income	$6,295	$2,033
Calculation of NOI		
Revenue from property operations	$3,765	$2,538
Operating expenses	2,143	1,420
NOI	$1,622	$1,118
NOI margin	43.1%	44.1%
Number of suites	300	300

As discussed above, the accounting policies adopted under IFRS have been applied in preparing the financial statements for the years ended December 31, 2013 and 2012.

Revenue from Property Operations

Revenue from property operations includes the monthly rent charges for the lease of apartment suites, other ancillary income and the reimbursement by the tenants of utility expenses incurred. Other ancillary income includes amounts from application fees, trash removal service fees, parking, late charges, etc.

Revenue from property operations for the year ended December 31, 2013 was $3,765 compared to $2,538 for the period from April 19, 2012 to December 31, 2012. The significant variance is due to the comparative period presenting only 257 days in the year.

Property operating expenses

Property operating expenses for the year ended December 31, 2013 was $2,143 compared to $1,420 for the period from April 19, 2012 to December 31, 2012. The significant variance is due to the comparative period presenting only 257 days in the year. The property operating expenses consist of realty taxes of $860 and $552 and property operating costs of $1,283 and $868 including management fee, insurance, utilities, general and administrative expenses, salaries etc., for the year ended December 31, 2013 and period from April 19, 2012 to December 31, 2012 respectively.

Investment Property – Fair Value Adjustments

Cinco Ranch has selected the fair value method to account for real estate classified as investment property. The determination of fair value is based, among other things, on rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions, net of any outflows in respect of the investment property operations.

As a result, Cinco Ranch recorded a positive fair value adjustment of $4,673 and $915 for the year ended December 31, 2013 and period from April 19 to December 31, 2012. As the investment property fair value is based on expected future earnings and capitalization rates, the fair value adjustment was indicative of future estimated operating income generation from the Property.

Net Operating Income

The NOI for the year ended December 31, 2013 was $1,622 compared to $1,118 for the period from April 19, 2012 to December 31, 2012. The significant variance is due to the comparative period presenting only 257 days in the year. The Property had healthy NOI margin for the year ended December 31, 2013 of 43.1% and 44.1% for the period from April 19, 2012 to December 31, 2012. See "Non-IFRS Measures".

Capital Investments

Cinco Ranch is committed to improving its operating performance by incurring appropriate capital expenditures in order to replace and maintain its productive capacity so as to sustain its rental income generating potential over its useful life. In accordance with IFRS, the Property capitalizes all capital improvement expenditures which enhance the service potential of Cinco Ranch and extend the useful life of the asset.

Liquidity and Capital Reserves

Cash flow from operating activities represents the primary source of liquidity to fund debt service, capital improvements and tenant inducements and leasing costs. Cinco Ranch's cash flow from operating activities is dependent upon the occupancy levels, the rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect Cinco Ranch's net cash flow from operating activities and liquidity.

Cinco Ranch expects to be able to meet all of its obligations as they become due.

Interim Cash Flows

The following table details the changes in cash and cash equivalents for the three months ended March 31, 2014 and 2013:

(In thousands of dollars)	**Three months ended March 31, 2014**	**Three months ended March 31, 2013 (unaudited)**
Cash from (used in) operating activities	($244)	($182)
Cash from (used in) investing activities	-	(53)
Cash from (used in) financing activities	229	317
Increase (decrease) in cash and cash equivalents	(15)	82
Cash and cash equivalents, beginning of period	97	17
Cash and cash equivalents, end of period	$82	$99

Cash and cash equivalents on hand at March 31, 2014 was $82 and $99 at March 31, 2013.

Cash used in operating activities for the three months ended March 31, 2014 was $244, compared to $182 for the three months ended March 31, 2013.

Cash used in investing activities for the three months ended March 31, 2014 was $nil. The cash used in investing activities for the three months ended March 31, 2013 was $53 due to additions to investment property.

Cash from financing activities were $229 and $317 for the three months ended March 31, 2014 and 2013 respectively, representing cash contribution from the owners.

Annual Cash Flows

The following table details the changes in cash and cash equivalents for the year ended December 31, 2013 and period from April 19, 2012 to December 31, 2012:

(In thousands of dollars)	**Year ended December 31, 2013**	**Period from April 19, 2012 (date of acquisition) to December 31, 2012**
Cash from (used in) operating activities	$1,743	$1,626
Cash from (used in) investing activities	(227)	(199)
Cash from (used in) financing activities	(1,436)	(1,456)
Increase (decrease) in cash and cash equivalents	80	(29)
Cash and cash equivalents, beginning of period	17	46
Cash and cash equivalents, end of period	$97	$17

Cash and cash equivalents on hand at December 31, 2013 was $97, compared to $17 at December 31, 2012.

Cash from operating activities were $1,743 and $1,626 for the year ended December 31, 2013 and period from April 19, 2012 to December 31, 2012 respectively.

Cash used in investing activities for the year ended December 31, 2013 was $227 due to additions to investment property. Cash used in investing activities for the period from April 19, 2012 to December 31, 2012 was $199 due to additions of investment property.

Cash used in financing activities was $1,436 for the year ended December 31, 2013 and was due to distributions to the owners. Cash used in financing activities for the period from April 19, 2012 to December 31, 2012 was $1,456 due to distributions made to the owners.

Significant Accounting Policies and Changes in Accounting Policies

A summary of the significant accounting policies are described in Note 2 to the Cinco Ranch audited financial statements.

Use of Estimates

The preparation of the Cinco Ranch financial statements in accordance with IFRS requires estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and disclosure of the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

The following significant areas use estimates and assumptions made by management in the preparation of the financial statements.

Investment Properties

Cinco Ranch selected the fair value method to account for real estate classified as investment property. A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in profit and loss during the period in which they arise. Fair values are primarily determined by using the capitalized net operating income method which applies a capitalization rate to the future stabilized cash flows of Cinco Ranch. The capitalization rate applied is reflective of the characteristics, location and market of Cinco Ranch. The stabilized cash flows of the 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. Cinco Ranch determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts.

Cinco Ranch capital expenditures are charged to investment property only when it is probable that future economic benefits of the expenditure will flow to Cinco Ranch and the cost can be measured reliably.

Financial Instruments

Financial instruments are classified as one of the following: (i) fair value through profit and loss "FVTPL", (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in divisional equity. Cinco Ranch derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

Cinco Ranch's deposits, tenant receivables and other receivables, restricted cash and cash have been designated as loans and receivables; and mortgages payable, tenant rental deposits, accounts payable and accrued liabilities and finance costs payable have been designated as other liabilities. Cinco Ranch has neither available-for-sale nor held-to-maturity instruments.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the condensed combined financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

Future Outlook

Pursuant to the Cinco Ranch agreement of purchase and sale dated May 7, 2014 between Prim Residences at Cinco Ranch, LLC, a Delaware limited company, as seller, and Cinco Ranch Acquisition LLC, a Delaware limited liability company, as buyer, Cinco Ranch Acquisition LLC, through an Affiliate of the Manager, agreed to purchase Cinco Ranch from Prim Residences at Cinco Ranch, LLC, for the purchase price of $34,900. The Cinco Ranch Purchase Agreement contains customary closing conditions, covenants and representations and warranties which survive closing for nine months. Prim Residences at Cinco Ranch, LLC, as seller, made no representation with respect to this Prospectus and the Cinco Ranch Purchase Agreement provides that in no event shall the liability of Prim Residences at Cinco Ranch, LLC to Cinco Ranch Acquisition LLC for any and all breaches of any representation or warranty exceed $500. Subject to the satisfaction or waiver of conditions precedent, the purchase of the Property is scheduled to close on July 10, 2014, unless otherwise extended. Pursuant to the purchase and sale agreement, Cinco Ranch Acquisition LLC paid an initial deposit of $150 and a subsequent deposit of $350. All deposits will be applied to the purchase price at closing. The U.S. REIT will acquire all of the membership interests in Cinco Ranch Acquisition LLC from an Affiliate of the Manager on the Closing Date or shortly thereafter.

The objective of Cinco Ranch is to generate stable and growing cash flow and to maximize Cinco Ranch's value through active management. The Manager has estimated that the current rental rates for some of the units within Cinco Ranch are below market. Residential tenancy legislation in Texas currently does not restrict the ability of a landlord to increase rents to the same extent that similar laws provide in various provinces in Canada. The Manager estimates that there is an opportunity to increase the net operating income over the short to medium term by raising market rental rates.

5.3 Sunset Ridge Management's Discussion and Analysis

The following management's discussion and analysis ("**Sunset Ridge MD&A**") of the financial results of Sunset Ridge dated June 27, 2014 for the three months ended March 31, 2014 (audited) and for the period from February 1, 2013 (commencement of operations) to March 31, 2013 (unaudited) (the "**Sunset Ridge Interim MD&A**"), together with the period from February 1, 2013 (commencement of operations) to December 31, 2013 (audited) (the "**Sunset Ridge Annual MD&A**") should be read in conjunction with the Sunset Ridge's unaudited financial statements and audited financial statements and accompanying notes for these periods included in this Prospectus. See "Index to Financial Statements" and "Exemptions from Certain Disclosure Requirements".

Basis of Presentation

Sunset Ridge's audited financial statements for the period from February 1, 2013 (commencement of operations) to December 31, 2013 and audited three months ended March 31, 2014 and unaudited period from February 1, 2013 (commencement of operations) to March 31, 2013 have been prepared in accordance with IFRS. Sunset Ridge's presentation currency is the U.S. dollar. Unless otherwise stated, amounts expressed in this Sunset Ridge MD&A are in thousands of U.S. dollars, except for per suite information and household income statistics.

Business Overview, Property Profile and Strategy

Sunset Ridge was built in 2013 and is located approximately 31 kilometres northeast of downtown Houston at 14807 Woodland Hills Drive, Humble, Texas. It is comprised of 257 apartment units comprising nine three-storey apartment buildings with a central clubhouse on 11.45 acres of land as follows:

Unit Type	Sq. Ft.	Number of Units
1 Bedroom	639 to 880	147
2 Bedrooms	915 to 1,365	92
3 Bedrooms	1,336	18
Average/Total	**916**	**257**

The 257 total apartment units that comprise the Property are constructed on a gross building area of 240,174 square feet. Units range in size from one bedroom to three bedrooms. The Property contains 393 parking spaces including 307 open surface spaces, 30 carports and 56 garage spaces.

Property amenities include an outdoor swimming pool, fitness centre, business centre, games room with a billiards table and a dog park. Unit finishes include faux wood flooring and faux granite counter tops and black on black appliances.

As of May 19, 2014, Sunset Ridge was 94.6% occupied and produced an average monthly rent in the amount of US$1.09 per square foot based on the monthly in-place rent of all occupied suites.

Sunset Ridge is currently managed by Greystar. After the U.S. REIT's acquisition, it is the Manager's intention for the Property to continue to be managed by Greystar.

According to Nielsen/Claritas, the Humble/Kingwood neighbourhood in Houston has an upper middle income demographic profile with a median household income of US$80,621 and an average household income of US$99,829 within a three mile radius of Sunset Ridge. The majority of the population holds manufacturing, transport/warehouse/utilities, educational services and health care related jobs. According to Nielsen/Claritas, the population within a one mile radius of Sunset Ridge is expected to grow by 3.17% per year in the next five years.

According to MPF Research, the Humble/Kingwood sub-market inventory consists of 14,160 suites. The Humble/Kingwood multi-family rental market had an occupancy rate of 93.9% in the first quarter of 2014. Effective rents for the year ended March 31, 2014 increased by 3.7%. Sub-market occupancy is expected to remain stable at 94.0% as no new projects are scheduled to be delivered.

Interim Financial and Operational Highlights

	As at March 31, 2014
Operational Information	
Total suites	257
Occupancy %	94.6%
Weighted average in-place rent	$947
Summary of Financial Information	
Gross Book Value (1)	$24,600
Indebtedness (2)	$14,544
Indebtedness to Gross Book Value (3)	59.12%
Mortgage interest rate	4.25%
Mortgage term to maturity	0.91 years

	Three months ended March 31, 2014	Period February 1, 2013 (commencement of operations) to March 31, 2013 (unaudited)
Summary of Financial Information		
Revenue from property operations	$693	$19
NOI	$343	($251)
Net income and comprehensive income	$169	$1,614

Notes:

(1) "Gross Book Value" includes impact of any fair value adjustment of investment properties.

(2) "Indebtedness" excludes unamortized financing costs.

(3) Defined as Indebtedness divided by Gross Book Value.

Annual Financial and Operational Highlights

	As at December 31, 2013
Operational Information	
Total suites	257
Occupancy %	87.9%
Weighted average in-place rent	$982
Summary of Financial Information	
Gross Book Value (1)	$24,600
Indebtedness (2)	$14,544
Indebtedness to Gross Book Value (3)	59.12%
Mortgage interest rate	4.25%
Mortgage term to maturity	1.15 years

	February 1, 2013 (commencement of operations) to December 31, 2013
Summary of Financial Information	
Revenue from property operations	$1,239
NOI	($83)
Net income and comprehensive income	$3,653

Notes:

(1) "Gross Book Value" includes impact of any fair value adjustment of investment properties.

(2) "Indebtedness" excludes unamortized financing costs.

(3) Defined as Indebtedness divided by Gross Book Value.

Interim AMR and Occupancy

The following table contains the AMR and occupancy rate of Sunset Ridge as at March 31, 2014 and March 31, 2013.

	March 31, 2014		March 31, 2013	
	AMR	**Occ. %**	**AMR**	**Occ. %**
Sunset Ridge	$947	94.6%	$1,067	7.8%

As at March 31, 2014, AMR for Sunset Ridge was $947. AMR for Sunset Ridge as at March 31, 2013 was $1,067. AMR was higher as at March 31, 2013 because the Property was not heavily occupied resulting in a higher average market rent.

As at March 31, 2014, Sunset Ridge occupancy was 94.6% compared with 7.8% as at March 31, 2013.

The increased occupancy is attributable to the Property commencing operations in February of 2013 and being in lease up for the balance of the 2013 fiscal year. The rates and occupancy as of March 31, 2014 are a testament to the quality and desirability of Sunset Ridge and as well as the Humble market as a whole.

Annual AMR and Occupancy

The following table contains the AMR and occupancy rate of Sunset Ridge as at December 31, 2013.

	December 31, 2013	
	AMR	**Occ. %**
Sunset Ridge	$982	87.9%

As at December 31, 2013, AMR was $982. As the Property commenced operations as of February 1, 2013 no comparative annual period is available. The occupancy of the Property as of December 31, 2013 was 87.9%.

Interim Financial Performance

Sunset Ridge's financial performance for the three months ended March 30, 2014 and for the period February 1, 2013 (commencement of operations) to March 31, 2013 is summarized below:

	Three months ended March 31, 2014	**Period February 1, 2013 (commencement of operations) to March 31, 2013 (unaudited)**
Revenue from property operations	$693	$19
Property operating expenses	350	270
Income (loss) before undernoted items	$343	($251)
Finance costs	174	93
Fair value adjustment of investment property	-	(1,958)
Net income (loss) and other comprehensive income (loss)	$169	$1,614
Calculation of NOI		
Revenue from property operations	$693	$19
Operating expenses	350	270
NOI	$343	($251)
NOI margin	49.5%	-1,321.1%
Number of suites	257	257

As discussed above, the accounting policies adopted under IFRS have been applied in preparing the financial statements for the three months ended March 31, 2014 and for the period February 1, 2013 (commencement of operations) to March 31, 2013.

Revenue from Property Operations

Revenue from property operations includes the monthly rent charges for the lease of apartment suites, other ancillary income and the reimbursement by the tenants of utility expenses incurred. Other ancillary income includes amounts from forfeited deposits, vending machines and late charges.

Revenue from property operations for the three months ended March 31, 2014 was $693 compared to $19 for the period February 1, 2013 to March 31, 2013. As the Property only commenced operations on February 1, 2013 and had a very low occupancy for the period up to March 31, 2013, the comparison is irrelevant. The Property had a healthy NOI margin for the three months ended March 31, 2014 of 49.5%.

Property operating expenses

Property operating expenses for the three months ended March 31, 2014 were $350 compared with $270 for the period February 1, 2013 to March 31, 2013. Property operating expenses as a percentage of property revenues for the three months ended March 31, 2014 were 50.5%. As the Property has very low occupancy due to it being in a lease up stage from February 1, 2013 through March 31, 2013 the comparative figures are not relevant.

On April 1, 2012, the owner of the Property entered into a management agreement with GREP South L.P., an unrelated party, for the services rendered in connection with the leasing and operations of the Property. The fee for services is equal to 3.0% percent of the gross collections of the Property or $5,000 per month whichever is greater, as defined within the management agreement. For the three months ended March 31, 2014 and 2013 property management fees in the amount of $22 and $25 were incurred pursuant to this property management agreement. For the year ended December 31, 2013 property management fees were $74.

Finance Costs

Finance costs for the three months ended March 31, 2014 were $174 and $93 for the period February 1, 2013 to March 31, 2013.

Investment Property – Fair Value Adjustments

Sunset Ridge has selected the fair value method to account for real estate classified as investment property. The determination of fair value is based, among other things, on rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions, net of any outflows in respect of the investment property operations.

As a result, Sunset Ridge recorded a fair value adjustment of $nil for the three months ended March 31, 2014 and recorded a positive fair value adjustment of $1,958 for the period from February 1, 2013 to March 31, 2013 due to lease-up.

Net Operating Income

The NOI for the three months ended March 31, 2014 was $343 compared to ($251) for the three months ended March 31, 2014. The increase of $594 was due to increased occupancy rates as the Property was in leasing commencing February 1, 2013 and the occupancy was only 7.8% as of March 31, 2013 compared to 94.6% as of March 31, 2014. NOI margin for the three months ended March 31, 2014 was 49.5% compared to negative margins for the period from February 1, 2013 to March 31, 2013 as the Property was only beginning to lease units. See “Non-IFRS Measures”.

Annual Financial Performance

Sunset Ridge's financial performance for the period from February 1, 2013 (commencement of operations) to December 31, 2013 is summarized below:

	Period from February 1, 2013 to December 31, 2013
Revenue from property operations	$1,239
Property operating expenses	1,322
Income before undernoted items	($83)
Finance costs	607
Fair value gain of investment property	(4,343)
Net income and other comprehensive income	$3,653
Calculation of NOI	
Revenue from property operations	$1,239
Operating expenses	1,322
NOI	($83)
NOI margin	-6.7%
Number of suites	257

As discussed above, the accounting policies adopted under IFRS have been applied in preparing the financial statements for the year ended December 31, 2013.

Revenue from Property Operations

Revenue from property operations includes the monthly rent charges for the lease of apartment suites, other ancillary income and the reimbursement by the tenants of utility expenses incurred. Other ancillary income includes amounts from forfeited deposits, vending machines and late charges.

Revenue from property operations for the period from February 1, 2013 to December 31, 2013 was $1,239 with no comparable annual period due to the fact that the Property commenced operations on February 1, 2013.

Property operating expenses

Property operating expenses for the period from February 1, 2013 to December 31, 2013 was $1,322 with no comparable annual period due to the fact that the Property commenced operations on February 1, 2013. The property operating expenses consist of realty taxes of $477 and operating costs of $845 including management fees, insurance, utilities, general and administrative expenses, salaries, etc.

Finance Costs

Finance costs for the period from February 1, 2013 to December 31, 2013 were $607 with no comparable annual period due to the fact that the Property commenced operations on February 1, 2013.

Investment Property – Fair Value Adjustments

Sunset Ridge has selected the fair value method to account for real estate classified as investment property. The determination of fair value is based, among other things, on rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions, net of any outflows in respect of the investment property operations.

As a result, Sunset Ridge recorded a fair value adjustment of $4,343 for the period from February 1, 2013 to December 31, 2013. As the investment property fair value is based on expected future earnings and capitalization rates, the fair value adjustment was indicative to some degree on operations subsequent to December 31, 2013.

Net Operating Income

The NOI for the period from February 1, 2013 to December 31, 2013 was ($83) with no comparative annual period. The negative NOI is indicative of the Property in a lease up phase during the first 11 months of 2013 with occupancy as of December 31, 2013 reaching a high of 87.9% for the period to date. See "Non-IFRS Measures".

Capital Investments

Sunset Ridge is committed to improving its operating performance by incurring appropriate capital expenditures in order to replace and maintain its productive capacity so as to sustain its rental income generating potential over its useful life. In accordance with IFRS, the Property capitalizes all capital improvement expenditures which enhance the service potential of Sunset Ridge and extend the useful life of the asset.

Liquidity and Capital Reserves

Cash flow from operating activities represents the primary source of liquidity to fund debt service, capital improvements and tenant inducements and leasing costs. Sunset Ridge's cash flow from operating activities is dependent upon the occupancy levels, the rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect Sunset Ridge's net cash flow from operating activities and liquidity.

Sunset Ridge expects to be able to meet all of its obligations as they become due.

Interim Cash Flows

The following table details the changes in cash and cash equivalents for the three months ended March 31, 2014 and the period from February 1, 2013 (commencement of operations) to March 31, 2013:

(In thousands of dollars)	Three months ended March 31, 2014	Period February 1, 2013 (commencement of operations) to March 31, 2013
Cash from (used in) operating activities	$27	($88)
Cash from (used in) investing activities	-	(1,500)
Cash from (used in) financing activities	(157)	1,841
Increase (decrease) in cash and cash equivalents	(130)	253
Cash and cash equivalents, beginning of period	233	29
Cash and cash equivalents, end of period	$103	$282

Cash and cash equivalents on hand at March 31, 2014 was $103 and $282 at March 31, 2013.

Cash from operating activities for the three months ended March 31, 2014 was $27. Cash used in operating activities for the period from February 1, 2013 to December 31, 2013 was $88.

The cash used in investing activities for the three months ended March 31, 2014 of $nil. The cash used in investing activities for the period from February 1, 2013 to December 31, 2013 of $1,500 was due to additions to investment property.

Cash used in financing activities for the three months ended March 31, 2014 of $157 relates to interest paid. Cash from financing activities of $1,841 for the period from February 1, 2013 to March 31, 2013 related to mortgage proceeds of $1,922 and was partially offset by interest paid of $81.

Annual Cash Flows

The following table details the changes in cash and cash equivalents for the period from February 1, 2013 to December 31, 2013:

(In thousands of dollars)	**Period from February 1, 2013 to December 31, 2013**
Cash from (used in) operating activities	$405
Cash from (used in) investing activities	(3,213)
Cash from (used in) financing activities	3,012
Increase (decrease) in cash and cash equivalents	204
Cash and cash equivalents, beginning of period	29
Cash and cash equivalents, end of period	$233

Cash and cash equivalents on hand at December 31, 2013 was $233.

Cash from operating activities for the period from February 1, 2013 to December 31, 2013 was $405 and was derived from operations of the Property.

The cash used in investing activities for the period from February 1, 2013 to December 31, 2013 was $3,213 and was due to additions to investment property.

Cash from financing activities for the period from February 1, 2013 to December 31, 2013 was $3,012 and relates to mortgage proceeds of $3,555, partially offset by interest paid of $543.

Interim Mortgages Payable

Sunset Ridge is pledged as security for a mortgage payable with Sovereign Bank of $14,544 that commenced on February 24, 2012. As of March 31, 2014, unamortized financing fees of $64 were netted against the mortgage payable.

(In thousands of dollars)	
Mortgage payable	$14,544
Less unamortized financing fees	(64)
Carrying amount	$14,480

The mortgage interest rate was 4.25% and the loan is interest only until February 24, 2015, the maturity date.

Annual Mortgages Payable

Sunset Ridge is pledged as security for a mortgage payable with Sovereign Bank of $14,544. As of December 31, 2013 unamortized financing fees of $81 were netted against the mortgage payable.

(In thousands of dollars)	
Mortgage payable	$14,544
Less unamortized financing fees	(81)
Carrying amount	$14,463

Significant Accounting Policies and Changes in Accounting Policies

A summary of the significant accounting policies are described in Note 2 to the Sunset Ridge audited financial statements.

Use of Estimates

The preparation of the Sunset Ridge financial statements in accordance with IFRS requires estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and disclosure of the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

The following significant areas use estimates and assumptions made by management in the preparation of the financial statements.

Investment Properties

Sunset Ridge selected the fair value method to account for real estate classified as investment property. A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in profit and loss during the period in which they arise. Fair values are primarily determined by using the capitalized net operating income method which applies a capitalization rate to the future stabilized cash flows of Sunset Ridge. The capitalization rate applied is reflective of the characteristics, location and market of Sunset Ridge. The stabilized cash flows of the 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. Sunset Ridge determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts.

Subsequent capital expenditures are charged to investment property only when it is probable that future economic benefits of the expenditure will flow to Sunset Ridge and the cost can be measured reliably.

Financial Instruments

Financial instruments are classified as one of the following: (i) fair value through profit and loss "FVTPL", (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in divisional equity. Sunset Ridge derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

Sunset Ridge's deposits, tenant receivables and other receivables, restricted cash and cash have been designated as loans and receivables; and mortgages payable, tenant rental deposits, accounts payable and accrued liabilities and finance costs payable have been designated as other liabilities. Sunset Ridge has neither available-for-sale nor held-to-maturity instruments.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the condensed combined financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

Future Outlook

Pursuant to a purchase and sale agreement executed as of January 10, 2014 and amended subsequently, between The Villages at Sunset Ridge GP, LLC, a Texas limited liability partnership, its General Partner as seller, and Sunset Ridge Acquisitions LLC, a Delaware limited liability company, as buyer, Sunset Ridge Acquisition LLC agreed to purchase Sunset Ridge from The Villages at Sunset Ridge GP, LLC, for the purchase price of $24,600. The purchase of the Property closed on May 20, 2014. The U.S. REIT will acquire 50% of the membership interest in Sunset Ridge Acquisition LLC from Starlight Investments Acquisition LLC, an affiliate of the Manager immediately after the Closing Date.

The objective of Sunset Ridge is to generate stable and growing cash flow and to maximize Sunset Ridge's value through active management. The Manager has estimated that the current rental rates for some of the units within Sunset Ridge are below market. Residential tenancy legislation in Texas currently does not restrict the ability of a landlord to increase rents to the same extent that similar laws provide in various provinces in Canada. The Manager estimates that there is an opportunity to increase the net operating income over the short to medium term by raising market rental rates.

6. FINANCIAL FORECAST

The following financial forecast relates to the forecasted results of the Initial Portfolio only and does not reflect any additional acquisitions of Properties by the Fund. The financial forecast was prepared by the General Partner on behalf of the Fund, using assumptions with an effective date of June 27, 2014 and was approved by the board of the General Partner on June 27, 2014. Pursuant to applicable securities policies, the Fund will be 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 Fund's annual or interim MD&A for the relevant periods.

The forecast has been prepared in accordance with the rules surrounding the measurement, presentation and disclosure of financial forecasts as established by the Canadian Securities Administrators in Part 4A and 4B of NI 51-102. The forecast has been prepared using assumptions that reflect management's intended courses of action for the Fund 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 shortly after the closing of the Offering. The forecast assumes the Closing Date occurred on July 9, 2014.

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 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 also “Forward-Looking Information”.

The financial forecast which follows should be read in conjunction with the Fund’s unaudited *pro forma* consolidated financial statements, the Fund’s audited financial statements and the audited financial statements of the Initial Portfolio contained in this Prospectus. See “Index to Financial Statements”.

REPORT ON CONSOLIDATED FINANCIAL FORECAST

To the directors of Starlight U.S. Multi-Family (No.3) Core GP, Inc. as general partner of Starlight U.S. Multi-Family (No.3) Core Fund

The accompanying consolidated financial forecast of Starlight U.S. Multi-Family (No.3) Core Fund (the "**Fund**"), consisting of the consolidated statements of forecasted net income and comprehensive income for each of the three-month periods ending September 30, 2014, December 31, 2014, March 31, 2015, and June 30, 2015 and the twelve-month period ending June 30, 2015 and has been prepared by management using assumptions with an effective date of June 27, 2014. 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 Fund, 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.

Collins Barrow Toronto LLP

Chartered Accountants
Licensed Public Accountants
June 27, 2014
Toronto, Canada

STARLIGHT U.S. MULTI-FAMILY (NO. 3) CORE FUND

CONSOLIDATED STATEMENT OF FORECASTED NET INCOME AND COMPREHENSIVE INCOME
(In thousands of U.S. dollars, except per unit amounts)

	Three month period ending (Forecast)				Twelve month period ending June 30, 2015 (Forecast)
	September 30, 2014	December 31, 2014	March 31, 2015	June 30, 2015	
Revenue:					
Revenue from property operations	$2,625	$2,653	$2,675	$2,724	$10,677
Operating expenses:					
Property operating	720	704	710	681	2,815
Realty taxes	545	545	599	596	2,285
Income from operations	**1,360**	**1,404**	**1,366**	**1,447**	**5,577**
Fair value adjustment of investment property	-	-	-	-	-
Income before finance and administration costs	**1,360**	**1,404**	**1,366**	**1,447**	**5,577**
Finance costs	423	423	414	423	1,683
General, administration, fund and trust costs	188	188	188	188	752
Income before taxes	**749**	**793**	**764**	**836**	**3,142**
Current taxes	16	16	16	16	64
Deferred taxes	298	298	298	298	1,192
Net income and comprehensive income	**435**	**479**	**450**	**522**	**1,886**

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

NOTES TO CONSOLIDATED STATEMENT OF FORECASTED NET INCOME AND COMPREHENSIVE INCOME

(In thousands of U.S. dollars, except per unit amounts)

Three-month periods ending September 30, 2014, December 31, 2014, March 31, 2015 and June 30, 2015 and twelve-month period ending June 30, 2015

1. Purpose of the consolidated financial forecast:

This consolidated financial forecast has been prepared by management of the General Partner on behalf of the Fund for use by prospective investors in their evaluation of potential investments in the Fund and may not be appropriate for any other purpose.

2. Basis of presentation of financial forecast:

The Fund is a recently created limited partnership formed under and governed by the laws of the Province of Ontario. The head office of the Fund is located at 3300 Bloor Street West, Suite 1801, Toronto, Ontario. The Fund has been formed to carry out the Offering on the basis that it owns all the limited partnership units in the Investment LP, the Investment LP owns all of the limited partnership units of the Holding LP, and the Holding LP owns all of the U.S. REIT Common Stock and the U.S. REIT ROC Shares.

The U.S. REIT will acquire the Initial Portfolio located in the State of Texas in the Houston and Austin suburban markets. The acquisitions will result in the Fund indirectly owning an interest in 891 multi-residential suites.

The consolidated financial forecast consists of the consolidated statements of forecasted net income and comprehensive income of the Fund for the three-month periods ending September 30, 2014, December 31, 2014, March 31, 2015 and June 30, 2015 and the twelve-month period ending June 30, 2015. The financial forecast has been prepared using assumptions with an effective date of June 27, 2014, 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 Fund'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.

3. Summary of significant accounting policies:

The consolidated financial forecast has been prepared in accordance with the significant accounting policies set out below. These policies are expected to be used to prepare the Fund'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 Fund and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting periods as the Fund 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.

The General Partner must assess whether an acquisition of investment property should be accounted for as an asset acquisition or a business combination under IFRS 3, Business Combinations ("**IFRS 3**"). This assessment requires management to make judgments as to whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business and whether the Fund obtains control of the business. All of the acquisitions of investment property included in the Forecast are expected to be asset acquisitions.

3. Summary of significant accounting policies (continued):

(c) Joint Arrangements:

Under IFRS 11, Joint Arrangements - the Fund has determined that its 50% interest in The Villages of Sunset Ridge meets the criteria to qualify as a joint operation and therefore the Fund has proportionately consolidated its 50% interest in the consolidated statement of forecasted net income and comprehensive income.

(d) Foreign currency transactions:

The functional and presentation currency of the Fund 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.

(e) Investment properties:

The Fund selected the fair value method to account for real estate classified as investment property. A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in profit and loss during the period in which they arise.

Fair values are primarily determined by using the capitalized net operating income method which applies a capitalization rate to the future stabilized cash flows of the property. The capitalization rate applied is reflective of the characteristics, location and market of the property. The stabilized cash flows of the 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. The Fund determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts. Subsequent capital expenditures are charged to investment property only when it is probable that the future economic benefits of the expenditure will flow to the Fund and the cost can be measured reliably.

(f) Revenue recognition:

The Fund 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 property, including residential tenant rental income, parking income, laundry income, cable income and all other miscellaneous income paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized pursuant to the terms of the lease agreement.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 Fund and the creditworthiness of the tenants.

(g) Financial instruments

Financial instruments are classified as one of the following: (i) FVTPL, (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in equity. The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

3. Summary of significant accounting policies (continued):

(g) Financial instruments (continued)

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or it is designated as FVTPL. A financial liability may be designated at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IAS 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated at FVTPL.

The Fund's cash and restricted cash have been designated as loans and receivables; and mortgages payable, tenant rental deposits, accounts payable and accrued liabilities and finance costs payable have been designated as other liabilities. The Fund has neither available-for-sale nor held-to-maturity instruments.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

(h) Finance costs:

Finance costs comprise interest expense on borrowings and amortization of mortgage transaction costs.

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

(i) Income taxes:

(i) Canadian Status:

The Fund is not subject to tax under Part I of the Tax Act. Each Unitholder of the Fund is required to include in computing the Unitholder’s income for a particular taxation year the Unitholder’s share of the income or loss of the Fund allocated to the Unitholder for its fiscal year ending in or on the Unitholder’s taxation year-end, whether or not any of that income or loss is distributed to the Unitholder in the taxation year. Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

The Tax Act contains rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the “**SIFT Measures**”). A “SIFT partnership” (as defined in the Tax Act) will be subject to SIFT tax on its “taxable non-portfolio earnings” (as defined in the Tax Act) at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. The “taxable non-portfolio earnings” less SIFT tax payable by a SIFT partnership will also be included in computing income of the Unitholder for purposes of the Tax Act as though it were a taxable dividend from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act. The SIFT Measures do not apply to a partnership that does not hold any “non-portfolio property” throughout the taxation year of the partnership.

The Fund believes that it will not hold any “non-portfolio property” and should not be a SIFT partnership and therefore not subject to the SIFT Measures. Accordingly, no provision has been made for tax under the SIFT Measures. The Fund intends to continue to operate the Fund in such a manner so as it remains exempt from the SIFT Measures on a continuous basis in the future. However, the Fund’s continued exemption will depend upon meeting, through actual operating results, various conditions imposed by the SIFT Measures. If the Fund becomes a SIFT partnership, it will be generally subject to income taxes at regular Canadian corporate rates on its taxable non-portfolio earnings, if any.

3. Summary of significant accounting policies (continued)

(j) Income Taxes (continued):

(ii) U.S. Status:

Current Taxes

The Fund is treated as a partnership for U.S. federal income tax purposes. As such, it is generally not subject to U.S. federal income tax under the Code.

Furthermore, the U.S. REIT intends to timely make and maintain an election as a real estate investment trust under the Code. In order for the U.S. REIT to qualify, it must meet a number of organizational and operational requirements, including a requirement to make annual distributions to its unitholders equal to a minimum of 90% of its taxable income, computed without regards to a dividends paid deduction and net capital gains. The U.S. REIT generally will not be subject to U.S. federal income tax on its taxable income to the extent such income is distributed as a dividend to its stockholders annually. The Fund intends to make the real estate investment trust election for the U.S. REIT and believes the U.S. REIT's organization, ownership, method of operations, future assets and future income will enable the U.S. REIT to qualify as a real estate investment trust under the Code. Accordingly, no provision for U.S. federal income and excise taxes has been made with respect to the income of the U.S. REIT.

The Fund intends to operate the U.S. REIT in such a manner so as to qualify as a real estate investment trust on a continuous basis in the future. However, actual qualification as a real estate investment trust will depend upon meeting, through actual annual operating results, the various conditions imposed by the Code. If the U.S. REIT fails to qualify as a real estate investment trust in any taxable year, it will be subject to U.S. federal and state income taxes at regular U.S. corporate rates, including any applicable alternative minimum tax. In addition, the U.S. REIT may not be able to requalify as a real estate investment trust for the four subsequent taxable years. Even if the U.S. REIT qualifies for taxation as a real estate investment trust, the U.S. REIT may be subject to certain U.S. state and local taxes on its income and property, and to U.S. federal income and excise taxes on its undistributed taxable income and/or specified types of income in certain circumstances.

Texas imposes an annual franchise tax on modified gross income of taxable entities known as the Texas Margin Tax, which is equal to the lesser of (i) 70% of a taxable entity's total revenue; or (ii) 100% of total revenue less, at the election of the taxpayer: (a) cost of goods sold; or (b) compensation. Taxable entity is defined to include partnerships, corporations, limited liability companies and other legal entities. The US REIT owns the Initial Properties indirectly through U.S. limited liability companies. The U.S. REIT has recorded a provision for Texas Margin Tax, see Note 4(i)

The Investment LP is treated as a partnership for Canadian tax purposes but it will elect to be treated as a corporation for U.S. federal income tax purposes. As such, the Investment LP is generally subject to U.S. tax in respect of its allocable share of (i) capital gains distributions made by the U.S. REIT, (ii) gain upon a sale of the shares of US REIT and (iii) distributions made by the U.S. REIT in excess of both its (a) current and/or accumulated earnings and profits (as determined under U.S. tax principles) and (ii) the adjusted tax basis in the U.S. REIT shares held by the Holding LP. The Investment LP is also liable for U.S. withholding tax with respect to the ordinary dividends from the U.S. REIT received through the Holding LP to the extent that the amount exceeds the current and/or accumulated earnings and profits of the U.S. REIT as determined under U.S. tax principles.

Deferred taxes

Deferred tax of the Fund 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 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.

(In thousands of U.S. dollars, except per unit amounts)

3. Summary of significant accounting policies (continued):

(j) Critical judgments:

Accounting for acquisitions

The Fund 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 Fund's acquisitions are generally determined to be asset purchases as the Fund does not acquire an integrated set of processes as part of the acquisition transaction.

Other

Critical judgments and 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 Fund to its counterparties; the credit risk of the Fund's counterparties relative to the Fund; the estimated future cash flows; and discount rates.

4. Significant assumptions:

The assumptions used in the preparation of the forecast, although considered reasonable by the Fund, 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.

(a) Initial transactions:

The consolidated financial forecast assumes that the Fund will raise gross proceeds of $60,000 pursuant to the Offering through the issuance of the Canadian dollar equivalent of $13,000 of Class F Units at C$10.00 per Unit and $40,000 of Class U units at $10.00 per Unit and/or Class A units at C$10.00 per Unit and the Canadian dollar equivalent of US$7,000 of Class C Units at C$10.00 per Unit. Costs relating to the Offering, including agent fees, are forecast to be $2,393, along with offering costs of $900 and are charged directly to Unitholders' equity.

For purposes of the forecast, it is assumed that the closing of the transactions contemplated by this Prospectus occur on or about July 1, 2014. However, the actual Closing Date may differ.

(i) Acquisitions:

The fair value of the net assets indirectly acquired by the Fund using the purchase method of accounting and assuming the acquisition occurred on July 1, 2014 is as follows:

Investment properties	$ 91,872
Tenant rental deposits	(199)
Net assets acquired for cash	$ 91,673
Consideration given by Fund consists of the following:	
Cash	$ 91,673

The actual calculation and allocation of the purchase price for the Initial Portfolio 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.

(In thousands of U.S. dollars, except per unit amounts)

4. Significant assumptions (continued):

(a) Initial transactions (continued):

(ii) Debt:

The net assets of the Fund include new mortgages on the Initial Portfolio with an outstanding principal balance of $61,000. The Forecast has been prepared using a weighted average interest rate on such debt of 2.50%. The mortgages are secured by first charges on the Initial Portfolio and are three year interest only loans with two one year extension options. The weighted average interest rate at 2.50% includes a marginal increase as the mortgages are set at LIBOR plus 2.00% which is below 2.50% currently.

(iii) Sources and uses of cash:

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

Sources:	
Proceeds from the Offering	$ 60,000
Proceeds from new mortgage financing	61,000
Uses:	
Purchase of the Initial Portfolio	$ (91,673)
Offering costs	(900)
Agent fees	(2,393)
Financing costs	(393)
Excess cash in the Fund	$ 25,641

(b) Foreign currency translation:

As the majority of the Fund's operations are in the United States, the exchange rate only impacts the initial raise which is for $60,000 or the Canadian equivalent. The Fund and all of its subsidiaries do have not a significant amount of Canada denominated expenses.

(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 forecast assumes an average of 3.3% rental growth for all properties over the first twelve months. The physical occupancy rate during the forecast period is assumed to be 94.3%. The consolidated 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 50% of existing tenants are assumed to be retained based on a historical retention factor.

(d) Operating costs:

Operating costs have been forecasted with reference to the operating plans and budgets for the Initial Portfolio. 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.

(In thousands of U.S. dollars, except per unit amounts)

4. Significant assumptions (continued)

(e) Finance costs:

Finance costs will include interest expense on mortgages payable and amortization associated with financing fees and consist of:

	Three month period ending (Forecast)				
	September 30, 2014	**December 31, 2014**	**March 31, 2015**	**June 30, 2015**	**Twelve month period ending June 30, 2015 (Forecast)**
Interest expense	390	390	381	390	1,551
Amortization of mortgage transaction costs	33	33	33	33	132
Finance costs	423	423	414	423	1,683

The Fund has assumed an approximate 0.35% increase in LIBOR in connection with all three variable rate mortgages as an estimate over the first twelve month Forecast term. The actual interest expense will vary depending on LIBOR.

(f) Fund expenses:

Fund expenses are forecasted based on the General Partner's best estimates with reference to the Fund's plans and budgets and relate to the day-to-day administration of the Fund. The expenses will include Fund expenses, including legal and audit fees, trustee fees, investor relations and reporting costs, transfer agent fees, insurance costs, and the Asset Management Fee and Service Fee.

For purposes of calculation of the Service Fee, it has been assumed that 4.0 million units or $40,000 will be held by clients of registered dealers that qualify for the Service Fee and therefore, an annual Service Fee has been assumed of $200.

(g) Acquisitions and dispositions of investment properties:

This consolidated financial forecast does not reflect any potential sales of the Initial Portfolio or acquisitions of multi-family residential properties other than the acquisitions discussed in note 4(a). However, it is contemplated that the Fund will make purchases and may have sales of Properties during the forecast period which will only be undertaken on a basis considered by the Fund to be advantageous to the Fund and as approved by the Unitholders of the Fund.

(h) Fair value change in investment properties:

The Fund 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 $4.139 million. A 25-basis point increase in the overall capitalization rate of the investment properties would result in a fair value decrease of approximately $3.794 million.

(i) Income taxes:

The Fund intends to meet the real estate investment trust requirements under the Code, to not be a SIFT partnership pursuant to the Tax Act and to make the necessary distributions to not be subject to Canadian or U.S. federal income tax. Accordingly, in the financial forecast, the Fund has not recorded a provision for current income taxes or deferred income taxes in respect of the assets, liabilities and earnings of the Fund. This exemption does not extend to corporate subsidiaries of the Fund that are subject to income tax and, as a result, $1,256 of income taxes, including $64 of Texas Margin Tax, has been recorded in the consolidated financial forecast.

(j) Other matters:

No significant changes in economic conditions and government legislation with respect to taxes, including real estate 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 Manager:

(a) Asset Management Fees:

Asset management fees of $319 will be paid to the Manager pursuant to the Management Agreement, establishing fees at 0.35% of the sum of the historical purchase price and cost of any value-enhancing capital expenditures as defined in the agreement.

(b) Acquisition Fee

In consideration for providing financing and other services in connection with the acquisition of the Initial Portfolio, the U.S. REIT will pay the Manager an Acquisition Fee of $911 upon the completion of the purchase of the Initial Portfolio.

6. Commitment and contingencies:

In connection with the Offering, the Fund has agreed to indemnify the Agents against certain liabilities, including liabilities under Applicable Law, or to contribute to payments the Agents may be required to make in respect of those liabilities. The Fund has agreed to indemnify, in certain circumstances, the Unitholders and the officers of the Fund.

FORECASTED NON-IFRS RECONCILIATION

(In thousands of U.S. dollars, except per Unit amounts)

The following table reconciles forecast net income and comprehensive income for FFO, AFFO and NOI. See "Non-IFRS Measures". These reconciliations do not form part of the consolidated statement of forecasted net income and comprehensive income.

	Three month period ending (Forecast)				Twelve month period ending
	September 30, 2014	December 31, 2014	March 31, 2015	June 30, 2015	June 30, 2015 (Forecast)
Net income and comprehensive income	**$435**	**$479**	**$450**	**$522**	**$1,886**
Add/(Less):					
Deferred taxes	298	298	298	298	1,192
FFO	**733**	**777**	**748**	**820**	**3,078**
Add/(Less)					
Amortization of mortgage transaction costs	33	33	33	33	132
Capital expenditures	(68)	(62)	(56)	(61)	(247)
AFFO	**698**	**748**	**725**	**792**	**2,963**
Portfolio Occupancy	**94.3%**	**94.0%**	**94.1%**	**94.7%**	**94.3%**

7. USE OF PROCEEDS

Following the completion of the Offering, the Fund intends to cause the U.S. REIT to directly or indirectly acquire the Properties (including the Initial Portfolio) using the Investable Funds. There may be circumstances, however, where, for sound business reasons, a reallocation of such funds may be necessary.

Assuming that the Maximum Offering is sold, the Gross Subscription Proceeds will be US$60,000,000 (net proceeds of US$57,607,500). The Fund will use these proceeds, net of Fund expenses, to acquire Investment LP Units. The Fund may also temporarily hold cash and investments for the purposes of paying its expenses and liabilities and making distributions to Unitholders.

The Investment LP will invest the proceeds from the issuance of Investment LP Units to the Fund to acquire Holding LP Units. The Holding LP will invest the proceeds from such issuance to acquire U.S. REIT Common Stock and U.S. REIT ROC Shares. The Holding LP may also acquire U.S. REIT Notes. The U.S. REIT will use the proceeds from the issuance of U.S. REIT Common Stock, U.S. REIT ROC Shares and the U.S. REIT Notes (if any) to directly or indirectly acquire the Initial Portfolio and, from time to time, one or more additional Properties. As a result, an investment in Units will be an indirect investment in the acquisition, ownership and operation of the Properties, and the returns on and of capital payable in respect of the U.S. REIT Common Stock and the U.S. REIT ROC Shares and any interest and repayment of principal on the U.S. REIT Notes (if any) will ultimately flow through to Unitholders (and, where applicable, any other Persons having a direct or indirect interest in such amounts, including the Holding GP through its general partnership interest in the Holding LP).

The following table shows the intended use by the U.S. REIT of the gross proceeds from the issuance of Units and from the Mortgage Loans in both the case of the completion of the Minimum Offering and the Maximum Offering.

(US$)	Assuming Minimum Offering	Assuming Maximum Offering
Sources of Funds		
Proceeds from issuance of Units	27,000,000	60,000,000
Mortgage Loans(1)	68,800,000	105,200,000
Total Sources of Funds:	**95,800,000**	**165,200,000**
Uses of Funds		
Agents' Fee(2)	885,000	2,392,500
Estimated expenses of this Offering (legal, accounting and audit, tax advice, printing, travel, securities filings)(3)	405,000	900,000
Purchase Price of the Initial Portfolio(4):		
• Allure	43,150,000	43,150,000
• Cinco Ranch	34,900,000	34,900,000
• Sunset Ridge(5)	12,500,000	12,500,000
Real Estate Closing Costs(6)	3,259,928	4,500,928
Additional Properties	0	64,000,000
Unallocated working capital	700,072	2,856,572
Total Use of Funds:	**95,800,000**	**165,200,000**

Notes:

(1) The Manager intends to finance a part of the purchase price of the Properties by way of Mortgage Loans from third party lenders. Assuming the Minimum Offering is raised, the Mortgage Loans will consist of assumed Mortgage Loans (including, among others, the Allure mezzanine loan) and a new Mortgage Loan in respect of Cinco Ranch. In the case of the Maximum Offering, Mortgage Loans will consist of assumed Mortgage Loans, new Mortgage Loans in respect of Cinco Ranch (in aggregate, at a lower amount than if only the Minimum Offering was achieved) and Mortgage Loans in respect of the subsequently acquired additional Properties. The U.S. REIT intends to indirectly assume the Allure mezzanine loan, except in the event the Maximum Offering is achieved, in which case the Allure mezzanine loan will be repaid in full on closing.

(2) Assumes that only Class U Units and/or Class A Units, Class C Units and Class F Units are issued pursuant to this Prospectus but will actually be calculated based on the subscription proceeds received from the issuance of Class A Units, Class U Units, Class D Units, Class F Units and Class C Units.

(3) The estimated expenses of the Offering are assumed to equal 1.5% of the Gross Subscription Proceeds.

(4) Before closing adjustments.

(5) The 50% interest in Sunset Ridge is being acquired by the Fund from Starlight Investments Acquisition LLC, an entity controlled by Daniel Drimmer, at a purchase price to be based on the Property's appraised value.

(6) Real Estate Closing Costs include approximately US$625,000 of closing costs incurred in connection with the initial acquisition of Allure and Sunset Ridge by Starlight Investments Acquisition LLC. See "Description of the Activities of the Fund – The Initial Portfolio – Purchase Agreements and Sunset Ridge LLC Agreement".

For more details on the acquisition of the Initial Portfolio, and the debt financing to be assumed or incurred by the Fund in connection with such acquisition. See "Description of the Activities of the Fund – The Initial Portfolio".

The Manager is targeting deployment of the unallocated portion of the net proceeds of the Offering (after completion of the acquisition of the Initial Portfolio) to fund the acquisition of one or more additional Properties within nine months following the Closing Date. It is the intention of the Manager that not more than 50% of the Investable Funds be deployed to acquire such additional Properties. Assuming the Maximum Offering is achieved, this would result in the Fund acquiring such additional Properties using no greater financial leverage than was used to acquire the Initial Portfolio. Notwithstanding the foregoing, the Fund may subsequently determine to increase its financial leverage, subject to the provisions of the Fund LP Agreement, which permits total indebtedness of the Fund to be no more than 75% of the Investable Funds provided that, if approved by the General Partner, the appraised value of the Properties may be used instead of Investable Funds for the purposes of this determination.

The timing of such investment will depend, among other things, upon the identification of Properties meeting the Fund's criteria for acquisition. Pending its investment in the acquisition of Properties, the unallocated portion of the net proceeds of the Offering and other funds not fully invested in the Properties from time to time will be held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, deposits with a savings institution, trust company, credit union or similar financial institution that is organized or chartered under the laws of the U.S. or a state of the U.S., short-term government debt securities or money market instruments maturing prior to one year from the date of issue and otherwise as permitted pursuant to the Investment Restrictions and Operating Policies of the Fund, under the supervision of the General Partner and the Manager.

8. DESCRIPTION OF THE SECURITIES DISTRIBUTED

The Fund is offering a maximum of US$60,000,000 of Units, at a purchase price of C$10.00 per Class A Unit, Class D Unit, Class F Unit and Class C Unit, and US$10.00 per Class U Unit.

8.1 Units

The rights and obligations of the Unitholders are governed by the Fund LP Agreement. The following is a summary of certain material provisions of the Fund LP Agreement. This summary does not purport to be complete and reference should be made to the Fund LP Agreement itself, a copy of which is available from the Fund during the period of distribution of the Units and will be available following the Closing Date at www.sedar.com.

Capitalized terms in this summary which are not defined in this Prospectus are defined in the Fund LP Agreement.

Units

The limited partnership interests in the Fund are divided into five classes of Units, Class A Units, Class U Units, Class D Units, Class F Units and Class C Units. The Fund is authorized to issue an unlimited number of Units of each class.

The Class A Units are designed for investors wishing to make their investments and receive distributions in Canadian dollars. The Class U Units are designed for investors wishing to make their investments and receive distributions in U.S. dollars.

The Class D Units and Class F Units are denominated in Canadian dollars and designed for institutional investors and fee based accounts, respectively, wishing to make their investments and to receive distributions in Canadian dollars and differ from the Class A Units and Class U Units in that the Class D Units and Class F Units (i) are not required to pay the Service Fee (or selling concession in respect of the Class F Units), (ii) will not be listed on the Exchange, and (iii) are convertible into Class A Units in accordance with the Fund LP Agreement. See "– Conversion of Units" below.

The Class C Units are denominated in Canadian dollars and are designed for an Affiliate of the Manager, certain other investors known to the Manager and Lead Investors, if any, and differ from the Class A Units in that the Class C Units (i) are not required to pay the Agents' Fee or the Service Fee, (ii) will not be listed on the Exchange, (iii) may not be sold or converted for a period of four months after the Closing Date (the "**Class C Hold Period**"), in accordance with the Fund LP Agreement, and (iv) are convertible into Class A Units in accordance with the Fund LP Agreement. See "– Conversion of Units" below. The Class F Units also have a lower Agents' Fee than the Class A Units and Class D Units.

The investment in Class C Units by an Affiliate of the Manager will further align the interests of the Manager and the Manager's principal, Daniel Drimmer, with those of Unitholders. The Manager's principal intends for its Affiliate to retain, throughout the term of the Fund, 100% of its aggregate beneficial interest in such Class C Units acquired and/or Class A Units received upon the conversion of any such Class C Units. However, the Manager's principal may, in his discretion, cause the Manager's Affiliate to sell 25% of such aggregate beneficial Unit interest in such manner as permitted by the Fund LP Agreement and Applicable Laws.

Each Unit entitles the holder to the same rights and obligations and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of Units, subject to (i) the proportionate entitlement of each holder of Class A Units, Class U Units, Class D Units, Class F Units and Class C Units to participate in distributions made by the Fund and to receive proceeds upon termination of the Fund, based on such holder's share of the Proportionate Class A Interest, Proportionate Class U Interest, Proportionate Class D Interest, Proportionate Class F Interest and Proportionate Class C Interest, respectively (subject in each case to adjustment to reflect the Unit Class Expenses allocable to each respective class and to account for any U.S. withholding tax required to be borne by the Investment LP which is attributable to particular holders), and (ii) a proportionate allocation of income or loss of the Fund in accordance with the terms of the Fund LP Agreement.

On termination or liquidation of the Fund, each Unitholder of record is entitled to receive on a proportionate basis based on such holder's share of the Proportionate Class A Interest, Proportionate Class U Interest, Proportionate Class D Interest, Proportionate Class F Interest and Proportionate Class C Interest, respectively, (subject in each case to adjustment to reflect the Unit Class Expenses allocable to each respective class and to account for any U.S. withholding tax required to be borne by the Investment LP which is attributable to particular holders) all of the assets of the Fund remaining after payment of or provisions made for all debts, liabilities and liquidation expenses of the Fund.

Conversion of Units

Holders of Convertible Units may convert their Convertible Units into Class A Units in accordance with the Fund LP Agreement. Convertible Units may be converted at any time by delivering a notice and surrendering such Convertible Units to the Fund, provided that the Class C Units may only be converted after the end of the Class C Hold Period. For each Class D Unit so converted, a holder will receive that number of Class A Units equal to the Class D Unit Exchange Rate. For each Class F Unit so converted, a holder will receive that number of Class A Units equal to the Class F Unit Exchange Rate. For each Class C Unit so converted, a holder will receive that number of Class A Units equal to the Class C Unit Exchange Rate. No fractions of Class A Units will be issued upon conversion of Convertible Units. Any fractional amounts will be rounded down to the nearest whole number of Class A Units.

Coattail Provisions

If prior to the end of the Term a "formal take-over bid", as defined in the Securities Act, is made for Units of a class other than the Class A Units or Class U Units (a "**Class Offer**") and the Class Offer does not include a concurrent identical take-over bid for the Class A Units and Class U Units (the "**Coattail Units**"), including in terms of price for the Coattail Units, then the Fund shall by press release provide written notice to the holders of the Coattail Units that the Class Offer has been made and of the right of such holders to convert all or a part of their Coattail Units into the class of Units that are subject to the Class Offer (the "**Bid Units**") and tender such Bid Units to the Class Offer. Such Coattail Units may, in such circumstances, be converted at any time prior to the Business Day that is five Business Days prior to the expiry of the Class Offer (the "**Conversion End Date**") by delivering a notice to the Fund and surrendering such Units by 5:00 p.m. on the Conversion End Date. Any such Coattail Units so delivered shall be converted into Bid Units and tendered on behalf of the Unitholder to the Class Offer. In connection with such conversion and tender by any such Unitholder, the Unitholder shall complete and execute any and all such documentation as the Fund shall require or consider necessary to give effect to this provision. For each Coattail Unit so converted, a holder will receive a number of Bid Units equal to the Coattail Exchange Rate as of the Conversion End Date, provided that, to the extent that such Bid Units are not acquired pursuant to the Class Offer, such Bid Units shall be reconverted into that number of Coattail Units that they were prior to the conversion. Fractional Bid Units will not be issued and the number of Bid Units issuable under this provision to a Unitholder will be rounded down to the nearest whole Bid Unit.

Limited Liability

The Fund was formed in order for Unitholders to benefit from liability limited to the extent of their capital contributions to the Fund together with their *pro rata* share of the undistributed income of the Fund. Unitholders may lose the protection of limited liability by taking part in the control of the business of the Fund and may be liable to third parties as a result of false or misleading statements in the public filings made pursuant to the *Limited Partnerships Act* (Ontario).

The General Partner will indemnify the Unitholders against any costs, damages, liability or loss incurred by a Unitholder that result from such Unitholder not having limited liability directly as a result of any breach by the General Partner of its duties or standard of care under the Fund LP Agreement, except where the lack or loss of limited liability is caused by the action or omission of such Unitholder. However, the General Partner has nominal assets. Consequently, it is unlikely that the General Partner will have sufficient assets to satisfy any claims pursuant to this indemnity.

In all cases other than the possible loss of limited liability, no Unitholder will be obligated to pay any additional assessment on or with respect to the Units held or purchased by him; however, the Unitholders and the General Partner may be bound to return to the Fund such part of any amount distributed to them as may be necessary to restore the capital of the

Fund to its existing amount before such distribution if, as a result of such distribution, the capital of the Fund is reduced and the Fund is unable to pay its debts as they become due.

Distributions

The Fund will target an annual pre-tax distribution yield of at least 7% across all Unit classes and aim to realize a minimum 12% pre-tax, investor internal rate of return across all Unit classes upon disposition of the Properties at or before the end of the targeted three year investment horizon, although each of these figures will necessarily vary as between classes of Units based on the proportionate entitlements of each class of Unit, applicable Unit Class Expenses and Canadian/U.S. dollar exchange rates. See "Risk Factors". An annual pre-tax distribution yield of 7% would represent an expected AFFO payout ratio of approximately 72.0%, assuming the Minimum Offering is achieved and based on the applicable Agents' Fee and costs of the Offering. The target AFFO payout ratio, assuming the Maximum Offering is achieved and all funds are fully deployed, is 68.3%.

The achievement of the 12% pre-tax, investor internal rate of return is based on the following assumptions:

(a) each Sample Target Property is acquired for approximately, on-average, US$40 million with a 6% Capitalization Rate (Canadian equivalent);

(b) the acquisition of the Sample Target Properties are partially financed by way of Mortgage Loans in an amount equal to, on average, approximately 65% of each Sample Target Property's value and at an average interest rate of approximately 2.5%;

(c) real estate closing costs in respect of each Sample Target Property are 3% of the purchase price; annual interest payments, capital expenditures and general and administrative expenses and asset management fees in respect of each Sample Target Property are equal to 2.5% of the purchase price; and

(d) capital appreciation of 3.5% in respect of each Sample Target Property (which is to be realized from approximately 3% NOI growth).

Accordingly, the pre-tax, investor rate of return from the Sample Target Property would be comprised of approximately 8.5% from ongoing cash flow (7% of which is indirectly distributed to Unitholders as a result of the payment of the Minimum Return by Holding LP to Investment LP and a further 1.5% of which is indirectly distributed to Unitholders following the payment of Carried Interest) and 3.5% from capital appreciation. In addition, further upside may be realized through achieving a portfolio premium upon the disposition of the Sample Target Property by the Fund, above target NOI growth, Capitalization Rate compression and U.S. dollar appreciation against the Canadian dollar.

The *pro rata* monthly distribution on the Units will commence following the end of the Fund's first full operating month after the Closing Date. The initial distribution is expected to be paid on September 15, 2014 to Unitholders of record on August 29, 2014 and the distribution amount per Unit will be determined in accordance with the Fund LP Agreement. Thereafter, the Fund intends to declare monthly cash distributions no later than seven Business Days (as defined herein) prior to the end of each month, payable within 15 days following the end of the month (or the next Business Day if not a Business Day) in which the distribution is declared to Unitholders as at month-end. In the event that the Gross Subscription Proceeds exceed the Minimum Offering amount, the net proceeds from the Offering will be in excess of the amount required to complete the purchase of the Initial Portfolio and, therefore, initially, not all of the net proceeds from the Offering will be deployed by the Fund to indirectly acquire interests in income-producing properties. The net proceeds from the Offering which exceed the amount required to complete the purchase of the Initial Portfolio are not expected to have an impact on Distributable Cash Flow and, accordingly, until such excess funds are deployed by the Fund to indirectly acquire interests in income-producing property, the annualized pre-tax distribution yield per Unit can be expected to be less than 7%. See "Risk Factors".

In the event that any day on which any distribution amount is to be determined is not a Business Day, then such amount shall be determined on the next succeeding day that is a Business Day.

The Fund will initially own all of the issued and outstanding Investment LP Units. The Investment LP will initially own all of the issued and outstanding Holding LP Units. The Holding LP will initially own all of the issued and outstanding U.S. REIT Common Stock and U.S. REIT ROC Shares and may also own U.S. REIT Notes.

Holders of U.S. REIT Common Stock and U.S. REIT ROC Shares will receive all dividends and returns of capital (including proceeds from redemptions of U.S. REIT ROC Shares) from their investment in U.S. REIT Common Stock and U.S. REIT ROC Shares, respectively, as and when declared, out of the assets of the U.S. REIT properly available for the payment of dividends and redemptions of U.S. REIT ROC Shares as described herein. Holders of U.S. REIT Notes, if any, will receive all interest and repayments of principal on the U.S. REIT Notes.

Holders of Holding LP Units will be entitled to receive from Distributable Cash, after the return of their respective invested capital in the Holding LP, a Minimum Return of 7% per annum (cumulative but not compounded), calculated on their invested capital in the Holding LP and the balance of the Distributable Cash will be distributed 75% to holders of Holding LP Units and 25% to the Holding GP, as the Carried Interest.

If the General Partner determines that it is in the best interests of the Fund (i) to make a co-investment with a Canadian real estate investment trust, such a co-investor would be expected to subscribe for Investment LP Units and be entitled to receive distributions on the same terms as the Fund described above, based on its proportionate investment in the Investment LP, and (ii) to make a co-investment with a Canadian pension fund, such a co-investor would be expected to subscribe for or purchase U.S. REIT Common Stock, U.S. REIT ROC Shares and U.S. REIT Notes (to the extent U.S. REIT Notes may be issued to the Holding LP) and be entitled to receive dividends, returns of capital and interest payments and repayments of principal as described above, based on its proportionate investment in the U.S. REIT and principal amount of U.S. REIT Notes purchased. Ultimately, it is expected that any co-investor will seek to structure their investment in a tax efficient manner, which could result in a different approach from those described above.

The Investment LP will elect to be classified as a corporation for U.S. federal income tax purposes. Accordingly, the Investment LP will be subject to applicable U.S. income and withholding taxes. The Investment LP will satisfy its U.S. tax liability, or make sufficient reserves for its applicable U.S. taxes, prior to making distributions to the Fund. The Fund will then distribute the Distributable Cash Flow to the Unitholders, based, initially, on the proportionate interest of the Net Subscription Proceeds attributable to each class of Units, as described below. A Canadian resident Unitholder (other than a Plan) generally will be entitled to a credit in respect of the U.S. taxes paid by the Investment LP in computing its Canadian taxable income to the extent permitted by the detailed rules in the Tax Act. See "Certain Canadian Federal Income Tax Considerations", "Certain U.S. Federal Income Tax Considerations", "Risk Factors – Risk Factors Relating to the Fund's Canadian Tax Status" and "Risk Factors – Risk Factors Relating to the Fund's U.S. Tax Status".

On the Closing Date, the Fund will convert the net subscription amounts from the Canadian Dollar Units received into U.S. dollars. The relative entitlement of a holder of a Canadian Dollar Unit to receive distributions from the Fund and to receive proceeds upon the termination of the Fund (as compared to the entitlement of a holder of a Class U Unit) will depend, in part, on the Canadian/U.S. dollar exchange rate at which the Fund is able to convert such proceeds on the Closing Date. Furthermore, (i) the amount of distributions on the Canadian Dollar Units, (ii) any returns of capital, and (iii) the distribution of proceeds on the termination of the Fund to such holders, will be determined and declared in U.S. dollars at the time of such distributions and accordingly will depend, in part, on the Canadian/U.S. dollar exchange rate at each such time. In respect of the Canadian Dollar Units, the Fund will convert each U.S. dollar distribution payable on the Canadian Dollar Units into Canadian dollars at the spot exchange rate available to the Fund in respect of such distribution on the date of declaration and holders of Canadian Dollar Units will receive Canadian dollar distributions. As a result, although holders of Canadian Dollar Units will receive Canadian dollar distributions, the amount of such distributions will be determined based upon the Canadian/U.S. dollar exchange rate at the time of declaration of such distributions. The Fund does not intend to enter into any hedging arrangements to limit the impact of changes in the Canadian/U.S. dollar exchange rate for holders of Canadian Dollar Units and therefore it is anticipated that holders of Canadian Dollar Units will have full exposure to changes in the exchange rate between the Canadian and U.S. dollar. See "Risk Factors".

The amount of the distributions payable in respect of each Unit will differ and be allocated based on, initially, the proportionate interest of the Net Subscription Proceeds attributable to each class and determined, from time to time, following payment to the General Partner of an amount equal to 0.01% of the Distributable Cash Flow, as follows:

(a) the product of the Proportionate Class A Interest and the balance of the Distributable Cash remaining following payment of the General Partner's 0.01% of Distributable Cash Flow (the "**Distributable Cash Flow Balance**") shall be distributed to the Class A Unitholders, *pro rata* in accordance with their respective proportionate shares;

(b) the product of the Proportionate Class C Interest and the Distributable Cash Flow Balance shall be distributed to the Class C Unitholders, pro rata in accordance with their respective proportionate shares;

(c) the product of the Proportionate Class D Interest and the Distributable Cash Flow Balance shall be distributed to the Class D Unitholders, pro rata in accordance with their respective proportionate shares;

(d) the product of the Proportionate Class F Interest and the Distributable Cash Flow Balance shall be distributed to the Class F Unitholders, pro rata in accordance with their respective proportionate shares; and

(e) the product of the Proportionate Class U Interest and the Distributable Cash Flow Balance shall be distributed to the Class U Unitholders, *pro rata* in accordance with their respective proportionate shares,

in each case adjusted to reflect the Unit Class Expenses allocable to each respective class and to account for the amount of any U.S. withholding tax required to be borne by the Investment LP which is attributable to particular Unitholders. For greater certainty, any downward adjustment to the proportion of Distributable Cash Flow payable to holders of a particular class of Units in respect of withholding tax borne by the Investment LP which is attributable to a particular Unitholder shall be borne in its entirety by such Unitholder and shall not reduce the distributions payable to other holders of Units of such particular class. The General Partner shall use reasonable efforts to cause to be reported to each Unitholder on an annual basis the amount of withholding tax borne by the Investment LP which is attributable to such Unitholder.

The ability of the Fund to make cash distributions on the Units and the actual amount distributed will depend on the ability of the Fund to indirectly acquire the Properties as well as the ongoing operations of the Properties, and will be subject to various factors including those referenced in the "Risk Factors" section of this Prospectus. The Minimum Return of 7% per annum payable by the Holding LP to the Investment LP, which will ultimately form part of the distributions available from the Fund to the Unitholders after payment of all Fund expenses, is a preferred return, but is not guaranteed and may not be paid on a current basis in each year or at all. The return on an investment in the Units is not comparable to the return on an investment in a fixed income security. Cash distributions, including a return of a Unitholder's original investment, are not guaranteed and the anticipated return on investment is based upon many performance assumptions.

Allocation of Income and Losses

Where distributions were paid by the Fund in respect of a fiscal year, the net income, and the income for income tax purposes, of the Fund in respect of that fiscal year shall be allocated among the General Partner and all Unitholders that were Unitholders at any time in the fiscal year on the following basis:

(a) first, to the General Partner, 0.01% of the net income, and income for tax purposes, of the Fund; and

(b) as to the balance, to each Unitholder an amount equal to the balance multiplied by a fraction, the numerator of which is the sum of the distributions which would have been received by the Unitholder in respect of the fiscal year and the denominator of which is the total distributions which would have been made by the Fund to Unitholders in respect of the fiscal year, determined in each case without reference to any U.S. withholding tax borne by the Investment LP in respect of distributions by the U.S. REIT.

Where no distributions were paid by the Fund in respect of a fiscal year, the net income, and income for income tax purposes, of the Fund in respect of that fiscal year shall be allocated among the General Partner and the Unitholders on the following basis:

(a) first, to the General Partner, 0.01% of the net income, and income for income tax purposes, of the Fund; and

(b) as to the balance, to the Unitholders that were Unitholders at the end of each month ending in such fiscal year, such portion of the balance determined based on the proportionate interest of each class of Units and within each class *pro rata* based on the number of Units held, divided by 12.

There shall be allocated among Unitholders that were Unitholders at the end of each month ending in such fiscal year such portion of the net losses and losses for income tax purposes, of the Fund in respect of that fiscal year determined based on the proportionate interest of each class of Units and within each class *pro rata* based on the number of Units held, divided by 12.

The General Partner, in its reasonable discretion and from time to time, may modify the manner in which net income, income for income tax purposes, net loss and loss for income tax purposes are allocated to or among the Unitholders in order that in the reasonable judgment of the General Partner, and in its sole discretion, such allocations will reasonably reflect the purposes of the Fund LP Agreement and the intention of the parties. The General Partner shall have the discretion, but not the obligation, acting in good faith, to allocate net income, income for income tax purposes, net loss and loss for income tax purposes of the Fund amongst classes of Units on a basis which ensures a fair distribution among Unitholders after taking into consideration any matters that may be relevant.

Distribution on Termination of the Fund

On the termination of the Fund, to occur at the expiry of the Term or upon the disposition of the Fund's final asset, the proceeds shall be distributed in the following order:

(a) to pay any costs involved in the sale of the assets of the Fund and to pay all amounts required to discharge any mortgages or encumbrances registered against the assets, to pay all unpaid expenses which are required to be paid under the Fund LP Agreement and all expenses incurred in the winding-up of the Fund, to pay all of the liabilities of the Fund and to establish reserves as the General Partner considers necessary for the contingent liabilities of the Fund; and

(b) to Unitholders on a proportionate basis based upon the Proportionate Class A Interest, Proportionate Class U Interest, Proportionate Class D Interest, Proportionate Class F Interest and Proportionate Class C Interest, respectively, and within each class *pro rata* based upon the number of Units held, subject to adjustments to account for any U.S. withholding tax required to be borne by the Investment LP which is attributable to particular Unitholders.

Transfer of Units

The General Partner shall use all reasonable efforts to obtain and maintain a listing for the Class A Units and Class U Units on one or more stock exchanges in Canada. Units are fully transferable in accordance with Applicable Laws at the expense of the transferee and, except as set forth in the Fund LP Agreement, the General Partner shall not impose any restriction on the transfer of Units by any Unitholder except with the consent of such Unitholder. A Unit is not, however, transferable in part. A transferee of a Unit will become a limited partner of the Fund and shall be subject to the obligations and entitled to the rights of Unitholders under the Fund LP Agreement on the date on which the General Partner amends the Fund's record of Unitholders to reflect that the transferee is a Unitholder or at such time as the General Partner, in its sole discretion, recognizes the transferee as a Unitholder.

A Unitholder may transfer all or part of his Units by delivering to the General Partner a form of transfer, acceptable to the General Partner, duly executed by the Unitholder, as transferor. The transferee, by accepting the transfer, shall be deemed to have agreed to be bound by the Fund LP Agreement as a Unitholder as if the transferee had personally executed the Fund LP Agreement, and, without in any way limiting the foregoing, shall be deemed to have given the representations, warranties and covenants set out in the Fund LP Agreement.

Transfers of beneficial ownership of Units represented by a global certificate will be effected through the records maintained by CDS for such global certificate or its nominee (with respect to interests of participants) and on the records of the participants (with respect to interests of persons other than participants). Beneficial owners who are not participants in CDS's book-based system, but who desire to purchase, sell or otherwise transfer ownership of or other interests in a global certificate, may do so only through participants in CDS' book-based system.

The ability of a beneficial owner of an interest in a Unit represented by a global certificate to pledge the Unit or otherwise take action with respect to such holder's interest in a Unit represented by a global certificate (other than through a participant) may be limited due to the lack of a physical certificate.

Meetings of Unitholders and Resolutions

The General Partner may, at any time, convene a meeting of the Unitholders and will be required to convene a meeting on receipt of a request in writing of a Unitholder or Unitholders holding, in aggregate, 5% or more of the Units then outstanding.

A meeting of holders of a class of Units may be called by the General Partner if the nature of the business to be transacted at the meeting is only relevant to the Unitholders of that class of Units. A meeting of holders of a class of Units shall be called by the General Partner upon written request of a Unitholder or Unitholders of the class holding, in aggregate, 5% or more of the Units of the class then outstanding, which requisition must specify the purpose or purposes for which such meeting is to be called.

Any matter to be considered at a meeting of Unitholders, other than certain matters requiring the approval of Unitholders by Special Resolution, will require the approval of Unitholders by an Ordinary Resolution. A quorum for a meeting convened to consider such a matter will consist of two or more Unitholders or any class of Unitholders present in person or by proxy and representing not less than 10% of the Units or class of Units, as the case may be. If a quorum is not present at a meeting within 30 minutes after the time fixed for the meeting, the meeting, if convened pursuant to a request of Unitholders, will be cancelled, but otherwise will be adjourned to such day, being not less than 10 days later, and to such place and time as may be selected by the chairperson of the meeting. The Unitholders present at any adjourned meeting will constitute a quorum.

Each Unitholder is entitled to one vote per Unit held and votes of Unitholders will be conducted with holders of Class A Units, Class U Units, Class D Units, Class F Units and Class C Units voting together as a single class. Notwithstanding the foregoing, if the General Partner determines that the nature of the business to be transacted at a meeting affects Unitholders of one class of Units in a manner materially different from its effect on Unitholders of another class of Units, the Units of such affected class will be voted separately as a class.

The following matters require approval by Ordinary Resolution and shall be deemed approved, consented to or confirmed, as the case may be, upon the adoption of such Ordinary Resolution:

(a) matters relating to the administration of the Fund for which the approval of the Unitholders is required by applicable securities laws, regulations, rules or policies or the rules or policies of any applicable stock exchange in effect from time to time, and such policies, laws or regulations do not require approval by Special Resolution;

(b) subject to the requirements for a Special Resolution, any matter or thing stated in the Fund LP Agreement to be required to be consented to or approved by the Unitholders; and

(c) any matter which the General Partner considers appropriate to present to the Unitholders for their confirmation or approval.

Any amendment to the Fund LP Agreement for the following purposes requires approval by Special Resolution and shall be deemed approved, consented to or confirmed, as the case may be, upon the adoption of such Special Resolution:

(a) matters relating to the administration of the Fund for which the approval of the Unitholders is required by Special Resolution by applicable securities laws, regulations, rules or policies or the rules or policies of any applicable stock exchange in effect from time to time;

(b) changes to the Investment Restrictions and the Operating Policy contained in paragraph (d) set out under the heading "Operating Policies";

(c) a reduction in the amount payable on any outstanding Units upon termination of the Fund;

(d) any extension of the Term of the Fund;

(e) any change to the General Partner; and

(f) the alteration or elimination of any voting rights pertaining to any outstanding Units.

Notwithstanding the above or any other provision herein, no confirmation, consent or approval shall be sought or have any effect and no Unitholders shall be permitted to effect, confirm, consent to or approve, in any manner whatsoever, where the same increases the obligations of or reduces the compensation payable to or protection provided to the General Partner, except with the prior written consent of the General Partner.

In the event of any proposed transaction with a Related Party of the Fund, the Fund shall comply with the provisions of MI 61-101.

Amendments to the Fund LP Agreement

The General Partner may, without the approval of or notice to Unitholders, amend the Fund LP Agreement for certain limited purposes specified therein, including to:

(a) remove any conflicts or other inconsistencies which may exist between any terms of the Fund LP Agreement and any provisions of any law or regulation applicable to or affecting the Fund;

(b) provide, in the opinion of the General Partner, additional protection for the Unitholders or obtain, preserve or clarify the provision of desirable tax treatment to Unitholders;

(c) make amendments which, in the opinion of the General Partner, based on the advice of its counsel or auditors (as the case may be), are necessary or desirable in the interests of the Unitholders as a result of changes in taxation laws or accounting rules or in their interpretation or administration;

(d) remove conflicts or inconsistencies between the disclosure in the Prospectus and the Fund LP Agreement that, in the opinion of the General Partner, based on the advice of counsel, are necessary or desirable in order to make the Fund LP Agreement consistent with the Prospectus;

(e) make any change or correction in the Fund LP Agreement which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;

(f) bring the Fund LP Agreement into conformity with Applicable Laws, including the rules and policies of Canadian securities regulators or with current practice within the securities industry provided that any such amendment does not adversely affect the rights, privileges or interests of Unitholders; or

(g) make amendments as are required to undertake an internal reorganization involving the sale, lease, exchange or other transfer of the Fund as a result of which, based on the advice of counsel, the Fund has substantially the same interest, whether direct or indirect, in the Fund Property that it had prior to the reorganization and includes an amalgamation, arrangement or merger of the Fund and its Affiliates with any entities provided that in the opinion of the General Partner, based on the advice of counsel, the rights of Unitholders are not prejudiced thereby.

Except for changes to the Fund LP Agreement which require the approval of Unitholders or changes described above which do not require approval of or prior notice to Unitholders, the Fund LP Agreement may be amended from time to time by the General Partner upon prior written notice to Unitholders. Any such amendment of the Fund LP Agreement will be described in the Fund's next quarterly MD&A.

Termination of the Fund LP Agreement

The Term of the Fund will be three years, subject to two one-year extensions at the discretion of the General Partner or subject to earlier termination, as described below. The Term may also be extended (including following the exercise of the two one-year extensions by the General Partner) by Special Resolution of the Unitholders, subject to approval by the General Partner.

Notwithstanding the Term of the Fund outlined above, the Fund will be wound up and terminated as soon as practicable following the Disposition of all Properties in one or more transactions.

Information and Reports

The Fund will send to Unitholders such financial statements (including quarterly and annual financial statements) and other reports as are from time to time required by the Fund LP Agreement and by Applicable Laws. In addition, on or before March 31 of each calendar year, the Fund will forward to Unitholders tax reporting information in such manner as will enable such person to report the income tax consequences of investment in Units in the Unitholder's annual Canadian income tax return.

As a "venture issuer" under Applicable Laws, the Fund will be required to file, in addition to applicable news releases: (i) audited annual financial statements, related MD&A, and the applicable annual certificate for each of the Chief Executive Officer and Chief Financial Officer under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**"), each within 120 days after the end of the Fund's financial year-end, (ii) interim financial reports, related MD&A and the applicable interim certificate for each of the Chief Executive Officer and Chief Financial Officer under NI 52-109, each within 60 days after the end of each of the Fund's first three quarterly periods of its financial year, (iii) material change reports, as soon as possible, and in any event within ten days of the date on which the change occurs, in accordance with Part 7 of NI 51-102, and (iv) business acquisition reports, in accordance with Part 8 of NI 51-102. As a venture issuer, the Fund will not be required to file an annual information form and the Fund does not currently intend to do so voluntarily. The Fund LP Agreement does not require the Fund to, and the Fund does not intend to, call and hold annual general meetings of Unitholders and, accordingly, the Fund does not expect to annually file and send Unitholders a management information circular.

Powers and Responsibilities of the General Partner

The General Partner has exclusive authority to manage the operations and affairs of the Fund, to make all decisions regarding the business of the Fund and to bind the Fund. The powers, authorities and responsibilities of the General Partner are limited to those expressly set forth in the Fund LP Agreement. The General Partner is responsible for managing the business and administration of the Fund and the conduct of the affairs of the Fund, including:

(a) holding Fund Property in safekeeping; retaining moneys, securities, property, assets or investments; investing moneys from time to time forming part of the Fund Property;

(b) ensuring that the Net Subscription Proceeds are, directly or indirectly, invested in Investment LP Units, Holding LP Units, U.S. REIT Common Stock, U.S. REIT ROC Shares and U.S. REIT Notes (if any), as described herein;

(c) borrowing money as necessary to pay distributions to Unitholders, and encumbering Fund Property in respect thereof;

(d) lending money or other Fund Property, whether secured or unsecured;

(e) paying properly incurred expenses out of Fund Property;

(f) depositing moneys from time to time forming part of the Fund Property in accounts;

(g) possessing and exercising rights, powers and privileges pertaining to ownership of or interest in Fund Property;

(h) holding legal title to Fund Property;

(i) approving the application for the listing on any stock exchange of any Units or other securities of the Fund, and doing all things which in the opinion of the General Partner may be necessary or desirable to effect or maintain such listing or listings;

(j) reinvesting income and gains of the Fund and taking other actions besides the mere protection and preservation of the Fund Property;

(k) ensuring compliance with Applicable Laws;

(l) preparing and filing or causing to be prepared and filed all requisite returns, reports and filings;

(m) providing all requisite office accommodation and associated facilities;

(n) providing or causing to be provided to the Fund all other administrative and other services and facilities required by the Fund, including property appraisal services; and maintaining or causing to be maintained complete records of all transactions in respect of the Fund Property;

(o) prescribing any instrument provided for or contemplated by the Fund LP Agreement;

(p) remitting distributions to Unitholders;

(q) appointing the auditors of and registrar and transfer agent for the Fund; and

(r) except as prohibited by law, delegating from time to time to the Fund's employees, consultants, agents and other persons including the Manager, the doing of such things and the exercise of such powers as the General Partner may from time to time deem expedient, so long as any such delegation does not relieve the General Partner of any of its liability, is not inconsistent with any of the provisions of the Fund LP Agreement and subject at all times to the general control and supervision of the Board as provided for therein,

all subject to the terms and conditions set out in the Fund LP Agreement. The Fund LP Agreement provides that the General Partner shall use reasonable best efforts to ensure that the Fund is not and does not become a "SIFT partnership" (within the meaning of the Tax Act) at any time in any fiscal year. In this regard, but without limiting the foregoing, the General Partner shall have the right, in its sole discretion, to refuse to make or retain any investment which would result in the Fund being a SIFT partnership or subject the Fund to the tax on SIFT partnerships under Part IX.1 of the Tax Act, to refuse to permit any person or entity to acquire or keep units of the Fund, or to become or remain a limited partner of the Fund if, in the view of the General Partner, based if necessary on the advice of counsel, the Fund would as a result be or become a SIFT partnership, or to refuse to consent to any transfer or assignment of interests in the Fund if such transfer or assignment would result in the Fund becoming a SIFT partnership. The Fund LP Agreement provides that the General Partner may engage or employ persons in connection with the Fund and pay to them compensation out of Fund Property and may delegate its powers, authorities and duties. Pursuant to the Management Agreement, the Manager will be responsible for providing management and administration services to the Fund and will fulfill the responsibilities listed above, subject to the oversight of the General Partner.

The Fund LP Agreement provides that the General Partner, the Directors and the executive officers of the General Partner will be indemnified out of the Fund Property against all losses, claims, damages, liabilities, expenses, judgments and other amounts in respect of any civil, criminal or administrative claim, action or proceeding by reason of such person's status as the General Partner, a Director or an officer of the General Partner. However, any such party will not be indemnified for amounts that result from his or her failure to act honestly and in good faith with a view to the best interests of the Fund, or as a result of his or her failure to exercise that degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, or, in the case of a civil, criminal or administrative action or proceeding that is enforced by a monetary penalty, where such party did not have reasonable grounds for believing that his or her conduct was lawful.

Each of the Directors are required to exercise their powers and discharge their duties honestly, in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Conflicts of Interest

A Director who directly or indirectly has a material interest in a material contract or transaction or proposed material contract or transaction with the Fund, or an Affiliate of the Fund, must disclose in writing to the Fund the nature and extent of such interest forthwith after becoming aware of the material contract or transaction or proposed material contract or transaction. Such Director must not vote on any resolution to approve the material contract or transaction, unless the material contract or transaction is one relating primarily to his or her remuneration as a Director or one for indemnity or insurance.

Where a Director fails to disclose his or her interest in a material contract or transaction, any Director or any Unitholder, in addition to exercising any other rights or remedies in connection with such failure exercisable at law or in equity, may apply to a court for an order setting aside the material contract or transaction and directing that the Director account to the Fund for any profit or gain realized, provided that if the Director acted honestly and in good faith, he or she will not be accountable to the Fund or to the Unitholders for any profit or gain realized from such material contract or transaction, and such material contract or transaction will not be void or voidable and may not be set aside, if: (i) the material contract or transaction was reasonable and fair to the Fund at the time it was approved; (ii) the material contract or transaction is confirmed or approved at a meeting of the Unitholders duly called for that purpose; and (iii) the nature and extent of the Director's interest in such contract or transaction is disclosed in reasonable detail in the notice calling the meeting of the Unitholders.

All decisions of the Board will require the approval of a majority of the Directors present in person or by phone at a meeting of the Board.

In connection with any transaction involving the Fund, the General Partner 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 Fund.

The foregoing is a summary only of certain of the material provisions of the Fund LP Agreement. For a complete understanding of all of the provisions of the Fund LP Agreement, reference should be made to the Fund LP Agreement itself, a copy of which is available from the Fund.

8.2 The Investment LP

The following is a summary only of certain of the material provisions that are contained in the Investment LP Agreement.

The rights and obligations of the Investment GP and the parties holding Investment LP Units are governed by the limited partnership agreement establishing the Investment LP among the Investment GP, the Fund as the initial limited partner and all persons who subsequently become limited partners of the Investment LP holding Investment LP Units. If the General Partner determines that it is in the best interests of the Fund to make a co-investment with another investor such as a Canadian real estate investment trust, such a co-investor would be expected to subscribe for Investment LP Units or another class of limited partnership units with substantially similar, but not superior, rights and privileges as Investment LP Units.

Capital in the Investment LP

The capital of the Investment LP consists of an unlimited number of Investment LP Units and the interests held by the Investment GP as general partner. Initially, all of the Investment LP Units will be held by the Fund.

Allocation of Net Income and Net Losses

Net income, and (where permitted by Applicable Law) the income for income tax purposes, of the Investment LP will be allocated among the Investment GP and holders of Investment LP Units on the following basis:

(a) first, 0.01% of net income and (where permitted by Applicable Law) the income for income tax purposes, will be allocated to the Investment GP; and

(b) second, the balance will be allocated to the holders of Investment LP Units.

Net losses and (where permitted by Applicable Law) losses for income tax purposes of the Investment LP will be allocated to the holders of Investment LP Units.

For the avoidance of doubt, allocations of income and loss of the Investment LP will be made on a consistent basis for Canadian and U.S. Federal income tax purposes.

Cash Flow Distributions

To the extent cash flow permits, the Investment LP will pay and distribute in each year an amount equal to all cash flow from its investment in Holding LP Units in that year after payment of all current obligations of the Investment LP. Cash flow will be distributed on a monthly basis as follows:

(a) 0.01% to the Investment GP; and

(b) 99.99% to the holders of Investment LP Units.

Notwithstanding the above, the Investment GP may in its sole and unfettered discretion elect to not distribute cash flow in any period or to reduce the amount of any distribution of cash flow in whole or in part.

Distributions upon Wind-up, etc.

Upon the liquidation, dissolution or wind-up of the Investment LP, the assets of the Investment LP will be liquidated and the proceeds thereof will be distributed as follows:

(a) first, to pay all unpaid expenses which are required to be paid under the Investment LP Agreement and all expenses incurred in the winding-up of the Investment LP;

(b) second, to pay all of the liabilities of the Investment LP, including any loans or advances made by its limited partners and any amounts owing to the Investment GP in respect of costs and expenses owing to it as general partner;

(c) third, to establish such reserves as the Investment GP as general partner considers necessary; and

(d) fourth, 0.01% of the balance to the Investment GP and 99.99% of the balance to the holders of Investment LP Units.

Alternatively, the holders of Investment LP Units may approve by Special Resolution distributions of all assets of the Investment LP *in specie*, in which event the Investment GP and each holder of Investment LP Units shall, subject to the provisions of the Investment LP Agreement, be entitled to receive an undivided interest in each and every asset of the Investment LP in accordance with such limited partner's proportionate interest in the Investment LP as of the date of dissolution or sale.

Additional Capital Contributions

No limited partner of the Investment LP will be required to make additional capital contributions to the Investment LP over and above the purchase price paid for such limited partner's units.

Management of the Investment LP

The Investment GP, as general partner, has continuing exclusive authority over the management of the Investment LP, the conduct of its affairs, and the management and disposition of the property of the Investment LP, except for certain limited matters being subject to votes of the holders of Investment LP Units. The Investment GP does not have any rights to vote.

Removal of the Investment GP

Holders of Investment LP Units may, by Special Resolution and upon 60 days' written notice to the Investment GP, remove the Investment GP as general partner of the Investment LP without cause, and may immediately remove the Investment GP for cause, if such cause is not remedied after reasonable notice from the holders of Investment LP Units. In either such case, the holders of Investment LP Units will appoint, concurrently with the removal, a replacement general partner to assume all of the responsibilities and obligations of the removed general partner, and the removed general partner will be released of its liabilities under the Investment LP Agreement and indemnified for any damages and expenses with respect to events which occur in relation to the Investment LP after the appointment of the new general partner.

Voting

Each Investment LP Unit has attached to it the right to exercise one vote at meetings of the Investment LP. Certain powers, relating generally to the existence and fundamental powers of the Investment LP, are specified in the Investment LP Agreement and are exercisable by way of an Ordinary Resolution passed by holders of Investment LP Units.

8.3 The Holding LP

The following is a summary only of certain of the material provisions that are contained in the Holding LP Agreement.

The rights and obligations of the Holding GP and holders of Holding LP Units are governed by the limited partnership agreement establishing the Holding LP among the Holding GP, the Investment LP as the initial limited partner and all persons who subsequently become limited partners of the Holding LP.

Capital in the Holding LP

The capital of the Holding LP consists of an unlimited number of Holding LP Units, plus the interest held by the Holding GP as general partner.

Distributions

To the extent cash flow permits, the Holding LP will pay and distribute an amount equal to all dividends and returns of capital from its investment in U.S. REIT Common Stock and U.S. REIT ROC Shares, respectively, and all interest and repayments of principal received on the U.S. REIT Notes (if any) in that year after payment of all current obligations of the Holding LP ("**Distributable Cash**"). Such amounts will be distributed as follows:

(a) first, the holders of Holding LP Units will be distributed their invested capital;

(b) second, the holders of Holding LP Units will be distributed the amount of the Minimum Return. The Minimum Return will be calculated on a non-compounded, cumulative basis such that in the years when the Minimum Return is not available from Distributable Cash, it will accumulate and be distributed from Distributable Cash in subsequent years; and

(c) third, if the holders of Holding LP Units have been paid the Minimum Return, the balance will be distributed as to 75% to the holders of Holding LP Units and 25% to the Holding GP, as general partner.

Notwithstanding the above, the Holding GP may in its sole and unfettered discretion elect to not distribute cash flow in any period or to reduce the amount of any distribution of cash flow in whole or in part.

Allocation of Income and Losses for Tax and Accounting Purposes

For tax and accounting purposes, losses for each fiscal year of the Holding LP will be allocated to the holders of Holding LP Units. For tax and accounting purposes, net income for each fiscal year of the Holding LP will be allocated to the holders of Holding LP Units and the Holding GP, as general partner of the Holding LP, in the same manner and in the same priorities in which income received from the U.S. REIT is ultimately distributed to such partners (excluding returns of capital and repayments of loans), provided for greater certainty that to the extent possible, the amount of income allocated to the Holding GP as general partner of the Holding LP for each fiscal year is intended to be equal to the amount of the distributions, if any, paid to the Holding GP for such fiscal year; subject to adjustments for prior loss allocations and such other adjustments as necessary to be made on a cumulative basis and subject to adjustments necessary to meet the U.S. federal income tax standards, provided for the avoidance of doubt, that allocations of income and loss will be made on a consistent basis for Canadian and U.S. federal income tax purposes.

Distributions upon Wind-up, etc.

Upon the liquidation, dissolution or wind-up of the Holding LP, the assets of the Holding LP will be liquidated and the proceeds thereof will be distributed as follows:

(a) first, to pay all unpaid expenses which are required to be paid under the Holding LP Agreement and all expenses incurred in the winding-up of the Holding LP;

(b) second, to pay all of the liabilities of the Holding LP, including any loans or advances made by its limited partners and any amounts owing to the Holding GP in respect of costs and expenses owing to it as general partner;

(c) third, to establish such reserves as the Holding GP, as general partner, considers necessary;

(d) fourth, to return to the holders of Holding LP Units the amount of their respective invested capital;

(e) fifth, to return to the Holding GP the balance in its capital account;

(f) sixth, to pay to the holders of Holding LP Units any unpaid portion of the Minimum Return; and

(g) seventh, to distribute any amount greater than the Minimum Return 75% to the holders of Holding LP Units and 25% to the Holding GP.

Additional Capital Contributions

No limited partner is required to make additional capital contributions to the Holding LP over and above the purchase price paid for such limited partner's Holding LP Units.

Management of the Holding LP

The Holding GP, as general partner, has continuing exclusive authority over the management of the Holding LP, the conduct of its affairs, and the management and disposition of the property of the Holding LP, except for certain limited matters being subject to votes of the holders of Holding LP Units. The Holding GP does not have any rights to vote.

Removal of the Holding GP

Holders of Holding LP Units may, by Special Resolution and upon 60 days' written notice to the Holding GP, remove the Holding GP as general partner of the Holding LP without cause, and may immediately remove the Holding GP for cause, if such cause is not remedied after reasonable notice from the holders of Holding LP Units. In either such case, the holders of Holding LP Units will appoint, concurrently with the removal, a replacement general partner to assume all of the responsibilities and obligations of the removed general partner, and the removed general partner will be released of its liabilities under the Holding LP Agreement and indemnified for any damages and expenses with respect to events which occur in relation to the Holding LP after the appointment of the new general partner.

Voting

Each Holding LP Unit has attached to it the right to exercise one vote at meetings of the Holding LP. Certain powers, relating generally to the existence and fundamental powers of the Holding LP, are specified in the Holding LP Agreement and are exercisable by way of an Ordinary Resolution passed by holders of Holding LP Units.

8.4 The U.S. REIT

General

The charter of the U.S. REIT ("**Charter**") provides that it may issue up to 10,000,125 shares, par value $0.01 per share, of which (i) 3,000,000 shares are classified as common stock (the "**U.S. REIT Common Stock**"); and (ii) 7,000,125 shares are classified as preferred stock (the "**U.S. REIT Preferred Stock**"). The Charter authorizes the U.S. REIT's board of directors, with the approval of a majority of the entire board of directors and without any action on the part of stockholders, to amend the Charter to increase or decrease the aggregate number of authorized shares of stock or the number of authorized shares of stock of any class or series.

U.S. REIT Common Stock

Subject to the preferential rights of any other class or series of capital stock, including the Series A U.S. REIT Preferred Stock and the U.S. REIT ROC Shares, and to the provisions of the Charter regarding the restrictions on ownership and transfer of stock of the U.S. REIT, holders of shares of U.S. REIT Common Stock are entitled to receive dividends on such stock when, as and if authorized by the board of directors of the U.S. REIT out of assets legally available therefor and declared by the U.S. REIT and to share ratably in the assets of the U.S. REIT legally available for distribution to stockholders in the event of liquidation, dissolution or winding up after payment of or adequate provision for all known debts and liabilities of the U.S. REIT.

Holders of shares of U.S. REIT Common Stock have no redemption, sinking fund, conversion, preemptive or appraisal rights with respect to the U.S. REIT Common Stock. Subject to the provisions of the Charter regarding the restrictions on ownership and transfer of stock, shares of U.S. REIT Common Stock have equal dividend, liquidation and other rights.

Subject to the provisions of the Charter regarding the restrictions on ownership and transfer of stock, each outstanding share of U.S. REIT Common Stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors and, except as may be provided with respect to any other class or series of stock, the holders of such shares possess the exclusive voting power. There is no cumulative voting in the election of directors, and directors will be elected by a plurality of the votes cast in the election of directors. Consequently, at each annual meeting of stockholders, the holders of a majority of the outstanding shares of U.S. REIT Common Stock can elect all of the directors then standing for election, and the holders of the remaining shares will not be able to elect any directors.

U.S. REIT Preferred Stock

The board of directors of the U.S. REIT may authorize the issuance of U.S. REIT Preferred Stock in one or more classes or series and may determine, with respect to any such class or series, the rights, preferences, privileges and restrictions of the U.S. REIT Preferred Stock of that class or series, including: (i) distribution rights; (ii) conversion rights; (iii) voting rights; (iv) redemption rights and terms of redemptions; and (v) liquidation preferences.

Series A U.S. REIT Preferred Stock

To assist the U.S. REIT in qualifying as a real estate investment trust for U.S. tax purposes, the U.S. REIT expects to issue up to 125 shares of 12.5% Series A Cumulative Non-Voting Preferred Shares (the "**Series A U.S. REIT Preferred Stock**") at US$1,000 per share, with a liquidation preference of US$1,000 per share, or up to US$125,000 in the aggregate. The following is a summary of the expected terms of the Series A U.S. REIT Preferred Stock, although the actual terms of the Series A U.S. REIT Preferred Stock could vary from those described below.

Priority. The holders of the Series A U.S. REIT Preferred Stock are entitled to a liquidation preference of US$1,000 per share (the "**Liquidation Preference**"), subject to adjustment as described under "Liquidation" below. With respect to distributions, including the distribution of the U.S. REIT's assets upon dissolution, liquidation or winding up, shares of the Series A U.S. REIT Preferred Stock are senior to all other classes and series of capital stock of the U.S. REIT, to the extent of the aggregate Liquidation Preference and all accrued but unpaid dividends and the redemption premium on the Series A U.S. REIT Preferred Stock as described below, if applicable (in the aggregate, the "**Liquidation Value**").

Dividends. Dividends on the Series A U.S. REIT Preferred Stock accrue on a daily basis at the rate of 12.5% per annum of the sum of the Liquidation Preference, plus all accumulated and unpaid dividends, from and including the date of first issuance of the Series A U.S. REIT Preferred Stock. Dividends on the Series A U.S. REIT Preferred Stock are payable semi-annually in arrears on or before June 30 and December 31 of each year beginning December 31, 2014. All dividends payable on the Series A U.S. REIT Preferred Stock for any partial period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends accrue whether or not they have been declared and whether or not there are profits, surplus or other funds of the U.S. REIT legally available for the payment of dividends. Except as otherwise provided herein, such dividends are cumulative such that all accrued and unpaid dividends for all past dividend periods shall be fully paid or declared with funds irrevocably set apart before any dividend, distribution or payment may be made to holders of any other class of the U.S. REIT's stock.

Voting. With certain exceptions, the holders of Series A U.S. REIT Preferred Stock are not entitled to vote on any matter submitted to stockholders, including the election of directors. Approval of the holders of a majority of the outstanding Series A U.S. REIT Preferred Stock, voting as a separate class, is required for (i) authorization or issuance of any equity security of the U.S. REIT senior to or on a parity with the Series A U.S. REIT Preferred Stock, (ii) any amendment to the Charter which has a material adverse effect on the rights and preferences of the Series A U.S. REIT Preferred Stock or which increases the number of authorized or issued Series A U.S. REIT Preferred Stock or (iii) any reclassification of the Series A U.S. REIT Preferred Stock.

Redemption. The outstanding Series A U.S. REIT Preferred Stock is subject to redemption by the U.S. REIT, in whole or in part, at any time, on a date selected for redemption by the U.S. REIT (the "**Redemption Date**"). If the U.S. REIT elects to cause the redemption of the Series A U.S. REIT Preferred Stock, each share of Series A U.S. REIT Preferred Stock selected for redemption will be redeemed for a price, payable in cash on the Redemption Date, equal to US$1,000 per share plus all accrued and unpaid dividends thereon to and including the Redemption Date, plus a redemption premium per share as follows: (i) before the end of the second full calendar year after the date of original issuance, US$100; and (ii) thereafter, no redemption premium.

Unless full cumulative dividends on all outstanding shares of Series A U.S. REIT Preferred Stock have been, or contemporaneously are, declared and paid or set apart for payment for all past dividend periods, the U.S. REIT may not redeem fewer than all of the outstanding shares of Series A U.S. REIT Preferred Stock or, generally, redeem or repurchase capital stock of the U.S. REIT that rank junior to the Series A U.S. REIT Preferred Stock.

Liquidation. In the event of any dissolution, liquidation or winding up of the U.S. REIT, the holders of the Series A U.S. REIT Preferred Stock will be entitled to receive *pro rata* in cash out of the assets of the U.S. REIT legally available therefor, before any distribution of the assets may be made to the holders of U.S. REIT Common Stock, an amount equal to the Liquidation Value. If the assets of the U.S. REIT legally available for distribution to its stockholders are insufficient to pay the full amount of the Liquidation Value to which the holders of outstanding Series A U.S. REIT Preferred Stock are entitled, such assets will be distributed ratably among the holders of the outstanding Series A U.S. REIT Preferred Stock on the basis of the number of shares of Series A U.S. REIT Preferred Stock owned by each holder. Upon the provision of notice of the effective date of any dissolution, liquidation or winding up of the U.S. REIT and the payment of the Liquidation Value, the holders of the Series A U.S. REIT Preferred Stock will have no other rights or claims to any of the remaining assets of the U.S. REIT.

No Conversion. The Series A U.S. REIT Preferred Stock is not convertible into or exchangeable for any other property or securities of the U.S. REIT.

U.S. REIT ROC Shares

It is expected that, in addition to the Series A U.S. REIT Preferred Stock, the U.S. REIT will issue Series B Cumulative Voting Preferred Stock (the "**U.S. REIT ROC Shares**") that will be subject to the following expected terms and provisions, although the actual terms of the U.S. REIT ROC Shares could vary from those described below.

Priority. With respect to dividend and redemption rights and rights upon liquidation, dissolution or winding up of the U.S. REIT, the U.S. REIT ROC Shares rank junior to the Series A U.S. REIT Preferred Stock and senior to all other classes or series of shares of the U.S. REIT, including the U.S. REIT Common Stock.

Redemptions. The U.S. REIT ROC Shares are redeemable at the option of the U.S. REIT. The redemption amount of each U.S. REIT ROC Share is fixed at a stated U.S. dollar value (the "**ROC Share Redemption Amount**"), payable in cash on the redemption date (or if earlier, the date of the U.S. REIT's liquidation, dissolution or winding-up or the date that the U.S. REIT ROC Shares have been redeemed in full). The aggregate ROC Share Redemption Amount for the U.S. REIT ROC Shares owned by the Holding LP is equal to the amount of the capital contribution by the Holding LP to the U.S. REIT to acquire such U.S. REIT ROC Shares.

Dividends. The U.S. REIT ROC Shares are entitled to a fixed, cumulative, and compounding dividend on the ROC Share Redemption Amount for the U.S. REIT ROC Shares owned by the Holding LP which dividend is based on an arm's length rate. Unpaid dividends accumulate and compound at such prescribed rate. Accumulated dividends are payable at the discretion of the board of directors of the U.S. REIT but all unpaid accumulated dividends must be paid no later than the earlier of the redemption date or the time of full and final redemption of the U.S. REIT ROC Shares. The U.S. REIT ROC Shares are subordinated to the Series A U.S. REIT Preferred Stock with respect to payment of dividends. Dividends on the U.S. REIT Common Stock may be paid in priority to a redemption of the U.S. REIT ROC Shares or the payment of accumulated dividends on the U.S. REIT ROC Shares, provided that the board of directors of the U.S. REIT has determined that the payment of such dividends on the U.S. REIT Common Stock would not impair the U.S. REIT's ability to pay the ROC Share Redemption Amount plus any accumulated and unpaid dividends with respect to the U.S. REIT ROC Shares.

Liquidation. Upon the liquidation, dissolution or winding-up of the U.S. REIT, holders of the U.S. REIT ROC Shares are entitled to the sum of all accumulated and unpaid dividends and the ROC Share Redemption Amount in priority to any payment to the holders of the U.S. REIT Common Stock but any such payment with respect to the U.S. REIT ROC Shares are subordinate to all amounts owing to the holders of the Series A U.S. REIT Preferred Stock.

Voting. Holders of U.S. REIT ROC Shares are entitled to a vote at any annual or special general meeting of the stockholders of the U.S. REIT. Such vote shall represent 10% of the total voting power of all classes of stock of the U.S. REIT that are entitled to vote, except with respect to matters in which holders of Series A U.S. REIT Preferred Stock are entitled to vote separately as a class.

No Conversion. U.S. REIT ROC Shares are not be convertible into shares of any other class or series of stock of the U.S. REIT.

Power to Reclassify and Issue Stock

The board of directors of the U.S. REIT may classify any unissued shares of U.S. REIT Preferred Stock, and reclassify any unissued shares of U.S. REIT Common Stock or any previously classified but unissued shares of U.S. REIT Preferred Stock into other classes or series of stock, including one or more classes or series of stock that have priority over the U.S. REIT Common Stock with respect to voting rights or distributions or upon liquidation, and authorize the U.S. REIT to issue the newly classified shares. Prior to the issuance of shares of each class or series of stock, the board of directors of the U.S. REIT is required by the *Maryland General Corporation Law* and the Charter to set, subject to the provisions of the Charter regarding the restrictions on ownership and transfer of the U.S. REIT's stock, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption for each such class or series of stock. These actions can be taken without stockholder approval, unless stockholder approval is required by applicable law or the terms of any other class or series of stock.

Power to Increase or Decrease Authorized Stock and Issue Additional Shares of Common and U.S. REIT Preferred Stock

The Charter authorizes the U.S. REIT's board of directors, with the approval of a majority of the entire board of directors, to amend the Charter to increase or decrease the aggregate number of authorized shares of stock or the number of authorized shares of stock of any class or series without stockholder approval. The additional classes or series, as well as the additional shares of stock, are available for issuance without further action by stockholders, unless such action is required by applicable law or the terms of any other class or series of stock.

Restrictions on Ownership and Transfer

In order to qualify as a real estate investment trust ("**REIT**") under the Code, shares of the U.S. REIT's stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months (other than the first year for which an election to be a REIT has been made) or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of the outstanding shares of capital stock of the U.S. REIT may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year (other than the first year for which an election to be a REIT has been made).

To assist the U.S. REIT in qualifying as a REIT, the Charter, subject to certain exceptions, contains restrictions on the number of shares of stock that a person may own. The Charter provides that, subject to certain exceptions, no person may beneficially or constructively own more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of the U.S. REIT's capital stock.

The Charter also prohibits any person from:

(a) beneficially owning shares of capital stock to the extent that such beneficial ownership would result in the U.S. REIT being "closely held" within the meaning of Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of the taxable year);

(b) after the date on which the U.S. REIT first has 100 stockholders, transferring shares of capital stock to the extent that such transfer would result in the U.S. REIT's shares of capital stock being beneficially owned by fewer than 100 persons (determined under the principles of Section 856(a)(5) of the Code); or

(c) beneficially or constructively owning or transferring shares of capital stock if such beneficial or constructive ownership or transfer would otherwise cause the U.S. REIT to fail to qualify as a REIT under the Code.

The U.S. REIT's board of directors, in its sole discretion, may prospectively or retroactively exempt a person from certain of the limits described in the paragraph above and may establish or increase an excepted holder percentage limit for that person. The person seeking an exemption must provide to the board of directors any representations, covenants and undertakings that the board of directors may deem appropriate in order to conclude that granting the exemption will not cause the U.S. REIT to lose its status as a REIT. The board of directors may not grant an exemption to any person if that exemption would result in the U.S. REIT failing to qualify as a REIT. The board of directors may require a ruling from the IRS or an opinion of counsel, in either case in form and substance satisfactory to the board of directors, in its sole discretion, in order to determine or ensure the U.S. REIT's status as a REIT.

Any attempted transfer of shares of capital stock which, if effective, would violate any of the restrictions described above will result in the number of shares of capital stock causing the violation (rounded up to the nearest whole share) to be automatically transferred to a trust for the exclusive benefit of one or more charitable beneficiaries, except that any transfer that results in the violation of the restriction relating to shares of capital stock being beneficially owned by fewer than 100 persons will be void *ab initio*. In either case, the proposed transferee will not acquire any rights in those shares. The automatic transfer will be deemed to be effective as of the close of business on the business day prior to the date of the purported transfer or other event that results in the transfer to the trust. Shares held in the trust will be issued and outstanding shares. The proposed transferee will not benefit economically from ownership of any shares held in the trust, will have no rights to dividends or other distributions and will have no rights to vote or other rights attributable to the shares held in the trust. The trustee of the trust will have all voting rights and rights to dividends or other distributions with respect to shares held in the trust. These rights will be exercised for the exclusive benefit of the charitable beneficiary. Any dividend or other distribution paid prior to the U.S. REIT's discovery that shares have been transferred to the trust will be paid by the recipient to the trustee upon demand. Any dividend or other distribution authorized but unpaid will be paid when due to the trustee. Any dividend or other distribution paid to the trustee will be held in trust for the charitable beneficiary. Subject to Maryland law, the trustee will have the authority (i) to rescind as void any vote cast by the proposed transferee prior to discovery that the shares have been transferred to the trust and (ii) to recast the vote in accordance with the desires of the trustee acting for the benefit of the charitable beneficiary. However, if the U.S. REIT has already taken irreversible corporate action, then the trustee will not have the authority to rescind and recast the vote.

Within 20 days of receiving notice from the U.S. REIT that shares of its stock have been transferred to the trust, the trustee will sell the shares to a person, designated by the trustee, whose ownership of the shares will not violate the above ownership and transfer limitations. Upon the sale, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the proposed transferee and to the charitable beneficiary as follows. The proposed transferee will receive the lesser of (i) the price paid by the proposed transferee for the shares or, if the proposed transferee did not give value for the shares in connection with the event causing the shares to be held in the trust (e.g., a gift, devise or other similar transaction), the market price (as defined in the Charter) of the shares on the day of the event causing the shares to be held in the trust and (ii) the price per share received by the trustee (net of any commission and other expenses of sale) from the sale or other disposition of the shares. The trustee may reduce the amount payable to the proposed transferee by the amount of dividends or other distributions paid to the proposed transferee and owed by the proposed transferee to the trustee. Any net sale proceeds in excess of the amount payable to the proposed transferee will be paid immediately to the charitable beneficiary. If, prior to the U.S. REIT's discovery that its shares have been transferred to the trust, the shares are sold by the proposed transferee, then (i) the shares shall be deemed to have been sold on behalf of the trust and (ii) to the extent that the proposed transferee received an amount for the shares that exceeds the amount he or she was entitled to receive, the excess shall be paid to the trustee upon demand.

In addition, shares of stock held in the trust will be deemed to have been offered for sale to the U.S. REIT, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in the transfer to the trust (or, in the case of a devise or gift, the market price at the time of the devise or gift) and (ii) the market price on the date the U.S. REIT, or its designee, accepts the offer, which the U.S. REIT may reduce by the amount of dividends and distributions paid to the proposed transferee and owed by the proposed transferee to the trustee. The U.S. REIT will have the right to accept the offer until the trustee has sold the shares. Upon a sale to the U.S. REIT, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the proposed transferee.

If a transfer to a charitable trust, as described above, would be ineffective for any reason to prevent a violation of a restriction, the transfer that would have resulted in a violation will be void *ab initio*, and the proposed transferee shall acquire no rights in those shares.

Any certificate representing shares of the U.S. REIT's capital stock, and any notices delivered in lieu of certificates with respect to the issuance or transfer of uncertificated shares, will bear a legend referring to the restrictions described above.

Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of shares of capital stock that will or may violate any of the foregoing restrictions on transferability and ownership, or any person who would have owned shares of capital stock that resulted in a transfer of shares to a charitable trust, is required to give written notice immediately to the U.S. REIT, or in the case of a proposed or attempted transaction, to give at least 15 days' prior written notice, and provide the U.S. REIT with such other information as it may request in order to determine the effect of the transfer on its status as a REIT. The foregoing restrictions on transferability and ownership will not apply if the board of directors of the U.S. REIT determines that it is no longer in the best interests of the U.S. REIT to attempt to qualify, or to continue to qualify, as a REIT.

Every owner of more than 5% (or any lower percentage as required by the Code or the regulations promulgated thereunder) in number or value of the outstanding shares of the U.S. REIT's capital stock, within 30 days after the end of each taxable year, is required to give the U.S. REIT written notice, stating his or her name and address, the number of shares of each class and series of shares of capital stock that he or she beneficially owns and a description of the manner in which the shares are held. Each of these owners must provide the U.S. REIT with additional information that it may request in order to determine the effect, if any, of such person's beneficial ownership on the U.S. REIT's status as a REIT and to ensure compliance with the ownership limits. In addition, each stockholder will upon demand be required to provide the U.S. REIT with information that it may request in good faith in order to determine its status as a real estate investment trust and to comply with the requirements of any taxing authority or governmental authority or to determine the U.S. REIT's compliance.

Joint Ventures and Other Ownership Structures

The U.S. REIT may invest a portion of the net proceeds from the issuance of U.S. REIT Common Stock, U.S. REIT ROC Shares and U.S. REIT Notes (if any) in joint ventures, partnerships, or other similar investment vehicles, through which the U.S. REIT may join with a third party investor which has a combination of investment capital, property interests, local knowledge or experience in the marketplace in which a Property is located, in order to broaden the number of Properties, subject to the Fund LP Agreement, in which the U.S. REIT has an interest.

On the Closing Date or shortly thereafter, Starlight Investments Acquisition LLC will indirectly transfer its 50% interest in Sunset Ridge to the Fund by way of the Sunset Ridge Purchase Agreement and the Property will be co-owned by the Fund and Fund No. 1 pursuant to the terms of the Sunset Ridge LLC Agreement.

9. ESCROWED SECURITIES

The following securities of the Fund will be held in escrow:

Designation of Class	Number of Securities Held in Escrow	Percentage of Class
Class C Units	500,000[(1)]	71.4%

Notes:

(1) Assumes a Canadian dollar exchange rate of C$1.00 to US$1.00. The actual number of Class C Units to be held in escrow (the "**Escrowed Units**") will be the Canadian dollar equivalent of US$7,000,000 of Class C Units, less the amount of any subscriptions for Class C Units received from other investors known to the Manager, which is estimated to be C$2,000,000 of Class C Units. It is expected that the Escrowed Units that will be issued to an Affiliate of the Manager and/or the principal of the Manager (the "**Escrow Securityholder**") on the Closing Date will be held in escrow pursuant to an escrow agreement (the "**Escrow Agreement**") to be entered into between the Fund, the Escrow Securityholder and Equity Financial Trust Company, as escrow agent. Pursuant to the terms of the Escrow Agreement, 1/4 of the Escrowed Units will be released on

the date that the Fund's Class A Units and Class U Units are listed on the Exchange (the "**Listing Date**"). 1/3 of the remaining Escrowed Units will be released six months after the Listing Date. 1/2 of the remaining Escrowed Units will be released 12 months after the Listing Date, and the remaining Escrowed Units will be released 18 months after the Listing Date.

10. CAPITALIZATION

10.1 Pro Forma Capitalization

The following table sets forth the *pro forma* consolidated capitalization of the Fund as at May 1, 2014 and as at March 31, 2014 after giving effect to the Maximum Offering and the acquisition of the Initial Portfolio. The table should be read in conjunction with the Fund's *pro forma* consolidated financial statements and notes thereto contained in this Prospectus.

	As at May 1, 2014	**As at March 31, 2014 after giving effect to the Maximum Offering and the Acquisition of Initial Portfolio**
Partnership Interests (Authorized – unlimited)	US$20(1)	US$60,000,000
Indebtedness		
– Assumed Mortgages (2)	US$0	US$37,900,000
– Mortgage Loans (3)	US$0	US$23,100,000
Total Capitalization	US$20	US$121,000,000

Notes:

(1) The Fund was established on May 1, 2014. Each of Daniel Drimmer and the General Partner contributed US$10 in capital.
(2) The Assumed Mortgages would be US$44,900,000 based on the Minimum Offering.
(3) The Mortgage Loans would be US$23,900,000 based on the Minimum Offering.

10.2 Long-Term Debt

The Fund does not have any earnings to date, and does not currently have any outstanding long-term debt. Upon acquisition of the Initial Portfolio, the U.S. REIT will, directly or indirectly, assume Mortgage Loans in the amount of approximately US$44,900,000 under the Minimum Offering and US$37,900,000 under the Maximum Offering (reflecting immediate repayment of the Allure mezzanine loan on closing) and will incur Mortgage Loans of approximately US$23,900,000 under the Minimum Offering and US$23,100,000 under the Maximum Offering. It is anticipated that upon the acquisition of any additional Properties, the U.S. REIT (or its Subsidiaries) will further incur Mortgage Loans. Lenders for the Mortgage Loans are expected to be U.S.-based banks, life insurance companies and pension funds unrelated to the Manager. The Manager will target an overall loan-to-value ratio (of Mortgage Loans) between 60% to 70% of the purchase price of the Properties as a whole, plus the amount of any property improvement reserve account approved by the lenders. However, the Manager, having regard to all of the circumstances including the potential value of the Properties identified for investment, may cause the overall loan-to-value ratio of the Mortgage Loans to exceed this threshold. Notwithstanding the foregoing, the Fund LP Agreement limits total indebtedness of the Fund to no more than 75% of the Investable Funds (or, at the discretion of the General Partner, the appraised value of the Properties). Such non-recourse loans will generally be for terms of three to ten years, with fixed interest rates calculated with reference to the interest rate on a government bond with a similar term, plus an amount determined in accordance with market factors or floating rates calculated based on a spread over LIBOR. The Mortgage Loans will be secured by mortgages registered on the Properties in respect of which the loans were advanced.

11. PRIOR SALES

There have been no prior sales of securities of the Fund, other than the initial Class C Unit issued to Mr. Daniel Drimmer and the general partner interest issued to the General Partner.

12. PRINCIPAL SECURITY HOLDERS

Except as disclosed below, after giving effect to the Offering, to the best of the knowledge of the General Partner, no persons will own, directly or indirectly, or exercise control or direction over Units carrying at least 10% of the votes attached to the issued and outstanding Class A Units or Class U Units. An Affiliate of the Manager will own, directly or indirectly, or exercise control or direction over a minimum of approximately 71.4% of the Class C Units, representing approximately a 8.3% voting interest in the Fund, assuming the completion of the Maximum Offering and a Canadian to U.S. dollar exchange rate of C$1.00 to US$1.00 as at the Closing Date. Assuming the Minimum Offering is completed and a Canadian to U.S. dollar exchange rate of C$1.00 to US$1.00 as at the Closing Date, an Affiliate of the Manager will own, directly or indirectly, or exercise control over approximately 71.4% of the Class C Units, representing approximately a 18.5% voting interest in the Fund.

13. DIRECTORS AND OFFICERS

13.1 Name, Address, Occupation and Security Holdings

The following table sets forth certain information regarding each of the individuals who will be Directors and/or acting in the capacity of executive officers of the Fund as at the Closing Date (currently, Daniel Drimmer, Tamara Lawson and David Hanick are directors of the General Partner).

Name, Age, and Municipality of Residence	Position Held with Fund/General Partner[1]	Principal Occupation
Daniel Drimmer[2] .... Age: 41 Toronto, Ontario, Canada	Director and Chief Executive Officer	President and Chief Executive Officer of the Manager
Tamara L. Lawson .... Age: 56 Toronto, Ontario, Canada	Chief Financial Officer	Chief Financial Officer of the Manager
Evan Kirsh .... Age: 47 Toronto, Ontario, Canada	President	President of the Fund, President of Fund No. 1 and President of Fund No. 2
Derek Lobo[2] .... Age: 56 Burlington, Ontario, Canada	Independent Director	Chief Executive Officer of Rock Advisors Inc.
Harry Rosenbaum[2] .... Age: 65 Toronto, Ontario, Canada	Independent Director	Partner and Director of Ashton Woods Homes

Notes

(1) The individuals acting in the capacity of the Fund's executive officers are not employed by the Fund or any of its Subsidiaries, but rather are employees of or consultants to the Manager and provide services to the Fund and its Subsidiaries, on behalf of the Manager, pursuant to the Management Agreement.
(2) To be a member of the audit committee.

The General Partner believes that the individuals noted above who are not currently Directors will not have any liability for the contents of this Prospectus in such capacities under applicable Canadian securities laws.

Personal Profiles

Set out below is a biography of each of the Directors and officers of the Fund for the past five years or more. While the Directors and officers of the Fund have significant experience in multi-family real estate in Canada, their direct experience in multi-family real estate in the U.S. is more limited. Investors are cautioned that the experience of the Directors and officers of the Fund may not be relevant to their achievement of the investment objectives of the Fund. See "Risk Factors – Experience of Directors and Officers".

Daniel Drimmer – Director and Chief Executive Officer

Daniel Drimmer, a resident of Toronto, Ontario, is the founder, President and Chief Executive Officer of the Manager, a Canadian asset management company focused on the acquisition, ownership and management of commercial and residential properties across Canada and the U.S., with a portfolio of 27,000 residential rental suites and 2,000,000 square feet of commercial properties. In addition to the formation of the Manager, Daniel Drimmer established and is the chairman of True North Apartment Real Estate Investment Trust and True North Commercial Real Estate Investment Trust, as well as TransGlobe Investment Management Ltd., TransGlobe Property Management Services Ltd. and TransGlobe Apartment Real Estate Investment Trust ("**Transglobe Apartment REIT**" and, collectively, "**TransGlobe**") and was TransGlobe's President from November 1996 to August 2011. Under Mr. Drimmer's guidance, TransGlobe expanded its original portfolio of seven properties to a portfolio exceeding 30,000 residential units (including those owned by Transglobe Apartment REIT, as at September 1, 2011), and approximately one million square feet of gross leasable area of commercial space. As founder and chairman of TransGlobe Apartment REIT, between the May 2010 initial public offering and its privatization in June 2012, Mr. Drimmer helped deliver an approximate 60% total return to investors. Daniel Drimmer also became Transglobe Apartment REIT's Chairman and director from May 2010 to August 2011. Mr. Drimmer is currently a director of Fund No. 1 and Fund No. 2. Over the last 10 years, Mr. Drimmer has sourced, acquired and financed in excess of 75,000 residential units. Over the last five years, Daniel Drimmer has led more than C$9 billion in real estate transactions, including three initial public offerings. Daniel Drimmer was born and raised in Berlin, Germany and is the third generation of the Drimmer family to be involved in real estate. He obtained a Bachelor of Arts degree from the University of Western Ontario, and a Master of Business Administration degree and a Masters' degree in Contemporary European Policy Making from European University in Geneva, Switzerland. Between 1997 and 2009, Mr. Drimmer developed an extensive portfolio of approximately C$800 million in Canadian commercial properties.

Tamara L. Lawson – Chief Financial Officer

Tamara L. Lawson joined the Manager as its Chief Financial Officer in June 2012. Ms. Lawson is also a director of American Hotel Income Properties REIT LP, the Chief Financial Officer of Fund No. 1 and the Chief Financial Officer of Fund No. 2. Prior to joining the Manager, from 2001 to 2012, Ms. Lawson was the Chief Financial Officer and Corporate Secretary of InnVest Real Estate Investment Trust ("**InnVest**"), a TSX-listed company, and the Chief Financial Officer of the Westmont Hospitality Group ("**Westmont**"), one of the largest private hospitality groups in the world. Ms. Lawson joined Westmont in 2001 as its Chief Financial Officer and became Chief Financial Officer of InnVest in 2002 when it went public. While at InnVest and Westmont, Ms. Lawson completed C$4 billion of property acquisitions and C$2.5 billion of debt and equity financings. Ms. Lawson has over 25 years of financial management, acquisitions, corporate governance, investor relations, capital markets and public company experience. Prior to joining Westmont in 2001, Ms. Lawson held senior executive positions at several major Canadian public companies, including Executive Vice President, Chief Financial Officer and Secretary of Chapters Inc. and Treasurer of Sears Canada Inc. Ms. Lawson holds a Master of Business Administration degree from the Schulich School of Business at York University and is a Chartered Accountant.

Evan Kirsh – President

Evan Kirsh has 25 years of real estate experience with the last 14 years of his career having been dedicated exclusively to the multi-family housing industry. Evan's experience includes executive positions with Revera Inc., GWL Realty Advisors and MetCap Living Inc. as well as positions with Brazos Advisors, Citibank Canada and Manulife Real Estate (the global real estate arm of Manulife Financial Corporation). During his tenure with these companies, Evan has been involved in the asset management and operation of over C$6 billion of multi-unit housing assets as well as the acquisition or disposition of approximately 17,000 multi-unit housing suites comprising a total value of more than C$1.4 billion. Mr. Kirsh is currently the president of Fund No. 1 and Fund No. 2. Evan holds a Bachelor of Arts in Honours Business Administration and a Master of Business Administration from the University of Western Ontario.

Derek Lobo – Independent Director

Derek Lobo is the Founder, Chairman and Chief Executive Officer of Rock Advisors Inc., a boutique commercial real estate firm with an exclusive focus on the apartment industry. Mr. Lobo has over 20 years of experience in apartment marketing across North America, with a focus on providing practical strategic solutions aimed at increasing occupancy and asset value. In 1988, Mr. Lobo founded Derek A. Lobo & Associates Inc., a multi-family consulting firm, for which he currently acts as Chief Executive Officer. Mr. Lobo is has also spoken widely on real estate matters at trade shows and conferences across North America including to The National Multi-Housing Council and Ontario Real Estate Association. Mr. Lobo is currently a director of Fund No. 1 and Fund No. 2.

Harry Rosenbaum – Independent Director

Harry Rosenbaum is a founding principal of the Great Gulf Group of Companies, one of North America's premier real estate conglomerates. He has been instrumental in manifesting such iconic projects as One Bloor East, Toronto, Ontario.

Mr. Rosenbaum is a principal of Ashton Woods Homes, one of the largest private homebuilders in the United States and is currently a director of Fund No. 1 and Fund No. 2. He is also a Trustee of WPT Industrial Real Estate Investment Trust. Prior to the creation of Great Gulf Group in 1983, Mr. Rosenbaum practiced commercial and real estate law at a Toronto law firm. Mr. Rosenbaum is active as a board member of various charitable organizations including the ACL (Advocates for Civil Liberties) and Sunnybrook Hospital Foundation. Mr. Rosenbaum attended Osgoode Hall Law School, graduating in 1974. He also holds a degree in Economics from York University, completed in 1971.

Immediately after the Closing Date, the Directors and executive officers of the Fund (excluding Daniel Drimmer, a Director and the principal of the Manager), as a group, will beneficially own, directly or indirectly, or exercise control or direction over approximately 15,000 Units, representing an approximate 0.25% voting interest in the Fund assuming the completion of the Maximum Offering.

13.2 Insurance Coverage for Directors and Officers and Indemnification

The Fund and its Subsidiaries will obtain or cause to be obtained a policy or policies of insurance for the Directors and officers of each of the Fund and each corporate Subsidiary. Under such policy or policies, each Entity will have reimbursement coverage to the extent that it has indemnified the Directors and officers. The policy or policies will include securities claims coverage, insuring against any legal obligation to pay on account of any securities claims brought against the Fund and its Subsidiaries, and their Directors and officers. In addition, the Fund and its Subsidiaries will each indemnify its Directors and officers from and against liability and costs in respect of any action or suit brought against them in connection with the execution of their duties of office.

13.3 Corporate Cease Trade Orders or Bankruptcies, Penalties or Sanctions

No current Director or executive officer of the Fund is, or within the ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company that (i) was subject to a cease trade order or similar order or an order that denied the company access to any exemption under securities legislation, in each case in effect for a period of more than 30 consecutive days, that was issued while that person was acting in the capacity of a director, chief executive officer or chief financial officer of that company, or (ii) was subject to such an order that was issued after that person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the person was acting in that capacity.

No current Director or executive officer of the Fund is, or within the ten years prior to the date hereof has been, a director or executive officer of any company that, while that person was acting in that capacity or within a year of 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. In addition, no current Director or executive officer of the Fund has, within the ten years prior to the date hereof become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the current Director or executive officer.

No current Director or executive officer of the Fund has: i) 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 ii) 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.

14. THE MANAGER AND THE MANAGEMENT AGREEMENT

14.1 The Manager

The Fund will be managed by the Manager, a company incorporated under the laws of Ontario, which will be engaged by the Fund in the identification, acquisition, ownership, operation and disposition of income producing multi-family real estate properties. Led by a team of industry veterans with a record of creating long-term investor value, the Manager is an experienced multi-family real estate owner and asset manager. The Manager's principal, Daniel Drimmer, has over 18 years of experience identifying undervalued properties in the multi-family real estate sector, acquiring such properties and realizing value through individual asset or portfolio sales. The Manager has prior experience in the U.S. multi-family sector, including in Texas, gained through, in particular, the deployment and management of Fund No. 1 and Fund No. 2 and has an established network in Texas from which to source future acquisitions.

The Manager currently owns and/or asset manages C$3.5 billion in assets in Canada and the U.S., including over 27,000 suites (of which approximately 2,344 suites are located in Texas) and 2 million square feet of commercial space through various entities, including its partnership with an institutional investor. The Manager has extensive experience both overseeing and working with external property managers and provides asset management services to True North Apartment REIT (TSX: TN.UN), True North Commercial REIT (TSX: TNT.UN), Fund No. 1 (TSX-V: UMF.A and UMF.U) and Fund No. 2 (TSX-V: SUD.A and SUD.U). The Manager employs over 100 professionals.

During the past ten years, the principal of the Manager, Daniel Drimmer, acquired, operated and sold in excess of 75,000 multi-family suites. Also during this time period, the Manager has established a reputation for identifying acquisitions and driving value through a hands-on asset management approach. The Manager is principally owned by Daniel Drimmer (see the biography of Mr. Drimmer under "Directors and Officers – Name, Address, Occupation and Security Holdings – Personal Profiles").

Historical performance of Fund No. 1 and Fund No. 2 is shown for illustrative purposes only and does not guarantee the future performance of any particular investment or the Fund, which will vary.

Fund No. 1

The Manager, as promoter, closed its first offering on April 18, 2013 through Fund No. 1 and raised approximately US$47.2 million. These funds were substantially deployed in a portfolio of recently constructed, stabilized, Class "A", multi-family assets in Texas within five months of the closing of the offering, comprising US$118.4 million of apartment product and purchased interests in 1,368 apartment units in Houston and Dallas, Texas. Subsequently, Fund No. 1 acquired a 25% interest in 379 apartment units in Dallas, Texas for US$10.325 million and a 50% interest in 257 apartment units in Houston, Texas for US$12.3 million. Property managers engaged on the portfolio of Fund No. 1 include Greystar and Pinnacle, two of the largest and most well-respected apartment managers in the U.S. with approximately 215,000 and 135,000 multi-family units under management, respectively.

Property	Location	# of Suites	Price Per Suite	Price Per Square Foot
Falls at Copper Lake	9140 Highway 6 North, Houston, Texas	374	US$108,489	US$108
Bridgemoor at Denton	2801 Spencer Road, Denton, Texas	240	US$106,250	US$130
Villages of Towne Lake	4055 Village Drive, McKinney, Texas	126	US$115,079	US$118
Greenhaven Apartments	8690 Virginia Parkway, McKinney, Texas	216	US$108,796	US$123
Falls at Eagle Creek (35% Interest)	9702 N. Sam Houston Highway, Humble, Texas	412	US$99,515	US$108
Soho Parkway (25% Interest)	6653 McKinney Ranch Parkway, McKinney, Texas	379	US$108,971	US$113
Sunset Ridge (50%) (1)	14807 Woodland Hills Dr, Humble, Texas	257	US$95,720	US$104
TOTAL/AVERAGE		**2,004**	**US$106,729**	**US$115**

Notes:

(1) Fund No. 1 acquired a 50% interest in Sunset Ridge on May 20, 2014.

Operating results for Fund No. 1 since inception for the period February 12, 2013 to March 31, 2014 included:

(a) Strong overall NOI margin of 55.8% and year-over-year rental growth of over 5%.

(b) Weighted average occupancy of Fund's properties of 94.4%.

(c) AFFO payout ratio of 85.75%.

(d) Conservative leverage of 60.0% of gross book value as at March 31, 2014. Interest Coverage Ratio for the period of 2.58 times and Indebtedness Coverage Ratio of 2.08 times.

(e) Weighted average interest rate of 3.35% and weighted average term to maturity of 3.22 years.

(f) Maintenance capital expenditures below budget and on time.

As the Manager had expected, the U.S. dollar has appreciated against the Canadian dollar since Fund No. 1's initial public offering closed. The listed limited partnership units of Fund No. 1 (UMF.A:TSXV and UMF.U:TSXV) have traded at or close to their issue price since the closing of the offering.

The Manager engaged the Appraiser on May 1, 2014 to appraise Fund No. 1's portfolio. The appraised value of the portfolio (excluding Sunset Ridge, which was acquired by Fund No. 1 after the completion of the appraisal) was in aggregate US$150,116,500, which amount exceeds the aggregate purchase price of the Properties by US$21,366,500 or 16.60%. This also represents a 48.2% increase over the equity proceeds raised in Fund No. 1's initial public offering. This increase in appraised value was due to NOI growth and not Capitalization Rate compression and reflects strong underlying fundamentals and market conditions as well as the Manager's active asset management strategy.

Historical performance of Fund No. 1 is shown for illustrative purposes only and does not guarantee the future performance of any particular investment or the Fund, which will vary.

Fund No. 2

The Manager, as promoter, closed its second offering on November 15, 2013 through Fund No. 2 and raised approximately US$32.7 million. These funds were substantially deployed in a portfolio of recently constructed, stabilized, Class "A", multi-family assets in Texas within five months of the closing of the offering, comprising US$94.6 million of apartment product and purchased interests in 1,131 apartment units in Houston, Austin and Dallas, Texas. Property managers engaged on the portfolio of Fund No. 2 include Greystar and Alliance, two of the largest and most well-respected apartment managers in the U.S. with approximately 215,000 and 72,000 multi-family units under management, respectively.

Property	**Location**	**# of Suites**	**Price Per Suite**	**Price Per Square Foot**
Palm Valley	1301 North A.W. Grimes Boulevard, Round Rock, Texas	340	US$107,206	US$110
Falls at Eagle Creek (65% Interest)	9702 N. Sam Houston Highway, Humble, Texas	412	US$101,286	US$110
Soho Parkway (75% Interest)	6653 McKinney Ranch Parkway in McKinney, Texas	379	US$108,971	US$113
TOTAL/AVERAGE		**1,131**	**US$105,991**	**US$111**

Operating results for Fund No. 2 for the three month period ending March 31, 2014 included:

(a) Occupancy was 0.6% above forecast at 93.4%, including Fund No. 2's interest in the Falls at Eagle Creek.

(b) NOI margin for the period of 51.7%, including Fund No. 2's interest in the Falls at Eagle Creek.

(c) AFFO payout ratio of 91.71%.

(d) Weighted average interest rate of 3.01% and weighted average term to maturity of 2.60 years including the impact of its interest in the Falls at Eagle Creek. Fund No. 2 had an Interest Coverage Ratio of 2.29 times, including the impact from its equity investment in the Falls at Eagle Creek.

(e) Maintenance capital expenditures below budget and on time.

As the Manager had expected, the U.S. dollar has appreciated against the Canadian dollar since Fund No. 2's initial public offering closed. The listed limited partnership units of Fund No. 2 (SUD.A:TSXV and SUD.U:TSXV) have traded at or close to their issue price since the closing of the offering.

The Manager engaged the Appraiser on May 1, 2014 to appraise Fund No. 2's portfolio. The appraised value of the portfolio was in aggregate US$100,263,500, which amount exceeds the aggregate purchase price of the Properties by US$5,714,000 or 6.09%. This also represents an 18.2% gain on the equity proceeds raised in Fund No. 2's initial public offering. This increase in appraised value was due to NOI growth and not Capitalization Rate compression and reflects strong underlying fundamentals and market conditions as well as the Manager's active asset management strategy.

Historical performance of Fund No. 2 is shown for illustrative purposes only and does not guarantee the future performance of any particular investment or the Fund, which will vary.

14.2 The Management Agreement

Pursuant to the terms of a management agreement to be entered into among the Fund, the U.S. REIT and the Manager (the "**Management Agreement**"), the Manager will be appointed as the sole and exclusive manager of the affairs of the Fund. The Manager will provide the Fund and the U.S. REIT with the strategic, advisory, asset management, administrative, leasing, construction management and administrative services necessary to manage the day-to-day operations of the Fund and the Properties. In carrying out its obligations under the Management Agreement, the Manager will be required to exercise its powers and discharge its duties diligently, honestly, in good faith and in the best interests of the Fund, including exercising the standard of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances.

The services to be provided by the Manager under the terms of the Management Agreement include, without limitation: (i) the structuring of the Offering, the Fund, the Investment LP, the Holding LP and the U.S. REIT, (ii) liaising with legal and tax counsel, (iii) identifying Properties for acquisition, (iv) maintaining ongoing relationships with the lenders in respect of the Mortgage Loans for the Properties, (v) conducting continuous analysis of market conditions to monitor the U.S. REIT's investment in the Properties, (vi) advising the Fund and/or the U.S. REIT with respect to the Disposition of the Properties, (vii) providing investor communication and reporting services to the Fund, and (viii) doing all such other acts or things and entering into agreements or documents on behalf of the Fund and/or the U.S. REIT to seek to achieve the investment objectives of the Fund.

Notwithstanding the above, it may at times be prudent for the Manager to delegate certain of its responsibilities under the Management Agreement to third party providers. In the event that the Manager was to outsource any of its obligations under the Management Agreement, such delegation will be done at the expense of the Manager and will not relieve the Manager of its obligations under the Management Agreement.

The personnel engaged by the Manager will not be employees of the Fund. The Manager will provide such administrative, executive and management personnel as may be reasonably necessary to perform its obligations by using its own employees and consultants and will therefore be responsible for all matters with respect to such employees and consultants. Pursuant to the terms of the Management Agreement, the Manager will bear all costs and expenses incurred by the Manager in connection with all salaries, employee expenses, consulting arrangements, office rent and equipment, and other expenses customarily considered to be overhead expenses. The Manager will provide the services of each of Mr. Drimmer, as Chief Executive Officer, Mr. Kirsh, as President and Ms. Lawson, as Chief Financial Officer, to the Fund.

The term of the Management Agreement will continue, subject to earlier termination in certain circumstances, until the winding-up or dissolution of the Fund. The Management Agreement can be terminated early in certain circumstances, including (i) upon the dissolution, liquidation, bankruptcy, insolvency or winding-up of the Manager, and (ii) in the event that Mr. Drimmer is no longer associated with the Manager.

The Management Agreement contains indemnification provisions whereby the Fund indemnifies the Manager against any loss, expense, damage or injury suffered in the scope of its authority under the Management Agreement, provided the same does not result from wilful misconduct, bad faith, gross negligence or breach of its standard of care owed under the Management Agreement. In addition, under the Management Agreement, the Manager indemnifies the Fund against any loss, expense, damage or injury suffered as a result of the Manager's wilful misconduct, bad faith, gross negligence or breach of its standard of care owed under the Management Agreement.

For its services, the Manager will be paid the following fees:

(a) In consideration for providing management services, the Fund and the U.S. REIT will pay the Manager an aggregate base annual management fee (the "**Asset Management Fee**") calculated and payable on a monthly basis in arrears in cash on the first day of each month equal to 0.35% of the sum of: (i) the historical purchase price of the Properties in U.S. dollars, and (ii) the cost of any capital expenditures in respect of the Properties since the date of their indirect acquisition by the Fund, plus an amount equal to the Service Fee.

(b) In consideration for providing financing and other services in connection with the acquisition of the Properties, the U.S. REIT will pay the Manager an acquisition fee (the "**Acquisition Fee**") equal to: (i) 1.00% of the purchase price paid by the U.S. REIT for the purchase of a Property, on the first US$100,000,000 of Properties acquired, (ii) 0.75% of the purchase price paid by the U.S. REIT for the purchase of a Property, on the next US$100,000,000 of Properties acquired, and (iii) 0.50% of the purchase price paid by the U.S. REIT for the purchase of a Property, on Properties in excess of US$200,000,000 acquired; and such Acquisition Fee shall be paid in full upon the completion of the purchase of each such Property. In addition, following termination of the Management Agreement for any reason, the U.S. REIT shall pay the Acquisition Fee to the Manager in respect of transactions that have been approved or committed to by the Fund and the U.S. REIT, but not yet completed, as of the date of termination immediately following the completion of such transaction.

14.3 Potential Conflicts of Interest (Directors and Officers)

The Manager is owned indirectly and controlled by Daniel Drimmer. Pursuant to the Management Agreement, the Manager will be receiving various fees and payments from the U.S. REIT and the Fund in respect of the acquisition of Properties and asset management and other services provided thereunder. The General Partner and the Holding GP are owned indirectly and controlled by Daniel Drimmer. Pursuant to the limited partnership agreement for the Holding LP, the Holding GP will be participating in the profits of the Holding LP. An Affiliate of the Manager intends to subscribe for Class C Units pursuant to this Prospectus and have a voting interest of approximately (i) 8.3% in the Fund assuming the Maximum Offering is completed and a Canadian to U.S. dollar exchange rate of C$1.00 to US$1.00 as at the Closing Date, or (ii) 18.5% in the Fund assuming the Minimum Offering is completed and a Canadian to U.S. dollar exchange rate of C$1.00 to US$1.00 as at the Closing Date.

Mr. Drimmer is not in any way limited or affected in his ability to carry on other business ventures for his own accounts and for the accounts of others, and is now, and intends in the future to be, engaged in the development of, investment in and management of other real estate properties. Mr. Drimmer will not have any obligation to account to the Fund or the Unitholders for profits made in such other activities.

The Manager's continuing businesses, including as its role as manager of Fund No. 1 and Fund No. 2, may lead to conflicts of interest between the Manager and the Fund. The Fund may not be able to resolve any such conflicts, and, even if it does, the resolution may be less favourable to the Fund than if it were dealing with a party that was not affiliated with a significant holder of an interest in the Fund. The agreements that the Fund entered into with the Manager may be amended upon agreement between the parties, subject to Applicable Laws and approval in certain cases of the independent directors. Because of the proposed significant holdings of an Affiliate of the Manager in the Fund, the Fund may not have the leverage to negotiate any required amendments to these agreements on terms as favourable to the Fund as those the Fund would negotiate with a party that was not a significant holder of an interest in the Fund.

The general partners of each of the Fund, Fund No. 1 and Fund No. 2 have elected the same independent directors to their respective boards. As a result, if the Properties of the Fund are held jointly or in partnership with either Fund No. 1 (as is the case with Sunset Ridge) or Fund No. 2 such directors may be considered to be in a conflict of interest should the interests of the Fund and Fund No. 1 and/or Fund No. 2 no longer be aligned. See "Risk Factors – Risks of Real Estate Investment and Ownership – Co-Investment/Joint Ventures".

15. EXECUTIVE COMPENSATION

Executive and Director Compensation

The Fund is a newly established entity and has not completed a financial year. For the period from formation on May 1, 2014 to the date of this Prospectus, no compensation was paid by the Fund to the Directors or to the executive officers. The Fund intends to pay Derek Lobo and Harry Rosenbaum annual compensation in the amount of C$12,500 per annum. Daniel Drimmer will not be compensated by the Fund for serving as a Director and no compensation will be paid by the Fund to the individuals performing the functions of executive officers of the Fund. The Manager has not yet determined what proportion of the compensation or consulting fees it pays to the individuals performing the functions of executive officers for the Fund will be attributable to the services provided by such individuals to the Fund.

Pursuant to a consulting agreement between the Manager and a corporation controlled by Evan Kirsh (the "**Consultant**"), in consideration for, among other things, providing the services of Mr. Kirsh to act as President of the Fund, the Manager pays the Consultant a consulting fee (the "**Consulting Fees**"). The Manager has not yet determined what proportion of the Consulting Fees it pays to the Consultant will be attributable to the services to be provided by the Consultant to the Fund. In addition, upon completion of a liquidation event in respect of the Fund, the Consultant will be, generally, entitled to payment from the Manager of an amount equal to the amount, if any, by which the aggregate of (i) 25% of the net Acquisition Fees and Asset Management Fees received by the Manager during the Term and such corresponding amounts with respect to Fund No. 1 and Fund No. 2, and (ii) 25% of the distributions received by the Holding GP from the Holding LP during the Term and such corresponding amounts with respect to Fund No. 1 and Fund No. 2, exceeds the proportion of the Consulting Fees paid or payable by the Manager to the Consultant in respect of the services provided by the Consultant to the Fund, Fund No. 1 and Fund No. 2 during the term of the consulting agreement and any amounts payable by the Consultant pursuant to the consulting agreement. The Manager (and not the Fund) will be responsible for any such amounts payable to the Consultant.

Long Term Incentive Plan, Stock Appreciation Rights and Stock Option Grants

The Fund does not and will not have a long term incentive plan pursuant to which cash or non-cash compensation has been or will be paid or distributed to any executive officer or Director. The Fund does not and will not have any stock appreciation rights or incentive plans. The Fund has not issued and will not issue any stock options to any executive officer or Director.

Pension Plan Benefits

The Fund does not have and will not implement a pension plan for its executive officers or Directors.

Termination of Employment, Change in Responsibilities and Employment Contracts

The Fund has not entered into and will not enter into any employment contracts or arrangements with its executive officers or Directors that provide for any payments in connection with any termination and the Management Agreement will not provide for any incremental payments by the Fund or its Subsidiaries in respect of the Manager's termination of any individuals performing the functions of an executive officer for the Fund.

15.1 Compensation Committee

The Fund does not have a compensation committee.

15.2 Indebtedness of Directors and Executive Officers

None of the Directors or executive officers of the Fund are indebted to the Fund.

16. AUDIT COMMITTEE AND CORPORATE GOVERNANCE

16.1 Audit Committee

The audit committee of the Fund will be comprised of Harry Rosenbaum, Derek Lobo and Daniel Drimmer. Derek Lobo and Harry Rosenbaum are "independent" within the meaning of National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"). As a "venture issuer" under applicable securities laws, the Fund is permitted to have an audit committee not comprised exclusively of independent Directors and the Fund is relying on such an exemption in Section 6.1 of NI 52-110. Each of Harry Rosenbaum, Derek Lobo and Daniel Drimmer are financially literate within the meaning of applicable securities laws. See the biographies of Harry Rosenbaum, Derek Lobo and Daniel Drimmer above under "Directors and Officers – Name, Address, Occupation and Security Holdings – Personal Profiles" for a description of the experience that is relevant to the performance of their responsibilities as audit committee members.

The audit committee will assist the Fund in fulfilling its responsibilities of oversight and supervision of its accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, and the quality and integrity of its financial statements. In addition, the audit committee will be responsible for directing the auditors' examination of specific areas, for the selection of the Fund's independent auditors and for the approval of all non-audit services for which its auditors may be engaged.

The Board has adopted a written charter for the audit committee which sets out the audit committee's responsibility in reviewing the financial statements of the Fund and public disclosure documents containing financial information and reporting on such review to the Board, review of the Fund's public disclosure documents that contain financial information, oversight of the work and review of the independence of the external auditors and reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management. A copy of the audit committee charter is attached to this Prospectus as "Schedule A".

At no time since the establishment of the Fund has a recommendation of the audit committee to nominate or compensate an external auditor not been adopted by the Directors. The audit committee has not yet adopted specific policies and procedures for the engagement of non-audit services.

The Fund is newly established and has not yet had a fiscal year end. As a result, there have been no fees billed to the Fund by its auditors, Collins Barrow Toronto LLP, in respect of the Fund's last two fiscal years.

16.2 Corporate Governance

Following the Closing Date, a majority of the Directors will be independent within the meaning of applicable securities laws. Derek Lobo and Harry Rosenbaum are independent Directors. Daniel Drimmer, as Chief Executive Officer of the Fund and owner of the Manager, has a material relationship with the Fund and is therefore not an independent Director.

At each meeting of the Board, there will be an in-camera meeting at which any non-independent Directors and management are not present. The Board has not yet appointed a chair of the Board, but such chair will be required to be independent. The Board has held no meetings since the establishment of the Fund.

The mandate of the Board will be one of stewardship and oversight of the Fund and its business. In fulfilling its mandate, the Board will adopt a written charter setting out its responsibility, among other things, for (i) supervising the activities and managing the investments and affairs of the Fund, (ii) approving major decisions regarding the Fund, (iii) overseeing the Manager and the fulfillment of its responsibilities under the Management Agreement, (iv) identifying and managing risk exposure, (v) ensuring the integrity and adequacy of the Fund's internal controls and management information systems, (vi) succession planning, (vii) maintaining records and providing reports to Unitholders, (viii) ensuring effective and adequate communication with Unitholders, other stakeholders and the public, (ix) determining the amount and timing of distributions to Unitholders, and (x) acting for, voting on behalf of and representing the Fund as a holder of Investment LP Units.

All newly elected Directors will be provided with a comprehensive orientation as to the nature and operation of the business and affairs of the Fund and as to the role of the Board and its committees. The orientation program will be designed to assist the Directors in fully understanding the nature and operation of the Fund's business, the role of the Board and its committees and the contributions that individual directors are expected to make.

The Board has not developed written position descriptions for any committee chairs or the Chief Executive Officer. The Board will delineate the roles and responsibilities of any chair of the Board or of committee chairs by consensus among the Directors from time to time.

The Fund will adopt a written code of business conduct and ethics (the "**Code of Conduct**") that applies to all Directors, officers, and the Manager and its employees. The objective of the Code of Conduct is to provide guidelines for maintaining the integrity, reputation, honesty, objectivity and impartiality of the Fund and its Subsidiaries. The Code of Conduct will address honest and ethical conduct, conflicts of interest, confidentiality, protection and proper use of the Fund's assets, compliance with laws and reporting any illegal or unethical behavior, prompt internal reporting of any violations of the Code and accountability for adherence under the Code. As part of the Code of Conduct, any person subject to the Code of Conduct will be required to avoid or fully disclose interests or relationships that are harmful or detrimental to the Fund's best interests or that may give rise to real, potential or the appearance of conflicts of interest. The Code of Conduct will also address matters concerning public disclosure and ensure that communications with the public concerning the Fund are timely, consistent and credible, and in accordance with the disclosure requirements under applicable securities laws. 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 System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

The Fund will also adopt an insider trading policy (the "**Insider Trading Policy**") which will apply to, among others, all Directors, officers, and the Manager and its employees. The objective of the Insider Trading Policy is to ensure that any purchase or sale of securities occurs without actual or perceived violation of applicable securities laws. The Insider Trading Policy will provide for "blackout" periods during which insiders and other persons who are subject to the policy are prohibited from trading in securities of the Fund. The Insider Trading Policy will also prohibit insiders and other persons who are subject to the policy from trading in securities of the Fund during the period commencing on the first day following the last month of each fiscal quarter and ending 24 hours following the issue of a press release in respect of the Fund's interim or annual financial statements. Additional black-out periods may also be prescribed from time to time by the Fund's administrators of the Insider Trading Policy at any time at which it is determined there may be undisclosed inside information concerning the Fund that makes it inappropriate for personnel to be trading. In such circumstances, the administrators of the Insider Trading Policy will issue a notice instructing these individuals not to trade in securities of the Fund until further notice. This notice will contain a reminder that the fact that there is a restriction on trading may itself constitute inside information or information that may lead to rumours and must be kept confidential.

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

If and when a Director resigns or is unwilling to stand for re-election as a Director, the remaining Directors will identify potential candidates for nomination to the Board, with a view to ensuring overall diversity of experience and skill.

The Board does not have a compensation committee. The Board has no committees other than the audit committee. The Directors will be regularly assessed with respect to their effectiveness and contribution.

17. PLAN OF DISTRIBUTION

17.1 Maximum and Minimum Offering

The Agents, by this Prospectus, are offering to sell to the public in each of the provinces of Canada up to a maximum of US$60,000,000 of Class A Units and/or Class U Units and/or Class D Units and/or Class F Units and/or Class C Units at a price of C$10.00 per Class A Unit, Class D Unit, Class F Unit and Class C Unit and US$10.00 per Class U Unit. The Fund may issue additional limited partnership units, including limited partnership units of a new class, by way of private placement concurrent with the closing of the Offering at a price of C$10.00 or US$10.00, as the case may be, provided that the proceeds of any such private placements together with the proceeds of the Offering, do not exceed the Maximum Offering amount. The terms of the Offering were determined by negotiation between the Agents and the Manager, on behalf of the Fund.

There is currently no market through which the Units may be sold, and such a market may not develop, and Purchasers may not be able to resell securities purchased under this Prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity and the extent of issuer regulation. The Fund has received conditional approval from the Exchange to list the Class A Units and Class U Units distributed under the Offering on the Exchange under the symbols "SUS.A" and "SUS.U", respectively. Listing of the Class A Units and Class U Units is subject to the Fund fulfilling all of the requirements of the Exchange. As at the date of this Prospectus, the Fund does not have any of its securities listed or quoted and has not applied to list or quote any of its securities on the Toronto Stock Exchange, a U.S. marketplace, or any other marketplace within or outside Canada and the U.S.

There will be no closing of the Offering unless the Minimum Offering is achieved. The minimum subscription amount is C$1,000 in respect of the Class A Units and Class F Units; C$10,000 in respect of the Class D Units; and US$1,000 in respect of the Class U Units. There is no minimum subscription amount in respect of the Class C Units. The Closing Date of the Offering will not proceed unless all preconditions to the closing of the acquisitions of the Properties comprising the Initial Portfolio have been satisfied or waived. The Agents will hold in trust all funds received from subscriptions until the Minimum Offering has been raised. If the Minimum Offering is not achieved within the distribution period, the Agents will return the funds to the Purchasers without any deductions.

The Units have not been and will not be registered under the U.S. Securities Act or the securities laws of any states in the U.S. and, subject to certain exceptions, may not be offered or sold in the U.S. The Agents have agreed that they will not offer or sell the Units within the U.S. except to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) or to a limited number of institutional accredited investors (as defined in the U.S. Securities Act). In addition, until 40 days after Closing Date, an offer or sale of Units within the U.S. by any dealer (whether or not participating in the Offering) may violate the registration provisions of the U.S. Securities Act unless made in compliance with Rule 144A or another exemption under the U.S. Securities Act.

The Fund and the Manager have agreed to indemnify the Agents and their directors, officers, employees and agents against certain liabilities, including, without restriction, civil liabilities under Canadian securities legislation, and to contribute to any payments the Agents may be required to make in respect thereof.

17.2 Timing of Distribution

The Closing Date is expected to be on or about July 9, 2014 or such later date as the Fund and the Agents may agree, but in any event not later than July 31, 2014. There will be no closing of the Offering unless the Minimum Offering is achieved. The distribution under the Offering will not continue for a period of more than 90 days after the date of the receipt obtained from the principal securities regulatory authority for the Final Prospectus. If one or more amendments to the Final Prospectus are filed and the principal securities regulatory authority has issued a receipt for any such amendment, the distribution under this Offering will not continue for a period of more than 90 days after the latest date of a receipt for any such amendment. In any case, the total period of distribution under the Offering will not continue for a period of more than 180 days from the date of the receipt for the Final Prospectus. If the Minimum Offering is not achieved during the 90 day period, subscription funds received by the Agents will be returned to subscribers without any deductions, unless the subscribers have otherwise instructed the Agents.

17.3 Subscription Procedure

The acceptance of an offer to purchase Units, whether by allotment in whole or in part, by the General Partner shall constitute a subscription agreement between the subscriber and the Fund upon the terms and conditions set out in this Prospectus and in the Fund LP Agreement, whereby the subscriber, among other things:

(a) agrees to provide certain information to the General Partner, including such subscriber's full name, residential address, business or corporation account number, as the case may be, number of Units subscribed for and the name and registered representative number of the representative of the Agents responsible for such subscription and covenants to provide such information to the Agents;

(b) acknowledges that he is bound by the terms of the Fund LP Agreement and is liable for all obligations of a Unitholder;

(c) makes the representations and warranties set out in the Fund LP Agreement; and

(d) irrevocably nominates, constitutes and appoints the General Partner as his true and lawful attorney with the full power and authority as set out in the Fund LP Agreement.

The foregoing subscription agreement shall be evidenced by delivery of this Prospectus to the subscriber, provided that the subscription has been accepted by the General Partner on behalf of the Fund.

A subscriber whose subscription is accepted by the General Partner will become a Unitholder upon the amendment of the record of Unitholders maintained by the General Partner. If a subscription is withdrawn or is not accepted by the General Partner, all documents and subscription monies will be returned to the subscriber, without interest, within 15 days following such withdrawal or rejection.

17.4 Agency Agreement

Pursuant to an Agency Agreement dated June 27, 2014, the Agents have agreed to conditionally offer the Units on a best efforts basis, subject to prior sale, if, as and when issued by the Fund and accepted by the Agents in accordance with the conditions contained in the Agency Agreement, in consideration of the Agents' Fee equal to the aggregate of 5.25% of the aggregate purchase price of Class A Units and/or Class U Units and/or Class D Units, and 2.25% of the aggregate purchase price of Class F Units, sold under the Offering. The Agents' Fee for the Class A Units, Class D Units and Class U Units includes a selling concession of 3%. No Agents' Fee or other commissions are payable in connection with the issuance of Class C Units.

The obligations of the Agents under the Agency Agreement may be terminated at any time at the Lead Agent's discretion on the basis of its assessment of the state of the financial markets and may also be terminated at any time on the occurrence of certain stated events.

Currently, the Agents do not beneficially own, directly or indirectly, any securities of the Fund. Other than as disclosed in this section, there are no payments in cash, securities or other consideration being made, or to be made, to a promoter, finder, or any other person or company in connection with this Offering.

Registration and transfers of Units will be effected only through the book entry only system administered by CDS. A book entry only certificate representing each class of Units will be issued in registered form only to CDS or its nominee, and will be deposited with CDS on the Closing Date. A Purchaser will receive only customer confirmation from the registered dealer which is a CDS participant and from or through which Units are purchased. Beneficial owners of Units will not have the right to receive physical certificates evidencing their ownership of such securities.

Registration and transfers of Units will be effected by Equity Financial Trust Company as transfer agent.

17.5 Relationship Between the Fund and the Lead Agent

The U.S. REIT will be indirectly acquiring a 100% ownership interest in Allure Acquisition LLC, which will secure a first Mortgage Loan in respect of the purchase of Allure in the amount of approximately US$29,500,000 as of the date of closing, with a Canadian chartered bank that is an Affiliate of the Lead Agent. Other than for standard exclusions such as fraud, gross negligence and environmental hazards, the Mortgage Loan will be non-recourse to the U.S. REIT. To the knowledge of the U.S. REIT, Sunset Ridge Acquisition LLC is in compliance with the terms of the Mortgage Loan.

The Manager, on behalf of Cinco Ranch Acquisition LLC, has secured a first Mortgage Loan in respect of the purchase of Cinco Ranch in the maximum amount of up to US$23,900,000 with a Canadian chartered bank that is an Affiliate of the Lead Agent. Other than for standard exclusions such as fraud, gross negligence and environmental hazards, the Mortgage Loan will be non-recourse to the U.S. REIT.

The U.S. REIT will be indirectly acquiring a 50% ownership interest in Sunset Ridge Acquisition LLC, which secured a first Mortgage Loan in respect of the purchase of Sunset Ridge in the amount of approximately US$16,800,000 (of which the Fund will assume US$8,400,000) as of May 20, 2014 with a Canadian chartered bank that is an Affiliate of the Lead Agent. Other than for standard exclusions such as fraud, gross negligence and environmental hazards, the Mortgage Loan will be non-recourse to the U.S. REIT. To the knowledge of the U.S. REIT, Sunset Ridge Acquisition LLC is in compliance with the terms of the Mortgage Loan.

As a result of the Mortgage Loans, the Fund may be considered a "connected issuer" of the Lead Agent, as such term is defined in National Instrument 33-105 – *Underwriting Conflicts*. See "Description of the Activities of the Fund – The Initial Portfolio – Financing of the Initial Portfolio". The decision to issue the Units and the determination of the terms of the Offering were made through negotiation between the Lead Agent and the Manager, on behalf of the Fund. The Canadian chartered bank that is an Affiliate of the Lead Agent did not have any involvement in such decision or determination. As a consequence of the Offering, the Lead Agent will receive its proportionate share of the Agents' Fee. See "Use of Proceeds".

17.6 Price Stabilization, Short Positions and Passive Market Making

In connection with the Offering, the Agents may effect transactions which stabilize or maintain the market price of the Class A Units and/or Class U 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 transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Class A Units and/or Class U Units while the Offering is in progress. These transactions may also include making short sales of the Class A Units and/or Class U Units, which involve the sale by the Agents of a greater number of Units than they are required to purchase in the Offering. Filling of the short position created by the over-allocation position in Class A Units and/or Class U Units through purchases in the market will create upward pressure on the price of the Class A Units and/or Class U Units. As a result of these activities, the price of the Class A Units and/or Class U 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 Agents at any time. The Agents may carry out these transactions on any stock exchange on which the Class A Units and/or Class U Units are listed, in the over-the-counter market, or otherwise.

18. CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Fund, and McCarthy Tétrault LLP, counsel to the Agents, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a Unitholder who acquires Units as beneficial owner pursuant to the Offering and who, for purposes of the Tax Act and at all relevant times, is resident in Canada, deals at arm's length with the Fund, the General Partner, the U.S. REIT and the Manager, is not affiliated with the Fund, the General Partner, the U.S. REIT and the Manager and holds the Units as capital property (a "**Holder**"). Generally, Units will be considered to be capital property to a Holder provided such Units are not held in the course of carrying on a business and have not been acquired in one or more transactions considered to be an adventure or concern in the nature of trade. The Units are not "Canadian securities" for the purpose of the one-time election under subsection 39(4) of the Tax Act to treat all "Canadian securities", as defined in the Tax Act, owned by the Holder as capital property, and therefore no such election will apply to the Units. Unitholders who do not hold their Units as capital property should consult with their own tax advisors regarding their particular circumstances.

This summary is not applicable to a Holder (i) that is a "financial institution" as defined in subsection 142.2(1) of the Tax Act, (ii) that is a "specified financial institution" as defined in the Tax Act, (iii) that reports its "Canadian tax results", as defined in the Tax Act, in a currency other than Canadian currency, (iv) an interest in which would be a "tax shelter investment" as defined in the Tax Act, (v) that has, directly or indirectly, a "significant interest" as defined in subsection 34.2(1) of the Tax Act in the Fund, (vi) of which any Affiliate of the Fund is a "foreign affiliate" for purposes of the Tax Act or (vii) that has entered into or will enter into, with respect to the Units, a "derivative forward agreement" as that term is defined in the Tax Act. Such holders are urged to consult their own tax advisors. In addition, this summary does not address the deductibility of interest expense or other expenses incurred by a Holder in connection with debt incurred in connection with the acquisition or holding of Units.

This summary assumes that: (i) the Fund (and each Unit) is not a "tax shelter" or "tax shelter investment", each as defined in the Tax Act, (ii) Units that represent more than 50% of the fair market value of all interests in the Fund are held at all relevant times by Unitholders that are not "financial institutions" as defined in the Tax Act, and (iii) no interest in any Unitholder is a "tax shelter investment" as defined in the Tax Act. However, no assurances can be given in this regard.

This summary is of a general nature only and is based upon the facts and assumptions set out in this Prospectus. This summary relies upon a certificate of an officer of the Fund as to certain factual matters (the "**Certificate**"). This summary is based on the current provisions of the Tax Act, the regulations made thereunder (the "**Regulations**"), all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency made publicly available prior to the date hereof. This summary assumes that the Tax Proposals will be enacted as proposed, but no assurance can be given that this will be the case. Modification or amendment of the Tax Act, the Regulations or the Tax Proposals could significantly alter the tax status of the Fund and its Subsidiaries and the tax consequences of holding Units.

For purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Units must be expressed in Canadian dollars. Amounts denominated in another currency (such as amounts relating to the Class U Units) generally must be converted into Canadian dollars based on the exchange rate quoted by the Bank of Canada for noon on the date such amounts arise or such other rate of exchange as is acceptable to the Minister of National Revenue (Canada). Holders of Units may realize gains or losses by virtue of the fluctuation in the value of the U.S. dollar relative to the Canadian dollar.

THIS SUMMARY IS NOT EXHAUSTIVE OF ALL POSSIBLE CANADIAN FEDERAL INCOME TAX CONSEQUENCES AND, EXCEPT FOR THE TAX PROPOSALS, DOES NOT TAKE INTO ACCOUNT OR ANTICIPATE ANY CHANGES IN LAW, WHETHER BY LEGISLATIVE, GOVERNMENTAL, ADMINISTRATIVE OR JUDICIAL ACTION, NOR DOES IT TAKE INTO ACCOUNT PROVINCIAL OR FOREIGN TAX LEGISLATION OR CONSIDERATIONS, WHICH MAY DIFFER FROM THE CANADIAN FEDERAL INCOME TAX CONSIDERATIONS DESCRIBED HEREIN. THIS SUMMARY IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE TO ANY PROSPECTIVE UNITHOLDER. ACCORDINGLY, PROSPECTIVE UNITHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM HAVING REGARD TO THEIR OWN PARTICULAR CIRCUMSTANCES.

Taxation of the Partnerships

This summary assumes that each of the Fund, the Investment LP and the Holding LP (each individually a "**Partnership**" and collectively the "**Partnerships**") is not a "SIFT Partnership" (as defined in the Tax Act). Provided that the Partnerships do not hold any "non-portfolio property" (as defined in the Tax Act), they will not be SIFT Partnerships. Each of the Fund LP Agreement, the Investment LP Agreement and the Holding LP Agreement prohibits or will prohibit the relevant partnership from owning any non-portfolio property.

If any of the Partnerships were to become a SIFT Partnership, the income tax considerations described below would, in some respects, be materially and adversely different.

The Partnerships are generally not subject to tax under the Tax Act. Each partner of a Partnership is required to include in computing its income for a particular taxation year, its share of the income or loss of such Partnership (subject, in the case of a loss, to the application of the "at risk rules" described below) for the fiscal period of the Partnership ending in, or coincidentally with, such taxation year, whether or not such partner has received any distributions from the Partnership in the year. For this purpose, the income or loss of each Partnership will be computed for each fiscal period as if the Partnership were a separate person resident in Canada and will be allocated to its partners on the basis of their respective shares of that income or loss as provided for in the agreement governing such Partnership. In computing the income or loss of the

Partnerships, the Partnerships are entitled to deduct their reasonable administrative and other expenses incurred by them to earn income. In addition, the Fund will generally be entitled to deduct reasonable costs and expenses incurred by the Fund and not reimbursed in connection with the issuance of Units on a five-year basis at a rate of 20% per taxation year, subject to pro-ration for short taxation years.

The income of a Partnership will include its share of the income (or loss, subject to the "at risk" rules described below) of a Partnership of which it is a partner (a "**Subsidiary Partnership**"), as determined in accordance with the Subsidiary Partnership's limited partnership agreement. The source and character of amounts included in (or deducted from) the income of a Partnership on account of income (or loss) of a Subsidiary Partnership generally will be determined by reference to the source and character of such amounts when earned by such Subsidiary Partnership.

The income of the Holding LP for purposes of the Tax Act for a fiscal period will include any dividends received or deemed to be received in the fiscal period on shares of the U.S. REIT as well as taxable capital gains, if any, realized by the Holding LP during the fiscal period on a disposition of such shares. For these purposes, an amount will be deemed to be a dividend received by the Holding LP on a share of the U.S. REIT where the amount is the share's portion of a *pro rata* distribution made in respect of all the shares of that class (other than a distribution made in the course of a liquidation and dissolution of the U.S. REIT, on a redemption, acquisition or cancellation of the share by the U.S. REIT, or on a qualifying return of capital in respect of the share). A distribution made by the U.S. REIT in respect of its shares that is a reduction of the paid-up capital of the U.S. REIT in respect of such shares may be treated as a qualifying return of capital if an election is made, such that the distribution would not be included in income of the Holding LP but rather applied to reduce the Holding LP's adjusted cost base in the relevant shares. If at any time the adjusted cost base of shares of the U.S. REIT held by the Holding LP would become a negative amount, the Holding LP will be deemed to have realized a capital gain equal to such amount. In the Certificate, the General Partner has advised that the Holding LP will take the position that any gains and losses realized on a disposition (including a redemption) of any share of the U.S. REIT are capital gains and capital losses. Accordingly, the income of the Holding LP for purposes of the Tax Act will also include the taxable capital gain portion of any capital gain (or the allowable capital loss portion of any capital loss) realized by the Holding LP during a fiscal period of the Holding LP on a disposition (including a redemption) of any share of the U.S. REIT. The treatment of capital gains and capital losses is generally described below under "Taxation of Unitholders – Capital Gains and Losses". Where capital losses are realized by the Holding LP on a disposition of shares of the U.S. REIT, such losses may, under certain circumstances, either be suspended or be denied and added to the adjusted cost base to the Holding LP of its remaining shares of the U.S. REIT. The income of the Holding LP will also include all interest on the U.S. REIT Notes (if any) that accrues to the Holding LP to the end of each year, except to the extent that such interest was included in its income for a preceding taxation year. The income of each Partnership should be considered as income from a source in the U.S.

To the extent that any "controlled foreign affiliate" ("**CFA**") of the Holding LP or any direct or indirect subsidiary thereof earns income that is characterized as "foreign accrual property income" as defined in the Tax Act ("**FAPI**") in a particular taxation year of the CFA, the amount of such FAPI allocable to the Holding LP must be included in computing the income of the Holding LP for purposes of the Tax Act for the fiscal period of the Holding LP in which the taxation year of the CFA ends, whether or not the Holding LP actually receives a distribution of that FAPI. Dividends received by the Holding LP (including amounts deemed to be dividends received as described above) from the U.S. REIT or any other CFA will be included in computing the income of the Holding LP, however, a deduction will be available to the extent that the Holding LP has included such amount in its income as FAPI.

FAPI does not include income from a business carried on by a CFA that is an "active business" within the meaning of the FAPI provisions of the Tax Act. This should generally include income of a CFA where, throughout the period in the taxation year during which the business was carried on, the business is the leasing of property and the CFA employs more than five employees full-time in the active conduct of the business (the "**Employee Exception**") and should also generally include income derived by a CFA from activities that can reasonably be considered to be directly related to active business activities carried on in a country other than Canada by another CFA (including a CFA that is considered to carry on an active business by virtue of the Employee Exception) to the extent that such income would, if it were earned by such other CFA, be included in computing amounts prescribed to be its earnings or loss from an active business carried on in a country other than Canada for purposes of the FAPI provisions of the Tax Act (the "**Direct Relation Exception**"). The Fund has represented that it intends that any CFA held by the Holding LP will either meet the Employee Exception or the Direct Relation Exception at all relevant times or will not have any material income other than dividends (including amounts deemed to be dividends) received on shares of other CFAs of the Holding LP, in which case the Holding LP should not be required to include any material amount of FAPI in computing its income for purposes of the Tax Act. If, notwithstanding such representation, the U.S. REIT or any other CFA of the Holding LP fails to meet the Employee Exception or the Direct

Relation Exception throughout a particular taxation year, an amount of FAPI may be required to be included in computing the income of the Holding LP for purposes of the Tax Act, and an amount may be deductible in respect of the "foreign accrual tax" as defined in the Tax Act ("**FAT**") applicable to the FAPI. As the U.S. REIT intends to qualify as a real estate investment trust for U.S. federal income tax purposes, there may only be a limited amount of U.S. federal income tax payable by the U.S. REIT which could give rise to FAT to apply against any FAPI in respect of the U.S. REIT if it fails to meet the Employee Exception or the Direct Relation Exception in a particular year.

Any amount of FAPI included in income of the Holding LP (net of the amount of any FAT deduction) will increase the adjusted cost base to the Holding LP of its shares of the U.S. REIT or other CFA in respect of which such FAPI was included. At such time as the Holding LP receives a dividend of this type of income that was previously treated as FAPI from the U.S. REIT or such other CFA, that dividend will effectively not be included in computing the income of the Holding LP and there will be a corresponding reduction in the adjusted cost base to the Holding LP of its shares of the U.S. REIT or other CFA, as the case may be.

In the Certificate, the General Partner has stated it intends to consent on behalf of the Fund, and to cause the Fund's Subsidiaries to similarly consent, where necessary to the filing of "consent dividend" U.S. tax elections under section 565 of the Code in respect of shares of the U.S. REIT, where such consent dividends are necessary for the U.S. REIT to distribute any balances of taxable income for U.S. tax purposes of the U.S. REIT that have not been distributed by dividends paid with cash. In general terms, a "consent dividend" election would give rise to a dividend deemed paid by the U.S. REIT for U.S. tax purposes (without a corresponding amount of cash being distributed to the Fund, through the Holding LP and the Investment LP) together with a U.S. withholding tax liability to be paid by the U.S. REIT or the Holding LP on behalf of its shareholders. The CRA has stated that generally, "consent dividends" under the Code in respect of shares of U.S. corporations are not dividends required to be included in the income of the holders of such shares for purposes of the Tax Act, nor would such consent dividends result in an increase to the adjusted cost base of such shares. However, the CRA has also expressed the view that the amount of any U.S. tax remitted by a U.S. corporation on behalf of a shareholder in respect of dividends deemed paid for U.S. tax purposes by virtue of a consent dividend election would constitute a taxable benefit conferred on such shareholder, but such amount would also qualify as non-business income tax for purposes of the provisions of the Tax Act governing foreign tax credits and foreign tax deductions. Consequently, on the basis of the foregoing, the Fund has advised that it intends to include in computing the Fund's income (as derived through the Investment LP and the Holding LP) for purposes of the Tax Act an amount equal to the amount of any U.S. tax remitted by the Holding LP or the U.S. REIT with respect to consent dividend elections, and the amount of any such U.S. tax attributable to a particular Unitholder will be allocated to such Unitholder and should be treated as non-business income tax from a U.S. source in determining such Unitholder's entitlement to foreign tax credits and foreign tax deductions, subject to the detailed rules in the Tax Act in this regard (see "– Taxation of Unitholders – Foreign Tax Credits and Deductions" below).

The Tax Act contains rules (the "**at-risk rules**") which, in general, will limit the ability of a limited partner of a Partnership to deduct in a taxation year its share of any loss of the Partnership (other than a capital loss) for a fiscal period ending in that taxation year to its "at-risk amount" in respect of such Partnership at the end of that fiscal period. In general, the "at risk amount" of an investor in respect of a limited partnership at the end of any fiscal period will be the adjusted cost base of the investor's partnership interest at the end of the fiscal period, plus any income allocated to the limited partner for the fiscal period and minus the amount of any guarantee or indemnity provided to the limited partner (or a person not dealing at arm's length) against the loss of the limited partner's investment.

Taxation of Unitholders

Allocation of Income or Loss

In computing its income for each taxation year, each Holder will be required to include (or entitled to deduct) its share of the income (or loss) of the Fund for the fiscal period of the Fund ending in the taxation year subject, in the case of a loss, to the application of the "at-risk" rules described above. Special rules apply for purposes of determining the at-risk amount of Holders of Units that were not purchased from the Fund. Such Holders should consult their own tax advisors concerning the computation of their at-risk amounts having regard to their particular circumstances. A Holder's share of the Fund's income must (or loss may, subject to the at-risk rules) be included (or deducted) in determining the Holder's income (or loss) for the year, whether or not any distribution has been made by the Fund.

The adjusted cost base of the Units held by a Holder will be increased at a particular time by such Holder's share of the amount of income of the Fund for a fiscal period of the Fund ended before that time, and will be reduced by all distributions of cash or other property made by the Fund to such Holder on the Units before that time. If at the end of any fiscal period of the Fund, the adjusted cost base of the Units held by a Holder would otherwise be a negative amount, the Holder will be deemed to have realized a capital gain equal to such negative amount and the adjusted cost base of the Units held by such Holder will be increased by the amount of such deemed capital gain.

In general, a Holder's share of any income or loss of the Fund from a particular source will be treated as if it were income or loss of the Holder from that source, and any provisions of the Tax Act applicable to that type of income or loss will apply to the Holder with respect thereto. The source and character of an amount included in or deducted from the income of a Holder will be determined by reference to the source and character of such amounts when earned by the Partnerships. A Holder that is a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay an additional refundable tax of $6^2/_3$% on such Holder's share of certain investment income, including taxable capital gains and dividends on shares of the U.S. REIT, and interest on U.S. REIT Notes (if any) earned by the Holding LP and allocated indirectly to the Fund through the Investment LP, in each case to the extent allocated to such Holder by the Fund.

Foreign Tax Credits and Deductions

Foreign taxes paid by the Partnerships and taxes withheld at source by the U.S. REIT or the Holding LP (other than for the account of a particular limited partner) will be allocated pursuant to the Holding LP Agreement, Investment LP Agreement and Fund LP Agreement. To the extent that the Holding LP withholds U.S. tax on distributions to the Investment LP, the amount of U.S. tax attributable to a particular Holder may be deductible from such Holder's Canadian federal income tax otherwise payable for that year (a "**foreign tax credit**"), or may be deductible in computing the Holder's income for Canadian tax purposes for that year (a "**foreign tax deduction**"), as described in the ensuing paragraphs. In order to claim such a foreign tax credit or foreign tax deduction, in the event that any U.S. tax withheld from a particular amount does not represent the final U.S. income tax liability for the year, the Investment LP must file a U.S. federal income tax return to establish the final U.S. income tax liability in respect of such amount. The General Partner has advised that the Investment LP intends to file any such U.S. federal income tax returns as may be required to permit Holders to claim such foreign tax credits and/or foreign tax deductions as described above.

The U.S. tax paid for a taxation year that is attributable to a particular Holder will generally be characterized as "non-business income tax", as defined in the Tax Act, except in the case of a Holder that is an individual to the extent that the amount of such tax exceeds 15% of the Holder's share of the Fund's income for the year. Such non-business income tax may be deductible as a foreign tax credit from the Holder's Canadian federal income tax otherwise payable for that year as it relates to the Holder's share of non-business income from U.S. sources to the extent that such tax has not been deducted in computing the Holder's income. To the extent that such U.S. tax attributable to a Holder that is an individual exceeds 15% of the Holder's share of the Fund's income for the year, such excess may generally be deducted by the Holder as a foreign tax deduction in computing the Holder's net income for such year for purposes of the Tax Act, subject to the rules and limitations contained in the Tax Act.

A Holder's ability to apply U.S. 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 in which the U.S. taxes are paid or has other U.S. source income or losses, has paid other U.S. taxes or, in certain circumstances, has not filed a U.S. federal income tax return where required for the relevant taxation year. Although the foreign tax credit provisions are designed to avoid double taxation, the maximum credit is limited and a Holder who is an individual will be limited to a foreign tax deduction to the extent that the relevant U.S. tax exceeds 15% of the related U.S. source income as discussed above. Because of this, and because of timing differences in recognition of expenses and income and other factors, there is a risk of double taxation. Prospective Purchasers should consult their own tax advisors regarding their ability to claim foreign tax credits or foreign tax deductions.

The foregoing mechanism for recognition of U.S. taxes for purposes of the Tax Act through foreign tax credits or foreign tax deductions does not apply to Holders that are Plans. In reference to the matters set out under the heading "Certain U.S. Federal Income Tax Considerations", to the extent that an annuitant, a beneficiary or a holder of a Plan that is a Holder files a U.S. federal income tax return and receives a U.S. tax refund of (or claims a foreign tax credit or a foreign tax deduction for an amount in respect of) all or a portion of the amounts withheld by the U.S. REIT or the Holding LP, such annuitant, beneficiary or holder may, in certain circumstances, be required to include, in computing income for purposes of the Tax Act, or to pay a penalty tax on, an applicable portion of such amount of U.S. tax as a benefit or advantage received out of or under the Plan. Annuitants, beneficiaries or Holders that are Plans should consult their own tax advisors in this regard.

The Tax Act contains anti-avoidance rules designed to address certain transactions specifically designed to generate foreign tax credits (the "**FTC Generator Rules**"). Under the FTC Generator Rules, the foreign "business income tax" or "non-business income tax" eligible for a foreign tax credit for a Holder for any taxation year may be limited in certain circumstances, including where a Unitholder's direct or indirect share of the income of one or more Partnerships under the income tax laws of a country other than Canada (e.g. the U.S.) under whose laws the income of such Partnership is subject to taxation, is less than the Unitholder's share of such income for purposes of the Tax Act. Although the FTC Generator Rules are not expected to apply to the Fund and its Unitholders, no assurances can be given in this regard**.**

Conversion of Convertible Units

Holders of Convertible Units should consult their own tax advisors regarding the consequences of converting their Convertible Units into Class A Units, including whether or not such a conversion will constitute a taxable disposition of such Convertible Units.

Disposition of Units

Upon the disposition or deemed disposition of Units by a Holder, the Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition 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 acquired pursuant to this Offering generally will include (i) all amounts paid by the holder for the Unit (excluding any portion thereof financed with limited recourse indebtedness); plus (ii) the *pro rata* share of the income of the Fund allocated to the Holder pursuant to the terms of the Fund LP Agreement for fiscal periods of the Fund ending before the relevant time; less (iii) the aggregate *pro rata* share of losses of the Fund allocated to the Holder (except to the extent the Holder was precluded from deducting such losses in computing income due to the application of the at-risk rules) for the fiscal periods of the Fund ending before the relevant time; and less (iv) distributions from the Fund received by the Holder before the relevant time. For purposes 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 immediately before that time of all Units of the same class owned by such holder as capital property.

Where a Holder disposes of all of its Units, it will no longer be a partner of the Fund. If, however, a Holder is entitled to receive a distribution from the Fund after such disposition, then such Unitholder will be deemed to dispose of the Units at the later of: (i) the end of the fiscal period of the Fund during which the disposition occurred, and (ii) the date of the last distribution made by the Fund to which such Holder was entitled. The *pro rata* share of income (or loss) of the Fund for tax purposes for a particular fiscal period which is allocated to a Holder who has ceased to be a partner will generally be added (or deducted) in the computation of the adjusted cost base of the Holder's Units immediately prior to the time of disposition. These rules are complex and Holders should consult their own tax advisors for advice with respect to the specific tax consequences to them of disposing of Units.

It is expected that a Holder generally will not be subject to U.S. taxes on a disposition of Units. See "Certain U.S. Federal Income Tax Considerations – U.S. Federal Income Taxation of the Non-U.S. Unitholders – Disposition of Units by Non-U.S. Unitholders" below. In the event that U.S. tax did apply to a disposition of Units by a Holder, such Holder should consult with their own tax advisors as to whether such taxes would be eligible for claiming a foreign tax credit or deduction under the Tax Act.

Termination of the Fund

Upon the termination of the Fund, generally, Fund property that is distributed to a Holder will be deemed to have been disposed of by the Fund for its fair market value and acquired by the Holder at a cost equal to the same amount. Generally, each Holder will be deemed to dispose of his or her Units at that time for proceeds of disposition equal to the fair market value of the property received from the Fund in satisfaction of those Units.

A capital gain (or capital loss) will be realized by a Holder on the disposition of such Units to the extent that such proceeds, net of reasonable disposition costs, exceed (or are less than) the adjusted cost base of the Holder's Units, calculated as described above. In addition, the amount, if any, by which the adjusted cost base to a Holder of his or her Units is negative, will be deemed to be a capital gain of the Holder from a disposition of those Units.

Any income, capital gain or loss realized by the Fund on the disposition of property in the fiscal period ending as a result of the termination of the Fund will be included in the income or loss of the Fund for that fiscal period and allocated to the partners in accordance with the Fund LP Agreement.

Capital Gains and Losses

One-half of any capital gain realized by a holder from a disposition, or deemed disposition, of Units 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, or deemed disposition, of a Unit must generally be deducted against any taxable capital gains realized by the Holder in the year of disposition. Any excess of allowable capital losses over taxable capital gains for the year may generally be carried back to the three preceding taxation years or carried 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.

Alternative Minimum Tax

A Holder who is an individual or trust (except for certain trusts) may have an increased liability for alternative minimum tax as a result of capital gains realized on a disposition of Units or the allocation of income or capital gains by the Fund.

Refundable Tax

A Holder that is a Canadian-controlled private corporation (as defined in the Tax Act) may be subject to a refundable tax of 6 2/3% in respect of certain income and capital gains allocated to the Holder by the Fund and capital gains realized on a disposition of Units.

Reporting Requirements

Each Unitholder will generally be required to file an income tax return reporting such Unitholder's share of the income or loss of the Fund. While the Fund will provide each Unitholder with information required for income tax purposes pertaining to such Unitholder's investment in Units of the Fund, the Fund will not prepare or file income tax returns on behalf of any Unitholder.

Each person who is a Unitholder at any time in a fiscal period of the Fund is required to make an information return in prescribed form containing specified information for that period, including the income or loss of the Fund and the names and shares of such income or loss of all the partners of the Fund. The filing of an annual information return by the General Partner on behalf of the Unitholder will satisfy this requirement, and the General Partner has agreed to make such filings.

19. CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

In the view of KPMG LLP, in its capacity as tax advisor to the Fund, the following is a general summary of the principal U.S. federal income tax considerations applicable to Non-U.S. Unitholders (defined below) of the purchase, ownership and disposition of the Units offered by this Prospectus.

This summary is generally directed only to prospective Purchasers who purchase the Units offered by this Prospectus and who are not U.S. persons pursuant to the Code. However, the summary does not deal with all aspects of U.S. federal income taxation that may be relevant to the specific circumstances of certain Non-U.S. Unitholders. For example, the summary does not address the U.S. federal income tax consequences to Non-U.S. Unitholders that are in special tax situations such as U.S. expatriates.

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.

This commentary also summarizes, in a general way, the principal U.S. federal income tax considerations to the U.S. REIT regarding its qualification and taxation as a REIT for U.S. federal income tax purposes.

Whether the U.S. REIT qualifies as a REIT for U.S. federal income tax purposes is dependent on whether it satisfies the various REIT requirements for each taxable year, including, but not limited to, certain organizational, operational, gross income, asset and distribution requirements (see below "– U.S. Federal Income Taxation of U.S. REIT – Requirements for REIT Qualification").

The Manager has represented to KPMG LLP that it intends for the U.S. REIT to qualify as a REIT for each relevant taxable year and that it will establish procedures to regularly monitor REIT classification and compliance. However, given the highly complex nature of the rules governing REITs and the possibility of future changes in circumstances, no assurances can be given that the U.S. REIT will qualify as a REIT for U.S. federal income tax purposes, whether in its first taxable year or in any subsequent year. The failure of the U.S. REIT to qualify as a REIT, in its first or in any subsequent taxable year, may result in materially reduced distributions to Unitholders and U.S. federal income tax consequences that are not described in this summary.

"Non-U.S. Unitholder" Defined

For purposes of this summary, a "**Non-U.S. Unitholder**" means any Unitholder that is not: (i) a U.S. citizen, U.S. permanent resident (green card holder) or individual resident in the U.S.; (ii) a corporation or other entity taxable as a corporation that is either created or organized under the laws of the U.S. or a political subdivision thereof or that is for other reasons treated as if it were taxable as a corporation created or organized under the laws of the U.S.; (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if a court within the U.S. is able to exercise primary supervision over the trust's administration and one or more U.S. persons have the authority to control all of its substantial decisions.

Limitations

This summary is of a general nature only and does not consider all possible U.S. federal income tax considerations of an investment in Units by a Non-U.S. Unitholder. This summary also does not consider state, local or non-U.S. tax consequences. This summary does not constitute an opinion to prospective Non-U.S. Unitholders and is not intended to be legal or tax advice to prospective Purchasers of Units.

No ruling has been sought from the IRS on any aspect of the Offering.

This summary is based on the facts set out in this Prospectus and the facts, assumptions and representations set out in a representation letter provided to KPMG LLP by the Manager. This summary is also based upon the relevant provisions of the Code, the regulations under the Code (the "U.S. Regulations"), the Treaty and the judicial and administrative interpretations and pronouncements thereof as currently in effect. These authorities are subject to change retroactively and/or prospectively and any such changes could affect the U.S. tax consequences described in the summary below.

Each Non-U.S. Unitholder should consult his, her or its own tax advisor as to the U.S. federal, state, and local income and other tax consequences to it of the purchase, ownership and disposition of the Units taking into consideration his, her or its own particular circumstances.

In particular, the U.S. federal income tax treatment and classification of RRSPs, RESPs and TFSAs is complex, is not free from doubt and is dependent upon the terms of the specific RRSP, RESP or TFSA. This summary assumes RRSPs, RESPs and TFSAs are treated as either grantor trusts, or as investments of the individual annuitants or holders which are not separate entities from the individuals for U.S. federal income tax purposes. As such, this summary assumes the individual annuitants or holders are treated as the owners of the RRSPs', the RESPs' or the TFSAs' assets for U.S. federal income tax purposes. There is, however, a risk that the IRS might take a different position from that taken in the summary. In such event, the U.S. federal income tax consequences with respect to such RRSPs, RESPs and TFSAs may be different from those described below. Investors that are RRSPs, RESPs or TFSAs or other Plans should consult their own tax advisors as to the U.S. federal, state, and local income and non-U.S. tax consequences to them as a result of their status either as RRSPs, RESP, TFSAs, or other Plans.

ANY TAX ADVICE IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN BY KPMG TO BE USED AND IT CANNOT BE USED, BY A CLIENT OR ANY OTHER PERSON OR ENTITY FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON ANY TAXPAYER. THE PROSPECTUS WAS

WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTION(S) OR MATTER(S) ADDRESSED IN THIS PROSPECTUS. ALL TAXPAYERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM THEIR INDEPENDENT TAX ADVISOR(S).

U.S. Federal Income Taxation of the Fund

The U.S. entity classification rules prescribe the classification of various entities for U.S. federal income tax purposes. Generally, a non-U.S. business entity is, by default, treated as a partnership for U.S. federal income tax purposes under the entity classification rules if it has two or more members and at least one member does not have limited liability.

A business entity that is otherwise classified as a partnership for U.S. federal income tax purposes may be treated as a corporation if interests in the entity are traded on an established securities market (i.e. a publicly traded partnership). However, partnership classification is retained for certain publicly traded partnerships if 90% or more of the partnership's income is "qualifying income" for each taxable year. Qualifying income includes, for example, interest, dividends and gain from the disposition of shares of corporations that are treated as REITs for U.S. federal income tax purposes. A partnership is deemed to meet the qualifying income test if it inadvertently fails to meet the test, takes steps to meet the test no later than a reasonable time after the discovery of the failure, and the partnership agrees to certain terms and conditions that may be imposed on it by the IRS.

The Manager has represented to KPMG LLP that it expects that 90% or more of the Fund's gross income will consist of qualifying income each year and that the Fund will not elect to be treated as a corporation for U.S. federal income tax purposes. Therefore, the Fund should be treated as a partnership for U.S. federal income tax purposes. As such, the Fund is not subject to U.S. federal income tax. Rather, the distributive share of the Fund's income, gains, losses, deductions and credits is generally taken into account separately by each Unitholder in the Fund. The remainder of this discussion is based on the Fund being treated as a partnership for U.S. federal income tax purposes.

U.S. Federal Income Taxation of the Non-U.S. Unitholders

FDAP Income Allocable to Non-U.S. Unitholders

General

Non-U.S. persons, such as a nonresident alien individual and a foreign corporation, are generally subject to U.S. federal income tax on fixed or determinable, annual or periodic income ("**FDAP**") received from U.S. sources, including U.S. source dividends and interest to the extent not effectively connected with the conduct of a U.S. trade or business. U.S. source FDAP income is generally subject to a 30% U.S. tax applied to the gross amount (with no allowance for deductions) of FDAP income unless a lower rate applies to the gross amount of FDAP income under an applicable U.S. income tax treaty. FDAP income that is effectively connected with the conduct of a U.S. trade or business is considered effectively connected income ("**ECI**") and, if an income tax treaty with the U.S. exists, is attributable to a permanent establishment maintained by the non-U.S. person in the U.S., would generally be subject to U.S. tax at graduated federal income tax rates applicable to U.S. persons.

The 30% tax on the gross amount of U.S. source FDAP payments to a non-U.S. person, such as a nonresident alien individual or foreign corporation, is generally collected through withholding at the source of payment by a withholding agent. Withholding is generally required at a 30% rate, unless a lower rate applies under an applicable U.S. income tax treaty and certain documentation requirements are met. In general, to satisfy such documentation requirements, the non-U.S. beneficial owner of the U.S. source FDAP payment must provide a Form W-8 to the withholding agent to establish such beneficial owner's entitlement to a lower treaty withholding rate. The documentation requirements are generally designed to provide withholding agents with sufficient information to enable them to identify the beneficial owners of the income and to establish such beneficial owners' residence and entitlement to a treaty-reduced rate of withholding for U.S. federal income tax purposes. A withholding agent which has deducted and withheld U.S. federal income tax on FDAP income is required to file information Form 1042-S for each non-U.S. beneficial owner to whom a payment was made (or deemed made).

Generally, U.S. source FDAP income payments that would otherwise be subject to 30% withholding at source when paid to a foreign partnership are treated as being paid to the partners of the foreign partnership provided that the foreign partnership is treated as fiscally transparent under the laws of its jurisdiction of formation (i.e. it is treated as a pass-through entity) and such foreign partnership provides sufficient documentation to the withholding agent that the partners in such foreign partnership are the beneficial owners of such income (i.e. not fiscally transparent under the laws of their jurisdiction of formation) and entitled to a treaty-reduced rate of withholding.

In certain circumstances, a foreign partnership may elect to be treated as a corporation for U.S. federal income tax purposes under the U.S. entity classification rules, but is nevertheless still treated as being a fiscally transparent entity under the laws of its jurisdiction of formation. In such cases, U.S. source FDAP income paid to the foreign partnership (treated as a corporation for U.S. federal income tax purposes) would be similarly treated as being paid to the partners of the foreign partnership. Such partners would be eligible for a treaty-reduced rate of withholding for U.S. source FDAP income payments if the partner is the beneficial owner of such income (i.e. not fiscally transparent under the laws of its jurisdiction of formation) and such partner provides the required documentation establishing the beneficial owner's entitlement to a lower treaty withholding rate.

Investment LP will elect to be treated as a corporation for U.S. federal income tax purposes under the U.S. entity classification rules. However, as discussed above, Investment LP will, nevertheless, still be treated as fiscally transparent under the laws of Canada because it is a partnership. Both the Fund and Holding LP will also be treated as fiscally transparent under the laws of their respective jurisdictions of formation because they are partnerships. Under this structure, U.S. source FDAP income paid to Holding LP will be treated as paid directly to the Non-U.S. Unitholders (through Investment LP and the Fund) because each of Holding LP, Investment LP and the Fund are treated as fiscally transparent entities in their respective jurisdictions. As a result, the Non-U.S. Unitholders will likely be treated as the beneficial owners of such U.S. source FDAP income paid to Holding LP (e.g. ordinary REIT dividends and interest on U.S. REIT Notes, if any) provided that such Non-U.S. Unitholders are not themselves treated as fiscally transparent under the laws of their respective jurisdictions of formation.

Ordinary REIT Dividends and Interest Income on U.S. REIT Notes

Distributions out of a U.S. REIT's current or accumulated earnings and profits that are not attributable to gain from the sale or exchange by the U.S. REIT of its U.S. real property interests (i.e. "ordinary REIT dividends" and not "capital gains dividends") are generally treated as U.S. source FDAP income and are subject to a 30% withholding tax at source with no allowance for deductions. The 30% withholding tax rate may be reduced if the beneficial owner is eligible for a reduction under the Treaty.

Based on the analysis above, an ordinary REIT dividend paid by U.S. REIT to Holding LP will be treated as being paid directly to the Non-U.S. Unitholders because each of Holding LP, Investment LP and the Fund are treated as fiscally transparent under the laws of their respective jurisdictions of formation (and notwithstanding that Investment LP has elected to be treated as a corporation for U.S. federal income tax purposes) and, as a result, such Non-U.S. Unitholders are likely to be treated as the beneficial owners of the ordinary REIT dividends (which are U.S. Source FDAP income) for purposes of the Treaty (provided that they are not themselves treated as fiscally transparent under the laws of their respective jurisdictions of formation). Accordingly, such Non-U.S. Unitholders may be eligible under the Treaty for a reduction of U.S. withholding tax on the payment of ordinary REIT dividends.

Assuming that a Non-U.S. Unitholder is eligible for benefits under the Treaty, the withholding rates that should generally apply to ordinary REIT dividends for certain Non-U.S. Unitholders should be as follows: (i) 15% for (a) an individual Non-U.S. Unitholder or (b) a TFSA or an RESP that has, as its beneficiary, an individual Non-U.S. Unitholder, in each case owning less than 10% of the stock of the U.S. REIT provided that such Unitholder provides the appropriate withholding tax documentation to the withholding agent, (ii) 30% for a corporate non-U.S. Unitholder provided that the U.S. REIT is not "diversified" as defined under the Treaty, and (iii) 0% for an RRSP Unitholder provided that such Unitholder provides the appropriate withholding tax documentation to the withholding agent.

Similarly, a payment of interest income on the U.S. REIT Notes by U.S. REIT to Holding LP will be treated as being paid directly to the Non-U.S. Unitholders because each of Holding LP, Investment LP and the Fund are treated as fiscally transparent under the laws of their respective jurisdictions of formation (and notwithstanding that Investment LP has elected to be treated as a corporation for U.S. federal income tax purposes) and, as a result, such Non-U.S. Unitholders are likely to be treated as the beneficial owners of the U.S. Notes interest income (which is U.S. source FDAP income) for purposes of the Treaty (provided that they are not themselves treated as fiscally transparent under the laws of their respective jurisdictions of formation). A Non-U.S. Unitholder that is the beneficial owner of the U.S. REIT Notes interest income should be eligible for the 0% U.S. withholding tax rate on interest income provided that such beneficial owner is eligible for benefits under the Treaty and provides the appropriate withholding tax documentation to the withholding agent.

Disposition of Units by Non-U.S. Unitholders

Generally, Non-U.S. Unitholders are not subject to U.S. federal income tax upon a disposition of the Units unless: (i) the Non-U.S. Unitholder is an individual who is present in the U.S. for 183 days or more in the taxable year of the disposition and certain other conditions are met, or (ii) the gain is effectively connected with the conduct by the Non-U.S. Unitholder of a trade or business within the U.S. and attributable to a permanent establishment of the Non-U.S. Unitholder within the meaning of the Treaty.

Non-U.S. Unitholders in either of these situations should consult their own tax advisors on the U.S. federal income tax consequences of the disposition of the Units.

U.S. Federal Income Taxation of Investment LP

The Investment LP is an eligible entity that will elect to be classified as a corporation for U.S. federal income tax purposes, effective on the date of its formation. Consequently, Investment LP will be considered a "foreign corporation" for U.S. federal income tax purposes.

Subject to the discussion below on the disposition of shares of the U.S. REIT, capital gains dividends and distributions made by the U.S. REIT in excess of both its earnings and profits and the adjusted tax basis of the Holding LP in its U.S. REIT shares, Holding LP is not expected to be treated as engaged in a U.S. trade or business (as discussed below) and as a result, Investment LP is also not expected to be engaged in a U.S. trade or business as a result of its status as a partner in the Holding LP.

A non-U.S. person's gain from the disposition of a United States Real Property Interest ("**USRPI**") is generally subject to U.S. tax, withholding and filing requirements and is not exempt under the Treaty. A USRPI generally includes shares in corporations organized in the U.S., such as the U.S. REIT, the fair market value of whose interests in real property located in the U.S., at any time in a five year testing period, equals or exceeds 50% of the fair market value of the sum of its interests in real property located in the U.S., its interests in real property located outside the U.S. and its other assets used or held for use in a trade or business. Such gain on the disposition of a USRPI recognized by a non-U.S. person, such as a nonresident alien or foreign corporation, is treated as ECI and the taxable amount is subject to U.S. federal income tax at graduated rates ("**FIRPTA Tax**").

Distributions made by a U.S. REIT to a non-U.S. person, such as a nonresident alien or foreign corporation, that are attributable to the sale or exchange of USRPIs by such U.S. REIT (i.e. capital gains dividends) and distributions made by such U.S. REIT in excess of both its earnings and profits and the adjusted tax basis in the U.S. REIT shares held by such non-U.S. person may also be subject to FIRPTA Tax.

Transactions that give rise to gains that may be subject to FIRPTA Tax may also be subject to withholding on the part of such U.S. REIT or the purchaser, as the case may be ("**Section 1445 Withholdings**"). Section 1445 Withholdings are required at a rate of 35% on distributions made by the U.S. REIT attributable to the gains from the sale or exchange of USRPIs by the U.S. REIT (i.e. capital gains dividends) and the portion of a distribution in excess of the U.S. REIT's earnings and profits and the adjusted tax basis in the U.S. REIT shares held by Holding LP. Section 1445 Withholdings are also required at a rate of 35% of the amount of gain realized on the sale or exchange of the shares of the U.S. REIT by Holding LP to the extent that such gain is allocable to a non-U.S. partner of the Holding LP. Subject to the discussion below on withholding certificates and Section 1446 Withholdings, Investment LP will generally be subject to Section 1445 Withholdings on its allocable share of U.S. REIT capital gains dividends, U.S. REIT distributions in excess of U.S. REIT's earnings and profits and the adjusted tax basis in the U.S. REIT shares held by Holding LP, and its share of the gain realized on the sale or exchange of the shares of U.S. REIT.

The Section 1445 Withholdings may be reduced or eliminated (in certain circumstances) if an application for a withholding certificate is timely filed with the IRS requesting a reduction in withholding and a withholding certificate is received from the IRS. A withholding certificate might be issued by the IRS if Investment LP establishes that the actual tax on a particular transaction giving rise to FIPRTA Tax is expected to be less than the required withholding because, for example, Investment LP suffers a loss on the sale. However, no assurance can be given that the IRS will approve a withholding certificate application.

Generally, a U.S. partnership that has ECI allocable to non-U.S. partners must withhold and remit U.S. withholding tax ("**Section 1446 Withholdings**") on any ECI allocable to such non-U.S. partners (using procedures generally applicable to U.S. withholding on U.S. source FDAP income), and must file annually with the IRS certain U.S. tax returns to report this withholding. Withholdings must be made at the highest rate of tax, without regard to the preferential rates of tax, including those applicable to an individual's capital gains. For example, nonresident alien individuals and non-U.S. corporations are subject to the highest rates of tax and the required rates of Section 1446 Withholdings are currently 39.6% for nonresident alien individuals and 35% for non-U.S. corporations. If a U.S. partnership is subject to both Section 1445 Withholdings and Section 1446 Withholdings, U.S. Regulations provide that such U.S. partnership will only be subject to the payment and reporting requirements of Section 1446 with respect to partnership gain from the disposition of USRPIs. Holding LP will be required to withhold Section 1446 Withholdings at 35% on Investment LP's allocable share of gain from either Holding LP's disposition of U.S. REIT Common Stock and U.S. REIT ROC Shares, from the U.S. REIT capital gains dividends and/or from distributions made by the U.S. REIT in excess of both its earnings and profits and the adjusted tax basis of Holding LP in its U.S. REIT shares.

Investment LP will be subject to U.S. federal income taxation (i.e. FIRPTA Tax) on its allocable share of gain from the disposition of the U.S. REIT Common Stock and U.S. REIT ROC Shares, its allocable share of the U.S. REIT capital gains dividends and/or its allocable share of distributions made by the U.S. REIT in excess of both its earnings and profits and the adjusted tax basis in the U.S. REIT shares held by Holding LP. The disposition of Holding LP Units by Investment LP will be treated as the disposition by Investment LP of its *pro rata* portion of U.S. REIT Common Stock and U.S. REIT ROC Shares and as such, any gain from such disposition will also be subject to U.S. federal income taxation (i.e. FIRPTA Tax).

Investment LP will be required to file a U.S. federal income tax return (i.e. Form 1120-F for foreign corporations) for the year in which it receives its allocable share of gain/loss from the disposition of U.S. REIT Common Stock and/or U.S. REIT ROC Shares, its allocable share of the U.S. REIT capital gains dividends and/or its allocable share of distributions made by the U.S. REIT in excess of both its earnings and profits and the adjusted tax basis in the U.S. REIT shares held by Holding LP to which the FIRPTA Tax applies and may claim the Section 1446 Withholdings and the Section 1445 Withholdings withheld, if any, as a credit against Investment LP's final U.S. federal income tax liability for the year by showing proof of withholding.

In addition, Investment LP may also be subject to U.S. branch profits tax (paid with its U.S. federal income tax return) on its allocable share of income from Holding LP subject to FIRPTA Tax (other than income attributable to the sale of U.S. REIT shares by Holding LP). U.S. branch profits tax is imposed in addition to regular federal income tax at the rate of 30% on a calculated profits amount. To the extent that the Non-U.S. Unitholders are eligible for Treaty benefits, should the U.S. branch profits tax be applicable, it may be possible to take the position that the branch profits tax rate should be reduced to 5% of the profits subject to the branch profits tax in excess of a C$500,000 cumulative exemption. If applicable, Investment LP intends to take the position that the reduced branch profits tax rate of 5% applies to any profits subject to the branch profits tax. However, no assurances may be given that the IRS will not challenge this position and assert that a higher branch profits tax rate should apply.

Investment LP's allocable share of ordinary REIT dividends and interest income on the U.S. REIT Notes (if any) beneficially owned by Non-U.S. Unitholders will not be subject to U.S. federal income tax at the Investment LP level. Instead, such income will be subject to U.S. withholding tax as it is deemed to be paid to the Non-U.S. Unitholders (see discussion above).

U.S. Federal Income Taxation of Holding LP

Holding LP, a limited partnership organized in the U.S., is classified as a partnership for U.S. federal income tax purposes and does not intend to make an election to be treated as a corporation. As such, it is not a taxable entity and does not incur any U.S. federal income tax liability. Instead, the partners of Holding LP, including Investment LP, are required to take into account their allocable shares of items of income, gain, loss and deduction (e.g., income in the form of capital gains distributions and ordinary distributions from the U.S. REIT) and which may result in U.S. federal income tax reporting and/or paying obligations (as described above).

Holding LP will withhold and remit Section 1446 Withholdings and Section 1445 Withholdings on certain income allocable to Investment LP as described above and will be required to annually file with the IRS certain U.S. tax returns to report this withholding.

U.S. Federal Income Taxation of U.S. REIT

U.S. Rules for REITs

The U.S. REIT intends to elect to be treated as a REIT beginning with its taxable year ending December 31 of the year in which the Offering is concluded. However, qualifying as a REIT depends on an entity meeting various REIT requirements each taxable year. As such, there is no assurance that the U.S. REIT will qualify as a REIT on a continuing basis. The failure of the U.S. REIT to qualify as a REIT in its first or in any subsequent taxable year may result in materially reduced distributions to Unitholders and U.S. federal income tax consequences that are not described in this summary.

The following describes the general REIT qualification rules and the significant U.S. federal income tax consequences to a business entity electing to be treated as a REIT.

The sections of the Code and U.S. Regulations relating to qualification and operation as a REIT are highly technical and complex. The following discussion sets out, in very general terms, the material aspects of the Code and U.S. Regulations that govern the U.S. federal income tax treatment of the U.S. REIT.

A business entity that qualifies and timely elects to be taxed as a REIT is not generally subject to U.S. federal income tax on its income and capital gains that it distributes to its interest holders each year. However, it would remain subject to U.S. federal income tax in certain circumstances.

For example:

(a) Undistributed taxable income (including undistributed net capital gains) will be taxed at the regular rates for corporations.

(b) The U.S. REIT may be subject to "alternative minimum tax" on items of tax preference, if any.

(c) The U.S. REIT is subject to the highest corporate income tax rate on net income from a sale or other disposition of "foreclosure property" (i.e., generally, property acquired through foreclosure or after default on a loan secured by the property or a lease of the property) held primarily for sale to customers in the ordinary course of business and on other non-qualifying income earned from foreclosure property.

(d) The U.S. REIT is subject to a 100% tax on net income from "prohibited transactions". Prohibited transactions are generally sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business.

(e) The U.S. REIT is subject to a 100% tax on certain transactions with its taxable REIT subsidiaries ("**TRSs**") if such transactions are not at "arm's-length", as defined.

(f) If the U.S. REIT fails to satisfy either the 75% or 95% gross income test (as discussed below) but has nonetheless maintained its qualification as a REIT because it has met certain other requirements, the U.S. REIT will be subject to a 100% tax on an amount equal to the greater of the amount by which it fails the 75% or 95% test multiplied by a fraction calculated to reflect the U.S. REIT's profitability.

(g) If the U.S. REIT: (i) fails to satisfy any of the REIT asset tests (as discussed below), other than a "*de minimis*" failure of the 5% or 10% REIT asset test (as described more fully below), it may continue to qualify as a REIT if it meets certain other requirements and it pays a tax equal to the greater of US$50,000 or the highest corporate income tax rate multiplied by the net income from the non-qualifying assets for the period of time it failed to satisfy the asset tests; or (ii) fails to satisfy REIT requirements other than the gross income and asset tests and meets certain other requirements, it will have to pay US$50,000 for each failure in order to remain a REIT.

(h) The U.S. REIT is subject to a 4% excise tax on the excess of the required distribution over the sum of amounts distributed and amounts retained on which U.S. federal income tax was paid. The required distribution for this purpose is at least 85% of its ordinary income, 95% of its capital gain net income, and any undistributed amounts from prior periods.

(i) The U.S. REIT may be required to pay monetary penalties to the IRS in certain circumstances, including if it fails to meet record-keeping requirements intended to monitor its compliance with rules relating to the composition of its interest holders.

(j) If the U.S. REIT acquires appreciated assets from a “C-corporation” (i.e., a corporation generally subject to corporate income tax) in a transaction in which the adjusted tax basis of the assets in its hands is determined by reference to the adjusted tax basis of the assets in the hands of the C-corporation, the U.S. REIT may be subject to tax on such appreciation at the highest corporate income tax rate then applicable if it subsequently recognizes gain on a disposition of such assets during the ten-year period following its acquisition from the C-corporation. The results described in this paragraph assume that the C-corporation will not elect in lieu of this treatment to be subject to an immediate tax when the asset is acquired by the U.S. REIT.

(k) The U.S. REIT may have subsidiaries or own interests in other lower-tier entities that are C-corporations, such as taxable REIT subsidiaries, the earnings of which would be subject to federal corporate income tax.

Requirements for REIT Qualification

To qualify as a REIT, a business entity must timely elect to be treated as a REIT and must meet certain organizational, operational, income, asset and distribution requirements, discussed in very general terms below.

Organizational Requirements

The Code defines a REIT as a corporation, trust or association that:

(a) is managed by one or more trustees or directors;

(b) issues transferable stock or transferable certificates as evidence of beneficial ownership;

(c) would be taxed as a domestic corporation but for the REIT provisions of the Code;

(d) is neither a financial institution nor an insurance company;

(e) is beneficially owned by at least 100 persons (“**100 Shareholder Requirement**”);

(f) not more than 50% of the value of its outstanding equity interests is owned, directly, indirectly or by attribution, by five or fewer “individuals” (as defined in the Code to include certain entities), during the last half of the taxable year (“**Not-Closely Held Requirement**”); and

(g) satisfies the asset and income requirements, described below.

The first four conditions described above must be met for each taxable year for which REIT qualification is sought. The 100 Shareholder Requirement must be met for at least 335 days of a 12-month taxable year or for a proportionate number of days if the taxable year is less than 12 months. The Not-Closely Held Requirement is generally measured at the individual level through the application of constructive ownership rules. The 100 Shareholder Requirement, on the other hand, is generally measured at the actual shareholder level. Both the 100 Shareholder Requirement and the Not-Closely Held Requirement are waived for the first taxable year for which a REIT election is made.

A REIT’s taxable year must be the calendar year. As well, a REIT cannot have earnings and profits as of the close of any REIT taxable year which were accumulated in a non-REIT taxable year. As discussed more fully below under the heading “Annual Distribution Requirements”, the U.S. REIT is required to make dividend distributions equal to at least 90% of REIT taxable income, determined without regard to the deduction for dividends paid and by excluding any net capital gain, plus 90% of the excess of net income from foreclosure property over the tax imposed on such income, less “excess non-cash income”. A REIT is also required to maintain certain records pertinent to its qualified REIT status.

Annual Income Requirements

The U.S. REIT must meet the following two gross income test requirements, excluding gross income from prohibited transactions and certain hedging and foreign currency transactions, annually:

(a) at least 75% of the U.S. REIT's gross income ("**75% gross income test**"), excluding gross income from prohibited transactions and certain hedging and foreign currency transactions, must be derived from:

  (i) rents from real property (as described below);

  (ii) interest on obligations secured by mortgages on real property;

  (iii) dividends received from other REITs;

  (iv) gain from the sale of real property that is not held primarily for sale to customers in the ordinary course of business;

  (v) income and gain derived from "foreclosure property" (as previously described);

  (vi) income from certain temporary investments (described below); and

  (vii) certain other real estate-related income; and

(b) at least 95% of the U.S. REIT's gross income ("**95% gross income test**"), excluding gross income from prohibited transactions and certain hedging and foreign currency transactions, must be income of a passive-type, including:

  (i) income described in the 75% gross income test, above;

  (ii) dividends, including dividends from a TRS;

  (iii) interest (whether or not secured by a mortgage); and

  (iv) gain from the sale or disposition of stock or securities not held primarily for sale to customers in the ordinary course of business.

Certain Types of Income

Rents from Real Property: Generally, "rents from real property" means the gross amounts received for the use of real property. "Rents from real property" includes:

(a) rents from interests in real property;

(b) charges for services customarily furnished or rendered (i.e., services customarily provided to tenants of similar property in the geographic area in connection with the rental of space for occupancy) in connection with the rental of real property, whether or not those charges are separately stated;

(c) rent attributable to personal property that is leased in connection with a lease of real property provided that the rent attributable to personal property does not exceed 15% of the total rental amount; and

(d) rents received from a TRS (which would otherwise be disqualified as related party rents), provided that certain conditions are satisfied.

"Rents from real property" does not include, among other categories of real property-related rental income,

(a) any amount received or accrued that is based upon profits of any person either in whole or in part, directly or indirectly. However, an amount is not so excluded solely by being based on a fixed percentage or percentages of sales or if it is based on the net income of a tenant which derives substantially all of its income with respect to such property from subleasing substantially all of such property, to the extent that the rents paid by the subtenants would qualify as rents from real property, if earned directly by the REIT;

(b) any amounts received from a tenant that is directly or indirectly 10% or more owned (based on voting power or value for a corporate entity or assets or net profits for a non-corporate entity) by the REIT, except in certain cases for amounts received from a TRS; and

(c) impermissible tenant service income ("**ITSI**").

Generally, ITSI means, with respect to a property, any amount received or accrued directly or indirectly by a REIT for furnishing or rendering services to its tenants or for managing or operating the property. However, if such services are rendered or furnished, or such management or operation is provided through: (i) an independent contractor from whom the REIT does not derive or receive any income; or (ii) a TRS of the REIT, then such services, management or operation is not treated as furnished, rendered or provided by the REIT for purposes of determining whether they create ITSI. In addition, certain customary property management services may be provided directly by the REIT without causing amounts to be treated as ITSI. Nonetheless, if the amount of ITSI as determined under the preceding rules exceeds 1% of all amounts received or accrued directly or indirectly during the taxable year by the REIT with respect to such property, then all such amounts received with respect to the property are treated as ITSI.

Property Held Primarily for Sale: A REIT is subject to a 100% tax on its net income from "prohibited transactions". A prohibited transaction includes the sale of property held primarily for sale to customers in the ordinary course of business other than a foreclosure property. Whether property is held primarily for sale to customers in the ordinary course of business depends on the facts and circumstances. However, a prohibited transaction is deemed not to include the sale of property that is a real estate asset and is held primarily for sale to customers in the ordinary course of business if:

(a) the REIT has owned the property (consisting of land and improvements) for two years or longer for the production of rental income;

(b) the aggregate expenditures of a capital nature made by the REIT or its partner on the property during the two-year period prior to the sale do not exceed 30% of the property's net selling price; and

(c) the REIT (i) makes no more than seven sales of property during the taxable year, (ii) the aggregate tax bases of the properties sold during the taxable year does not exceed 10% of the aggregate tax bases of all the REIT's assets, determined as of the beginning of the taxable year, or (iii) the fair market value of the properties sold during the taxable year does not exceed 10% of the fair market value of all of the REIT's assets, determined as of the beginning of the taxable year. If the REIT relies on the percentage of tax bases or fair market value test to avoid prohibited transaction treatment, then substantially all the marketing and development expenditures with respect to the property must be made through an independent contractor in a prescribed manner.

Income from Certain Temporary Investments: Interest income on obligations not secured by real property and certain other investment income may qualify under the 75% gross income test if it is "qualified temporary investment income". Qualified temporary investment income is limited to certain investment income from stock or a debt instrument that is attributable to the temporary investment of new capital and is received or accrued during the one-year period beginning on the date the REIT receives such new capital. The same one-year period also limits the time such temporary investments are treated as real estate assets for asset testing purposes.

If the U.S. 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 REIT for the year if it is entitled to relief under applicable provisions of the Code. These relief provisions will generally be available if the U.S. REIT's failure to meet these tests was due to reasonable cause and not due to willful neglect and, following the identification of such failure, the U.S. REIT sets forth a description of each item of its gross income that satisfies the gross income tests in a schedule for the taxable year filed in accordance with the U.S. Regulations. As discussed above, a tax would be imposed upon the profit attributable to the amount by which the U.S. REIT fails to satisfy the particular gross income test.

Quarterly Asset Requirements

At the end of each quarter, the U.S. REIT must meet certain asset requirements, generally as follows:

(a) At least 75% of the value of the U.S. REIT's gross assets must consist of real estate assets (which generally include qualified temporary investments, described above, interests in real property, interest in mortgages and shares in other REITs), cash, cash items, and U.S. Government securities.

(b) Not more than 25% of the value of its total assets may consist of securities, other than U.S. Government securities and securities that qualify as real estate assets.

(c) Not more than 25% of the value of its total assets may consist of securities of TRSs.

(d) Not more than 5% of the value of its total assets may consist of securities of one issuer (other than interests in TRSs, U.S. Government securities and securities that qualify as real estate assets).

(e) The U.S. REIT may not hold securities that make up more than 10% of total voting power or value of the outstanding securities of any one issuer (except for interests in TRSs, U.S. Government securities, securities that qualify as real estate assets, and for the 10% value limitation purposes, certain exempted securities).

If the U.S. REIT meets the asset tests at the close of any quarter, it will not lose its REIT status if it fails to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values of assets owned in the immediately preceding quarter (including a failure caused solely by a change in the foreign currency exchange rate used to value a foreign asset). If, on the other hand, the U.S. REIT fails the asset test because of the acquisition of an asset, the failure can be cured by disposing of non-qualifying assets within 30 days after the close of the quarter. Under certain circumstances, the U.S. REIT may avoid REIT disqualification after the 30-day cure period by disposing of sufficient non-qualifying assets (or otherwise meeting such asset tests) within six months of the last day of the quarter in which the U.S. REIT first identifies the violation and by taking certain other steps.

If the U.S. REIT fails to satisfy the REIT requirements, other than the gross income tests and the asset tests, it may avoid REIT disqualification if such a failure is due to reasonable cause and not due to willful neglect and the U.S. REIT pays US$50,000 for each such failure.

A REIT that is disqualified as a REIT cannot generally again elect to become a REIT prior to the fifth taxable year beginning after the first taxable year for which the termination is effective unless it can establish the disqualification was due to reasonable cause and not due to willful neglect.

Annual Distribution Requirements

The U.S. REIT is required annually to take a dividends paid deduction at least equal to the sum of: (i) 90% of its REIT taxable income (determined without regard to the deduction for dividends paid and by excluding any net capital gain); and (ii) 90% of the excess of net income from foreclosure property over the tax imposed on such income, minus "excess non-cash income". Generally, a distribution is treated as a dividend that may qualify for the dividends paid deduction only to the extent it is paid from current or accumulated earnings and profits of the U.S. REIT and provided it is not treated as a preferential dividend.

Generally, a dividend paid during the taxable year is taken into account in the same year, for purposes of the dividends paid deduction. However, dividends paid in the immediately subsequent year are treated as if distributed on December 31 of the prior year if the dividends were declared in October, November or December of the prior year, the dividends were payable to "stockholders" of record on a specified date in such a month, and the dividends were actually distributed during January of the immediately subsequent year.

A dividend is also taken into account for the prior year if it is declared before the U.S. REIT timely files its federal income tax return for such year, it is actually paid in the 12-month period following the close of the prior year, it is paid not later than the first regular dividend payment after declaration of such distribution, and the U.S. REIT timely files an election. To the extent the U.S. REIT relies on this election for more than 15% of its ordinary income and more than 5% of its capital gain net income, it may be subject to 4% excise tax on such excess late distributions. Finally, the U.S. REIT and its holders of common interest (i.e., consent stock) may agree to deem a dividend to occur if certain conditions are met and if consents to such treatment are timely filed. The amount specified as a consent dividend generally is considered as (i) distributed in money by the U.S. REIT to the shareholder on December 31 of the taxable year of the U.S. REIT, and (ii) contributed to the capital of the U.S. REIT by the shareholder on the same day. Any U.S. withholding tax applicable to the consent dividend will be required to be withheld and timely remitted by the U.S. REIT. However, amounts specified in consents filed by shareholders are not treated as consent dividends to the extent that they would constitute a preferential dividend, or they would not constitute a dividend as defined in section 316 of the Code (because e.g., the amount exceeds the U.S. REIT's earnings and profits).

The U.S. REIT may choose to treat certain dividends as designated capital gain dividends. The U.S. REIT may designate prior distributions as capital gain dividends in a written notice mailed to shareholders within 30 days of the close of the taxable year, or in its annual report for the taxable year. Capital gain dividends are generally limited to the amount of the REIT's net capital gain for the year. Capital gain dividends are taxed in the hands of the shareholders as a gain from the sale or exchange of a capital asset held for more than one year.

Records Maintenance

The U.S. REIT is required to keep such records as are required in order to disclose the actual ownership of its outstanding equity interests. The actual owner of the U.S. REIT's outstanding equity interests is generally the person who is required to include the dividends received from the U.S. REIT in gross income for U.S. federal income tax purposes.

Other Applicable Rules

The U.S. REIT is generally subject to all other provisions of the Code that apply to corporations except to the extent those provisions are inconsistent with the REIT rules. For example, but for the dividends paid deduction and certain modifications to the normal operating rules applicable to corporations, the U.S. REIT generally computes its taxable income in the same way as a U.S. corporation. As such, the U.S. REIT is entitled to deduct ordinary and necessary expenses, including fees, interest, depreciation and amortization computed under the rules of the Code and other amounts that are not properly treated as being on capital account. However, to be deductible, expenses must also meet the clear reflection of income, economic performance and certain other standards.

Deductibility of Interest by U.S. REIT in Respect of the U.S. REIT Notes

The Holding LP may loan funds to the U.S. REIT in the form of the U.S. REIT Notes. A number of U.S. federal income tax rules may affect the treatment of the U.S. REIT Notes (if any) and the interest arising therefrom.

The Holding LP and the U.S. REIT intend to treat the U.S. REIT Notes (if any) as debt for U.S. federal income tax purposes. Accordingly, the U.S. REIT will claim interest deductions with respect to the U.S. REIT Notes (if any) in computing its income for U.S. federal income tax purposes.

However, neither the Holding LP nor the U.S. REIT has obtained an opinion of counsel on the issue as to the characterization of the U.S. REIT Notes as debt for U.S. federal income tax purposes. The determination of whether the U.S. REIT's indebtedness to the Holding LP will be debt or equity for U.S. federal income tax purposes is based on an analysis of the facts and circumstances. There is no clear statutory definition of debt for U.S. federal income tax purposes, and its characterization is governed by principles developed in case law, which analyzes numerous factors that are intended to identify the economic substance of the purported creditor's interest in the corporation. Furthermore, not all courts have applied this analysis in the same manner, and some courts have placed more emphasis on certain factors than other courts have. While there can be no assurance that the IRS will not take a contrary position, the Holding LP and the U.S. REIT believe their position should prevail. However, subsequent changes in fact or subsequent actions or inactions by the Holding LP or the U.S. REIT could impact this analysis or could be used by the IRS to call in question this analysis or the facts as of the date such indebtedness was incurred. A successful challenge of this position would increase the U.S. federal income tax liability of the U.S. REIT, which could affect the ability of the U.S. REIT to make interest and principal payments on the U.S. REIT Notes and would reduce the amount of after-tax cash generated by the U.S. REIT that could otherwise be available to make distributions. In addition, payments of interest would be re-characterized as equity distributions and would be subject to U.S. withholding tax (subject to potential reduction under the Treaty) to the extent the U.S. REIT had current or accumulated earnings and profits.

Even if the U.S. REIT Notes (if any) are respected as debt for U.S. federal income tax purposes, there is a risk that the IRS may challenge the interest on such indebtedness as being in excess of an arm's length rate. If the IRS were successful in challenging the interest rate, the U.S. REIT would not be able to fully deduct interest paid on such indebtedness. Any such excess interest would also be subject to U.S. withholding tax (subject to potential reduction under the Treaty).

Further, the earnings stripping rules under Section 163(j) of the Code may limit the ability of the U.S. REIT to deduct all or a portion of the interest paid in respect of the U.S. REIT Notes (if any). Generally, under these rules, if the U.S. REIT's debt-to-equity ratio exceeds 1.5 to 1, the ability of the U.S. REIT to deduct interest paid on such indebtedness will be limited to the extent that its net interest expense (the interest paid by the U.S. REIT on all debt, including the U.S. REIT Notes (if any), less its interest income) exceeds 50% of its adjusted taxable income (generally, U.S. federal taxable income before net interest expense, depreciation, amortization and taxes). Any disallowed interest expense may currently be carried forward to future years. Moreover, proposed legislation has been introduced, though not enacted, several times in recent years that would further limit the 50% of adjusted taxable income cap described above to 25% of adjusted taxable income. Furthermore, other limitations on the deductibility of interest under U.S. federal income tax laws, potentially including limitations applicable to certain high-yield debt obligations, could apply under certain circumstances to defer and/or eliminate all or a portion of the interest deduction that the U.S. REIT would otherwise be entitled to with respect to interest on such indebtedness.

New IRS Reporting Rules

On March 18, 2010, the *Hiring Incentives to Restore Employment Act* of 2010 was enacted into law and added a new withholding tax system, often referred to as the *Foreign Account Tax Compliance Act* ("**FATCA**"), to the Code. FATCA requires a "foreign financial institution" ("**FFI**"), the broad definition of which would include an investment fund established outside of the U.S., to undertake certain due diligence, reporting, withholding and certification obligations with respect to its direct investors. Failure to comply with FATCA could subject an FFI or its account holders to certain sanctions including a 30% U.S. withholding tax on certain payments.

On February 5, 2014, Canada and the U.S. signed the Canada-United States Enhanced Tax Information Exchange Agreement (the "**Canada-US IGA**") relating to FATCA, and, on June 19, 2014, amendments to the Tax Act to implement the Canada-US IGA received Royal Assent (the "**FATCA Amendments**"). The FATCA Amendments will come into force on the day the Canada-US IGA comes into force. According to the Department of Finance, it is proposed that the Canada-US IGA have effect as of July 1, 2014. If the Canada-US IGA and the FATCA Amendments do not come into force as currently proposed, the considerations relating to FATCA described herein could be materially and adversely different in certain respects.

Under the Canada-U.S. IGA, a Canadian FI must comply with certain due diligence and reporting obligations in respect of "U.S. Reportable Accounts" maintained by such Canadian FI at any time after June 29, 2014. Annual information reporting obligations to the CRA, including reporting on such U.S. Reportable Accounts, start in 2015. Information provided to the CRA, including information regarding U.S. Reportable Accounts will be exchanged by the CRA with the IRS in accordance with the provisions of the Canada-U.S. IGA. A Canadian FI that complies with the requisite due diligence and reporting requirements of the Canada-U.S. IGA will generally be relieved from certain provisions that would otherwise have been applicable under FATCA, including the imposition of the 30% withholding tax on certain U.S. source payments and the obligation to close accounts of individual account holders who do not provide requested information to permit the Canadian FI to establish whether they are U.S. Reportable Accounts.

If applicable, the Fund and any related non-U.S. entities, intend expect to comply with FATCA.

Any U.S. withholding tax imposed under FATCA would reduce the returns to Unitholders in the Fund. The administrative cost of compliance with FATCA may also cause an increase in operating expenses of the Fund further reducing returns to Unitholders. Prospective Unitholders should consult their own tax advisors regarding the implications of FATCA on their investment in the Fund.

20. RISK FACTORS

The purchase of Units hereunder involves a number of risk factors. The risks described below are not the only risks involved with an investment in the Units. If any of the following risks occur, or if others occur, the Fund's business, operating results and financial condition could be seriously harmed and Purchasers may lose all of their investment. Risks affecting the Fund will affect its ability to make distributions on the Units. There is no assurance that the Fund will be able to achieve any of its investment objectives. In addition to the risk factors set forth elsewhere in this Prospectus, prospective Purchasers should consider the following risks associated with a purchase of Units:

This is Partly a Blind Pool Offering

After completion of the acquisition of the Initial Portfolio, although the Fund expects that the unallocated Investable Funds will be applied to the purchase of one or more additional Properties, the Manager has not yet identified any additional Properties for potential investment by the U.S. REIT. It is the intention of the Manager that not more than 50% of the Investable Funds be deployed to acquire such additional Properties. See "Use of Proceeds". Notwithstanding the foregoing, the Fund may subsequently determine to increase its financial leverage, subject to the provisions of the Fund LP Agreement, which permits total indebtedness of the Fund to be no more than 75% of the Investable Funds provided that, if approved by the General Partner, the appraised value of the Properties may be used instead of Investable Funds for the purposes of this determination.

The Unitholders' return on their investments in the Units will vary depending on the return on investment achieved on the Properties, including the Initial Portfolio, acquired with the Investable Funds. Accordingly, if the net proceeds of the Offering exceed the amount required to purchase the Initial Portfolio, until such time as the excess funds are deployed by the Fund to indirectly acquire interests in income-producing property, the annualized pre-tax distribution yield per Unit can be expected to be less than 7%.

No Prior Public Market for Units

Prior to the Offering, no public market existed for the Units. An active and liquid market for the Units may not develop following the completion of the Offering or, if developed, may not be maintained. If an active public market does not develop or is not maintained, investors may have difficulty selling their Units. The Offering Price of Units was determined by negotiation among the Manager, on behalf of the Fund, and the Agents and may not be indicative of the price at which the Units will trade following the completion of the Offering. The Fund cannot assure investors that the market price of Units will not materially decline below the Offering Price. Accordingly, an investment in Units is suitable solely for persons able to make and bear the economic risk of a long term investment.

Volatile Market Price for Units

The market price for Units may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Fund's control, including the following: (i) actual or anticipated fluctuations in the Fund's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to the Fund; (iv) addition or departure of the Fund's or the Manager's executive officers and other key personnel; (v) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Fund or its competitors; and (vi) news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in the Fund's industry or target markets. Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the Units may decline even if the Fund's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the Fund's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the Units by those institutions, which could materially adversely affect the trading price of the Units. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, the Fund's operations could be materially adversely impacted and the trading price of the Units may be materially adversely affected.

Reliance on the Manager

Prospective Purchasers assessing the risks and rewards of this investment will, in large part, be relying on the expertise of the Manager and its principal, Daniel Drimmer. In particular, prospective Purchasers will have to rely on the discretion and ability of the Manager in determining the composition of the portfolio of Properties, and in negotiating the pricing and other terms of the agreements leading to the acquisition and Disposition of Properties. The ability of the Manager to successfully implement the Fund's investment strategy will depend in large part on the continued employment of Daniel Drimmer, Tamara Lawson and/or Evan Kirsh. If the Manager loses the services of Daniel Drimmer, Tamara Lawson and/or Evan Kirsh, the business, financial condition and results of operations of the Fund may be materially adversely affected. See "Directors and Officers" and "The Manager and the Management Agreement".

Less than Maximum Offering

There can be no assurance the Maximum Offering will be sold. If less than all of the Units offered are sold pursuant to this Offering, then less than the maximum proceeds will be available to the Fund. Consequently, the Fund may be unable to implement its business development plans in the manner currently intended. If less than the Maximum Offering is sold, the Fund will still indirectly acquire the Initial Portfolio.

Distributions may be Reduced or Suspended

Although the Fund intends to distribute its available cash to Unitholders, such cash distributions may be reduced or suspended. The ability of the Fund to pay Unitholders a targeted annual pre-tax distribution yield of 7% across all Unit classes and the actual amount distributed or paid to Unitholders on termination of the Fund will vary as between the classes of Units based on the proportionate entitlements of each class of Unit, applicable Unit Class Expenses, Canadian/U.S. dollar exchange rates, and will depend on the ability of the Fund to fully deploy the net proceeds of the Offering to indirectly acquire the Properties and manage the ongoing operations of the Properties and the ability of the Holding LP to pay the Investment LP the Minimum Return. The Minimum Return is a preferred return, but is not guaranteed and may not be paid on a current basis in each year or at all. As a result, the cash distributions payable to Unitholders may not be paid on a current basis in each year or at all. The return on an investment in the Units is not comparable to the return on an investment in a fixed income security. Cash distributions, including a return of a Unitholder's original investment, are not guaranteed and their recovery by an investor is at risk and the anticipated return on investment is based upon many performance assumptions. It is important for Purchasers to consider the particular risk factors that may affect the real estate investment markets generally and therefore the availability and stability of the distributions to Unitholders.

Experience of Directors and Officers

While the officers of the Fund and the Directors have significant experience in multi-family real estate in Canada, their direct experience in multi-family real estate in the U.S. is more limited. Investors are cautioned that the experience of the officers of the Fund and the Directors may not be relevant to their achievement of the investment objectives of the Fund.

Risks of Real Estate Investment and Ownership

An investment in Units is an investment in U.S. real estate through the Fund's indirect interest in the U.S. REIT and the Properties, directly or indirectly, acquired by it. Investment in real estate is subject to numerous risks, including the factors listed below and other events and risk factors which are beyond the control of the Fund.

Acquisition Risk

The Manager intends to recommend Properties for acquisition by the U.S. REIT selectively. The acquisition of Properties entails risks that investments will fail to perform in accordance with expectations. In undertaking such acquisitions, the U.S. REIT will incur certain risks, including the expenditure of funds, including non-refundable deposits, due diligence costs and inspection fees, and the devotion of the Manager's time to transactions that may not come to fruition. The operation of Properties may not generate sufficient funds to make the payments of principal and interest due on the Mortgage Loans and, upon default, one or more lenders could exercise their rights including foreclosure or the sale of Properties.

General Real Estate Ownership Risks

All real property investments are subject to a degree of risk and uncertainty. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of such properties.

The Properties generate revenue through rental payments made by the tenants thereof. The ability to rent vacant suites in the Properties will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors. If a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the Properties becomes vacant and cannot be re-leased on economically favourable terms, the Properties may not generate revenues sufficient to meet Operating Expenses, including debt service and capital expenditures, and Distributable Cash will be adversely affected.

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. Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with demand for and the perceived desirability of such investments. Such illiquidity will tend to limit the U.S. REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the U.S. REIT were to be required to quickly liquidate its real property investments, the proceeds might be significantly less than the aggregate carrying value of the Properties or less than what could be expected to be realized under normal circumstances. The U.S. REIT may, in the future, be exposed to a general decline of demand by tenants for space in properties. As well, certain of the leases of the Properties held by the U.S. REIT may have early termination provisions which, if exercised, would reduce the average lease term.

Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the Properties or revenues to be derived therefrom. There can be no assurance that, upon the expiry or termination of existing leases, the average occupancy rates and revenues will be higher than historical occupancy rates and revenues, and it may take a significant amount of time for market rents to be recognized by the U.S. REIT due to internal and external limitations on its ability to charge these new market-based rents in the short-term.

Co-investment/Joint Ventures

The U.S. REIT may, on advice from the Manager, invest in, or be a participant in, joint ventures and partnerships with third parties in respect of the Properties in addition to its joint venture with Fund No. 1 in respect of Sunset Ridge. A joint venture or partnership involves certain additional risks, including:

(i) the possibility that such co-venturers/partners may at any time have economic or business interests or goals that will be inconsistent with the U.S. REIT's or take actions contrary to the Manager's instructions or requests or to the Manager's policies or objectives with respect to the Properties;

(ii) the co-venturer/partner may have control over all of the day to day and fundamental decisions relating to a property;

(iii) the risk that such co-venturers/partners could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands to maintain and operate such Properties or repay the co-venturers'/partners' share of property debt guaranteed by the U.S. REIT or for which the U.S. REIT will be liable and/or result in the U.S. REIT suffering or incurring delays, expenses and other problems associated with obtaining court approval of joint venture or partnership decisions;

(iv) the risk that such co-venturers/partners may, through their activities on behalf of or in the name of the ventures or partnerships, expose or subject the U.S. REIT to liability; and

(v) the need to obtain co-venturers'/partners' consents with respect to certain major decisions or inability to have any decision making authority, including the decision to distribute cash generated from such properties or to refinance or, as is the case in certain situations in respect of Sunset Ridge, sell a property.

In addition, the sale or transfer of interests in certain of the joint ventures and partnerships may be subject to certain requirements, such as rights of first refusal, rights of first offer or drag-along rights, and certain of the joint venture and partnership agreements may provide for buy-sell or similar arrangements. Such rights may inhibit the U.S. REIT's ability to sell an interest in a property or a joint venture/partnership within the time frame or otherwise on the basis the Manager desires. Additionally, drag-along rights may be triggered at a time when the Manager may not advise the U.S. REIT to sell the Fund's interest in a Property, but the U.S. REIT may be forced to do so at a time when it would not otherwise be in the Fund's best interest.

The Sunset Ridge LLC Agreement prohibits any member from selling, transferring, assigning, mortgaging, hypothecating or otherwise encumbering all or any part of its member interests without the prior written consent of the mezzanine loan lender, until such time as the existing mezzanine loan is indefeasibly paid or discharged in accordance with its terms, and all members. As a result, there is no limitation preventing the Fund from purchasing from Fund No. 1 the remaining 50% interest in Sunset Ridge, provided that the Fund has available Investable Funds to be deployed at that time. In such circumstances, the purchase price would be determined with reference to an independent appraisal to be obtained by the Fund. The Acquisition Fee would be payable by the U.S. REIT to the Manager in connection with the Fund's acquisition of the remaining 50% interest in Sunset Ridge. See "Risk Factors – Risks of Real Estate Investment and Ownership – Same Management Group for Various Entities".

On the Closing Date or shortly thereafter, Starlight Investments Acquisition LLC, an Affiliate of the Manager, will indirectly transfer its 50% interest in Sunset Ridge to the Fund by way of the Sunset Ridge Purchase Agreement and the Property will be co-owned by the Fund and Fund No. 1 pursuant to the terms of the Sunset Ridge LLC Agreement. All decision making in respect of Sunset Ridge, including day-to-day and material decisions, will be jointly made through the established governance practices of the Fund and Fund No. 1 in accordance with the Sunset Ridge LLC Agreement and that the Fund and Fund No. 1 will each be responsible for the liabilities of Sunset Ridge on a *pro-rata* ownership basis. There can be no assurance that the interests of Fund No. 1 will be in alignment with those of the Fund, which may adversely impact the value of the Fund's interest in Sunset Ridge and the Fund. See "Description of the Activities of the Fund – The Initial Portfolio – Purchase Agreements and Sunset Ridge LLC Agreement – Sunset Ridge – Sunset Ridge LLC Agreement", "Risk Factors – Risks of Real Estate Investment and Ownership – Co-Investment/Joint Ventures".

Substitutions for Residential Rental Suites

Demand for rental suites in the 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 crisis, 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 or fail to rise, demand for rental suites may be adversely affected. A reduction in the demand for rental suites may have an adverse effect on the Fund's ability to lease suites in the Properties and on the rents charged.

Government Regulation

Certain states in the U.S. may have enacted residential tenancy legislation which may impose, among other things, rent control guidelines that limit the U.S. REIT's ability to raise rental rates at the Properties. Limits on the U.S. REIT's ability to raise rental rates at the Properties may adversely affect the U.S. REIT's ability to increase income from the Properties. The State of Texas has not currently enacted residential tenancy legislation that imposes rent control guidelines that could limit the U.S. REIT's ability to raise rental rates at its Properties.

In addition to limiting the U.S. REIT's ability to raise rental rates, residential tenancy legislation in such states may provide certain rights to tenants, while imposing obligations upon landlords. Certain states may also prescribe procedures which must be followed by a landlord in order to terminate a residential tenancy. As certain proceedings may need to be brought before the respective judicial or administrative body governing residential tenancies as appointed under a state's residential tenancy legislation, it may take several months to terminate a residential lease, even where the tenant's rent is in arrears.

Further, residential tenancy legislation in certain states may provide tenants with the right to bring certain claims to the respective judicial or administrative body seeking an order to, among other things, compel landlords to comply with health, safety, housing and maintenance standards. As a result, the U.S. REIT may, in the future, incur capital expenditures which may not be fully recoverable from tenants.

Residential tenancy legislation may be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of the U.S. REIT to maintain the historical level of earnings of the Properties.

Financing Risks

There is no assurance that the Manager will be able to obtain sufficient Mortgage Loans to finance the acquisition of Properties, or, if available, that the Manager will be able to obtain Mortgage Loans on commercially acceptable terms. Further, there is no assurance or guarantee that any Mortgage Loans, if obtained, will be renewed when they mature or, if renewed, renewed on the same terms and conditions (including the rate of interest). In the absence of mortgage financing, the number of Properties which the U.S. REIT is able to purchase will decrease and the return from the ownership of Properties (and ultimately the return on an investment in Units) will be reduced.

Interest Rate Fluctuations

The Mortgage Loans may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in the Fund's cost of borrowing.

Environmental Matters

Under various environmental and ecological laws, the U.S. REIT and/or its Subsidiaries could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in one or more of the Properties or disposed of at other locations. The failure to deal effectively with such substances may adversely affect the Manager's ability to sell such Property or to borrow using the Property as collateral, and could potentially also result in claims against the U.S. REIT by third parties.

Uninsured Losses

The U.S. REIT will arrange for comprehensive insurance, including fire, liability and extended coverage, of the type and in the amounts customarily obtained for properties similar to those to be owned by the U.S. REIT or its Subsidiaries and will endeavour to obtain coverage where warranted against earthquakes and floods. However, in many cases certain types of losses (generally of a catastrophic nature) are either uninsurable or not economically insurable. Should such a disaster occur with respect to any of the Properties, the U.S. REIT could suffer a loss of capital invested and not realize any profits which might be anticipated from the disposition of such Properties.

Reliance on Property Management

The Manager may rely upon independent management companies to perform property management functions in respect of each of the Properties. To the extent the Manager relies upon such management companies, the employees of such management companies will devote as much of their time to the management of the Properties as in their judgment is reasonably required and may have conflicts of interest in allocating management time, services and functions among the Properties and their other development, investment and/or management activities.

Competition for Real Property Investments or Tenants

The Manager will compete for suitable real property investments with individuals, corporations, REITs and similar vehicles and institutions (both Canadian, U.S. and foreign) which are presently seeking or which may seek in the future real property investments or tenants similar to those sought by the Manager. Such competition could have an impact on the U.S. REIT's ability to lease suites in the Properties and on the rents charged. An increased availability of investment funds allocated for investment in real estate would tend to increase competition for real property investments and increase purchase prices, reducing the yield on such investments. There is a risk that continuing increased competition for real property acquisitions may increase purchase prices to levels that are not accretive.

Revenue Shortfalls

Revenues from the Properties may not increase sufficiently to meet increases in Operating Expenses or debt service payments under the Mortgage Loans or to fund changes in the variable rates of interest charged in respect of such loans.

Fluctuations in Capitalization Rates

As interest rates fluctuate in the lending market, generally Capitalization Rates will as well, which affects the underlying value of real estate. As such, when interest rates rise, generally Capitalization Rates should be expected to rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these Capitalization Rates.

Limited Recourse Against Property Vendors

Purchasers under this Prospectus will not have a direct statutory right or any other rights against Starlight Investments Acquisition LLC and Prim Residences At Cinco Ranch, LLC, the vendors of the Property interests comprising the Initial Portfolio, and their respective securityholders. The sole remedy of the Fund against Starlight Investments Acquisition LLC, and Prim Residences At Cinco Ranch, LLC or any of their respective securityholders will be through the U.S. REIT or Cinco Ranch Acquisition LLC bringing an action against the applicable vendor for a breach of the representations and warranties contained in such agreement, subject to the limitations described above. The vendors' liability to the Fund under the purchase agreements for breach of representations and warranties is capped at US$250,000 for each of Allure and Sunset Ridge and US$500,000 for Cinco Ranch. In addition, the vendors have not made any representation to the Fund, and are not making any representation to investors in the Offering, as to the disclosure in this Prospectus constituting full, true and plain disclosure of all material facts related to the Properties comprising the Initial Portfolio, or that this Prospectus does not contain a misrepresentation with respect to such Properties. Accordingly, the vendors will not have any liability to investors in the Offering if the Prospectus disclosure relating to the Properties comprising the Initial Portfolio does not meet such standard or contains a misrepresentation.

Acquisition of Initial Portfolio

The Closing Date of the Offering will not proceed unless all preconditions to the closing of the acquisition of the Properties comprising the Initial Portfolio have been satisfied or waived.

U.S. Market Factors

The Properties will be located in the U.S. and economic conditions since the beginning of 2008 have been challenging in the North American economy. U.S. markets are currently experiencing increased levels of volatility due to a combination of many factors, including high unemployment, decreasing home prices, the highest level of home foreclosures since 2008, limited access to credit markets, higher fuel prices, less consumer spending, fears of a "double-dip" recession, and the slow rate of recovery. Although according to the U.S. Federal Reserve, the recession technically ended in June 2009, the U.S. economy has not returned to operating at normal capacity and the effects of the current market dislocation may persist as governments wind down fiscal stimulus programs. Concern about the stability of the markets generally and the strength of the economic recovery may lead lenders to reduce or cease to provide funding to businesses and consumers, and force financial institutions to continue to take the necessary steps to restructure their business and capital structures. As a result, this economic downturn has reduced demand for space and removed support for rents and property values. Although a recovery in the real estate market is in its early stages, the Fund cannot predict when the real estate markets will return to their pre-downturn levels. The value of Properties acquired may decline if current market conditions persist or worsen.

Possible Loss of Limited Liability of Limited Partners

Unitholders may lose their limited liability in certain circumstances, including by taking part in the control of the Fund's business. The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province, but carrying on business in another jurisdiction, have not been authoritatively established. If limited liability is lost, there is a risk that Unitholders may be liable beyond their contribution and share of the Fund's undistributed net income in the event of judgment on a claim in an amount exceeding the sum of the General Partner's net assets and the Fund's net assets. A transferee of a Unit will become a Unitholder and shall be subject to the obligations and entitled to the rights of Unitholders under the Fund LP Agreement on the date on which the General Partner amends the Fund's record of Unitholders to reflect that the transferee is a Unitholder or at such time as the General Partner, in its sole discretion, recognizes the transferee as a Unitholder. See "Description of the Securities Distributed – Units – Transfer of Units".

Historical Financial Information and Pro Forma Financial Information

The historical financial information relating to the Initial Portfolio included in this Prospectus has been derived from historical accounting records. The General Partner believes that the assumptions underlying the financial statements are reasonable. However, the financial statements may not reflect what the Fund's financial position, results of operations or cash flows would have been had the Fund been a standalone entity during the historical periods presented or what the Fund's financial position, results of operations or cash flows will be in the future. The Fund has not made adjustments to its historical financial information to reflect changes that may occur in its cost structure, financing and operations as a result of its acquisition of the Initial Portfolio. In preparing the *pro forma* financial information in this Prospectus, the Fund has given effect to, among other items, the Offering. The estimates used in the *pro forma* financial information may not be similar to the Fund's actual experience as a stand-alone public entity.

Non-IFRS Measures

The *pro forma* financial information set out in this Prospectus includes certain measures which do not have standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. There are no directly comparable measures calculated in accordance with GAAP, as such measures are based on investments that are external to the Fund. The measures used are meaningful to the investors as they are based on the average investor's individual investment in the entities mentioned.

Reliance on Assumptions

The Fund's investment objectives and strategy have been formulated based on the Manager's analysis and expectations regarding recent economic developments in the U.S., the future recovery of the U.S. real estate markets generally, and the U.S. to Canadian dollar exchange rate. Such analysis may be incorrect and such expectations may not be realized, in which case, if the U.S. REIT fails to generate sufficient funds to allow the Holding LP to pay the Minimum Return, Unitholders can expect the annualized pre-tax distribution yield per Unit to be less than 7%.

Timing for Investment of Net Subscription Proceeds

Although the Manager is targeting deployment of the unallocated Gross Subscription Proceeds within nine months following the Closing Date, the time period for the full investment of the net proceeds of the Offering in Properties other than the Initial Portfolio is not certain and may exceed nine months. The timing of such investment will depend, among other things, upon the identification of Properties meeting the Fund's criteria for acquisition. It is the intention of the Manager that not more than 50% of the Investable Funds be deployed to acquire such additional Properties. There is a risk that the Manager may not invest all net proceeds of the Offering in Properties in a timely manner and, therefore, the Holding LP may not be able to generate sufficient funds to pay the Minimum Return, in which case Unitholders can expect the annualized pre-tax distribution yield per Unit to be less than 7%.

Same Management Group for Various Entities

The services of the Manager as manager of the Fund are not exclusive to the Fund. The Manager or any of its affiliates and associates may, at any time, engage in the promotion, management or administration of other investment portfolios and realty trusts in similar asset classes, including Fund. No. 1 and Fund No. 2. Accordingly, the Manager may face conflicts of interest in the day-to-day operations, selection of real estate investments, and allocation of investment opportunities. In such circumstances, there is a risk that conflicts may arise regarding the allocation of properties among the various entities managed by the Manager and in connection with the exit from those properties. While the Manager owes fiduciary, legal and financial duties to the Fund and its Unitholders, these duties may from time to time conflict with the duties owed to the Manager's other real estate joint ventures and funds, including Fund No. 1 and Fund No. 2.

The independent directors of the General Partner are the same individuals who serve as directors of the general partner of Fund No. 1 and Fund No. 2. As a result, if the Properties of the Fund are held jointly or in partnership with either Fund No. 1 (as is the case with Sunset Ridge) or Fund No. 2, the Directors may be considered to be in a conflict of interest in the event the interests of the Fund and Fund No. 1 and/or Fund No. 2 are not aligned.

With respect to Sunset Ridge, although the interests of the Fund and Fund No. 1 are generally well aligned, a conflict may arise should Fund No. 1 wish to dispose of its interest at a time when it would not otherwise be in the Fund's best interest to do so. Pursuant to the Sunset Ridge LLC Agreement, the Fund is required to consent to any disposition membership interest in Sunset Ridge LLC, including a disposition of such interests by Fund No. 1. Should Fund No. 1 wish to dispose of its membership interest, the Fund may choose to: (a) consent to the disposition of Fund No. 1's 50% interest in Sunset Ridge, (b) acquire the membership interests of Fund No. 1 not already owned by it, provided that the Fund has available Investable Funds to be deployed at that time, pursuant to the terms of the Fund LP Agreement, at a purchase price determined based on an independent appraisal and in accordance with market practice, (c) dispose of its 50% interest at the same time as Fund No. 1 to realize a control premium associated with 100% ownership, or (d) pursue such other transaction or course of action deemed to be in the best interest of the Fund as determined by the Directors. The Directors in determining the Fund's course of action, will be required to act in compliance with their duties and obligations under corporate law and the Fund LP Agreement, which may require the appointment of additional, independent directors, which do not have a conflict of interest or the implementation of such other measurers or courses of action as deemed appropriate in the circumstances.

Currency Exchange Rate Risk

Although investors in the Canadian Dollar Units will be investing in Canadian dollars and will receive distributions and distributions of proceeds on termination of the Fund in Canadian dollars, such distributions, and distributions of proceeds on termination of the Fund will be calculated based on the Canadian dollar equivalent of a given distribution (which calculation shall use the U.S. spot exchange rate available to the Fund on the date of declaration in respect of such distribution). The Canadian dollar is not maintained at a fixed exchange rate compared to the U.S. dollar but rather the value of the Canadian dollar has a floating exchange rate in relation to the U.S. dollar. Additionally, the business of the Fund's Subsidiaries and its Affiliates will be conducted in the U.S. Consequently, any income and gains will be earned and any expenses and losses will be incurred in U.S. dollars. As a result of fluctuations in the Canada/U.S. dollar exchange rate, the value of an investment in Canadian Dollar Units and the distributions on such Units, when expressed in Canadian dollars, may be greater or less than that determined only with reference to U.S. dollars. Accordingly, investors who purchase Canadian Dollar Units are subject to currency exchange rate risk. The Fund does not intend to enter into any hedging arrangements to limit the impact of changes in the Canadian/U.S. dollar exchange rate for holders of Canadian Dollar Units and therefore it is anticipated that holders of Canadian Dollar Units will have full exposure to changes in the exchange rate between the Canadian and U.S. dollar.

Risk Factors Relating to the Fund's Canadian Tax Status

Allocation of Income and Loss

In general, a Unitholder must include in computing the Unitholder's income its proportionate share of income of the Fund allocated to the Unitholder pursuant to the Fund LP Agreement for the fiscal period of the Fund ending in or coincidentally with the Unitholder's taxation year. See "Certain Canadian Federal Income Tax Considerations". However, the cash distributed to a Unitholder may not be sufficient to pay the full amount of such Unitholder's tax liability in respect of its investment in the Fund because each Unitholder's tax liability depends on such Unitholder's particular circumstances. In addition, the actual amount and timing of distributions by the Fund will be subject to the discretion of the General Partner, and there can be no assurance that the Fund will in fact make cash distributions as intended. Even if the Fund is unable to distribute cash in amounts that are sufficient to fund a Unitholder's tax liability, such Unitholder will nonetheless be required to pay income taxes on its proportionate share of the Fund's income.

The SIFT Rules

The SIFT Rules apply to a partnership that is a "SIFT partnership" as defined in the Tax Act. Provided that a partnership does not own "non-portfolio property" (as defined in the Tax Act), it will not be subject to the SIFT Rules. Based on the Investment Restrictions of the Fund and the limitations imposed on the Partnerships under their respective limited partnership agreements, the Fund and the Partnerships will not acquire any non-portfolio property and, therefore, will not be subject to the SIFT Rules. However, there can be no assurance that the SIFT Rules or the administrative policies or assessing practices of the CRA will not be changed in a manner that adversely affects the Fund, the Partnerships or the Unitholders.

Foreign Taxes

Foreign taxes paid or considered to have been paid by the Investment LP will be allocated pursuant to its limited partnership agreement and the Fund's allocated share will be allocated to Unitholders pursuant to the Fund LP Agreement. The availability of a foreign tax credit or deduction in respect of foreign source income allocated to Unitholders by the Fund will be subject to the detailed rules contained in the Tax Act and each Unitholder's particular circumstances. Although the foreign tax credit provisions of the Tax Act 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, double taxation may arise.

Differences in Canadian and U.S. Tax Laws

The Fund is required to compute its income as though it were a separate person resident in Canada. The Fund is, therefore, subject to the provisions of the Tax Act which may differ materially from the applicable provisions of the Code. In addition, the effective tax rate under the Tax Act and the Code may differ, in which case Unitholders generally will be subject to the higher effective tax rate.

Dispositions of Real Property

In the ordinary course and/or in connection with the termination of the Fund, the Fund may effect a sale of U.S. real property by disposing of securities of an underlying entity (such as the Investment LP, the Holding LP or the U.S. REIT) or by disposing of the Property directly. In these circumstances, the effective tax rate under the Code on such dispositions may be greater than the effective tax rate on capital gains under the Tax Act.

In the event that a sale of real property is structured in this manner, the net cash available for distribution to Unitholders will be reduced.

Change of Law

There can be no assurance that Canadian federal income tax laws, the judicial interpretation thereof, the terms of the Treaty, or the administrative policies and assessing practices of the CRA will not be changed in a manner that adversely affects Unitholders. Any such change could increase the amount of tax payable by the Fund 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.

Foreign Currency

For purposes of the Tax Act, Unitholders are generally required to compute their Canadian tax results 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, Unitholders may realize gains and losses for tax purposes by virtue of the fluctuation of the value of foreign currencies relative to Canadian dollars.

Risk Factors Relating to the Fund's U.S. Tax Status

Qualification of the U.S. REIT as a U.S. Real Estate Investment Trust

The U.S. REIT intends to qualify as a U.S. REIT for each relevant taxable year and will establish procedures to regularly monitor REIT classification and compliance. However, given the highly complex nature of the rules governing REITs and the possibility of future changes in circumstances, no assurances can be given that the U.S. REIT will qualify as a REIT for U.S. federal income tax purposes, whether in its first taxable year or in any subsequent year. The failure of the U.S. REIT to qualify as a REIT, in its first or in any subsequent taxable year, may result in materially reduced distributions to Unitholders.

Compliance with the rules governing REITs may require the U.S. REIT to refrain from certain activities discussed in "Certain U.S. Federal Income Tax Considerations" and may hinder the U.S. REIT's ability to make certain attractive investments, including the purchase of non-qualifying assets and the expansion of non-real estate activities. Accordingly, the U.S. REIT's opportunities and flexibility to change its business strategy may be limited.

U.S. Federal Withholding Tax on the U.S. REIT Dividends

It is anticipated that the U.S. REIT will benefit from certain deductions under U.S. federal income tax rules, including but not limited to deductions of interest expense on the U.S. REIT Notes (if any), in order to reduce the amount of the U.S. REIT distributions that would be treated as ordinary REIT dividends thereby reducing the amount of U.S. withholding tax on ordinary REIT dividends paid (indirectly through the Holding LP and the Investment LP) to non-U.S. Unitholders subject to withholding tax. However, such deductions may be restricted depending upon a variety of factors, as discussed in "Certain U.S. Federal Income Tax Considerations". If the U.S. REIT's deductions were limited and/or disallowed, then the U.S. withholding tax on ordinary REIT dividends could increase thereby decreasing cash available for distribution to the Unitholders and the value of the Units.

Change of Law

There can be no assurance that U.S. federal income tax laws, the terms of the Treaty, and the IRS and Department of the Treasury administrative and legislative policies respecting the U.S. federal income tax consequences described herein will not be changed, possibly on a retroactive basis, in a manner that adversely affects Unitholders. In particular, any such change could increase the amount of U.S. federal income tax or withholding tax payable by the Fund or its Subsidiaries, reducing the amount of distributions which the Fund would otherwise receive and thereby reducing the amount available to pay distributions to Unitholders.

For all of the above reasons and others set forth herein, the Units involve a certain degree of risk. Any person considering the purchase of Units should be aware of these and other factors set forth in this Prospectus and should consult with his or her legal, tax and financial advisors prior to making an investment in the Units. The Units should only be purchased by persons who can afford to lose all of their investment.

21. PROMOTER

The Manager may be considered to be the promoter of the Fund by reason of its initiative in organizing the business of the Fund and taking the steps necessary for the public distribution of the Units. As at the date hereof, neither the Manager nor any of its directors, officers or shareholders beneficially owns, controls or directs, directly or indirectly, any securities of the Fund other than one Class C Unit issued to Daniel Drimmer on the formation of the Fund and the General Partner's general partner interest in the Fund. However, following the Closing Date, an Affiliate of the Manager will own the Canadian dollar equivalent of US$7,000,000 of Class C Units, less the amount of any subscriptions for Class C Units received from other investors known to the Manager, which is estimated to be C$2,000,000 of Class C Units (or approximately 71.4% of the Class C Units then outstanding). The Manager will receive payment from the Fund and the U.S. REIT for services provided to the Fund and the U.S. REIT in respect of the acquisition or disposition of Properties and the ongoing management of the Properties and the U.S. REIT, as well as the Carried Interest through its direct control of the Holding GP.

On the Closing Date or shortly thereafter, the U.S. REIT will acquire all of the outstanding membership interests in Cinco Ranch Acquisition LLC, an Affiliate of the Manager, which is party to the Cinco Ranch Purchase Agreement for consideration equal to the initial deposit made by Cinco Ranch Acquisition LLC under such purchase and sale agreement.

The 100% interest in Allure is being acquired on the Closing Date or shortly thereafter by the Fund from Starlight Investments Acquisition LLC, an entity controlled by Daniel Drimmer, at an expected purchase price equal to US$43,150,000, as determined by the Appraiser. Mr. Drimmer is the principal of the Manager, who is the promoter of Fund No. 1, Fund No. 2 and the Fund. The purchase price of the 100% interest in Allure acquired by Starlight Investments Acquisition LLC was US$42,500,000. Starlight Investments Acquisition LLC's closing costs associated with the transaction are anticipated to be approximately US$465,000.

The 50% interest in Sunset Ridge is being acquired on the Closing Date or shortly thereafter by the Fund from Starlight Investments Acquisition LLC, an entity controlled by Daniel Drimmer, at an expected purchase price equal to US$12,500,000, as determined by the Appraiser. Mr. Drimmer is the principal of the Manager, who is the promoter of Fund

No. 1, Fund No. 2 and the Fund. The purchase price of the 50% interest in Sunset Ridge acquired by Starlight Investments Acquisition LLC was US$12,300,000. Starlight Investments Acquisition LLC's closing costs associated with the transaction are anticipated to be approximately US$160,000.

22. LEGAL PROCEEDINGS

There are no outstanding legal proceedings to which the Fund is a party, nor are any such proceedings known to be contemplated.

23. INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Fund was only recently formed and has not carried on any business to date. None of (i) the Manager, or the directors, executive officers or principal shareholder of the Manager, (ii) the directors, executive officers or principal shareholders of the Fund or its General Partner, each as applicable, or (iii) any associate of Affiliate of the persons referred to in (i) and (ii), has a material interest in any transaction carried out by the Fund or its Subsidiaries within the three years before the date of this Prospectus that has materially affected or is reasonably expected to materially affect the Fund or any of its Subsidiaries, except that the Fund issued one Class C Unit to Daniel Drimmer on the formation of the Fund and the General Partner (a corporation indirectly controlled by Daniel Drimmer) is, pursuant to the Fund LP Agreement, the general partner of the Fund (see "Description of the Securities Distributed – Units – Powers and Responsibilities of the General Partner). As disclosed herein:

(a) following the Closing Date, Daniel Drimmer (the principal of the Manager) will initially indirectly own the Canadian dollar equivalent of US$7,000,000 of Class C Units, less the amount of any subscriptions for Class C Units received from other investors known to the Manager, which is estimated to be C$2,000,000 of Class C Units (see "Principal Security Holders");

(b) the Fund will be managed by the Manager pursuant to the Management Agreement (see "The Manager and the Management Agreement" and "Directors and Officers");

(c) on the Closing Date or shortly thereafter, the U.S. REIT will acquire all of the outstanding membership interests in certain Affiliates of the Manager which own two of the Properties, or interests in the Properties, comprising the Initial Portfolio or that are party to the purchase and sale agreement in respect of the Properties comprising the Initial Portfolio (see "Description of the Activities of the Fund – The Initial Portfolio – Purchase Agreements and Sunset Ridge LLC Agreement");

(d) entities controlled by Daniel Drimmer will receive the Carried Interest through indirect control of the Holding GP (see "Description of the Securities Distributed – The Holding LP – Distributions" and "Description of the Securities Distributed – The Holding LP – Distributions upon Wind-up, etc.");

(e) Sunset Ridge will be co-owned by the Fund and Fund No. 1 pursuant to the terms of the Sunset Ridge LLC Agreement ("Description of the Activities of the Fund – The Initial Portfolio – Purchase Agreements and Sunset Ridge LLC Agreement – Sunset Ridge LLC Agreement") and, following the Closing Date, the directors and officers of the Fund and its Affiliates will be the same as the directors and officers of Fund No. 1 and Fund No. 2 (see "Directors and Officers");

(f) pursuant to the Trade-Mark Licence Agreement, the Manager will grant to the Fund a royalty-free, non-exclusive licence to, among other things, use the "STARLIGHT U.S. MULTI-FAMILY" and "STARLIGHT U.S. MULTI-FAMILY & Design" trade-marks in Canada and the U.S. for the purpose of conducting its activities as provided for by the Fund LP Agreement; and

(g) pursuant to the Escrow Agreement, the Escrowed Units will be held in escrow in accordance with National Policy 46-201 – Escrow for Initial Public Offerings (see "Escrowed Securities").

24. AUDITORS

The auditors of the Fund are Collins Barrow Toronto LLP, 11 King Street West, Collins Barrow Place, Suite 700 Toronto, Ontario.

25. REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent for the Units is Equity Financial Trust Company at its principal office in Toronto. Registration and transfers of Units will be effected only through the book-based system administered by CDS. A Purchaser will receive only customer confirmation from the registered dealer which is a CDS participant and from or through which Units are purchased. See "Plan of Distribution".

26. EXEMPTIONS FROM CERTAIN DISCLOSURE REQUIREMENTS

The Fund applied for and was granted relief from certain financial statement disclosure requirements of NI 41-101. The following is a description of the relief applied for by the Fund and the basis for such application.

The Fund intends to use the proceeds of this Offering to acquire the three Properties comprising the Initial Portfolio as described herein. Pursuant to Section 32.1(b) of Form 41-101F1, the Initial Portfolio may be considered to be the primary business of the Fund. As a result, Section 32.1(b) of Form 41-101F1 would require the Fund to include in this Prospectus: (i) annual financial statements for the Initial Portfolio for each of the three most recently completed financial years, with statements of financial position as at the end of the two most recently completed financial years, and (ii) interim financial statements for the Initial Portfolio for the most recently completed interim period, with statements of financial position as at the end of the interim period and statements of financial position as at the end of the immediately preceding financial year, all prepared in accordance with IFRS applicable to publicly accountable enterprises.

The Fund's application for relief was granted based on the following:

(a) The financial disclosure included in this Prospectus consists of the following:

(i). an audited statement of changes in unitholders' equity and cash flows of the Fund for the one-day period ended May 1, 2014;

(ii) an audited statement of financial position of the Fund as at May 1, 2014;

(iii) an unaudited pro forma condensed consolidated statement of financial position of the Fund as at March 31, 2014 (giving effect to the Offering including the acquisition of the Initial Properties by the Fund as if such events occurred on March 31, 2014); unaudited pro forma condensed consolidated statements of income (loss) and comprehensive income (loss) for the three-month period ended March 31, 2014 and the year ended December 31, 2013 (in each case giving effect to the Offering including the acquisition of the Initial Properties by the Fund as if such events occurred on January 1, 2013); together with accompanying notes, prepared using the same accounting policies of the statements described above and in accordance with the applicable requirement;

(iv) separate financial statements for each of the Initial Properties, prepared in accordance with IFRS, as follows:

A. in respect of Allure: audited carve-out statements of income (loss) and comprehensive income (loss), changes in owner's equity and cash flows for the three-month period ended March 31, 2014 and the period from April 1, 2013 (commencement of operations) to December 31, 2013; audited carve-out statements of financial position as at March 31, 2014 and December 31, 2013 along with unaudited comparative information as at April 1, 2013;

B. in respect of Cinco Ranch: audited carve-out statements of income (loss) and comprehensive income (loss), changes in owners' equity and cash flows for the three-month period ended March 31, 2014, year ended December 31, 2013 and the period from April 19, 2012 (date of acquisition) to December 31, 2012 along with unaudited comparative information for the three-month period ended March 31, 2013; audited carve-out statements of financial position as at March 31, 2014, December 31, 2013, December 31, 2012 and April 19, 2012; and

C. in respect of Sunset Ridge: audited carve-out statements of income (loss) and comprehensive income (loss), changes in owner's equity and cash flows for the three-month period ended March 31, 2014 and the period from February 1, 2013 (commencement of operations) to December 31, 2013 along with unaudited comparative information for the three-month period ended March 31, 2013; audited carve-out statements of financial position as at March 31, 2014 and, December 31, 2013 along with unaudited comparative information as at February 1, 2013; and

(v) A financial forecast in respect of the Initial Properties consisting of consolidated statements of forecasted net income and comprehensive income for each of the three-month periods ending September 30, 2014, December 31, 2014, March 31, 2015 and June 30, 2015 and the twelve-month period ending June 30, 2015, prepared in accordance with applicable requirements, with an audit report thereon from the Auditors;

(b) the Promoter has, without success, made (including with the assistance of the current owner of Cinco Ranch) every reasonable effort to obtain access to, or copies of, historical accounting records in respect of current owner of Cinco Ranch for the period prior to its acquisition by the current owner of Cinco Ranch. In particular, the prior owner of Cinco Ranch has refused to provide, at this time, such historical accounting records to any of the current owner of Cinco Ranch, the Fund and the Promoter;

(c) the financial information of Cinco Ranch relating to the period prior to its acquisition by the current owner of Cinco Ranch would not reflect the operational arrangements put in place by the current owner of Cinco Ranch following such acquisition or, further, to be put in place by the Fund following the Offering and, accordingly, would provide no meaningful benefit to investors as such historical results would bear no relation to the expected financial results following the acquisition of Cinco Ranch by the Fund;

(d) the financial information of Allure and Sunset Ridge relating to the period prior to the commencement of their respective operations would provide no meaningful benefit to investors as the Properties were under construction and not operating as rental apartment businesses;

(e) the Prospectus includes a summary description of the results of environmental site assessments and building condition assessments in respect of the Initial Portfolio;

(f) the Appraisals summarized in this Prospectus give investors further information on the value of the Initial Portfolio; and

(g) the Promoter has established a track record as a real estate asset manager of similar assets through the performance of Fund No. 1 and Fund No. 2.

The Fund does not believe that the disclosure that the Fund is exempted from including in the Prospectus is necessary or is required for the Prospectus to have full, true and plain disclosure of all material facts with respect to the Units.

27. MATERIAL CONTRACTS

The following are the only material agreements, other than contracts entered into in the ordinary course of business, which the Fund and/or its Subsidiaries have or expect to enter into on or before the Closing Date. **Copies of these agreements are, or will be, available for inspection during regular business hours at the offices of the Manager, located at 401 The West Mall, Suite 1100, Toronto, Ontario, M9C 5J5 during the period of distribution of the Units and will be available following the Closing Date at www.sedar.com.**

1. Fund LP Agreement – described in "Description of the Securities Distributed – Units".

2. Investment LP Agreement – described in “Description of the Securities Distributed – The Investment LP”.

3. Holding LP Agreement – described in “Description of the Securities Distributed – The Holding LP”.

4. Management Agreement – described in “The Manager and the Management Agreement”.

5. Agency Agreement – described in “Plan of Distribution – Agency Agreement”.

6. Allure Purchase Agreement – described in “Description of the Activities of the Fund – The Initial Portfolio – Purchase Agreements and Sunset Ridge LLC Agreement”.

7. Cinco Ranch Purchase Agreement – described in “Description of the Activities of the Fund – The Initial Portfolio – Purchase Agreements and Sunset Ridge LLC Agreement”.

8. Sunset Ridge Purchase Agreement – described in “Description of the Activities of the Fund – The Initial Portfolio – Purchase Agreements and Sunset Ridge LLC Agreement”.

9. Sunset Ridge LLC Agreement – described in “Description of the Activities of the Fund – The Initial Portfolio – Purchase Agreements and Sunset Ridge LLC Agreement – Sunset Ridge – Sunset Ridge LLC Agreement”.

10. Escrow Agreement – described in “Escrowed Securities”.

28. EXPERTS

No professional person providing an opinion in this Prospectus expects to be elected, appointed or employed as a director, senior officer or employee of the Fund or of an associate of the Fund, or is a promoter of the Fund or of any associate of the Fund.

Certain information relating to the Appraisals has been based upon reports by the Appraiser. As at the date of this Prospectus, the “designated professionals” of the Appraiser beneficially own, directly or indirectly, no outstanding securities or property of the Fund.

Certain legal matters in connection with this Offering will be passed upon by Blake, Cassels & Graydon LLP, on behalf of the Fund, and by McCarthy Tétrault LLP, on behalf of the Agents. As at the date of this Prospectus, partners and associates of Blake, Cassels & Graydon LLP, as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the Fund and its respective associates and Affiliates. As at the date of this Prospectus, partners and associates of McCarthy Tétrault LLP, as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the Fund and its respective associates and Affiliates.

KPMG LLP, U.S. tax advisor to the Fund, has prepared the summary of principal U.S. federal income tax considerations set out under the heading “Certain U.S. Federal Income Tax Considerations”.

Collins Barrow Toronto LLP has prepared its audit report in respect of the financial statements of the Properties that comprise the Initial Portfolio and the Fund’s statement of financial position, statement of changes in Unitholder’s equity and statement of cash flows which are included in this Prospectus.

29. PURCHASERS’ STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides Purchasers with the right to withdraw from an agreement to purchase securities within two Business Days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a Purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the Purchaser, provided that such remedies for rescission or damages are exercised by the Purchaser within the time limit prescribed by the securities legislation of the applicable province. The Purchaser should refer to the securities legislation in the province in which the Purchaser resides for the particulars of these rights or consult with a legal advisor.

INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the directors of Starlight U.S. Multi-Family (No. 3) Core GP, Inc., as general partner of Starlight U.S. Multi-Family (No. 3) Core Fund.

We have audited the accompanying financial statements of Starlight U.S. Multi-Family (No. 3) Core Fund, which are comprised of the statement of financial position as at May 1, 2014 and the statements of changes in unitholder's equity and cash flows for the one-day period ended May 1, 2014 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 controls 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 procedures that are appropriate in the circumstances, but not for 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 statement presents fairly, in all material respects, the financial position and financial performance of Starlight U.S. Multi-Family (No. 3) Core Fund as at May 1, 2014 in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Collins Barrow Toronto LLP
Licensed Public Accountants
Chartered Accountants
Toronto, Canada
June 27, 2014

STARLIGHT U.S. MULTI-FAMILY (NO. 3) CORE FUND

STATEMENT OF FINANCIAL POSITION

As at formation on May 1, 2014

(In US dollars)

Assets	
Cash	$20
Partners' Capital	
Partners' contributions	$20

Approved on behalf of the Board of Directors of
Starlight U.S. Multi-Family (No. 3) Core GP, Inc.
as general partner for Starlight U.S. Multi-Family (No. 3) Core Fund:

(Signed) DANIEL DRIMMER
Director

(Signed) DAVID HANICK
Director

See accompanying notes to financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 3) CORE FUND

STATEMENT OF CHANGES IN UNITHOLDERS' EQUITY

One-day period ended May 1, 2014

(In US dollars)

Partners' equity, beginning of period	$ -
Issuance of partnership interests	$20
Partners' equity, end of period	$20

See accompanying notes to financial statements

STARLIGHT U.S. MULTI-FAMILY (NO. 3) CORE FUND

STATEMENT OF CASH FLOWS

One-day period ended May 1, 2014

(In US dollars)

Financing activities:	
Issuance of partnership interests upon formation	$20
Increase in cash, being cash, end of period	$20

See accompanying notes to financial statements

1. ORGANIZATION

Starlight U.S. Multi-Family (No. 3) Core Fund (the "**Fund**") is a limited partnership formed under and governed by the laws of Ontario. The registered office of the Fund is located at 3300 Bloor Street West, Suite 1801, Toronto, Ontario. The Fund was established for the primary purpose of indirectly acquiring, owning and operating a portfolio of comprised primarily of recently constructed, Class "A" stabilized, income-producing multi-family real estate properties in Texas and the southeastern United States.

On May 1, 2014, the General Partner made a capital contribution of US$10 and the General Partner owns a 0.01% interest in the Fund.

On May 1, 2014, the initial limited partner of the Fund, Daniel Drimmer, subscribed for one limited partnership unit of the Fund for US$10.

2. BASIS OF PRESENTATION

These financial statements of the Fund have been prepared by management in accordance with International Financial Reporting Standards ("**IFRS**"). These financial statements were authorized for issue by the Board of Directors of Starlight U.S. Multi-Family (No. 3) Core GP, Inc., as general partner for the Fund, on June 27, 2014.

As there have been no operations during the period, a statement of income and comprehensive income has not been prepared.

These financial statements are presented in United States dollars, which is the functional currency of the Fund.

3. UNITHOLDER'S EQUITY

The beneficial limited partnership interest in the net assets and net income of the Fund is divided into one class of units being Class C units (the "**Units**"). The Fund is authorized to issue an unlimited number of Units.

Each unitholder is entitled to one vote for each Unit held. Each Unit entitles the holder to the same rights and obligations as a unitholder and no unitholder is entitled to any privilege, priority or preference in relation to any other holder of Units.

4. COMMITMENTS

The Fund has committed to enter into a management agreement ("**Management Agreement**") with Starlight Investments Ltd. (the "**Manager**"). Pursuant to the terms of the Management Agreement, the Manager will be appointed as the sole and exclusive manager of the affairs of the Fund and will provide the Fund with the strategic, advisory, asset management, administrative, property management, leasing, construction management and administrative services necessary to manage the day-to-day operations of the Fund and its Properties.

The services to be provided by the Manager under the terms of the Management Agreement are expected to include: (i) the structuring of the Fund and its subsidiaries, (ii) liaising with legal and tax counsel, (iii) identifying properties for acquisition, (iv) maintaining ongoing relationships with the lenders in respect of the mortgage loans for the Fund's Properties, (v) conducting continuous analysis of market conditions to monitor the Fund's indirect investment in its Properties, (vi) advising subsidiaries of the Fund with respect to the disposition of its Properties, (vii) providing investor communication and reporting services to the Fund, and (viii) doing all such other acts or things and entering into agreements or documents on behalf of the Fund to seek to achieve the investment objectives of the Fund.

In connection with the provision of the services to be provided by the Manager, the Fund, or a subsidiary of the Fund, will pay the following fees to the Manager:

(a) A base annual management fee calculated and payable monthly in arrears in amount that is equal to 0.35% of the sum of (i) the historical purchase price of the Fund's Properties; and (ii) the cost of any capital expenditures in respect of Fund's Properties since the date of their indirect acquisition by the Fund; and

(b) An acquisition fee to be paid in full upon the completion of the purchase of each Fund Property and equal to (i) 1.00% of the purchase price paid by the applicable Fund's Subsidiary for the purchase of a Property on the first US$100,000,000 of Properties acquired, (ii) 0.75% of the purchase price paid by the applicable Fund's Subsidiary for the purchase of a Property, on the next US$100,000,000 of Properties acquired, and (iii) 0.50% of the purchase price paid by the applicable Fund's Subsidiary for the purchase of a Property, on Properties in excess of US$200,000,000 acquired.

5. INITIAL PUBLIC OFFERING

Pursuant to an agency agreement dated June 27, 2014, the Fund and the Manager have engaged CIBC World Markets Inc., National Bank Financial Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., Raymond James Ltd., TD Securities Inc., Dundee Securities Ltd., GMP Securities L.P., Canaccord Genuity Corp. and Desjardins Securities Inc. to offer for sale to the public, pursuant to the prospectus dated June 27, 2014 a maximum of US$60,000,000 of limited partnership units of the Fund at a price of C$10.00 per Class A unit, Class D unit, Class F unit and Class C unit and US$10.00 per Class U units (the "**Offering**"). Costs related to the Offering include agents' fees of C$0.525 for each Class A unit and Class D unit, C$0.225 for each Class F unit, US$0.525 for each Class U and no fee for each Class C unit. The proceeds of the Offering will be used to indirectly acquire properties in the United States multi-family real estate market.

Pro Forma Condensed Consolidated Financial Statements
(Expressed in thousands of US dollars)

STARLIGHT U.S. MULTI-FAMILY (NO. 3) CORE FUND

As at March 31, 2014 and for the three months ended
March 30, 2014 and for the year ended December 31, 2013
(Unaudited)

STARLIGHT U.S. MULTI-FAMILY (NO. 3) CORE FUND

Pro Forma Condensed Consolidated Statement of Financial Position
(Expressed in thousands of US Dollars)

March 31, 2014
(Unaudited)

	Starlight U.S. Multi-Family (No. 3) Core Fund Note 3(b)	The Allure	Residences at Cinco Ranch	The Villages of Sunset Ridge	Pro forma adjustments	Notes	Total
Assets							
Investment properties	$ –	$ 43,000	$ 34,900	$ 24,600	$ (11,950)	1(a), 3(c)	
					1,322	3(c)	$ 91,872
Utility deposits	–	–	–	16	(16)	3(c)	–
Tenant receivables and other receivables, net	–	–	10	1	(11)	3(c)	–
Prepaid expenses and other assets	–	93	30	–	(123)	3(c)	–
Cash	–	434	82	103	(619)	3(c)	–
					60,000	3(a)	–
					(2,393)	3(a)	–
					(900)	3(a)	–
					(91,673)	3(c)	–
					60,607	3(d)	25,641
	$ –	$ 43,527	$ 35,022	$ 24,720	$ 14,244		$ 117,513

See accompanying notes to pro forma condensed consolidated financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 3) CORE FUND

Pro Forma Condensed Consolidated Statement of Financial Position
(Expressed in thousands of US Dollars)

March 31, 2014
(Unaudited)

	Starlight U.S. Multi-Family (No. 3) Core Fund	The Allure	Residences at Cinco Ranch	The Villages of Sunset Ridge	Pro forma adjustments	Notes	Total
	Note 3(b)						
Liabilities and Equity							
Liabilities:							
Mortgages payable	$ –	$ 33,730	$ –	$ 14,480	$ (48,210)	3(c)	
					60,607	3(d)	$ 60,607
Tenant rental deposits	–	69	119	22	(11)	3(c)	199
Accounts payable and accrued liabilities	–	292	310	171	(773)	3(c)	–
	–	34,091	429	14,673	11,613		60,806
Equity:							
Unitholders' equity (Note 4)	–	–	–	–	60,000	3(a)	
					(2,393)	3(a)	
					(900)	3(a)	56,707
Owners' equity	–	9,436	34,593	10,047	(54,076)	3(c)	–
	$ –	$ 43,527	$ 35,022	$ 24,720	$ 14,244		$ 117,513

See accompanying notes to pro forma condensed consolidated financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 3) CORE FUND

Pro Forma Condensed Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)
(Expressed in thousands of US dollars)

Three months ended March 31, 2014
(Unaudited)

	Starlight US Multi-Family (No. 3) Core Fund	The Allure	Residences at Cinco Ranch	The Villages of Sunset Ridge	Pro forma adjustments	Notes	Total
	Note 3(b)	Note 1(a)		Note 1(a)			
Revenue from property operations	$ –	$ 1,102	$ 933	$ 693	$ (347)	2(c), 3(f)	$ 2,381
Operating expenses:							
Property operating	–	384	325	226	(165)	2(c), 3(f)	770
Realty taxes	–	168	222	124	(62)	2(c), 3(f)	452
	–	552	547	350	(227)		1,222
Income (loss) from operations	–	550	386	343	(120)		1,159
Fair value adjustment of investment properties	–	–	–	–	–		–
Income (loss) before finance costs	–	550	386	343	(120)		1,159
Finance costs	–	627	–	174	(378)	2(c), 3(g)	423
Fund expenses	–	–	–	–	50	3(b)	
					59	3(h)	109
Trust expenses	–	–	–	–	80	3(h)	80
Income (loss) before taxes	–	(77)	386	169	69		547
Income taxes – current	–	–	–	–	17	3(i)	
– deferred	–	–	–	–	201	3(i)	218
Net income (loss) and comprehensive income (loss)	$ –	$ (77)	$ 386	$ 169	$ (149)		$ 329

See accompanying notes to pro forma condensed consolidated financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 3) CORE FUND

Pro Forma Condensed Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)
(Expressed in thousands of US dollars)

Year ended December 31, 2013
(Unaudited)

	Starlight US Multi-Family Core Fund	The Allure	Residences at Cinco Ranch	The Villages of Sunset Ridge	Pro forma adjustments	Notes	Total
	Note 3(b)	Note 1(a)		Note 1(a)			
Revenue from property operations	$ –	$ 1,663	$ 3,765	$ 1,239	$ (620)	2(c), 3(f)	$ 6,047
Operating expenses:							
Property operating	–	1,159	1,283	845	(608)	2(c), 3(f)	2,679
Realty taxes	–	415	860	477	(239)	2(c), 3(f)	1,513
	–	1,574	2,143	1,322	(847)		4,192
Income (loss) from operations	–	89	1,622	(83)	227		1,855
Fair value adjustment of investment properties	–	7,418	4,673	4,343	(16,434)	3(c)	
					(1,322)	3(c)	(1,322)
Income (loss) before finance costs	–	7,507	6,295	4,260	(17,529)		533
Finance costs	–	1,429	–	607	(583)	2(c),3(g)	1,453
Fund expenses	–	–	–	–	200	3(b)	
					235	3(h)	435
Trust expenses	–	–	–	–	277	3(h)	277
Income (loss) before taxes	–	6,078	6,295	3,653	(17,658)		(1,632)
Income taxes - current	–	–	–	–	42	3(i)	42
- deferred	–	–	–	–	133	3(i)	133
Net income (loss) and comprehensive income (loss)	$ –	$ 6,078	$ 6,295	$ 3,653	$ (17,833)		$ (1,807)

See accompanying notes to pro forma condensed consolidated financial statements.

1. Nature of operations and basis of presentation:

(a) Nature of operations:

Starlight U.S. Multi-Family (No. 3) Core Fund (the "**Fund**") is a limited partnership formed under and governed by the laws of the Province of Ontario. The registered office of the Fund is located at 3300 Bloor Street West, Suite 1801, Toronto, Ontario. The Fund was established for the primary purpose of indirectly acquiring, owning and leasing a portfolio of diversified revenue-generating rental properties in the United States multi-family real estate market.

The accompanying unaudited *pro forma* condensed consolidated financial statements of the Fund have been prepared on the basis that (i) the Fund owns all of the limited partnership units in Starlight U.S. Multi-Family (No. 3) Core Investment L.P. (the "Investment LP"), a limited partnership formed pursuant to and governed by the laws of Ontario, (ii) the Investment LP owns all of the limited partnership units of Starlight U.S. Multi-Family (No. 3) Core Holding L.P (the "Holding LP"), a limited partnership formed pursuant to and governed by the laws of Delaware, (iii) the Holding LP owns all of the common shares and the ROC shares of Starlight U.S. Multi-Family (No. 3) Core REIT Inc., a Maryland corporation (the "U.S. REIT"), and (iv) the U.S. REIT will acquire The Allure, Residences at Cinco Ranch, and fifty percent of The Villages of Sunset Ridge (the "Initial Portfolio") that are located in the State of Texas. The three properties have a combined 891 multi-residential suites.

(b) Basis of presentation:

The accompanying unaudited *pro forma* condensed consolidated financial statements of the Fund have been prepared from the following financial statements:

- Audited financial statements of the Fund as at and for the one-day period ended May 1, 2014;
- Audited interim financial statements of each property included in the Initial Portfolio group as at and for the three months ended March 31, 2014; and
- Audited statements of income (loss) and comprehensive income (loss) of each property included in the Initial Portfolio group consisting of the following: The Allure for the period from April 1, 2013 (commencement of operations) to December 31, 2013, The Villages of Sunset Ridge for the period from February 1, 2013 (commencement of operations) to December 31, 2013 and Residences at Cinco Ranch for the year ended December 31, 2013.

1. Nature of operations and basis of presentation (continued):

The accompanying *pro forma* financial condensed consolidated statements give effect to:

(i) the completion of the initial public offering (the "**Offering**");

(ii) the issuance of Class A Units and/or Class C Units and/or Class D units and/or Class F Units and/or Class U Units by way of the offering and

(iii) the intended acquisition of the Initial Portfolio

The unaudited *pro forma* condensed consolidated statement of financial position gives effect to the transactions in note 3 as if they had occurred on March 31, 2014. The unaudited *pro forma* condensed consolidated statements of income (loss) and comprehensive income (loss) for the three months ended March 31, 2014 and year ended December 31, 2013 give effect to the transactions in note 3 as if they had occurred on January 1, 2013.

The unaudited *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 Fund.

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 interpretations of the International Financial Reporting Standards Interpretations Committee, and incorporate the principal accounting policies used to prepare the audited financial statements of the Fund and each of the properties that comprise the Initial Portfolio.

(b) Basis of consolidation:

The Funds unaudited *pro forma* condensed consolidated financial statements reflects the consolidation of the Initial Portfolio acquired as well as the consolidation of the Fund subsidiaries as at March 31, 2014 as well as for the three months ended March 31, 2014 and for the year ended December 31, 2013. All intercompany balances and transactions arising from intercompany transactions have been eliminated upon consolidation.

2. Significant accounting policies (continued):

(c) Joint Arrangements:

Under IFRS 11, Joint Arrangements - the Fund has determined that its 50% interest in The Villages of Sunset Ridge meets the criteria to qualify as a joint operation and therefore the Fund has proportionately consolidated its 50% interest in the pro forma condensed consolidated financial statements.

(d) Investment properties:

The Fund selected the fair value method to account for real estate classified as investment property. A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in profit and loss during the period in which they arise.

Fair values are primarily determined by using the capitalized net operating income method which applies a capitalization rate to the future stabilized cash flows of the property. The capitalization rate applied is reflective of the characteristics, location and market of the property. The stabilized cash flows of the 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. The Fund determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts. Subsequent capital expenditures are charged to investment property only when it is probable that the future economic benefits of the expenditure will flow to the Fund and the cost can be measured reliably.

(e) Revenue recognition:

The Fund 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.

2. Significant accounting policies (continued):

(e) Revenue recognition (continued):

Revenue from investment properties includes all rental income earned from the property, including residential tenant rental income, parking income, laundry income, cable income and all other miscellaneous income paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized pursuant to the terms of the lease agreement.

(f) Cash:

Cash includes cash on hand 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 net realizable value.

(g) Earnings per unit:

Basic earnings per unit amounts are calculated by dividing the net income attributable to unitholders of the Fund by the weighted average number of units outstanding during the period. Diluted earnings per unit amounts are calculated by dividing the net income attributable to unitholders of the Fund by the weighted average number of units outstanding during the period, adjusted for the effects of all dilutive potential units.

(h) Functional currency:

The functional currency of the Fund is U.S. dollars which is the operating currency of the Initial Portfolio as well as the operating currency of all of the Fund's subsidiaries.

(i) Income taxes:

(i) Canadian Status:

The Fund is not subject to tax under Part I of the *Income Tax Act* (Canada) (the "**Tax Act**"). Each Unitholder of the Fund is required to include in computing the Unitholder's income for a particular taxation year the Unitholder's share of the income or loss of the Fund allocated to the Unitholder for its fiscal year ending in or on the Unitholder's taxation year-end, whether or not any of that income or loss is distributed to the Unitholder in the taxation year.

2. Significant accounting policies (continued):

(i) Income taxes (continued):

(i) Canadian Status (continued):

Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

The Tax Act contains rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the "SIFT Measures"). A "SIFT partnership" (as defined in the Tax Act) will be subject to SIFT tax on its "taxable non-portfolio earnings" (as defined in the Tax Act) at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. The "taxable non-portfolio earnings" less SIFT tax payable by a SIFT partnership will also be included in computing income of the Unitholder for purposes of the Tax Act as though it were a taxable dividend from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act. The SIFT Measures do not apply to a partnership that does not hold any "non-portfolio property" throughout the taxation year of the partnership.

The Fund believes that it will not hold any "non-portfolio property" and should not be a SIFT partnership and therefore not subject to the SIFT Measures. Accordingly, no provision has been made for tax under the SIFT Measures. The Fund intends to continue to operate the Fund in such a manner so as it remains exempt from the SIFT Measures on a continuous basis in the future. However, the Fund's continued exemption will depend upon meeting, through actual operating results, various conditions imposed by the SIFT Measures. If the Fund becomes a SIFT partnership, it will be generally subject to income taxes at regular Canadian corporate rates on its taxable non-portfolio earnings, if any.

(ii) U.S. Status

Current Taxes

The Fund is treated as a partnership for U.S. federal income tax purposes. As such, it is generally not subject to U.S. federal income tax under the U.S. Internal Revenue Code (the "**Code**").

2. Significant accounting policies (continued):

(i) Income taxes (continued):

(ii) U.S. Status (continued)

Current Taxes (continued)

Furthermore, the U.S. REIT subsidiary of the Fund intends to timely make and maintain an election as a real estate investment trust ("**REIT**") under the Code. In order for the U.S. REIT to qualify, it must meet a number of organizational and operational requirements, including a requirement to make annual distributions to its unitholders equal to a minimum of 90% of its REIT taxable income, computed without regards to a dividends paid deduction and net capital gains. The U.S. REIT generally will not be subject to U.S. federal income tax on its taxable income to the extent such income is distributed as a dividend to its stockholders annually. The Fund intends to make the REIT election for the U.S. REIT and believes the U.S. REIT's organization, ownership, method of operations, future assets and future income will enable the U.S. REIT to qualify as a REIT under the Code. Accordingly, no provision for U.S. federal income and excise taxes has been made with respect to the income of the U.S. REIT.

The Fund intends to operate the U.S. REIT in such a manner so as to qualify as a REIT on a continuous basis in the future. However, actual qualification as a REIT will depend upon meeting, through actual annual operating results, the various conditions imposed by the Code. If the U.S. REIT fails to qualify as a REIT in any taxable year, it will be subject to U.S. federal and state income taxes at regular U.S. corporate rates, including any applicable alternative minimum tax. In addition, the U.S. REIT may not be able to requalify as a REIT for the four subsequent taxable years. Even if the U.S. REIT qualifies for taxation as a REIT, the U.S. REIT may be subject to certain U.S. state and local taxes on its income and property, and to U.S. federal income and excise taxes on its undistributed taxable income and/or specified types of income in certain circumstances.

2. Significant accounting policies (continued):

(i) Income taxes (continued):

(ii) U.S. Status (continued)

Current Taxes (continued)

Texas imposes an annual franchise tax on modified gross income of taxable entities known as the Texas Margin Tax, which is equal to the lesser of (i) 70% of a taxable entity's total revenue; or (ii) 100% of total revenue less, at the election of the taxpayer: (a) cost of goods sold; or (b) compensation. A taxable entity is defined to include partnerships, corporations, limited liability companies and other legal entities. The U.S. REIT owns the Initial Portfolio indirectly through U.S. limited liability companies. The U.S. REIT has recorded a provision for Texas Margin Tax of approximately \$17 and \$42 for the three months ended March 31, 2014 and for the year ended December 31, 2013, respectively, which is included in income tax expense in the statement of income (loss) and comprehensive income (loss).

The Investment LP is treated as a partnership for Canadian tax purposes but it will elect to be treated as a corporation for U.S. federal income tax purposes. As such, the Investment LP is generally subject to U.S. tax in respect of its allocable share of (i) capital gains distributions made by the U.S. REIT, (ii) gain upon a sale of the shares of U.S. REIT and (iii) distributions made by the U.S. REIT in excess of both its (a) current and/or accumulated earnings and profits (as determined under U.S. tax principles) and (ii) the adjusted tax basis in the U.S. REIT shares held by the Holding LP. The Investment LP is also liable for U.S. withholding tax with respect to the ordinary dividends from the U.S. REIT received through the Holding LP to the extent that the amount exceeds the current and/or accumulated earnings and profits of the U.S. REIT as determined under U.S. tax principles

Deferred Taxes

Deferred tax of the Investment LP 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 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.

2. Significant accounting policies (continued):

(i) Income taxes (continued):

(ii) U.S. Status (continued)

Deferred Taxes (continued)

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.

The Investment LP has recorded a provision for deferred tax expenses of $201 and $133 for the period ended March 31, 2014 and for the year ended December 31, 2013, respectively, which is included in deferred taxes in the statement of financial position.

(j) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"), (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in equity. The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or it is designated as FVTPL. A financial liability may be designated at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IAS 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated at FVTPL.

The Fund's cash has been designated as loans and receivables; and mortgages payable, tenant rental deposits, accounts payable and accrued liabilities and have been designated as other liabilities. The Fund has neither available-for-sale nor held-to-maturity instruments.

2. Significant accounting policies (continued):

(j) Financial instruments (continued):

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

(k) Estimates:

The preparation of *pro forma* unaudited financial statements requires management to make critical judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making those estimates and judgments in these pro forma financial statements. The estimates and judgments used in determining the recorded amount for assets and liabilities in the pro forma financial statements include the following:

2. Significant accounting policies (continued):

(k) Estimates (continued):

Investment properties:

The estimates used when determining the fair value of investment properties are capitalization rates and 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. The Fund determines fair value internally utilizing financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals.

(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 Fund's acquisitions are generally determined to be asset purchases as the Fund does not acquire an integrated set of processes as part of the acquisition transaction.

(ii) Other:

Critical judgments and 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 Fund to its counterparties; the credit risk of the Fund's counterparties relative to the Fund; the estimated future cash flows; and discount rates.

3. Pro forma adjustments:

The *pro forma* adjustments to the unaudited *pro forma* financial statements have been prepared to account for the closing of the offering and the acquisition of the Initial Portfolio contemplated by the prospectus, as described below:

(a) The Offering:

On June 27, 2014, the Fund filed a prospectus for the sale to the public of 6,000,000 Class A Units and/or Class C Units and/or Class D and/or Class F Units and/or Class U Units at a price of $10.00 per Class A Unit, Class C Unit, Class D Unit, and Class F Unit and US$10.00 per Class U Unit to raise a maximum of $60,000. The offering is expected to close on July 9, 2014. Costs related to the issuance include the agent's commission of $2,393. In addition to agent commissions, additional costs for legal fees and audits in relation to the offering of $900 were incurred.

(b) Establishment of Starlight U.S. Multi-Family (No. 3) Core Fund:

The Fund was established pursuant to a Class C Unit issuance for cash consideration of $10 dollars and a contribution of $10 by the Fund's general partner.

The Fund is committed to pay to registered dealers an annual service fee equal to 0.5% of the gross subscription proceeds received for Class A Units and /or the Class U Units based on the number of Class A Units and/or Class U Units held by clients of such registered dealers at the end of each relevant quarter. This fee is to be calculated and paid at the end of each quarter. The maximum fee, assuming all units were held for the duration of the pro forma period, is estimated to be $50 and $200 respectively for the three months ended March 31, 2014 and the year ended December 31, 2013.

STARLIGHT U.S. MULTI-FAMILY (NO. 3) CORE FUND

Notes to Pro Forma Condensed Consolidated Financial Statements
(Expressed in thousands of US dollars)

(Unaudited)

3. Pro forma adjustments (continued):

(c) Acquisition:

The impact of acquiring the net assets is as follows:

	The Allure	Residences at Cinco Ranch	The Villages of Sunset Ridge	Pro forma adjustments	Net assets acquired
Investment properties	$ 43,000	$ 34,900	$ 24,600	$ (11,950) 1,322	$ 91,872
Tenant receivables and Other receivables, net	–	10	1	(11)	–
Utility deposits	–	–	16	(16)	–
Prepaid expenses and other assets	93	30	–	(123)	–
Restricted cash	–	–	–	–	–
Cash	434	82	103	(619)	–
	43,527	35,022	24,720	(11,397)	91,872
Mortgages payable	(33,730)	–	(14,480)	48,210	–
Tenant rental deposits	(69)	(119)	(22)	11	(199)
Accounts payable and accrued liabilities	(292)	(310)	(171)	773	–
Finance costs payable	–	–	–	-	–
Net assets acquired	$ 9,436	$ 34,593	$ 10,047	$ 37,597	$ 91,673
Consideration:					
Cash paid					$ 91,673

3. Pro forma adjustments (continued):

(c) Acquisition (continued):

Acquisition-related costs of $1,322 were capitalized to the Initial Portfolio. The actual calculation and allocation of the purchase price for the transactions 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.

Tenant receivables and other receivables, utility deposits, prepaid expenses and other assets, restricted cash, cash, mortgages payable, accounts payable and accrued liabilities and finance costs payable will not be assumed on closing. Tenant rental deposits of $199 will be assumed on closing.

As the Initial Portfolio is accounted for using the fair value model, they will be adjusted to their fair value on an ongoing basis, with any fair value adjustments being included in the statement of comprehensive income (loss). As a *pro forma* assumption of such fair value change is a prediction rather than an objectively determinable *pro forma* adjustment, these pro forma financial statements assume no change in the fair value of the investment properties during the three months ended March 31, 2014 and during the year ended December 31, 2013. However, the actual Fund financial statements will include fair value changes and such changes could be material.

(d) Mortgage payable:

The Fund is expected to obtain new financing in the amount of $61,000 in respect of the Initial Portfolio. The mortgages payable balance of $60,607 outstanding as at March 31, 2014 (net of financing cost of $393) represents mortgages entered into on closing of the acquisitions, which are secured by first charges on Initial Portfolio and bears interest at a blended rate of 2.50%. The mortgages have a three-year term with two options to renew for an additional one year and require interest only payments for the entire term.

(Expressed in thousands of US dollars)

3. Pro forma adjustments (continued):

(e) Sources and uses of cash:

The Fund's sources and uses of cash after the completion of the contemplated acquisition of the Initial Portfolio are as follows:

Sources:	
Proceeds from the offering	$ 60,000
Proceeds from new mortgage financing	61,000
	121,000
Uses:	
Purchase of the Initial Portfolio	(91,673)
Offering costs	(900)
Agent Fees	(2,393)
Financing costs	(393)
	(95,359)
Excess cash in the fund	$ 25,641

(f) Revenues and Operating expenses from property operations:

Revenues for the three months ended March 31, 2014 relating to The Villages of Sunset Ridge have been reduced by $347 or 50 percent to reflect the Fund's ownership for this time period. Similarly, revenues for the year ended December 31, 2013 have been reduced by $620 to reflect the Fund's ownership for this time period. Property operating expenses have been decreased by $165 and $608 for the three months ended March 31, 2014 and for the year ended December 31, 2013 to reflect (i) a 50% reduction in The Villages of Sunset Ridge to reflect the Fund's ownership for the time periods, (ii) expected reduced property management fees, and (iii) the reclassification of the asset management fees, refer to note 3(h). Similarly, realty taxes for the three months ended March 31, 2014 and for the year ended December 31, 2013 have been reduced by $62 and $239 to reflect the Fund's 50% ownership of The Villages of Sunset Ridge during these time periods.

3. Pro forma adjustments (continued):

(g) Finance costs:

Finance cost for the three months ended March 31, 2014 have been decreased by $378 and have been decreased by $583 for the year ended December 31, 2013 to reflect changes in mortgage interest, amortization of financing costs, and the Fund's ownership during the time periods for The Villages of Sunset Ridge.

(h) Fund expenses and related party transactions:

Fund expenses of $59 have been reflected for the three months ended March 31, 2014 and $235 for the year ended December 31, 2013 to reflect the Fund's best estimate of general and administrative expenses for the Fund. Fund expenses include legal fees, audit fees, trustee fees, annual report costs, transfer agents fees and other miscellaneous costs.

Pursuant to a Management Agreement, to be entered into between the Fund and its subsidiaries and Starlight Investments Ltd ("the Manager"), the Manager will provide asset management services to the Fund. The Manager will be entitled to an asset management fee of 35 basis points on the purchase price of the properties and the cost of any value-enhancing capital expenditures in respect of the properties since the date of their acquisition by the Fund. The asset management fees included in trust expenses for the three months ended March 31, 2014 were $80 and for the year ended December 31, 2013 were $277.

Pursuant to the Management Agreement, the Manager will also be providing financing and other services in connection with the acquisition of investment properties. An acquisition fee has been included in acquisition-related costs, as described in note 3(c), of $911 relating to the acquisition of the Initial Portfolio.

(Expressed in thousands of US dollars)

3. Pro forma adjustments (continued):

(i) Income taxes:

The Fund has recorded current tax expense of $17 and $42 for the three months ended March 31, 2014 and for the year ended December 31, 2013, respectively, with respect to Texas Margin Tax incurred by the U.S. REIT. The Fund has recorded deferred tax expense of $201 and $133 for the three months ended March 31, 2014 and for the year ended December 31, 2013, respectively in respect of the Investment LP.

The Fund assumes that on closing and beyond, the U.S. REIT will qualify as a REIT, effective on the date of its incorporation and that it will meet the REIT conditions, as described in note 2(f) and will distribute all of its taxable income to its stockholders each taxation year. The Fund also assumes that it will not be subject to the SIFT Measures described in note 2(f).

4. Unitholders' equity:

The Fund is authorized to issue an unlimited number of Units, comprising the Class A Units, Class C Units, Class D Units, Class F Units and Class U Units.

	Amount
Balance, beginning of period	$ –
Class A, C, D, F, and U Units (public offering)	60,000
Unit issuance costs (public offering)	(2,393)
Unit issuance costs (other)	(900)
Balance, end of period	$ 56,707

Carve-out Financial Statements
(In thousands of United States dollars)

THE ALLURE

Interim period ended March 31, 2014 and the
period from April 1, 2013 (commencement of operations)
to December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the directors of

Starlight U.S. Multi-Family (No. 3) Core G.P. Inc. as the general partner of
Starlight U.S. Multi-Family (No. 3) Core Fund

Report on the Carve-out Financial Statements

We have audited the accompanying carve-out financial statements of The Allure which comprise the carve-out statements of financial position as at March 31, 2014 and December 31, 2013 and the carve-out statements of income (loss) and comprehensive income (loss), changes in owner's equity and cash flows for the three-month period ended March 31, 2014 and the period from April 1, 2013 (commencement of operations) to December 31, 2013 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of these carve-out 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these carve-out financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carve-out 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 carve-out financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carve-out financial statements present fairly, in all material respects, the financial position of The Allure as at March 31, 2014 and December 31, 2013 and the results of its operations and its cash flows for the three-month period ended March 31, 2014 and the period ended December 31, 2013 in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
Toronto, Ontario
June 27, 2014

THE ALLURE

Carve-out Statements of Financial Position
(In thousands of United States dollars)

	March 31, 2014	December 31, 2013	April 1, 2013 (commencement of operations)
			(unaudited)

Assets

	March 31, 2014	December 31, 2013	April 1, 2013 (commencement of operations) (unaudited)
Investment property (note 3)	$ 43,000	$ 43,000	$ 31,922
Tenant and other receivables (note 4)	-	9	-
Prepaid expenses	93	115	4
Cash and equivalents	434	109	232
Total assets	$ 43,527	$ 43,233	$ 32,158

Liabilities and Owner's Equity

	March 31, 2014	December 31, 2013	April 1, 2013 (commencement of operations) (unaudited)
Mortgage payable (note 5)	$ 33,730	$ 32,995	$ 24,987
Tenant rental deposits	69	53	17
Accounts payable and accrued liabilities (note 6)	292	672	3,719
Total liabilities	34,091	33,720	28,723
Owner's equity	9,436	9,513	3,435
Total liabilities and owner's equity	$ 43,527	$ 43,233	$ 32,158

Commitments and contingencies (note 10)

See accompanying notes to carve-out financial statements.

THE ALLURE

Carve-out Statements of Income (Loss) and Comprehensive Income (Loss)
(In thousands of United States dollars)

	Three months ended March 31, 2014	Period from April 1, 2013 (commencement of operations) to December 31 2013
Revenue:		
Revenue from property operations	$ 1,102	$ 1,663
Operating expenses:		
Property operating costs	384	1,159
Realty taxes	168	415
Fair value adjustment of investment property (note 3)	-	(7,418)
	552	(5,844)
Income from operations	550	7,507
Finance costs (note 8)	627	1,429
Net income and comprehensive income	$ (77)	$ 6,078

See accompanying notes to carve-out financial statements.

THE ALLURE

Carve-out Statements of Changes in Owner's Equity
(In thousands of United States dollars)

Balance, April 1, 2013 (commencement of operations) (unaudited)	$	3,435
Net income and comprehensive income		6,078
Balance, December 31, 2013		9,513
Net income and comprehensive income		(77)
Balance, March 31, 2014	$	9,436

See accompanying notes to carve-out financial statements.

THE ALLURE

Carve-out Statements of Cash Flows
(In thousands of United States dollars)

	Three months ended March 31, 2014	Period from April 1, 2013 (commencement of operations) to December 31, 2013
Operating activities:		
Net income and comprehensive income	$ (77)	$ 6,078
Adjustments for financing activities included in net income:		
Finance costs	627	1,429
Adjustments for items not involving cash:		
Fair value adjustment of investment property	-	(7,418)
Change in operating working capital:		
Tenant and other receivables	9	(9)
Prepaid expenses	22	(111)
Tenant rental deposits	16	36
Accounts payable and accrued liabilities	(380)	(3,047)
Cash provided by (used in) operating activities	217	(3,042)
Financing activities:		
Mortgage proceeds	626	7,522
Interest accrued	84	409
Interest paid	(602)	(1,352)
Cash provided by (used in) financing activities	108	6,579
Investing activities:		
Additions to investment property	-	(3,660)
Cash provided by (used in) investing activities	-	(3,660)
Increase (decrease) in cash	325	(123)
Cash and cash equivalents, beginning of period	109	232
Cash and cash equivalents, end of period	$ 434	$ 109

See accompanying notes to carve-out financial statements.

1. Nature of Operations and Basis of Preparation:

The Allure (the "Property"), as presented in these carve-out financial statements, is not a legal entity. The Property and its related assets and liabilities are currently owned by NVR Cedar Park J.V. LLC (the "Owner"). The Property's address is 701 N. Vista Ridge Blvd., Cedar Park, Texas 78613.

These carve-out financial statements have been prepared for the specific purpose of reporting on the financial position, results of operations, changes in owner's equity and cash flows of the Property included in, and for inclusion in, the prospectus relating to the public offering of units by Starlight U.S. Multi-Family (No. 3) Core Fund (the "Fund").

These carve-out financial statements have been prepared on a carve-out basis from the financial statements of the owner and present the financial position, results of operations, changes in owner's equity and cash flows of the Property for the periods presented as if the Property has been accounted for on a stand-alone basis.

Because this Property is part of a corporate group, these carve-out financial statements depict the owner's equity in net assets, representing the amount associated specifically with the Property.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the Property had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results. However, the Property does not have any other assets, liabilities or operations other than the ones presented.

The financial information of the Property contained in the carve-out statements of financial position as of April 1, 2013 is unaudited, and the statements of financial position, statements of income and comprehensive income, changes in owner's equity and cash flows and the notes are audited for the period from April 1, 2013 to December 31, 2013 and the three-months ended March 31, 2014.

These carve-out financial statements were authorized for issuance by the directors of the general partner of the Fund on June 27, 2014.

1. Nature of Operations and Basis of Preparation (continued):

(a) Basis of presentation and statement of compliance: (continued)

The carve-out interim financial statements at March 31, 2014 are presented in accordance with International Financial Reporting Standards ("IFRS") and in particular in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). IFRS represents standards and interpretations approved by the International Accounting Standards Board ("IASB"), and are comprised of IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs") or the former Standing Interpretations Committee ("SICs"). The Owners believe an allocation of revenue and costs to the Property reflect a reasonable method of allocating an appropriate portion of the historic property operating and other costs of the Owners related to the management of the property.

The carve-out financial statements have been prepared on a historical cost basis, except for investment property which is stated at its fair value.

The carve-out financial statements are presented in United States dollars, which is the functional currency of the Property, and rounded to the nearest thousand except as otherwise stated.

(b) Critical judgments and estimates:

The preparation of carve-out financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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.

(i) Critical judgements in applying accounting policies:

The following are critical judgements that management has made in the process of applying accounting policies that have the most significant effect on the amounts recognized in the carve-out financial statements:

Leases:

Management makes judgements in determining whether leases in which the Property is the lessor are operating or finance leases. The Property has retained substantially all of the risks and benefits of ownership of its investment property and, therefore, accounts for its leases with tenants as operating leases. The accounting treatment of leases as finance leases could have a significant effect on the measurement of balances and transactions.

1. Nature of Operations and Basis of Preparation (continued):

(b) Critical judgments and estimates: (continued)

(ii) Key sources of estimation uncertainty:

The following are key assumptions concerning the future and other key sources of estimation uncertainty that may have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Investment property:

The critical assumptions and estimates used when determining the fair value of the investment property are: the 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 the 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. The Property determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third-party appraisals. Further information on investment property estimates and assumptions is provided in note 3.

2. Significant Accounting Policies:

(a) Investment property:

The investment property includes a residential housing project that is held to earn rental income. Investment properties acquired through an asset purchase are initially recognized at cost, which includes all amounts directly related to the acquisition of the investment property. All costs associated with upgrading and extending the economic life of the existing property, other than ordinary repairs and maintenance, are capitalized to the investment property.

The investment properties are re-measured to fair value at each reporting date. Fair value is determined based on internal valuations models incorporating market evidence and valuations performed by third-party appraisers. Changes in the fair value of the investment properties are recorded in the carve-out statements of income and comprehensive income in the period in which they arise. Investment properties are not amortized.

2. Significant Accounting Policies (continued):

(b) Revenue recognition:

Revenue from an investment property includes all rental income earned from the property, including residential tenant rental income, parking income, laundry income, cable and all other miscellaneous income paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences at lease inception or when a tenant has a right to use the leased asset, and revenue is recognized on a straight line basis over the terms of the lease agreement when collection is reasonably assured.

(c) Cash and equivalents:

Cash includes 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.

(d) Income taxes:

The Property is owned by an entity that is a limited liability company in the United States of America and is taxed as a partnership for United States Federal income tax purposes. Taxable income or losses are reportable on the tax returns of the individual owners. Therefore, no provision has been made for income taxes in these carve-out financial statements.

(e) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in the carve-out statements of income and comprehensive income. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized in the other comprehensive income.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or is designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IAS 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as FVTPL.

2. Significant Accounting Policies (continued):

(e) Financial instruments (continued):

The following summarizes the Property's classification and measurement of financial assets and liabilities:

	Classification	Measurement
Financial assets:		
Tenant and other receivables	Loans and receivables	Amortized cost
Cash and equivalents	Loans and receivables	Amortized cost
Financial liabilities:		
Mortgages payable	Other liabilities	Amortized cost
Tenant rental deposits	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities, other than financial assets and financial liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Transaction costs on financial assets and financial liabilities measured at FVTPL are expensed in the period incurred.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

(f) Provisions:

Provisions are recognized when the Property has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligations at the end of the reporting period, and are discounted to present value when the effect is material. The Property has not recorded any provisions as at April 1, 2013, December 31, 2013, and March 31, 2014.

2. Significant Accounting Policies (continued):

(g) Recent accounting pronouncements:

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2013. Those pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the table below. The following have not yet been adopted and are being evaluated to determine the resultant impact on the Property.

IFRS 9, Financial Instruments, uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39, Financial Instruments: Recognition and Measurement. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39 and is applicable for annual periods beginning on or after a date still to be determined.

IAS 32 Financial Instruments: Presentation has been amended to provide application guidance on the offsetting of financial assets and financial liabilities. The guidance is effective for annual periods beginning on or after January 1, 2014.

(In thousands of United States dollars)

3. Investment Property:

The following table summarize the changes in the investment property for the three months ended March 31, 2014 and the period from April 1, 2013 to December 31, 2013.

Balance, April 1, 2013 (unaudited)	$	31,922
Additions – capital expenditures		3,660
Fair value adjustment		7,418
Balance, December 31, 2013		43,000
Additions – capital expenditures		-
Fair value adjustment		-
Balance, March 31, 2014	$	43,000

The key valuation assumptions for the Property are set out in the following table:

	March 31, 2014	December 31, 2013
Capitalization rates	5.75%	5.75%

The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The fair values of the investment properties are sensitive to changes in the key valuation assumptions. A 10-basis-point increase (decrease) in the weighted average capitalization rates would result in the following changes in the fair value:

Key assumptions	Change		March 31, 2014		December 31 2013
Weighted average capitalization rate	10-basis-points increase	$	(735)	$	(735)
Weighted average capitalization rate	10-basis-points decrease		761		761

The impact of a 10 percent change in the Net Operating Income ("NOI") used to value the investment property at December 31, 2013 and March 31, 2014 would affect the fair value by approximately $4,300.

(In thousands of United States dollars)

4. Tenant receivables and other receivables:

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. As March 31, 2014 and December 31, 2013 the Property had no bad debt expenses.

The Property collects tenant rental deposits upon the signing of lease agreements. These deposits are held until lease expiration upon which they are refunded or they may be utilized for repairs or to cover delinquent rent payments from tenants.

There are no future minimum rental commitments on non-cancellable tenant operating leases.

5. Mortgage Payable:

The Company entered into a loan agreement with the Compass Bank ('BBVA') for an amount not to exceed $22,804 on December 27, 2011. The loan bears interest at a rate of one month LIBOR plus 2.75%, not to be less than 3.5%. At March 31, 2014, the interest rate was 3.5% (December 31, 2013 – 3.5%). Concurrent with this loan, the company entered into an agreement with HCF Subordinate Debt Holdings, LLC. ('Heitman') on December 27, 2011, which is subordinate to the above loan. This loan is for an amount of $9,750, yielding an internal rate of return of 16% to the lender. Both of these loans are three year interest only loans, at which point payment of the full principal is due, with two 12 month extensions up until a date of December 27, 2016. Interest is accrued on a monthly basis. The Property acts as security on the outstanding loans.

	March 31, 2014	December 31, 2013	April 1, 2013 (commencement of operations)
			(unaudited)
BBVA loan payable	$ 22,804	$ 22,178	$ 14,977
Heitman loan payable	9,716	9,716	9,395
Accrued Interest	1,279	1,195	786
Unamortized financing fees	(69)	(94)	(171)
	$ 33,730	$ 32,995	$ 24,987

(In thousands of United States dollars)

6. Accounts Payable and Accrued Liabilities:

	March 31, 2014	December 31, 2013	April 1, 2013 (commencement of of operations) (unaudited)
Accounts payable	$ 107	$ 82	$ 761
Accounts payable - construction	-	-	2,737
Accrued taxes	168	573	167
Accrued liabilities	17	17	54
	$ 292	$ 672	$ 3,719

7. Concentrations:

All of the Property's assets and liabilities are in, and its revenue derived from, multi-suite residential United States real estate. No single tenant accounts for 10% or more of the Portfolio's rental revenue.

8. Finance costs:

	Three months ended March 31, 2014	Period from April 1, 2013 (Commencement of operations) to December 31, 2013
Interest on mortgage payable	$ 602	$ 1,352
Amortization of financing cost	25	77
	$ 627	$ 1,429

9. Property Management Fee:

On April 1, 2012, the Property entered into a management agreement with NRP Management LLC, an unrelated party, for the services rendered in connection with the leasing and operations of the Property. The fee for services is equal to 3.5% percent of the gross collections of the Property or $7,000 per month whichever is greater, as defined within the management agreement. For the three months ended March 31, 2014, property management fees in the amount of $40 were incurred pursuant to this property management agreement. For the period ended December 31, 2013, property management fees were $79.

10. Commitments and Contingencies:

Operating leases:

At the statement of financial position dates, the Property had no commitments for future minimum lease payments under non-cancellable operating leases.

11. Capital Management and Risk Management:

(a) Capital management:

The Property capital is comprised of owner's equity and is funded by the owner primarily for additions to the Property and leasing activities, to the extent not available from cash flows from property operations.

(b) Risk management:

In the normal course of business, the Property is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

(i) Market risk:

Market risk is the risk that changes in market prices, such as interest rate, will affect the Property's financial instruments.

The Property is subject to the risks associated with debt financing, including the risk that the interest rate on floating debt may rise before long-term fixed rate debt is arranged and that the mortgages payable and credit facility will not be able to be refinanced on terms similar to those of the existing indebtedness.

The Property's objective of managing interest rate risk is to minimize the volatility of earnings. At December 31, 2013, and as at March 31, 2014, the Property's mortgages payable bore interest at fixed rates. The Property is not exposed to any other form of market risk.

(ii) Credit risk:

Credit risk is the risk that: (i) one party to a financial instrument will cause a financial loss for the Property by failing to discharge its obligations; and (ii) the possibility that tenants may experience financial difficulty and be unable to meet their rental obligations.

The Property is exposed to credit risk on all financial assets and its exposure is generally limited to the carrying amount on the carve-out statements of financial position. The Property monitors its risk exposure regarding obligations with counterparties (United States chartered banks) through the regular assessment of counterparties' credit positions.

11. Capital Management and Risk Management: (Continued)

(b) Risk management: (continued)

The Property mitigates the risk of credit loss with respect to tenants by evaluating their creditworthiness and obtaining security deposits as permitted by legislation.

The Property monitors its collection process on a month-to-month basis to ensure that a stringent policy is adopted to provide for all past due amounts. All receivables from past tenants and tenant receivable balances exceeding 60 days are provided for as bad debt expense and are recorded as bad debt expense in the carve-out statements of income and comprehensive income.

(iii) Liquidity risk:

Liquidity risk is the risk that the Property may encounter difficulty in meeting its financial obligations when they come due. Management's strategy of managing liquidity risk is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities.

12. Fair Value Measurements:

The fair value of the Property's mortgage payable as at March 31, 2014, December 31, 2013, and April 1, 2013 respectively approximate the carrying value because the interest rates on the mortgage payable are consistent with market rates as at period end.

The Property uses various methods in estimating the fair values recognized in the financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

12. Fair Value Measurements: (Continued)

The following summarizes the significant methods and assumptions used in estimating fair values of the Property's financial instruments:

(a) Investment property:

The fair value of the investment property is determined based on internal valuation models incorporating market evidence and management estimates of future earnings as well as with third party appraised values. The fair value of investment property is completed at Level 3 of the fair value hierarchy.

(b) Other financial assets and financial liabilities:

The fair values of the Property's financial assets, which include cash and cash equivalents, tenant utility deposits and other receivables, as well as other financial liabilities, which include tenant rental deposits and accounts payable and accrued liabilities, approximate their recorded values due to their short-term nature.

13. Subsequent events:

On March 4, 2014, Allure Acquisition LLC, an affiliate of Starlight Investments Ltd., the manager of the Fund, signed an agreement of purchase and sale with the owner to buy the Property for an amount of $42,500. The transaction closed on June 24, 2014.

Carve-out Financial Statements
(In thousands of United States dollars)

RESIDENCES AT CINCO RANCH

Interim periods ended March 31, 2014 and the year ended December 31, 2013 and the period from April 19, 2012 (date of acquisition) to December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

To the directors of the general partners of
Starlight U.S. Multi-Family (No. 3) Core G.P. Inc. as general partner of
Starlight U.S. Multi-Family (No. 3) Core Fund

Report on the Carve-out Financial Statements

We have audited the accompanying carve-out financial statements of Residences at Cinco Ranch which comprise the carve-out statements of financial position as at March 31, 2014, December 31, 2013 and December 31, 2012 and the carve-out statements of income and comprehensive income, changes in owners' equity and cash flows for the three month period ended March 31, 2014, the year ended December 31, 2013 and for the period from April 19, 2012 (date of acquisition) to December 31, 2012 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of these carve-out 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these carve-out financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carve-out 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 carve-out financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carve-out financial statements present fairly, in all material respects, the financial position of Residences at Cinco Ranch as at March 31, 2014, December 31, 2013 and December 31, 2012 and the results of its operations and its cash flows for the period from April 19, 2012 (date of acquisition) to December 31, 2012, the year ended December 31, 2013 and the three-month period ended March 31, 2014 in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
Toronto, Ontario
June 27, 2014

RESIDENCES AT CINCO RANCH

Carve-out Statements of Financial Position
(In thousands of United States dollars)

	March 31, 2014	December 31, 2013	December 31, 2012	April 19, 2012 (date of acquisition) (unaudited) (note 3)
Assets				
Investment property (note 3)	$ 34,900	$ 34,900	$ 30,000	$ 28,886
Tenant and other receivables (note 4)	10	34	55	-
Prepaid expenses	30	1	1	31
Cash and equivalents	82	97	17	46
Total assets	$ 35,022	$ 35,032	$ 30,073	$ 28,963
Liabilities and Owners' Equity				
Tenant rental deposits	$ 119	$ 121	$ 89	$ -
Accounts payable and accrued liabilities (note 5)	310	933	865	421
Total liabilities	429	1,054	954	421
Owners' equity	34,593	33,978	29,119	28,542
Total liabilities and owners' equity	$ 35,022	$ 35,032	$ 30,073	$ 28,963

Commitments and contingencies (note 8)

See accompanying notes to carve-out financial statements.

RESIDENCES AT CINCO RANCH

Carve-out Statements of Income and Comprehensive Income
(In thousands of United States dollars)

	Three months ended March 31, 2014	Three months ended March 31, 2013	Year ended December 31, 2013	Period from April 19, 2012 (date of acquisition to December 31, 2012
		(unaudited)		
Revenue:				
Revenue from property operations	$ 933	$ 922	$ 3,765	$ 2,538
Operating expenses:				
Property operating costs	325	283	1,283	868
Realty taxes	222	205	860	552
Fair value adjustment of investment property (note 3)	-	(1,300)	(4,673)	(915)
	547	(812)	(2,530)	505
Net income and comprehensive income	$ 386	$ 1,734	$ 6,295	$ 2,033

See accompanying notes to carve-out financial statements.

RESIDENCES AT CINCO RANCH

Carve-out Statements of Changes in Owners' Equity
(In thousands of United States dollars)

Balance, April 19, 2012 (unaudited)	$ 28,542
Net income and comprehensive income	2,033
Distributions	(1,456)
Balance, December 31, 2012	29,119
Net income and comprehensive income	6,295
Contributions	666
Distributions	(2,102)
Balance, December 31, 2013	33,978
Net income and comprehensive income	386
Contributions	704
Distributions	(475)
Balance, March 31, 2014	$ 34,593

See accompanying notes to carve-out financial statements.

RESIDENCES AT CINCO RANCH

Carve-out Statements of Cash Flows
(In thousands of United States dollars)

	Three months ended March 31, 2014	Three months ended March 31, 2013 (unaudited)	Year ended December 31, 2013	Period from April 19, 2012 (date of acquisition to December 31, 2012
Operating activities:				
Income and comprehensive income	$ 386	$ 434	$ 6,295	$ 2,033
Adjustments for items not involving cash:				
Fair value adjustment of investment property	-	-	(4,673)	(915)
Change in operating working capital:				
Tenant and other receivables	24	(14)	21	(55)
Prepaid expenses	(29)	(35)	-	30
Tenant rental deposits	(2)	8	32	89
Accounts payable and accrued liabilities	(623)	(575)	68	444
Cash provided by (used in) operating activities	(244)	(182)	1,743	1,626
Financing activities:				
Contribution from owners	704	317	666	-
Distribution to owners	(475)	-	(2,102)	(1,456)
Cash provided by (used in) financing activities	229	317	(1,436)	(1,456)
Investing activities:				
Additions investment property	-	(53)	(227)	(199)
Cash provided by (used in) investing activities	-	(53)	(227)	(199)
Increase (decrease) in cash	(15)	82	80	(29)
Cash and cash equivalents, beginning of period	97	17	17	46
Cash and cash equivalents, end of period	$ 82	$ 99	$ 97	17

See accompanying notes to carve-out financial statements.

1. Nature of Operations and Basis of Preparation:

Residences at Cinco Ranch (the "Property"), as presented in these carve-out financial statements, is not a legal entity. The Property and its related assets and liabilities are currently owned by PRIM RESIDENCES AT RESIDENCES AT CINCO RANCH, LLC (the "Owners"). The Property's address is 20900 FM 1093, Richmond, Texas 77407.

These carve-out financial statements have been prepared for the specific purpose of reporting on the financial position, results of operations, changes in owners' equity and cash flows of the Property included in, and for inclusion in, the prospectus relating to the public offering of units by Starlight U.S. Multi-Family (No. 3) Core Fund (the "Fund").

These carve-out financial statements have been prepared on a carve-out basis from the financial statements of the Owners and present the financial position, results of operations, changes in owners' equity and cash flows of the Property for the periods presented as if the Property has been accounted for on a stand-alone basis.

Because this Property is part of a corporate group, these carve-out financial statements depict the owners' equity in net assets, representing the amount associated specifically with the Property.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the Property had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results. However, the Property does not have any other assets, liabilities, operations other than the ones presented.

The financial information of the Property contained in the carve-out statements of income and comprehensive income, changes in owners' equity and cash flows and for the three months ended March 31, 2013 are unaudited and audited for the period from April 19, 2012 (date of acquisition) to December 31, 2012, the year ended December 31, 2013 and the three-months ended March 31, 2014.

These financial statements were authorized for issuance by the directors of the general partner of the Fund on June 27, 2014.

(a) Basis of presentation and statement of compliance:

The carve-out financial statements are prepared in accordance International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC").

1. Nature of Operations and Basis of Preparation (continued):

(a) Basis of presentation and statement of compliance: (continued)

The carve-out interim financial statements as March 31, 2014 and March 31, 2013 are presented in accordance with International Financial Reporting Standards ("IFRS") and in particular in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). IFRS represents standards and interpretations approved by the International Accounting Standards Board ("IASB"), and are comprised of IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs") or the former Standing Interpretations Committee ("SICs"). The Owners believe an allocation of revenue and costs to the Property reflect a reasonable method of allocating an appropriate portion of the historic property operating and other costs of the Owners related to the management of the property.

The carve-out financial statements have been prepared on a historical cost basis, except for investment property which is stated at its fair value.

The carve-out financial statements are presented in United States dollars, which is the functional currency of the Property, and rounded to the nearest thousand except as otherwise stated.

(b) Critical judgments and estimates:

The preparation of carve-out financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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.

(i) Critical judgements in applying accounting policies:

The following are critical judgements that management has made in the process of applying accounting policies that have the most significant effect on the amounts recognized in the carve-out financial statements:

Leases:

Management makes judgements in determining whether leases in which the Property is the lessor are operating or finance leases. The Property has retained substantially all of the risks and benefits of ownership of its investment property and, therefore, accounts for its leases with tenants as operating leases. The accounting treatment of leases as finance leases could have a significant effect on the measurement of balances and transactions.

1. Nature of Operations and Basis of Preparation (continued):

(b) Critical judgments and estimates: (continued)

(ii) Key sources of estimation uncertainty:

The following are key assumptions concerning the future and other key sources of estimation uncertainty that may have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Investment property:

The critical assumptions and estimates used when determining the fair value of the investment property are: the 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 the 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. The Property determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third-party appraisals. Further information on investment property estimates and assumptions is provided in note 3.

2. Significant Accounting Policies:

(a) Investment property:

The investment property includes a residential housing project that is held to earn rental income. Investment properties acquired through an asset purchase are initially recognized at cost, which includes all amounts directly related to the acquisition of the investment property. All costs associated with upgrading and extending the economic life of the existing property, other than ordinary repairs and maintenance, are capitalized to the investment property.

The investment properties are re-measured to fair value at each reporting date. Fair value is determined based on internal valuations models incorporating market evidence and valuations performed by third-party appraisers. Changes in the fair value of the investment properties are recorded in the carve-out statements of income and comprehensive income in the period in which they arise. Investment properties are not amortized.

2. Significant Accounting Policies (continued):

(b) Revenue recognition:

Revenue from an investment property includes all rental income earned from the property, including residential tenant rental income, parking income, laundry income, cable and all other miscellaneous income paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences at lease inception or when a tenant has a right to use the leased asset, and revenue is recognized on a straight line basis over the terms of the lease agreement when collection is reasonably assured.

(c) Cash and equivalents:

Cash includes 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.

(d) Income taxes:

The Property is owned by an entity that is a limited liability company in the United States of America and is taxed as a partnership for United States Federal income tax purposes. Taxable income or losses are reportable on the tax returns of the individual owners. Therefore, no provision has been made for income taxes in these carve-out financial statements.

(e) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in the carve-out statements of income and comprehensive income. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized in the other comprehensive income.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or is designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IAS 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as FVTPL.

2. Significant Accounting Policies (continued):

(e) Financial instruments (continued):

The following summarizes the Property's classification and measurement of financial assets and liabilities:

	Classification	Measurement
Financial assets:		
Tenant and other receivables	Loans and receivables	Amortized cost
Cash and equivalents	Loans and receivables	Amortized cost
Financial liabilities:		
Tenant rental deposits	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities, other than financial assets and financial liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Transaction costs on financial assets and financial liabilities measured at FVTPL are expensed in the period incurred.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the carve-out financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

(f) Provisions:

Provisions are recognized when the Property has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management’s best estimate of the expenditure required to settle the obligations at the end of the reporting period, and are discounted to present value when the effect is material. The Property has not recorded any provisions as at December 31, 2012, December 31, 2013 as well as at March 31, 2013 and March 31, 2014.

2. Significant Accounting Policies (continued):

(g) Changes in accounting policies:

The following accounting pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2012 and were adopted by the Property as at January 1, 2013 and which have not had a material impact on the carve-out financial statements with the exception of additional disclosures of fair value measurement information.

IFRS 10, Consolidated Financial Statements, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard (i) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; (ii) defines the principle of control, and establishes control as the basis for consolidation; (iii) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (iv) sets out the accounting requirements for the preparation of consolidated financial statements.

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation Special Purpose Entities.

IFRS 11, Joint Arrangements, establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12, Disclosure of Involvement with Other Entities, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13, Fair Value Measurement, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 Share-based Payment; leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

2. Significant Accounting Policies (continued):

(g) Changes in accounting policies: (continued)

IAS 1 Presentation of Financial Statements was amended by the IASB in June 2011 and requires companies to group items presented within Other Comprehensive Income based on whether they may be subsequently reclassified to profit or loss. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged.

IAS 27, Separate Financial Statements, has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28, Investments in Associates and Joint Ventures, prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

(h) Recent accounting pronouncements:

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2013. Those pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the table below. The following have not yet been adopted and are being evaluated to determine the resultant impact on the Property.

IFRS 9, Financial Instruments, uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39, Financial Instruments: Recognition and Measurement. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The effective date for this standard is not yet determined.

IAS 32 Financial Instruments: Presentation has been amended to provide application guidance on the offsetting of financial assets and financial liabilities. The guidance is effective for annual periods beginning on or after January 1, 2014.

(In thousands of United States dollars)

3. Investment Property:

The following table summarize the changes in the investment property for the three months ended March 31, 2014, fiscal periods ended December 31, 2013 and 2012:

Acquisition of property, at cost (April 19, 2012)	$ 28,886
Additions – capital expenditures	199
Fair value adjustment	915
Balance, December 31, 2012	$ 30,000
Additions – capital expenditures	227
Fair value adjustments	4,673
Balance, December 31, 2013	34,900
Additions – capital expenditures	-
Fair value adjustments	-
Balance, March 31, 2014	$ 34,900

(In thousands of United States dollars)

3. Investment Property: (continued)

The key valuation assumptions for the Property are set out in the following table:

	March 31, 2014	December 31, 2013	December 31, 2012
Capitalization rates	5.75%	5.75%	5.75%

The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The fair values of the investment properties are sensitive to changes in the key valuation assumptions. A 10-basis-point increase (decrease) in the weighted average capitalization rates would result in the following changes in the fair value:

Key assumptions	Change	March 31, 2014	December 31, 2013	December 31, 2012
Weighted average capitalization rate	10-basis-points increase	$ (597)	$ (597)	$ (513)
Weighted average capitalization rate	10-basis-points decrease	618	618	531

The impact of a 10 percent change in the Net Operating Income ("NOI") used to value the investment property at December 31, 2013 and March 31, 2014 would affect the fair value by approximately $3,490.

4. Tenant Receivables and Other Receivables:

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. As at March 31, 2014, March 31, 2013, December 31, 2013 and December 31, 2012, the Property had a bad debt expense of approximately $15, $nil, $27, and a recovery of $42, respectively.

The Property collects tenant rental deposits upon the signing of lease agreements. These deposits are held until lease expiration upon which they are refunded or they may be utilized for repairs or to cover delinquent rent payments from tenants.

There are no future minimum rental commitments on non-cancellable tenant operating leases.

(In thousands of United States dollars)

5. Accounts Payable and Accrued Liabilities:

	March 31, 2014	December 31, 2013	December 31, 2012	April 19, 2012 (date of acquisition)
Accounts payable	$ 34	$ 1	$ 11	$ 421
Accrued taxes	222	860	791	-
Accrued liabilities	54	72	63	-
	$ 310	$ 933	$ 865	$ 421

6. Concentrations:

All of the Property's assets and liabilities are in, and its revenue derived from, multi-suite residential United States real estate. No single tenant accounts for 10% or more of the Portfolio's rental revenue.

7. Property Management Fee:

The Property entered into a management agreement with Michelson Management Services, LLC, an unrelated party, for the services rendered in connection with the leasing and operations of the Property. The fee for services is equal to 3.0% percent of the gross rent receipts of the Property, as defined within the management agreement. As of March 31, 2014, $28 ($28 as of March 31, 2013) were incurred and paid. As of December 31, 2013, $110, ($61 as of December 31, 2012) were incurred and paid.

8. Commitments and Contingencies:

Operating leases:

At the statement of financial position dates, the Property had no commitments for future minimum lease payments under non-cancellable operating leases.

9. Capital Management and Risk Management:

(a) Capital management:

The Property capital is comprised of owner's equity and is funded by the owner primarily for additions to the Property and leasing activities, to the extent not available from cash flows from property operations.

9. Capital Management and Risk Management: (Continued)

(b) Risk management:

In the normal course of business, the Property is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

(i) Market risk:

Market risk is the risk that changes in market prices, such as interest rate, will affect the Property's financial instruments.

The Property does not have any debt financing and, as a result, is not subject to market risk.

(ii) Credit risk:

Credit risk is the risk that: (i) one party to a financial instrument will cause a financial loss for the Property by failing to discharge its obligations; and (ii) the possibility that tenants may experience financial difficulty and be unable to meet their rental obligations.

The Property is exposed to credit risk on all financial assets and its exposure is generally limited to the carrying amount on the carve-out statements of financial position. The Property monitors its risk exposure regarding obligations with counterparties (United States chartered banks) through the regular assessment of counterparties' credit positions.

The Property mitigates the risk of credit loss with respect to tenants by evaluating their creditworthiness and obtaining security deposits as permitted by legislation.

The Property monitors its collection process on a month-to-month basis to ensure that a stringent policy is adopted to provide for all past due amounts. All receivables from past tenants and tenant receivable balances exceeding 60 days are provided for as bad debt expense and are recorded as an expense in the carve-out statements of income and comprehensive income.

9. Capital Management and Risk Management:

(b) Risk management: (continued)

(iii) Liquidity risk:

Liquidity risk is the risk that the Property may encounter difficulty in meeting its financial obligations when they come due. Management's strategy of managing liquidity risk is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities.

10. Fair Value Measurements:

The Property uses various methods in estimating the fair values recognized in the financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The following summarizes the significant methods and assumptions used in estimating fair values of the Property's financial instruments:

(a) Investment property:

The fair value of the investment property is determined based on internal valuation models incorporating market evidence and management estimates of future earnings as well as with third party appraised values. The fair value of investment property is completed at Level 3 of the fair value hierarchy.

(b) Other financial assets and financial liabilities:

The fair values of the Property's financial assets, which include cash and cash equivalents, tenant utility deposits and other receivables, as well as other financial liabilities, which include tenant rental deposits and accounts payable and accrued liabilities, approximate their recorded values due to their short-term nature.

12. Subsequent events:

On May 7, 2014, Cinco Ranch Acquisition LLC, an affiliate of Starlight Investments Ltd. the manager of the Fund, signed an agreement of purchase and sale with the owner to buy the property for an amount of $34,900.

Carve-out Financial Statements
(In thousands of United States dollars)

THE VILLAGES OF SUNSET RIDGE

Interim period ended March 31, 2014 and the
period from February 1, 2013 (commencement of operations)
to December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the directors of

Starlight U.S. Multi-Family (No. 3) Core G.P. Inc. as the general partner of
Starlight U.S. Multi-Family (No. 3) Core Fund

Report on the Carve-out Financial Statements

We have audited the accompanying carve-out financial statements of The Villages of Sunset Ridge which comprise the carve-out statements of financial position as at March 31, 2014 and December 31, 2013 and the carve-out statements of income (loss) and comprehensive income (loss), changes in owner's equity and cash flows for the year three-month period ended March 31, 2014 and the period from February 1, 2013 (commencement of operations) to December 31, 2013 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of these carve-out 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these carve-out financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carve-out 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 carve-out financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carve-out financial statements present fairly, in all material respects, the financial position of The Villages of Sunset Ridge as at March 31, 2014 and December 31, 2013 and the results of its operations and its cash flows for the three-month period ended March 31, 2014 and the year ended December 31, 2013 in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
Toronto, Ontario
June 27, 2014

THE VILLAGES OF SUNSET RIDGE

Carve-out Statements of Financial Position
(In thousands of United States dollars)

	March 31, 2014	December 31, 2013	February 1, 2013 (commencement of operations)
			(unaudited)

Assets

	March 31, 2014	December 31, 2013	February 1, 2013
Investment property (note 3)	$ 24,600	$ 24,600	$ 17,044
Utility deposits	16	16	-
Tenant and other receivables (note 4)	1	10	-
Prepaid expenses	-	16	-
Cash and equivalents	103	233	29
Total assets	$ 24,720	$ 24,875	$ 17,073

Liabilities and Owner's Equity

	March 31, 2014	December 31, 2013	February 1, 2013
Mortgage payable (note 5)	$ 14,480	$ 14,463	$ 10,848
Tenant rental deposits	22	22	-
Accounts payable and accrued liabilities (note 6)	171	512	-
Total liabilities	14,673	14,997	10,848
Owner's equity	10,047	9,878	6,225
Total liabilities and owner's equity	$ 24,720	$ 24,875	$ 17,073

Commitments and contingencies (note 10)

See accompanying notes to carve-out financial statements.

THE VILLAGES OF SUNSET RIDGE

Carve-out Statements of Income (Loss) and Comprehensive Income (Loss)
(In thousands of United States dollars)

	Three months ended March 31, 2014	Period from February 1, 2013 (commencement of operations) to March 31, 2013	Period from February 1, 2013 (commencement of operations) to December 31, 2013
		(unaudited)	
Revenue:			
Revenue from property operations	$ 693	$ 19	$ 1,239
Operating expenses:			
Property operating costs	226	146	845
Realty taxes	124	124	477
Fair value adjustment of investment property (note 3)	-	(1,958)	(4,343)
	350	(1,688)	(3,021)
Income (loss) from operations	343	1,707	4,260
Finance costs (note 8)	174	93	607
Net income (loss) and comprehensive income (loss)	$ 169	$ 1,614	$ 3,653

See accompanying notes to carve-out financial statements.

THE VILLAGES OF SUNSET RIDGE

Carve-out Statements of Changes in Owner's Equity
(In thousands of United States dollars)

Balance, February 1, 2013 (commencement of operations) (unaudited)	$ 6,225
Net income and comprehensive income	3,653
Balance, December 31, 2013	9,878
Net income and comprehensive income	169
Balance, March 31, 2014	$ 10,047

See accompanying notes to carve-out financial statements.

THE VILLAGES OF SUNSET RIDGE

Carve-out Statements of Cash Flows
(In thousands of United States dollars)

	Three months ended March 31, 2014	Period from February 1, 2013 (commencement of operations to) March 31 2013	Period from February 1, 2013 (commencement of operations) to December 31, 2013
		(unaudited)	
Operating activities:			
Income (loss) and comprehensive income (loss)	$ 169	$ (344)	$ 3,653
Adjustments for financing activities included in net income:			
Finance costs	174	93	607
Adjustments for items not involving cash:			
Fair value adjustment of investment property	-	-	(4,343)
Deferred financing costs	-	(4)	(4)
Change in operating working capital:			
Tenant receivables	9	-	(10)
Utility deposits	-	(16)	-
Prepaid assets	16	(63)	(16)
Tenant rental deposits		3	22
Accounts payable and accrued liabilities	(341)	243	512
Cash provided by (used in) operating activities	27	(88)	405
Financing activities:			
Mortgage proceeds	-	1,922	3,555
Interest paid	(157)	(81)	(543)
Cash provided by (used in) financing activities	(157)	1,841	3,012
Investing activities:			
Additions to investment properties	-	(1,500)	(3,213)
Cash provided by (used in) investing activities	-	-	(3,213)
Increase (decrease) in cash	(130)	253	204
Cash and cash equivalents, beginning of period	233	29	29
Cash and cash equivalents, end of period	$ 103	$ 282	$ 233

See accompanying notes to carve-out financial statements.

1. Nature of Operations and Basis of Preparation:

The Villages of Sunset Ridge (the "Property"), as presented in these carve-out financial statements, is not a legal entity. The Property and its related assets and liabilities are currently owned by The Villages at Sunset Ridge, Ltd. (the "Owner"). The Property's address is 14807 Woodland Hills Dr., Humble, Texas 77396.

These carve-out financial statements have been prepared for the specific purpose of reporting on the financial position, results of operations, changes in owner's equity and cash flows of the Property included in, and for inclusion in, the prospectus relating to the public offering of units by Starlight U.S. Multi-Family (No. 3) Core Fund (the "Fund").

These carve-out financial statements have been prepared on a carve-out basis from the financial statements of the Owner and present the financial position, results of operations, changes in owner's equity and cash flows of the Property for the periods presented as if the Property has been accounted for on a stand-alone basis.

Because this Property is part of a corporate group, these carve-out financial statements depict the owner's equity in net assets, representing the amount associated specifically with the Property.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the Property had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results. However, the Property does not have any other assets, liabilities or operations other than the ones presented.

The financial information of the Property contained in the carve-out statements of financial position, statements of income and comprehensive income, changes in owner's equity and cash flows and the notes for the period from February 1, 2013 to March 31, 2013 are unaudited and audited for the period from February 1, 2013 to December 31, 2013 and the three-months ended March 31, 2014.

Commencement of operations occurred on February 1, 2013 which is defined as the date the first tenant moved onto the premises.

These financial statements were authorized for issuance by the directors of the general partner of the Fund on June 27, 2014.

(a) Basis of presentation and statement of compliance:

The carve-out financial statements are prepared in accordance International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC").

1. Nature of Operations and Basis of Preparation (continued):

(a) Basis of presentation and statement of compliance: (continued)

The carve-out interim financial statements as March 31, 2014 and March 31, 2013 are presented in accordance with International Financial Reporting Standards ("IFRS") and in particular in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). IFRS represents standards and interpretations approved by the International Accounting Standards Board ("IASB"), and are comprised of IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs") or the former Standing Interpretations Committee ("SICs"). The Owners believe an allocation of revenue and costs to the Property reflect a reasonable method of allocating an appropriate portion of the historic property operating and other costs of the Owners related to the management of the property.

The carve-out financial statements have been prepared on a historical cost basis, except for investment property which is stated at its fair value.

The carve-out financial statements are presented in United States dollars, which is the functional currency of the Property, and rounded to the nearest thousand except as otherwise stated.

(b) Critical judgments and estimates:

The preparation of carve-out financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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.

(i) Critical judgements in applying accounting policies:

The following are critical judgements that management has made in the process of applying accounting policies that have the most significant effect on the amounts recognized in the carve-out financial statements:

Leases:

Management makes judgements in determining whether leases in which the Property is the lessor are operating or finance leases. The Property has retained substantially all of the risks and benefits of ownership of its investment property and, therefore, accounts for its leases with tenants as operating leases. The accounting treatment of leases as finance leases could have a significant effect on the measurement of balances and transactions.

1. Nature of Operations and Basis of Preparation (continued):

(b) Critical judgments and estimates: (continued)

(ii) Key sources of estimation uncertainty:

The following are key assumptions concerning the future and other key sources of estimation uncertainty that may have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Investment property:

The critical assumptions and estimates used when determining the fair value of the investment property are: the 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 the 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. The Property determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third-party appraisals. Further information on investment property estimates and assumptions is provided in note 3.

2. Significant Accounting Policies:

(a) Investment property:

The investment property includes a residential housing project that is held to earn rental income. Investment properties acquired through an asset purchase are initially recognized at cost, which includes all amounts directly related to the acquisition of the investment property. All costs associated with upgrading and extending the economic life of the existing property, other than ordinary repairs and maintenance, are capitalized to the investment property.

The investment properties are re-measured to fair value at each reporting date. Fair value is determined based on internal valuations models incorporating market evidence and valuations performed by third-party appraisers. Changes in the fair value of the investment properties are recorded in the carve-out statements of income and comprehensive income in the period in which they arise. Investment properties are not amortized.

2. Significant Accounting Policies (continued):

(b) Revenue recognition:

Revenue from an investment property includes all rental income earned from the property, including residential tenant rental income, parking income, laundry income, cable and all other miscellaneous income paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences at lease inception or when a tenant has a right to use the leased asset, and revenue is recognized on a straight line basis over the terms of the lease agreement when collection is reasonably assured.

(c) Cash and equivalents:

Cash includes 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.

(d) Income taxes:

The Property is owned by an entity that is a limited liability company in the United States of America and is taxed as a partnership for United States Federal income tax purposes. Taxable income or losses are reportable on the tax returns of the individual owners. Therefore, no provision has been made for income taxes in these carve-out financial statements.

(e) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in the carve-out statements of income and comprehensive income. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized in the other comprehensive income.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or is designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IAS 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as FVTPL.

2. Significant Accounting Policies (continued):

(e) Financial instruments (continued):

The following summarizes the Property's classification and measurement of financial assets and liabilities:

	Classification	Measurement
Financial assets:		
Utility deposits	Loans and receivables	Amortized cost
Tenant and other receivables	Loans and receivables	Amortized cost
Cash and equivalents	Loans and receivables	Amortized cost
Financial liabilities:		
Mortgages payable	Other liabilities	Amortized cost
Tenant rental deposits	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities, other than financial assets and financial liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Transaction costs on financial assets and financial liabilities measured at FVTPL are expensed in the period incurred.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the carve-out financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

(f) Provisions:

Provisions are recognized when the Property has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligations at the end of the reporting period, and are discounted to present value when the effect is material. The Property has not recorded any provisions as at December 31, 2013 as well as at March 31, 2013 and March 31, 2014.

2. Significant Accounting Policies (continued):

(g) Recent accounting pronouncements:

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2013. Those pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the table below. The following have not yet been adopted and are being evaluated to determine the resultant impact on the Property.

IFRS 9, Financial Instruments, uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39, Financial Instruments: Recognition and Measurement. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39 and is applicable for annual periods beginning on or after a date still to be determined.

IAS 32 Financial Instruments: Presentation has been amended to provide application guidance on the offsetting of financial assets and financial liabilities. The guidance is effective for annual periods beginning on or after January 1, 2014.

(In thousands of United States dollars)

3. Investment Property:

The following table summarize the changes in the investment property for the three months ended March 31, 2014, fiscal years ended December 31, 2013:

Balance, February 1, 2013 (unaudited)	$ 17,044
Additions – capital expenditures	3,213
Fair value adjustments	4,343
Balance, December 31, 2013	24,600
Additions – capital expenditures	-
Fair value adjustments	-
Balance, March 31, 2014	$ 24,600

The key valuation assumptions for the Property are set out in the following table:

	March 31, 2014	December 31, 2013
Capitalization rates	5.75%	5.75%

The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The fair values of the investment properties are sensitive to changes in the key valuation assumptions. A 10-basis-point increase (decrease) in the weighted average capitalization rates would result in the following changes in the fair value:

Key assumptions	Change	March 31, 2014	December 31 2013
Weighted average capitalization rate	10-basis-points increase	$ (421)	$ (421)
Weighted average capitalization rate	10-basis-points decrease	435	435

The impact of a 10 percent change in the Net Operating Income ("NOI") used to value the investment property at March 31, 2014 and December 31, 2013 would affect the fair value by approximately $2,580 and $2,460, respectively.

(In thousands of United States dollars)

4. Tenant receivables and other receivables:

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. As at March 31, 2014, March 31, 2013 and December 31, 2013 the Property had no bad debt expenses.

The Property collects tenant rental deposits upon the signing of lease agreements. These deposits are held until lease expiration upon which they are refunded or they may be utilized for repairs or to cover delinquent rent payments from tenants.

There are no future minimum rental commitments on non-cancellable tenant operating leases.

5. Mortgage Payable:

The Company entered into a loan agreement with the Sovereign Bank for $14,544 on February 24, 2012. The loan bears interest at 4.25% per annum and is interest only until February 24, 2015. If the loan is not extended, the next installment will be in the amount of the principal plus the unpaid accrued interest then owing as of the maturity date, February 24, 2015.

	March 31, 2014	December 31, 2013	February 1, 2013 (commencement of operations) (unaudited)
Mortgage payable	$ 14,544	$ 14,544	$ 10,989
Unamortized financing fees	(64)	(81)	(141)
	$ 14,480	$ 14,463	$ 10,848

6. Accounts Payable and Accrued Liabilities:

	March 31, 2014	December 31, 2013	February 1, 2013 (commencement of of operations) (unaudited)
Accounts payable	$ 6	$ 7	$ -
Accrued taxes	125	477	-
Accrued liabilities	40	28	-
	$ 171	$ 512	$ -

(In thousands of United States dollars)

7. Concentrations:

All of the Property's assets and liabilities are in, and its revenue derived from, multi-suite residential United States real estate. No single tenant accounts for 10% or more of the Portfolio's rental revenue.

8. Finance costs:

	Three months ended March 31, 2014	Period from February 1, 2013 (Commencement of operations) to March 31, 2013	December 31, 2013
Interest on mortgage payable	$ 157	$ 81	$ 543
Amortization of financing cost	17	12	64
	$ 174	$ 93	$ 607

9. Property Management Fee:

On April 1, 2012, the Property entered into a management agreement with GREP South L.P., an unrelated party, for the services rendered in connection with the leasing and operations of the Property. The fee for services is equal to 3.0% percent of the gross collections of the Property or $5,000 per month whichever is greater, as defined within the management agreement. For the three months ended March 31, 2014 and for period February 1, 2013 to March 31, 2013 property management fees in the amount of $22 and $25 were incurred pursuant to this property management agreement. For the year ended December 31, 2013 property management fees were $74.

10. Commitments and Contingencies:

Operating leases:

At the statement of financial position dates, the Property had no commitments for future minimum lease payments under non-cancellable operating leases.

11. Capital Management and Risk Management:

(a) Capital management:

The Property capital is comprised of owner's equity and is funded by the owner primarily for additions to the Property and leasing activities, to the extent not available from cash flows from property operations.

(b) Risk management:

In the normal course of business, the Property is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

(i) Market risk:

Market risk is the risk that changes in market prices, such as interest rate, will affect the Property's financial instruments.

The Property is subject to the risks associated with debt financing, including the risk that the interest rate on floating debt may rise before long-term fixed rate debt is arranged and that the mortgages payable and credit facility will not be able to be refinanced on terms similar to those of the existing indebtedness.

The Property's objective of managing interest rate risk is to minimize the volatility of earnings. At December 31, 2013, and as at March 31, 2013 and March 31, 2014, the Property's mortgages payable bore interest at fixed rates. The Property is not exposed to any other form of market risk.

(ii) Credit risk:

Credit risk is the risk that: (i) one party to a financial instrument will cause a financial loss for the Property by failing to discharge its obligations; and (ii) the possibility that tenants may experience financial difficulty and be unable to meet their rental obligations.

The Property is exposed to credit risk on all financial assets and its exposure is generally limited to the carrying amount on the carve-out statements of financial position. The Property monitors its risk exposure regarding obligations with counterparties (United States chartered banks) through the regular assessment of counterparties' credit positions.

The Property mitigates the risk of credit loss with respect to tenants by evaluating their creditworthiness and obtaining security deposits as permitted by legislation.

11. Capital Management and Risk Management: (Continued)

(b) Risk management: (continued)

(ii) Credit risk: (continued)

The Property monitors its collection process on a month-to-month basis to ensure that a stringent policy is adopted to provide for all past due amounts. All receivables from past tenants and tenant receivable balances exceeding 60 days are provided for as bad debt expense and are recorded as an expense in the carve-out statements of income and comprehensive income.

(iii) Liquidity risk:

Liquidity risk is the risk that the Property may encounter difficulty in meeting its financial obligations when they come due. Management's strategy of managing liquidity risk is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities.

12. Fair Value Measurements:

The fair value of the Property's mortgage payable as at March 31, 2014 and December 31, 2013, and February 1, 2013 respectively approximate the carrying value because the interest rates on the mortgage payable are consistent with market rates as at period end.

The Property uses various methods in estimating the fair values recognized in the financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The following summarizes the significant methods and assumptions used in estimating fair values of the Property's financial instruments:

(a) Investment property:

The fair value of the investment property is determined based on internal valuation models incorporating market evidence and management estimates of future earnings as well as with third party appraised values. The fair value of investment property is completed at Level 3 of the fair value hierarchy.

12. Fair Value Measurements: (Continued)

(b) Other financial assets and financial liabilities:

The fair values of the Property's financial assets, which include cash and cash equivalents, tenant utility deposits and other receivables, as well as other financial liabilities, which include tenant rental deposits and accounts payable and accrued liabilities, approximate their recorded values due to their short-term nature.

13. Subsequent events:

On January 10, 2014, Sunset Ridge Acquisition LLC, a Delaware limited liability company incorporated by Starlight for the purpose of acquiring the Property, signed an agreement of purchase and sale with the owner to buy the Property. The agreement of purchase and sale was subsequently amended and the final purchase price was $24,600. The transaction closed on May 20, 2014.

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SCHEDULE A
AUDIT COMMITTEE CHARTER

Starlight U.S. Multi-Family (No. 3) Core Fund (the "Fund")

1. PURPOSE

1.1 Starlight U.S. Multi-Family (No. 3) Core GP, Inc. as the general partner of the Fund (the "**General Partner**") shall appoint an audit committee (the "**Committee**") to assist the board of directors (the "**Board**") of the General Partner in fulfilling its responsibilities. The overall purpose of the Committee of the Fund is to monitor the Fund's system of internal financial controls, to evaluate and report on the integrity of the financial statements of the Fund, to enhance the independence of the Fund's external auditors and to oversee the financial reporting process of the Fund.

2. PRIMARY DUTIES AND RESPONSIBILITIES

2.1 The Committee's primary duties and responsibilities are to:

(a) serve as an objective party to monitor the Fund's financial reporting and internal control system and review the Fund's financial statements;

(b) review the performance of the Fund's external auditors; and

(c) provide an open avenue of communication among the Fund's external auditors, the Board and senior management of Starlight Investments Ltd., in its capacity as manager of the Fund (the "**Manager**").

3. COMPOSITION, PROCEDURES AND ORGANIZATION

3.1 The Committee shall be comprised of at least three directors of the Fund as determined by the Board, two of whom shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

3.2 At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of this Audit Committee Charter, the definition of "financially literate" is 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 presumably be expected to be raised by the Fund's financial statements.

3.3 The General Partner shall appoint the members of the Committee. The General Partner may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee. Any member of the Committee ceasing to be a director of the Fund shall cease to be a member of the Committee.

3.4 Unless a chair is elected by the Board, the members of the Committee shall elect a chair from among their number (the "**Chair**"). The Chair shall be responsible for leadership of the Committee, including preparing the agenda, presiding over the meetings and reporting to the Board.

3.5 The Committee, through its Chair, shall have access to such officers and employees of the Fund and the Manager and to the Fund's external auditors and its legal counsel, and to such information respecting the Fund as it considers to be necessary or advisable in order to perform its duties.

3.6 Notice of every meeting shall be given to the external auditors, who shall, at the expense of the Fund, be entitled to attend and to be heard thereat.

3.7 Meetings of the Committee shall be conducted as follows:

(a) the Committee shall meet four times annually, or more frequently as circumstances dictate, at such times and at such locations as the Chair shall determine;

(b) the external auditors or any member of the Committee may call a meeting of the Committee;

(c) any director of the Fund may request the Chair to call a meeting of the Committee and may attend such meeting to inform the Committee of a specific matter of concern to such trustee, and may participate in such meeting to the extent permitted by the Chair; and

(d) the external auditors and the Manager shall, when required by the Committee, attend any meeting of the Committee.

3.8 The external auditors shall be entitled to communicate directly with the Chair and may meet separately with the Committee. The Committee, through the Chair, may contact directly any employee in the Manager as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper practices or transactions.

3.9 Compensation to members of the Committee shall be limited to directors' fees, either in the form of cash or equity, and members shall not accept consulting, advisory or other compensatory fees from the Fund.

3.10 The Committee is granted the authority to investigate any matter brought to its attention, with full access to all books, records, facilities and personnel of the Fund. The Committee has the power to engage and determine funding for outside and independent counsel or other experts or advisors as the Committee deems necessary for these purposes and as otherwise necessary or appropriate to carry out its duties and to set Committee members compensation. The Committee is further granted the authority to communicate directly with internal and external auditors.

4. DUTIES

4.1 The overall duties of the Committee shall be to:

(a) assist the Board in the discharge of their duties relating to the Fund's accounting policies and practices, reporting practices and internal controls and the Fund's compliance with legal and regulatory requirements;

(b) establish and maintain a direct line of communication with the Fund's external auditors and assess their performance and oversee the co-ordination of the activities of the external auditors; and

(c) be aware of the risks of the business and ensure the Manager has adequate processes in place to assess, monitor, manage and mitigate these risks as they arise.

4.2 The Committee shall be directly responsible for overseeing the work of the external auditor, who shall report directly to the Committee, engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Fund, including the resolution of disagreements between the Manager and the external auditors and the overall scope and plans for the audit, and in carrying out such oversight, the Committee's duties shall include:

(a) recommending to the Board the selection and compensation and, where applicable, the replacement of the external auditor nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Fund;

(b) reviewing, where there is to be a change of external auditors, all issues related to the change, including the information to be included in the notice of change of auditor called for under NI 51-102 or any successor legislation, and the planned steps for an orderly transition;

(c) reviewing all reportable events, including disagreements, unresolved issues and consultations, as defined in NI 51-102 or any successor legislation, on a routine basis, whether or not there is to be a change of external auditor;

(d) reviewing and pre-approving all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Fund's external auditors to the Fund or any subsidiary entities;

(e) reviewing the engagement letters of the external auditors, both for audit and non-audit services;

(f) consulting with the external auditor, without the presence of the Manager about the quality of the Fund's accounting principles, internal controls and the completeness and accuracy of the Fund's financial statements;

(g) reviewing annually the performance of the external auditors, who shall be ultimately accountable to the Board and the Committee as representatives of the unitholders of the Fund, including the fee, scope and timing of the audit and other related services and any non-audit services provided by the external auditors; and

(h) reviewing and approving the nature of and fees for any non-audit services performed for the REIT by the external auditors and consider whether the nature and extent of such services could detract from the firm's independence in carrying out the audit function.

4.3 The duties of the Committee as they relate to document and reports reviews shall be to:

(a) review the Fund's financial statements, management's discussion and analysis of financial results ("**MD&A**") and any financial press releases before the Fund publicly discloses this information; and

(b) review and periodically assess the adequacy of procedures in place for the review of the Fund's public disclosure of financial information extracted or derived from the Fund's financial statements, other than the Fund's financial statements, MD&A and financial press releases.

4.4 The duties of the Committee as they relate to audits and financial reporting shall be to:

(a) in consultation with the external auditor, review with the Manager the integrity of the Fund's financial reporting process, both internal and external, and approve, if appropriate, changes to the Fund's auditing and accounting practices;

(b) review the audit plan with the external auditor and the Manager;

(c) review with the external auditor and the Manager any proposed changes in accounting policies, the presentation of the impact of significant risks and uncertainties, and key estimates and judgments of the Manager that may in any such case be material to financial reporting;

(d) review the contents of the audit report;

(e) question the external auditor and the Manager regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;

(f) review the scope and quality of the audit work performed;

(g) review the adequacy of the General Partner's financial and auditing personnel;

(h) review the co-operation received by the external auditor from the Manager's and the General Partner's personnel during the audit, any problems encountered by the external auditors and any restrictions on the external auditor's work;

(i) review the internal resources used;

(j) review the evaluation of internal controls by the internal auditor (or persons performing the internal audit function) and the external auditors, together with the Manager's response to the recommendations, including subsequent follow-up of any identified weaknesses;

(k) review the appointments of the chief financial officer, internal auditor (or persons performing the internal audit function) of the General Partner and any key financial executives involved in the financial reporting process;

(l) review and approve the Fund's annual audited financial statements and those of any subsidiaries in conjunction with the report of the external auditors thereon, and obtain an explanation from the Manager of all significant variances between comparative reporting periods before release to the public;

(m) establish procedures for (A) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters; and (B) the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters; and

(n) review the terms of reference for an internal auditor or internal audit function.

4.5 The duties of the Committee as they relate to accounting and disclosure policies and practices shall be to:

(a) review changes to accounting principles of the Canadian Institute of Chartered Accountants which would have a significant impact on the Fund's financial reporting as reported to the Committee by the Manager and the external auditors;

(b) review the appropriateness of the accounting policies used in the preparation of the Fund's financial statements and consider recommendations for any material change to such policies;

(c) review the status of material contingent liabilities as reported to the Committee by the Manager or the external auditors;

(d) review the status of income tax returns and potentially significant tax problems as reported to the Committee by the Manager;

(e) review any errors or omissions in the current or prior year's financial statements;

(f) review, and approve before their release, all public disclosure documents containing audited or unaudited financial information including all earnings, press releases, MD&A, prospectuses, annual reports to unitholders and annual information forms, as applicable; and

(g) oversee and review all financial information and earnings guidance provided to analysts and rating agencies.

4.6 The other duties of the Committee shall include:

(a) reviewing any related-party transactions not in the ordinary course of business;

(b) reviewing any inquires, investigations or audits of a financial nature by governmental, regulatory or taxing authorities;

(c) formulating clear hiring policies for partners, employees or former partners and employees of the Fund's external auditors;

(d) reviewing annual operating and capital budgets;

(e) reviewing and reporting to the Board on difficulties and problems with regulatory agencies which are likely to have a significant financial impact;

(f) inquiring of Manager and the external auditors as to any activities that may be or may appear to be illegal or unethical;

(g) ensuring procedures are in place for the receipt, retention and treatment of complaints and employee concerns received regarding accounting or auditing matters and the confidential, anonymous submission by employees of the Fund of concerns regarding such; and

(h) reviewing any other questions or matters referred to it by the Board.

CERTIFICATE OF THE FUND AND THE PROMOTER

Dated: June 27, 2014

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 of Canada.

STARLIGHT U.S. MULTI-FAMILY (NO. 3) CORE FUND

By: (Signed) DANIEL DRIMMER
Chief Executive Officer

By: (Signed) TAMARA L. LAWSON
Chief Financial Officer

STARLIGHT U.S. MULTI-FAMILY (NO. 3) CORE GP, INC.
as General Partner

By: (Signed) DANIEL DRIMMER
Chief Executive Officer of the General Partner

By: (Signed) TAMARA L. LAWSON
Chief Financial Officer of the General Partner

By: (Signed) DANIEL DRIMMER
Director

By: (Signed) TAMARA L. LAWSON
Director

By: (Signed) DAVID HANICK
Director

STARLIGHT INVESTMENTS LTD.
as Promoter

By: (Signed) DANIEL DRIMMER
Director

CERTIFICATE OF THE AGENTS

Dated: June 27, 2014

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 of Canada.

CIBC WORLD MARKETS INC.	NATIONAL BANK FINANCIAL INC.	SCOTIA CAPITAL INC.
BY: (Signed) MICHAEL D. SHUH	BY: (Signed) TIMOTHY D. EVANS	BY: (Signed) BRYCE STEWART
BMO NESBITT BURNS INC.	**RAYMOND JAMES LTD.**	**TD SECURITIES INC.**
BY: (Signed) ROBIN TESSIER	BY: (Signed) J. GRAHAM FELL	BY: (Signed) CAMERON GOODNOUGH

DUNDEE SECURITIES LTD.	GMP SECURITIES L.P.
BY: (Signed) AARON UNGER	BY: (Signed) ANDREW KIGUEL
CANACCORD GENUITY CORP.	**DESJARDINS SECURITIES INC.**
BY: (Signed) RON SEDRAN	BY: (Signed) BETH SHAW

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