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## PROSPECTUS

Initial Public Offering

September 28, 2012



### TIMBERCREEK U.S. MULTI-RESIDENTIAL OPPORTUNITY FUND #1

(the “Fund”)

**Minimum: C\$25,000,000 of Class A Units and/or Class B Units  
(Minimum 2,500,000 Class A Units and/or Class B Units)**

**Maximum: C\$75,000,000 of Class A Units and/or Class B Units  
(Maximum 7,500,000 Class A Units and/or Class B Units)**

This Prospectus qualifies the distribution of up to 7,500,000 class A units (the “Class A Units”) and/or class B units (“Class B Units”) and, together with the Class A Units, the “Brokered Units”) of the Fund (the “Offering”) at a price of C\$10.00 per Class A Unit and C\$10.00 per Class B Unit.

The Fund’s investment objectives are to (i) maximize long-term value for investors by acquiring multi-residential real estate assets that are mispriced and/or undermanaged in the view of the Manager (as defined herein) and that are located in the southeastern United States, (ii) enhance the value of the Fund’s assets through active management and a stabilization and improvement program, with the goal of ultimately disposing of the assets to generate significant gains and (iii) make quarterly cash distributions to Unitholders from Distributable Cash Flow (as defined herein).

**Price: C\$10.00 per Class A Unit and C\$10.00 per Class B Unit  
Minimum Purchase: 1,000 Class A Units or 500,000 Class B Units**

	Price to the Public <sup>(1)</sup>	Agents’ Fee	Net Proceeds to the Fund <sup>(2)</sup>
Per Class A Unit	C\$10.00	C\$0.525	C\$9.475
Per Class B Unit	C\$10.00	C\$0.275	C\$9.725
Minimum Offering <sup>(3)</sup>	C\$25,000,000	C\$1,312,500	C\$23,687,500
Maximum Offering <sup>(3)</sup>	C\$75,000,000	C\$3,937,500	C\$71,062,500

Notes:

- (1) The terms of the Offering were determined by negotiation between the Agents (as defined below) and the Manager, on behalf of the Fund.
- (2) Before deduction of the expenses of the Offering, estimated to be C\$525,000 in the case of the Minimum Offering and C\$900,000 in the case of the Maximum Offering, which will be paid by the Fund out of the proceeds of the Offering (but shall not exceed 1.5% of the Gross Subscription Proceeds (as defined herein)).
- (3) Minimum Offering and Maximum Offering assumes only Class A Units are issued.

**There will be no closing unless a minimum of C\$25,000,000 of Class A Units and/or Class B Units are sold pursuant to this Offering. The distribution under this Offering will not continue for a period of more than 90 days after the date of the receipt for the final prospectus for the Offering (the “Final Prospectus”), unless each of the persons or companies who subscribed within that period consents to the continuation and an amendment to the Final Prospectus is filed for which a receipt is provided. During such 90 day period, funds**

**received from subscriptions will be held by the Agents in trust. If the minimum number of Units are not sold during the 90 day period, these funds will be returned to the subscribers without any deductions, unless the subscribers have otherwise instructed the Agents.**

Concurrently with the closing of the Offering, the Fund will offer Class C units (“**Class C Units**” and, together with the Brokered Units, the “**Units**”) of the Fund at a price of C\$10.00 per Class C Unit by way of a private placement (the “**Canadian Private Placement**”) to certain investors. The Fund has received a commitment from Timbercreek Asset Management Inc. (the “**Manager**”) to subscribe for C\$2,500,000 (based on the Maximum Fund Capital (as defined herein)) of equity in the Fund in the form of Class C Units under the Canadian Private Placement and equity in certain general partner entities, of which a minimum of C\$1,000,000 will be invested on the Closing Date (as defined herein).

Concurrently with the closing of the Offering and the Canadian Private Placement, Timbercreek U.S. Multi-Residential (U.S.) Holding L.P. (“**U.S. Holding LP**”), a limited partnership formed under the laws of Delaware, which is an affiliate of the Fund, will offer units (“**U.S. Holding LP Units**”) to certain U.S. investors on a private placement basis (the “**U.S. Private Placement**” and together with the Canadian Private Placement, the “**Private Placements**”). U.S. Holding LP will use the net proceeds of the U.S. Private Placement to invest in units of Timbercreek U.S. Multi-Residential Operating L.P. (“**Operating LP**”), an indirect subsidiary of the Fund that will invest the net proceeds of the Offering and the Canadian Private Placement, together with the net proceeds of the U.S. Private Placement, to acquire the Properties. U.S. Holding LP has received a commitment from Elco Landmark Residential Holdings, LLC (the “**Operator**”) for US\$5,000,000 (based on the Maximum Fund Capital) of U.S. Holding LP Units at a price of US\$10.00 per U.S. Holding L.P. Unit under the U.S. Private Placement, of which a minimum of US\$2,000,000 will be invested on the Closing Date.

Raymond James Ltd., a lead agent, will receive a work fee of 0.50% of the aggregate gross proceeds from the Canadian Private Placement and from the U.S. Private Placement.

If the Maximum Offering is achieved, the Fund expects that approximately C\$266,832,500, which amount includes the net proceeds of the Offering, the Private Placements and the Mortgage Loans (as defined herein) will be applied to the purchase price and other acquisition costs of the Properties, and to the creation of working capital reserves and reserves for the renovation and repositioning of the Properties.

**This is a “blind pool” Offering. Although the Fund expects that the available net proceeds of the Offering will be applied to purchase one or more Properties (as defined herein), the specific Properties in which the net proceeds will be invested have not yet been determined. 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.” An investment in Units is appropriate only for Purchasers who have the capacity to absorb a loss of some or all of their investment.**

**There is no market through which Units may be sold and purchasers of Brokered Units (“Purchasers”) may not be able to resell Brokered Units purchased under this Prospectus. This may affect the pricing of the Brokered Units in the secondary market, the transparency and availability of trading prices, the liquidity of the Brokered Units, and the extent of issuer regulation. 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 United States of America. See “Risk Factors”.**

**Although the Fund intends to distribute its Distributable Cash Flow to the Unitholders, such cash distributions may be reduced or suspended, or the Fund may not make any distributions at all. The ability of the Fund to make cash distributions and the actual amount distributed will depend on the ability of the Fund to indirectly acquire the Properties, the ongoing operations of the Properties and the realizable value of the Properties upon disposition, and will be subject to various factors including those referenced in the “Risk Factors” section of this Prospectus. An investment in the Units is not comparable to 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 to consider the particular risk factors that may affect the real estate investment markets generally and therefore the availability and stability of the targeted distributions to Unitholders. See “Risk Factors” for a more complete discussion of these risks and their potential consequences.**

The revenues and expenses of the Properties will be denominated in U.S. dollars and distributions will be made to the Fund in U.S. dollars. The Fund will convert such distribution amounts received into Canadian dollars prior to distribution to Unitholders. As a consequence, distributions of the Fund will be affected by fluctuations in the

Canadian/U.S. dollar exchange rate. **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 Units and therefore holders of Units will have full exposure to changes in the exchange rate between the Canadian and U.S. dollar. See “Risk Factors”.**

Distributions to Unitholders can be made up of both a return on and a return of capital. Income (i.e. return on capital) is generally taxed in the hands of a Unitholder as ordinary income or capital gains. It is anticipated that all or substantially all of the income and gains realized by the Fund will be taxable for Canadian federal income tax purposes as ordinary income. Amounts in excess of the income of the Fund that are paid or payable by the Fund to a Unitholder (i.e. return of capital) are generally non-taxable to a Unitholder (but reduce the Unitholder’s adjusted cost base in the Unit for purposes of the Tax Act (as defined herein)). Reference should be made to “Certain Canadian Federal Income Tax Considerations” and “Certain U.S. Federal Income Tax Considerations” below.

Raymond James Ltd., CIBC World Markets Inc. and GMP Securities L.P. (the “**Lead Agents**”) and BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., Canaccord Genuity Corp., Macquarie Capital Markets Canada Ltd., Dundee Securities Ltd. and Manulife Securities Incorporated (collectively with the Lead Agents, the “**Agents**”) conditionally offer the Brokered 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 (defined under “Plan of Distribution”), and subject to the approval of certain legal matters on behalf of the Fund and the Manager by Goodmans LLP and on behalf of the Agents by Fasken Martineau DuMoulin LLP. See “Plan of Distribution”.

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

**In this Prospectus, all dollar amounts are expressed in Canadian dollars (C\$) or U.S. dollars (US\$).**

Closing of the Offering is expected to occur on or about October 18, 2012, but in any event not later than 90 days after a receipt for the Final Prospectus is issued.

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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 or results and, in some cases, can be identified by terminology such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “should”, “believe” or “continue”, or the negative or grammatical variation 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:

- (a) statements with respect to the current state of the U.S. economy and real estate markets and the expectation that economic recovery will lead to increases in the demand for and values of real estate properties in the targeted markets;
- (b) the stated intention to utilize mortgage financing with a loan to value ratio of up to 75% on an individual asset basis;
- (c) the stated intention to use the Net Subscription Proceeds to acquire Properties;
- (d) statements with respect to the intended renovation and repositioning programs to be implemented for the acquired Properties and the expected results therefrom; and
- (e) the stated intention to make distributions quarterly.

Important factors and assumptions used by management of the Fund to develop the forward-looking information include, but are not limited to, management’s current expectations and assumptions about: the availability of Properties for acquisition and the price at which such Properties may be acquired; the availability of mortgage financing and current interest rates; the extent of competition for Properties; the markets in which Operating LP intends to operate; the global and North American economic environment; and changes in governmental regulations or tax laws.

Although the Fund believes that the expectations reflected in such forward-looking information are reasonable and represent the Fund’s internal projections, expectations and belief at this time, such forward-looking information involves known and unknown risks and uncertainties which may cause the Fund’s actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially from the Fund’s expectations 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, business competition, changes in government regulations or in tax laws, in addition to those factors discussed or referenced in the “Risk Factors” section. See “Risk Factors”.

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

## NON-IFRS AND NON-CANADIAN GAAP MEASURES

In this prospectus, the Fund uses certain non-IFRS or non-Canadian GAAP financial measures, including internal rate of return (“**IRR**”) and “free cash flow from operations”. These measures are commonly used by real estate investors as useful metrics for measuring performance; however, they do not have any standardized meaning prescribed by either IFRS or Canadian GAAP and are not necessarily comparable to similar measures presented by other real estate investment vehicles. IRR is the annualized effective compounded rate of return. Specifically, IRR is the discount rate that makes net present value equal to \$0 and is calculated as the discount rate that makes the present value of an investment in assets (outflows) equal to the present value of the aggregate monthly net cash flows from all assets, including financing proceeds and proceeds from dispositions of assets, less debt service, carried interests, management fees and operating expenses of an investment entity, but excluding income taxes and foreign exchange gains or losses (inflows). “Free cash flow from operations” means the net operating income generated by assets, less interest on debt and repayments of mortgage principal.

## **ELIGIBILITY FOR INVESTMENT**

The Units will not be “qualified investments” under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plan, deferred profit sharing plans and tax-free savings accounts, as those phrases are defined in the Tax Act, and, in order to avoid adverse tax consequences under the Tax Act, should not be acquired by such plans.



## 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. Reference is made to the “Glossary of Terms” for the meanings of defined terms used in this summary. In this Prospectus, references to the Fund include its subsidiaries where the context requires. All dollar amounts are expressed in either Canadian dollars (C\$) or U.S. dollars (US\$). On September 27, 2012, the noon rate of exchange between Canadian dollars and U.S. dollars as quoted by the Bank of Canada was C\$1.00 = U.S.\$1.02.*

**Issuer:** Timbercreek U.S. Multi-Residential Opportunity Fund #1 (the “**Fund**”) is a limited partnership formed under and governed by the laws of the Province of Ontario. The Fund was established for the primary purpose of acquiring multi-residential real estate assets that are mispriced and/or undermanaged in the view of the Manager, and that are located in the southeastern United States, and enhancing the value of the assets through active management and a stabilization and improvement program. The Fund intends to make quarterly cash distributions to Unitholders from Distributable Cash Flow, with the goal of ultimately disposing of the assets to generate significant gains.

See “Fund Structure” and “Investment Strategy”.

**General Partner:** The general partner of the Fund is Timbercreek U.S. Multi-Residential Opportunity Fund #1 G.P. Inc., a corporation incorporated under the laws of the province of Ontario. The officers of the General Partner are R. Blair Tamblyn (Chief Executive Officer), David Melo (Chief Financial Officer) and Carrie Morris (Vice-President), and each officer will act in such capacity for the Fund. Each officer is also a director of the General Partner.

See “Fund Structure” and “Directors and Executive Officers”.

**The Manager:** The Manager will provide management services to the Fund pursuant to an asset management agreement to be entered into at or prior to the closing of the Offering between, among others, the Fund and the Manager. The Manager is an investment management company that employs a conservative and risk-averse approach to real estate-based investments. The Manager and its affiliates currently manage approximately \$3 billion in real estate-related assets based on fair value, including direct real estate ownership (primarily multi-residential), mortgages and global real estate securities. The executive officers of the Manager are R. Blair Tamblyn, Ugo Bizzarri, Carrie Morris, Andrew Jones, Jeff Hutchison and David Melo.

The Manager has established an investment committee, comprised of experienced real estate investment professionals that are employees of the Manager or the Operator and that will (i) approve or reject proposed acquisitions and dispositions of assets and (ii) approve all financing arrangements and the assumption, granting or renewal of any Mortgage Loan made by the Fund (the “**Investment Committee**”). The Investment Committee currently consists of Ugo Bizzarri, Joseph Lubeck, Corrado Russo, Sam Sahn, Elizabeth Truong and Michael Tsourounis. Joseph Lubeck and Elizabeth Truong shall not be entitled to vote in respect of any decisions regarding (i) the acquisition by the Fund of proposed assets, and (ii) dispositions of Properties wherein the Operator or any affiliate of the Operator is or may become a potential buyer.

See “Management of the Fund – The Investment Committee” and “Directors and Executive Officers.”

**The Operator:** Elco Landmark Residential Holdings, LLC (the “**Operator**” and, together with the Manager, the “**Sponsors**”) will operate and act as property manager for the Properties acquired by Operating LP, pursuant to an operating agreement (the “**Operating Agreement**”) to be entered into with the Manager at or prior to the closing of the Offering. The Operator is a Jupiter, Florida based private equity multi-residential real estate company. The Operator is owned principally by Joe Lubeck and Elco Holdings Ltd. and employs a value oriented real estate investment philosophy. Mr. Lubeck has approximately 25 years of experience in the multi-residential real estate industry. The Operator is currently responsible for operating approximately 18,000 units across the southeastern United States and employs a dedicated team of 21 corporate and over 400 operational employees.



See “Management of the Fund – The Operator.”

**Offering:** Class A Units and Class B Units. See “Description of the Securities Distributed.”

**Issue Size:** Minimum Offering: C\$25,000,000 of Class A Units and/or Class B Units.  
Maximum Offering: C\$75,000,000 of Class A Units and/or Class B Units. See “Description of the Securities Distributed.”

**Price:** C\$10.00 per Class A Unit.  
C\$10.00 per Class B Unit.  
See “Description of the Securities Distributed.”

**Minimum Commitment:** Each commitment for Class A Units will be not less than C\$10,000.  
Each commitment for Class B Units will be not less than C\$5,000,000.  
See “Plan of Distribution – Maximum Offering.”

**Canadian Private Placement:** Concurrently with the closing of the Offering, the Fund will offer Class C Units to certain investors under the Canadian Private Placement. The Fund has received a commitment from the Manager to subscribe for C\$2,500,000 (based on the Maximum Fund Capital) of equity in the Fund in the form of Class C Units at a price of C\$10.00 per Class C Unit under the Canadian Private Placement and equity in certain general partner entities, of which a minimum of C\$1,000,000 will be invested on the Closing Date. Raymond James Ltd., a Lead Agent, will receive a work fee of 0.50% of the aggregate gross proceeds from the Canadian Private Placement.  
See “Plan of Distribution – Private Placements.”

**U.S. Private Placement:** Concurrently with the closing of the Offering and the Canadian Private Placement, U.S. Holding LP will offer U.S. Holding LP Units to certain U.S. investors under the U.S. Private Placement. U.S. Holding LP will use the net proceeds of the U.S. Private Placement to subscribe for Operating LP Units. U.S. Holding LP has received a commitment from the Operator to subscribe for US\$5,000,000 (based on the Maximum Fund Capital) of U.S. Holding LP Units at a price of US\$10.00 per U.S. Holding LP Unit under the U.S. Private Placement, of which a minimum of US\$2,000,000 will be invested on the Closing Date. Raymond James Ltd., a Lead Agent, will receive a work fee of 0.50% of the aggregate gross proceeds from the U.S. Private Placement.  
See “Plan of Distribution – Private Placements.”

**Investment Objectives:** The Fund’s investment objectives are to:

1. maximize long-term value for investors by acquiring multi-residential real estate assets that are mispriced and/or undermanaged in the view of the Manager and that are located in the southeastern United States;
2. enhance the value of the Fund’s assets through active management and a stabilization and improvement program, with the goal of ultimately disposing of the assets to generate significant gains; and
3. make quarterly cash distributions to Unitholders from Distributable Cash Flow.

The total return objective of the Fund is to generate a 15% net IRR (or average annualized total rate of return) on a pre-tax basis and net of all fees and expenses, inclusive of an annual distribution yield of 4% to 5% (which includes the allocation to Unitholders of U.S. taxes paid by the Fund) paid quarterly.

See “Description of the Securities Distributed.”

**Investment Restrictions** The Fund shall not invest in any asset unless such asset:

1. is a multi-residential asset (including multi-residential assets with ancillary non-residential components that do not comprise more than 10% of the rentable area of such asset) with a

minimum of 100 units;

2. is located within Florida, Texas, Georgia, North Carolina, South Carolina, Virginia, Tennessee or Alabama. Notwithstanding the foregoing, the Fund will be permitted to invest up to 15% of the Maximum Fund Capital outside of Florida, Texas, Georgia, North Carolina, South Carolina, Virginia, Tennessee or Alabama;
3. is less than 45 years of age;
4. is located within a municipal statistical area (“MSA”) with a population base greater than 200,000 people;
5. has an acquisition cost (for a single asset) before debt of less than 10% of the Maximum Fund Capital;
6. is located within a MSA in which, following the acquisition, not more than 25% of the Maximum Fund Capital would be invested;
7. is available for acquisition directly and not through the acquisition of equity in another entity, unless (i) the entity is a single purpose entity established solely for the purpose of providing favourable tax treatment for the owner, and (ii) upon completion of the acquisition, the Fund shall own, directly or indirectly, 100% of the equity interest in such entity; and
8. is available on a freehold basis, not on a leasehold basis;

(collectively, the “**Investment Restrictions**”).

See “Investment Strategy – Investment Restrictions.”

**Investment  
Rationale:**

The Fund has been designed to take advantage of the recent correction in the U.S. real estate market, the decrease in available competitive capital in the Fund’s target markets and product type and a strong strategic relationship with the Operator.

The Fund believes there is currently a confluence of five key trends in the U.S. multi-residential real estate market that provides a compelling investment opportunity. In particular, the Fund believes that demographic and economic trends, supply and demand levels, the financing environment, rental growth, and abundant acquisition opportunities have created an ideal environment for investment in multi-residential real estate.

The Fund believes that highlights of the opportunity include:

- Poorly managed existing assets that are unable to service debt;
- Abandoned development deals;
- Defaulted condo conversions;
- Foreclosure rates at historical highs;
- Lenders disposing of foreclosed “real-estate owned” assets at deep discounts; and
- Institutional owners seeking to reposition portfolios and divest non-core assets.

The Fund believes the timing of this opportunity is attractive given that the multi-residential rental market remains in the “sweet spot” of the housing continuum, benefitting from:

- Solid Demographics – A growing and expanding echo-boomer population are expected to provide the fuel for strong rent, occupancy growth and pricing power for years to come.
- Strong Demand – Improving U.S. economic and job growth provide an encouraging landscape for both underlying market rents and occupancies.
- Muted Supply – New supply of multi-residential real estate is at 25 year lows.
- Attractive Financing – Mortgage rates are at historically low levels creating a positive return environment.
- Fundamentals Poised for Growth – Effective rent growth is expected to meaningfully increase, translating to healthy landlord pricing power.
- Rising Acquisition Opportunities – Transaction activity is picking up with more product

coming to market resulting in attractive acquisition opportunities.

See “Investment Strategy – Investment Rationale.”

**Investment  
Strategy:**

***Acquire mispriced and/or undermanaged multi-residential real estate assets located in the southeastern United States***

The Operator will leverage its broad network and extensive relationships to identify multi-residential real estate assets that it believes to be mispriced and/or undermanaged in eight key markets: Florida, Texas, Georgia, North Carolina, South Carolina, Virginia, Tennessee and Alabama. Many of these opportunities may be “off-market”, meaning that they are not widely marketed for sale.

The Manager and the Operator will conduct in-depth, detailed analysis during the acquisition process, including site inspections, market analysis, cash flow models, lease review, environmental and structural assessments and legal due diligence (typically over a 45 to 60 day period).

The Operator, on behalf of the Manager, will seek debt financing terms from various lenders, finalize due diligence and debt financing with the selected Lender, and finalize the acquisition of the asset by Operating LP.

***Apply the Sponsors’ Professional Active Management Philosophy to Stabilize the Assets and Increase Revenue***

Following the acquisition of an asset, the Manager and the Operator will promptly implement a professional active management strategy with the objective of stabilizing the asset and increasing operating revenue with minimal capital investment. The Operator benefits from economies of scale through 400 operational employees, 21 corporate employees, an integrated financial reporting process and a state of the art technology platform for leasing and management functions. Utilizing these resources and its professional management expertise and experience, the Operator plans to increase margins and maximize operational revenue by (i) improving the quality of the tenant, and tenant profitability, using enhanced credit verification and stronger disciplinary measures for problem tenants, including eviction, and (ii) improving the operations, customer service and cleanliness of a property, thereby enhancing tenant loyalty, increasing margins and maximizing operational revenue.

***Renovate and Reposition the Assets***

In conjunction with the stabilization of an acquired asset, the Operator will begin a value-add renovation and repositioning program to allow for the repositioning within the marketplace, with the objective of increasing monthly rents and potentially generating a significant gain upon the divestiture of the asset. The Operator will make structural and cosmetic renovations to the building’s common areas and apartment suites, as well as improvements to the building’s energy systems.

The enhanced cosmetic appeal of the building is designed to allow for the repositioning of the building into a higher market for the purpose of reducing vacancy rates, while energy system upgrades, such as low-flow water technologies and high efficiency lighting and air conditioning, will result in a decrease in energy consumption and improved operating margins.

***Realize Value Through Sales of Properties***

The Fund’s exit strategy will be to seek to exit an investment promptly upon completion of the renovation and repositioning program in order to maximize returns for investors. Pursuant to a right of first opportunity granted to the Operator, Landmark Apartment Trust of America (“LAT”), an affiliate of the Operator, will be permitted to enter negotiations with the Manager for the acquisition of any repositioned asset before it is offered to other buyers. Although assets repositioned through the Fund’s value-add program will be ideally suited as acquisition targets for LAT, the Investment Committee of the Manager will seek the highest value obtainable for each of the Fund’s repositioned assets. The Fund believes that other suitable purchasers of the assets include public U.S. real estate investment trusts and pension funds with lower costs of capital.

***Targeted Region***

The Fund is focused on acquiring multi-residential real estate assets across eight key markets:

Florida, Texas, Georgia, North Carolina, South Carolina, Virginia, Tennessee and Alabama.



The Fund believes there is a compelling investment opportunity to acquire, renovate, reposition and re-brand underperforming multi-residential assets in this targeted region. The Fund believes these particular southeastern states combine the following attractive characteristics for investment:

- Strong population growth;
- Employment and economic growth;
- “Landlord friendly” legal environments;
- Comfortable climate and quality of life;
- Minimal temperature fluctuations compared to more Northern regions; and
- Few properties with central utility systems, allowing for utility expense pass-through to the tenants.

See “Investment Strategy – Investment Strategy.”

**Competitive Advantages:**

The Sponsors both have track records of sourcing, acquiring and repositioning multi-residential assets through capital investments in cosmetic, structural and energy management systems, and by implementing professional property management strategies.

This two-phased approach has resulted in increased revenues, higher operating margins and attractive investment returns over the history of both organizations, and their combination will provide the Fund with two high quality organizations and a fully vertically integrated platform with breadth and depth across multiple key functions. The Manager and Operator will provide the Fund with the following, among other, key competitive advantages:

*Value-Add Expertise.* Each of the Sponsors has a track record of success in renovating and stabilizing assets, completing renovations on time and on budget while increasing net operating income and value of the asset.

*Deal Flow.* By virtue of Joe Lubeck and the Operator’s approximately 25 year history operating multi-residential real estate assets in the targeted regions, the Fund is expected to have access to a broad network of relationships with owners and lenders in those regions. These relationships are expected to provide a valuable pipeline of off-market opportunities at discounts that are not offered to most other buyers. Sellers have historically been willing to discount price to the Operator based on its ability to close transactions.

*Ability to Close Complex Transactions.* The Sponsors’ collective expertise in repositioning assets will allow the Fund to consider complicated transactions involving assets that are particularly distressed, foreclosed, or completely mismanaged to the point where many other competitors likely would refrain from investing.

*Operational Expertise.* Internally managed property infrastructure provides the Operator with high quality training, marketing, recruiting and retention of employees. The Operator’s expertise in managing assets post acquisition will enable the Fund to mitigate risks and drive returns.

*Access to Debt Financing.* The Operator's long term relationships with lenders in the target region should enable the Fund to secure debt financing on favourable terms.

*Exit Experience.* The Manager's familiarity with capital markets, buyers and the divestiture process should enable the Fund to maximize sale values.

See "Investment Strategy – Competitive Advantages."

**Rights of Opportunity:**

Pursuant to the Asset Management Agreement and the Operating Agreement, the Fund will have a right of first opportunity to acquire all assets identified by either Sponsor that meet the Investment Restrictions. If the Fund does not exercise its right with respect to an asset identified by the Operator, the Operator may invest in such asset on its own or with third parties.

In addition, the Manager shall not be permitted to invest directly, or through an affiliate, other than the Fund, in any asset that meets the Investment Restrictions, unless the Fund has insufficient capital to invest in such asset. For greater certainty, if an asset does not satisfy any one or more of the Investment Restrictions, the Manager shall be free to invest in such asset directly or through an affiliate other than the Fund.

LAT will have a right of first opportunity to acquire all assets of which the Manager, on behalf of the Fund, seeks to dispose, at a price no less than a value supported, to the Manager's satisfaction, by an independent appraisal.

See "Management of the Fund – the Asset Management Agreement."

**Leverage:**

The Fund will target a 65% loan to value ratio on a consolidated basis, but shall in any event not incur any debt that would result in the Fund's consolidated assets having, upon the incurrence of such debt, a loan to value ratio in excess of 70%. For any individual asset, the Fund shall not incur any debt that would result in the asset having, upon the incurrence of such debt, a loan to value ratio in excess of 75%. The Fund's mortgage debt shall be limited to recourse to the specific property.

The Fund intends to arrange credit financing in the form of an operating line of credit to fund, among other things, capital expenditures, working capital and ongoing expenses.

See "Capitalization – Long-Term Debt" and "Description of the Activities of the Fund."

**Distributions:**

The Fund will distribute to its Unitholders its Distributable Cash Flow for each Distribution Period in which such amounts are realized, based on distributions it receives in accordance with the following paragraph. The Fund intends to declare quarterly cash distributions on March 31, June 30, September 30 and December 31 in a given year with the first of these distributions to be made upon the earlier of (i) the end of the fiscal quarter in which the Investable Funds are substantially invested and (ii) March 31, 2013. In addition, the Fund will distribute any uninvested offering proceeds following the expiry of the Investment Period and may otherwise make a distribution at any time and in such amount, as determined appropriate by the General Partner in its sole discretion, all in accordance with the following paragraph.

Distributions will be made by Operating LP indirectly to Unitholders and holders of U.S. Holding LP Units ("U.S. Unitholders") in the following order of priority:

1. First, 100% to the holders of Operating LP Units (*pro rata*), until they have received cumulative distributions equal to their aggregate contributed capital;
2. Second, 100% to the holders of Operating LP Units (*pro rata*) until they have been paid a 8% annual preferred return on all amounts contributed by them;
3. Third, 75% to the holders of Operating LP Units (*pro rata*) and 25% to the Manager and the Operator (each as to 50% of such amount) for any distributions until the holders of Operating LP Units have been paid a cumulative 14% annual preferred return on all amounts contributed by them; and
4. Thereafter, 65% to the holders of Operating LP Units (*pro rata*) and 35% to the Manager and the Operator (each as to 50% of such amount).

The applicable preferred return thresholds shall be calculated on a pre-tax basis and in U.S. dollars.

Distributions generally will be paid within 15 days following the end of the quarter in which the distribution is declared.

The foregoing distributions to the Manager and the Operator shall be known as the “**Carried Interest**”, and shall be paid by Operating LP to the Manager as a fee pursuant to the terms of the Asset Management Agreement and to the Operator as a distribution on the Operating LP Class B Units held by the Operator.

All distributions shall be paid by the Fund only to Unitholders as of the particular record date specified for such distribution.

Holding GP will elect to be classified as a corporation for U.S. federal income tax purposes. Accordingly, Holding GP will be subject to applicable U.S. income and withholding taxes, as further described herein. Holding GP 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 distribute the after tax proceeds received from Holding GP to the Unitholders, based on the proportionate interest of the Class A Units, Class B Units and Class C Units, subject to certain adjustments to reflect Unit Class Expenses allocable to a particular class of Units. In particular, distributions on the Class A Units shall be reduced by the Service Fee. A taxable Canadian resident Unitholder generally will be entitled to a credit in computing its Canadian taxable income in respect of the U.S. taxes paid by Holding GP to the extent permitted by the detailed rules in the Tax Act. Given the effective U.S. tax rate that is expected to apply to income earned by Holding GP, an investment in Brokered Units is most suitable for individuals resident in Canada who are subject to tax at the highest marginal rate of income tax. 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 of the Offering, the Fund will convert the subscription amount received from the issuance of Units into U.S. dollars. The revenues and expenses of the Properties will be denominated in U.S. dollars and distributions will be made to the Fund in U.S. dollars. The Fund will convert such distribution amounts received into Canadian dollars prior to distribution to Unitholders. As a consequence, distributions of the Fund may be affected by fluctuations in the Canadian/U.S. dollar exchange rate.

**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 Units and therefore holders of Units will have full exposure to changes in the exchange rate between the Canadian and U.S. dollar. See “Risk Factors”.**

The ability of the Fund to make cash distributions and the actual amount distributed will depend on the ability of the Fund to indirectly acquire the Properties, the ongoing operations of the Properties, the ability of the Fund to indirectly sell the Properties and the proceeds received on any such sale, and will be subject to various factors including those referenced in the “Risk Factors” section of this Prospectus. 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.

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

**Investment  
Period:**

The Fund will have a two year investment period (the “**Investment Period**”) beginning on the date of Closing. After the end of the Investment Period, no further capital may be raised and the Fund will make no further investments, other than investments required to complete or support transactions committed to prior to the end of the Investment Period or reserved for follow-on investment. The Investment Period may only be extended by Special Resolution of the Unitholders.

If any proceeds are not invested at the expiry of the Investment Period, they will be promptly distributed to investors pursuant to the distribution provision.

See “Use of Proceeds.”



**Term:** The term of the Fund will be four years, subject to a single one year extension at the discretion of the General Partner (the “**Term**”) or subject to earlier termination, as described below. The Term may be further extended only by Special Resolution of the Unitholders.

Notwithstanding the Term of the Fund outlined above, the Fund will be wound down and terminated promptly following the sale of its final investment.

See “Description of the Securities Distributed – Termination of the Fund LP Agreement” and “Risk Factors.”

**Subsequent Offerings:** During the Investment Period, the Fund may complete one or more subsequent offerings of Units. Subsequent offerings will be targeted to close within 30 days of the completion of an Asset Valuation (as defined below) and the pricing of Units (determined on a per Unit basis) will be equal to the adjusted aggregate appraised value of the Fund’s assets, as computed using the most recent Asset Valuation, plus estimated offering expenses of the subsequent offering and a proportionate share of the Unamortized IPO Expenses. For these purposes, “Unamortized IPO Expenses” means the expenses of the Offering (excluding the Agents’ Fee) amortized monthly over the Term.

If a subsequent offering is completed more than 30 days following the completion of the most recent Asset Valuation, a new or updated Asset Valuation will be conducted for the purposes of the pricing of such offering.

See “Capitalization – Subsequent Offerings.”

**Reporting:** The Fund will obtain or update property appraisals on a semi-annual basis (each, an “**Asset Valuation**”) and will report to Unitholders an adjusted aggregate appraised value of the Fund’s assets on a per Unit and class by class basis. The adjustments will take into account, among other things, the accrued Carried Interest owing to the Manager and the Operator and accrued taxes payable by the Fund or its subsidiaries, in each case assuming a disposition of the Fund’s Properties at appraised value and a distribution of such proceeds (after taxes) to Unitholders.

Investors are cautioned that this information does not reflect the value that a Unitholder may ultimately receive from the Fund and, furthermore, Unitholders have no redemption or liquidity rights with respect to the Units. See “Risk Factors”.

See “Description of the Activities of the Fund – The Properties.”

**Liquidity:** The Fund will not be required to redeem Units at any time. The Fund does not intend to (but may at any time, if the Manager, after consultation with its advisors, determines it would be in the best interests of the Fund) list the Units on any stock exchange.

Investors are cautioned that absent such a stock exchange listing, Unitholders are expected to have very limited liquidity, if any, and should anticipate holding their Units for the full Term of the Fund. However, the Fund’s quarterly distributions will include the net proceeds of the dispositions of the Fund’s assets from time to time.

Unitholders and U.S. Unitholders may not sell, transfer or assign their Units or U.S. Holding LP Units, respectively, without the prior written consent of the Manager (not to be unreasonably withheld), unless any such sale, transfer or other disposition is to one of their wholly-owned affiliates that shall remain wholly-owned by the Unitholder or U.S. Unitholder, as the case may be, for the term of the Fund LP Agreement. Notwithstanding the foregoing, the Manager shall have absolute discretion to waive such restriction on transfer at any time. All sales, transfers or assignments of Units or U.S. Holding LP Units must be made in compliance with applicable laws in Canada and the U.S.

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

**Use of Proceeds:** Assuming that the Maximum Offering is sold, the gross proceeds to the Fund from the Offering will be C\$75,000,000. The Fund will use these proceeds net of expenses incurred by the Fund, and combined with the net proceeds of the Canadian Private Placement, to acquire Holding GP Interests and possibly, at the discretion of the General Partner, Holding GP Notes. The Fund may also temporarily hold cash (or cash equivalents) or exempt securities for the purposes of paying its



expenses and liabilities, and making distributions to Unitholders. Holding GP will invest the proceeds from the issuance of Holding GP Units and Holding GP Notes, if any, to the Fund to acquire Operating LP Units. Operating LP will invest the proceeds from the issuance of Operating LP Units to Holding GP and U.S. Holding LP (net of expenses incurred by Operating LP) to directly or indirectly acquire the Properties.

The minimum gross proceeds from the U.S. Private Placement will be US\$2,000,000. U.S. Holding LP will use the net proceeds of the U.S. Private Placement to acquire Operating LP Units.

Pending the acquisition of Properties during the Investment Period, the net proceeds from the Offering and the Private Placements and other funds not fully invested in the Properties from time to time will be held in cash (or cash equivalents) or exempt securities.

See “Use of Proceeds” and “Risk Factors – Blind Pool Offering.”

**Reinvestment Rights:**

The Fund will not re-invest capital following the disposition of Properties.

**Future Funds**

After the earlier of (i) 90% of the Threshold Capital having been deployed or reserved for deployment to acquire one or more Properties, (ii) the expiry of the Investment Period, and (iii) the Fund having failed to raise a minimum of C\$100,000,000 of aggregate gross proceeds from the Offering and any subsequent offerings within one year of the Closing Date, the Manager (or its affiliates) may commence raising capital for any one or more other investment vehicles with the same Investment Restrictions (a “**Future Fund**”), provided that in the case of (i), no closing of an offering for a Future Fund shall take place until 100% of the Threshold Capital has been deployed or reserved for deployment to acquire one or more Properties. In the event that any Future Fund is raised, the Manager and the Operator shall continue to devote as much time as is necessary to fulfill their obligations to the Fund.

See “Description of the Activities of the Fund – Future Funds.”

**Eligibility for Investment:**

The Units will not be “qualified investments” under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, registered disability savings plan, deferred profit sharing plans and tax-free savings accounts, as those phrases are defined in the Tax Act, and, in order to avoid adverse tax consequences under the Tax Act, should not be acquired by such plans.

**Risk Factors:**

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

*This is a Blind Pool Offering* – Although the Fund expects that the available net proceeds of the Offering will be applied to the purchase of one or more Properties, the Sponsors have not identified any Properties for potential investment by Operating LP. The Unitholders’ return on their investments in the Units will vary depending on the return on investment achieved on the Properties that may be acquired with the net proceeds of the Offering.

*Limited Liquidity of Units* – There is no market for the Units and the Fund does not plan to, but may, list the Units on any stock exchange or market. In addition, the Fund is not required to redeem Units. As a result, the liquidity of the Units will be limited. Accordingly, an investment in Units is suitable solely for persons able to make and bear the economic risk of a long-term investment. Although the Fund has a Term of four years, with a one year extension at the discretion of the General Partner, there can be no assurance that the Fund will be wound up or that Unitholders will receive a return of their invested capital at that time.

*No Assurances of Achieving Objectives* – There is no assurance that the Fund will be able to achieve its investment objectives, including being able to pay distributions to Unitholders in an amount equal to the Distributable Cash Flow or at all, or to enhance long-term total return. The Fund will attempt to achieve its investment objectives through its investment strategy as described under the heading “Investment Strategy”.

*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 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 event Operating LP may not generate sufficient funds to pay the expected distributions. In the event Operating LP is unable to pay such distributions, the Fund may not be able to achieve its investment objectives.

*Reliance on the Manager and Operator* – Prospective purchasers assessing the risks and rewards of this investment should appreciate that they will, in large part, be relying on the good faith and expertise of the Manager and Operator and their principals. If either the Manager or the Operator loses the services of key executives, the business, financial condition and results of operations of the Fund may be materially adversely affected.

*Experience of the Manager* – While the Manager has experience in multi-residential real estate asset and property management in Canada, its direct experience in the United States is more limited. As such, the Manager will rely to a certain extent on the experience and expertise of the Operator with respect to the acquisition and disposition of Properties in the targeted region of the Fund. Investors are cautioned that the experience of the Manager may not be relevant to the acquisition and disposition of multi-residential real estate assets in the U.S.

*Conflicts of Interest* – The Manager and Operator act and may in the future act as manager or operator, as the case may be, for a number of funds and limited partnerships that engage or may engage in the same business activities or pursue the same investment opportunities as the Fund. Certain conflicts may arise from time to time in the management and/or operation of such funds or limited partnerships and in assessing suitable investment opportunities.

*Restrictions on Transfer* – Unitholders and U.S. Unitholders may not sell, transfer or assign their Units or U.S. Holding LP Units, respectively, without the prior written consent of the Manager (not to be unreasonably withheld), unless any such sale, transfer or other disposition is to one of their wholly-owned affiliates that shall remain wholly-owned by the Unitholder or U.S. Unitholder, as the case may be, for the term of the Fund LP Agreement. Notwithstanding the foregoing, the Manager shall have the absolute discretion to waive such restriction on transfer at any time. All sales, transfers or assignments of Units or U.S. Holding LP Units must be made in compliance with applicable laws in Canada and the U.S.

*Less than Full Offering* – If less than all of the C\$75,000,000 of Class A Units and/or Class B Units are sold pursuant to this Offering, then less than the maximum proceeds will be available to the Fund. Consequently, the Fund's business development plans and prospects could be adversely affected, since fewer Properties will be purchased, owned, leased and resold by Operating LP.

*Newly Formed Entities* – The Fund is a newly organized fund with no previous operating history. The general partners and the entities created for the purposes described herein are newly formed and have little or no assets and it is unlikely that such entities will have sufficient assets to satisfy any claim that a Unitholder may have against such entities.

*Distributions may be Reduced or Suspended* – Although the Fund intends to distribute its Distributable Cash Flow to the Unitholders, such cash distributions may be reduced or suspended, or the Fund may not make any distributions at all. The ability of the Fund to make cash distributions and the actual amount distributed will depend on the ability of the Fund to indirectly acquire the Properties, the ongoing operations of the Properties and the realizable value of the Properties upon disposition, and will be subject to various factors. An investment in the Units is not comparable to an investment in a fixed income security. Cash distributions, including a return of a Unitholder's original investment, are not guaranteed and the recovery of an investor's original investment 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 targeted distributions to Unitholders.

*Non-IFRS Measures* – Certain cash returns on investment in previous entities sponsored by the Sponsors set out in this Prospectus are not stated in accordance with International Financial Reporting Standards (IFRS). Such returns are variously referred to as an annualized internal rate of return (IRR), net operating income or a total pre-tax cash return on investment. Such measures do not have standardized meanings and are therefore unlikely to be comparable to similar measures presented by other issuers. There is no directly comparable measure calculated in accordance with

IFRS, as such measures are based on investment which is external to the issuer. The measures used are meaningful to the investors as they are based on the average investor's individual investment in the entities mentioned. The Sponsors use such unaudited measures to provide investors with an estimated guideline as to the investment returns generated by their previous investment offerings. Investors are cautioned that historical returns on other investment offerings by the Sponsors and similar offerings by others are not predictive of the returns which may be achieved by Unitholders from an investment in Units.

*Risks of Real Estate Ownership* – An investment in Units is an investment in U.S. real estate through the Fund's indirect interest in Operating LP and the Properties, directly or indirectly, acquired by Operating LP. Investment in real estate is subject to numerous risks, which include but are not limited to the following:

- (a) *Acquisition Risk* – The acquisition of Properties entails risks that investments will fail to perform in accordance with expectations, including the risks that the Properties will not achieve anticipated occupancy levels and that estimates of the costs and benefits of the renovation and repositioning program intended for that Property may prove inaccurate or may not have the intended results.
- (b) *Renovation and Repositioning Program* – If the renovation and repositioning program for any one or more assets is not completed as expected or at all, monthly rents will likely decrease or remain unchanged and/or expected returns on the disposition of such assets will likely decrease.
- (c) *General Real Estate Ownership Risks* – All real property investments are subject to a degree of risk and uncertainty and are affected by various factors including general economic conditions, local real estate markets, demand for multi-residential housing, competition from other available providers, leasing risk, exposure to defaulting tenants and various other factors.
- (d) *Financing Risks* – There is no assurance that the Manager will be able to obtain sufficient Mortgage Loans to finance the acquisition of Properties on commercially acceptable terms or at all. In the absence of mortgage financing, the number of Properties which Operating LP will be 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. The Manager may not be able to generate sufficient funds through the operation of the Properties 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, without limitation, foreclosure or sale of the Properties.
- (e) *Interest Rate Fluctuations* – The Mortgage Loans may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in Operating LP's cost of borrowing.
- (f) *Environmental Matters* – Under various environmental and ecological laws, the Fund and/or its subsidiaries could become liable for the costs of removal or remediation of certain hazardous or toxic substances that may be 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 Fund's ability to sell such Property, and could potentially also result in claims against the Fund by third parties.
- (g) *Uninsured Losses* – The Operator will arrange for comprehensive insurance of the type and in the amounts customarily obtained for properties similar to those to be owned by Operating LP or its subsidiaries and will endeavour to obtain coverage where warranted against earthquakes and floods. However, in many cases certain types of losses are either uninsurable or not economically insurable.
- (h) *Reliance on Property Management* – The Manager will rely on the Operator to perform property management functions in respect of each of the Properties. The Operator and its employees will devote as much of their time to the management of the Properties as in their judgement is reasonably required, but conflicts of interest may arise in allocating management time, services and functions among the Properties and their other development, investment and/or management activities not related to the Properties.

- (i) *Competition for Real Property Investments* – The Fund will compete for suitable investments with other individuals, corporations, REITs and similar vehicles, and institutions which are presently seeking or which may seek in the future real property investments similar to those sought by the Fund. Such competition would tend to increase purchase prices of real estate properties and reduce the yield on such investments.
- (j) *Revenue Shortfalls* – Revenues from the Properties may not increase sufficiently to meet increases in operating expenses.
- (k) *Fluctuations in Capitalization Rates* – As interest rates fluctuate in the lending market, generally so too do capitalization rates which affect 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.
- (l) *Joint Ventures* – The Fund will generally not participate in a joint venture unless the acquisition cost of a Property, otherwise identified by the Manager as a suitable investment for the Fund, would prohibit the Fund from making such an investment on its own. A joint venture or partnership involves certain additional risks which could result in additional financial demands, increased liability and a reduction in the Manager’s control over the Properties and its ability to sell its interest in a Property within a reasonable time frame, including 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.
- (m) *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, high levels of home foreclosures, limited access to credit markets, high fuel prices, less consumer spending, fears of a “double-dip” recession, and the slow rate of economic recovery. According to the U.S. Federal Reserve, the recession technically ended in June 2009, but 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. Although a recovery in the real estate market is in its early stages, the Fund cannot predict when or if 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.

*Timing for Investment of Net Subscription Proceeds* – Although the Fund has a two year Investment Period during which it must deploy the net proceeds of the Offering, the time period for the full investment of such proceeds is not certain. The timing of such investment will depend, among other things, upon the identification of Properties meeting the Investment Restrictions. During the Investment Period, the Manager may invest the net proceeds of the Offering only in cash (or cash equivalents) or exempt securities. There is a risk that the Manager may not invest all proceeds of the Offering in Properties in a timely manner and may not be able to generate sufficient funds to pay the expected distributions.

*Rights of Unitholders* – A Unitholder does not have all of the same protections, rights and remedies as a shareholder would have under the CBCA. Unlike shareholders of a CBCA corporation, the Fund will not be required to hold annual Unitholder meetings and Unitholders do not have a comparable right of a shareholder to make a proposal at a general meeting of the Fund. The matters in respect of which Unitholder approval is required under the Fund LP Agreement are generally less extensive than the rights conferred on the shareholders of a CBCA corporation.

*Currency Exchange Rate Risk* – The revenues and expenses of the Properties will be denominated in U.S. dollars and distributions will be made to the Fund in U.S. dollars. The Fund will convert such distribution amounts received into Canadian dollars prior to distribution to Unitholders. As a consequence, distributions of the Fund will be affected by fluctuations in the Canadian/U.S. dollar exchange rate. 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 Units and therefore holders of Units will have full exposure to changes in the exchange rate between the Canadian and U.S.

dollar.

*Possible Loss of Limited Liability of Limited Partners* – Limited partners may lose their limited liability in certain circumstances, including by taking part in the control of the partnership's business. If limited liability is lost, there is a risk that limited partners 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.

*Tax Matters* – The Fund and its subsidiaries (including Holding GP and Operating LP) 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 and/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.

<b><u>Type of fee</u></b>	<b><u>Amount and Description</u></b>
<b>Agents' Fee:</b>	C\$0.525 per Class A Unit (5.25%) and C\$0.275 (2.75%) per Class B Unit. The Agents' Fee will be paid by the Fund out of the proceeds of the Offering. See "Plan of Distribution – the Agency Agreement."
<b>Expenses of the Offering:</b>	The expenses of the Offering are estimated to be C\$525,000 in the case of the Minimum Offering and C\$900,000 in the case of the Maximum Offering, which will be paid by the Fund out of the proceeds of the Offering (but shall not exceed 1.5% of the Gross Subscription Proceeds). U.S. Holding LP shall directly or indirectly incur, or reimburse the Fund in respect of, its proportionate share of the expenses of the Offering. See "Plan of Distribution."
<b>Management Fees:</b>	<p><b>Asset Management Fee:</b> In consideration for providing asset management services, Operating LP will pay the Manager an asset management fee (the "<b>Asset Management Fee</b>"), in an annual amount, equal to 1% per annum of the Gross Subscription Proceeds plus the gross subscription proceeds of any one or more subsequent offerings, plus applicable taxes, calculated and payable monthly in arrears.</p> <p><b>Acquisition Fee:</b> In consideration for providing financing and other services in connection with the acquisition of the Properties, Operating LP will pay the Manager an acquisition fee (the "<b>Acquisition Fee</b>"), in an amount equal to 1% of the gross purchase price of each Property (or interest in a Property), which purchase price of the Property shall also include, but is not limited to, due diligence costs, closing costs, legal fees, and any additional capital costs incurred in connection with the acquisition of the Property, plus applicable taxes, calculated and payable on the completion of each acquisition.</p> <p><b>Property Management Fee:</b> In consideration for providing property management services, Operating LP will pay the Manager a property management fee (the "<b>Property Management Fee</b>"), in an annual amount, equal to 4% of the Effective Gross Income of Operating LP, plus applicable taxes, calculated and payable monthly in arrears.</p> <p><b>Capital Project Management Fee:</b> In consideration for the performance of the renovation and repositioning program for each acquired Property, Operating LP will pay the Manager a capital project management fee (the "<b>Capital Project Management Fee</b>") in an amount equal to 4% of the total costs of the applicable renovation and repositioning program, plus applicable taxes, payable as to 50% of such fee at the beginning of the program, and as to the remaining 50% at the completion of the program.</p> <p>The Manager expects the above listed fees to equal, on an aggregate basis, approximately 1% per annum of the Fund's "Total Assets". Total Assets means (i) the consolidated assets of the Fund (including the consolidated assets of U.S. Holding LP), including, without limitation, the Properties as valued in the most recent Asset Valuation, plus (ii) the cost of any capital expenditures made in respect of the assets since the most recent Asset Valuation. A portion of each of the Asset Management Fee, the Acquisition Fee, the Property Management Fee and the Capital Project Management Fee will be paid by the Manager to the Operator for its services as operator and property manager. See "Management of the Fund – The Asset Management Agreement".</p>
<b>Service Fee:</b>	An annual service fee equal to 0.5% of the gross subscription proceeds received for the Class A Units will be paid to registered dealers out of the cash available for distribution to the holders of Class A Units based on the number of Class A 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 March 31, 2013). See "Plan of Distribution – the Agency Agreement."
<b>Ongoing Expenses of the Fund:</b>	The Fund will pay for all 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 Sponsors or their agents and paid to third parties in connection with their ongoing obligations to the Fund; fees payable to the auditors, legal advisors, appraisers and other professional advisors, as required, of the Fund; regulatory filing fees, administrative expenses and costs incurred in connection with the public filing requirements of the Fund and investor relations, costs and

expenses arising as a result of complying with all applicable laws, regulations and policies, extraordinary expenses the Fund may incur and any expenditures incurred upon the termination of the Fund. See “Description of the Activities of the Fund – Operating Expenses of the Fund”.

In addition, because the Fund is indirectly owning and operating physical real estate assets, the Fund will be indirectly responsible for the payment of ordinary course operating expenses which are customary for real estate related entities.

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

**Carried  
Interest:**

The Fund will distribute to its Unitholders its Distributable Cash Flow for each Distribution Period in which such amounts are realized, based on distributions it receives in accordance with the following paragraph. The Fund intends to declare quarterly cash distributions on March 31, June 30, September 30 and December 31 in a given year with the first of these distributions to be made upon the earlier of (i) the end of the fiscal quarter in which the Investable Funds are substantially invested and (ii) March 31, 2013. In addition, the Fund will distribute any uninvested offering proceeds following the expiry of the Investment Period and may otherwise make a distribution at any time and in such amount, as determined appropriate by the General Partner in its sole discretion, all in accordance with the following paragraph.

Distributions will be made by Operating LP indirectly to Unitholders and U.S. Unitholders in the following order of priority:

1. First, 100% to the holders of Operating LP Units (*pro rata*), until they have received cumulative distributions equal to their aggregate contributed capital;
2. Second, 100% to the holders of Operating LP Units (*pro rata*) until they have been paid a 8% annual preferred return on all amounts contributed by them;
3. Third, 75% to the holders of Operating LP Units (*pro rata*) and 25% to the Manager and the Operator (each as to 50% of such amount) for any distributions until the holders of Operating LP Units have been paid a cumulative 14% annual preferred return on all amounts contributed by them; and
4. Thereafter, 65% to the holders of Operating LP Units (*pro rata*) and 35% to the Manager and the Operator (each as to 50% of such amount).

The applicable preferred return thresholds shall be calculated on a pre-tax basis and in U.S. dollars. Distributions generally will be paid within 15 days following the end of the quarter in which the distribution is declared.

The foregoing distributions to the Manager and the Operator shall be known as the Carried Interest, and shall be paid by Operating LP to the Manager as a fee pursuant to the terms of the Asset Management Agreement and to the Operator as a distribution on the Operating LP Class B Units held by the Operator.

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



## GLOSSARY OF TERMS

Certain terms and abbreviations used in this Prospectus are defined below. In the event of any inconsistency in the definitions between this glossary and a term defined elsewhere in this Prospectus, the definition contained in this glossary will govern.

“**Acquisition Fee**” means a fee, equal to 1% of the gross purchase price of each Property (or interest in a Property), which purchase price of the Property shall also include, but is not limited to, due diligence costs, closing costs, legal fees, and any additional capital costs incurred in connection with the acquisition of the Property, plus applicable taxes, calculated and payable on the completion of each acquisition by Operating LP to the Manager in accordance with the terms of the Asset Management Agreement;

“**Agency Agreement**” means the agency agreement dated as of September 28, 2012 among the Fund, the General Partner, the Manager and the Agents;

“**Agents’ Fee**” means a fee, equal to 5.25% of the aggregate purchase price of Class A Units and 2.75% of the aggregate purchase price of Class B Units sold under the Offering;

“**Agents**” means, collectively, the Lead Agents, BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., Canaccord Genuity Corp., Macquarie Capital Markets Canada Ltd., Dundee Securities Ltd. and Manulife Securities Incorporated;

“**Aggregate Class A Interest**” means initially the gross proceeds received by the Fund in connection with the Offering for the issuance of Class A Units less the Agents’ Fees payable in respect of the Class A Units, provided that if, at any time subsequent to the closing of the Offering, any Units are issued or repurchased, the Aggregate Class A Interest shall be reset to equal the adjusted aggregate appraised value of the Fund’s assets allocable to each Class A Unit multiplied by the number of outstanding Class A Units following such issuance or redemption.

“**Aggregate Class B Interest**” means initially the gross proceeds received by the Fund in connection with the Offering for the issuance of Class B Units less the Agents’ Fees payable in respect of the Class B Units, provided that if, at any time subsequent to the closing of the Offering, any Units are issued or repurchased, the Aggregate Class B Interest shall be reset to equal the adjusted aggregate appraised value of the Fund’s assets allocable to each Class B Unit multiplied by the number of outstanding Class B Units following such issuance or redemption.

“**Aggregate Class C Interest**” means initially the gross proceeds received by the Fund in connection with the Offering for the issuance of Class C Units, provided that if, at any time subsequent to the closing of the Offering, any Units are issued or repurchased, the Aggregate Class C Interest shall be reset to equal the adjusted aggregate appraised value of the Fund’s assets allocable to each Class C Unit multiplied by the number of outstanding Class C Units following such issuance or redemption.

“**Aggregate Units Interest**” means, at any time, the sum of the Aggregate Class A Interest, the Aggregate Class B Interest and the Aggregate Class C Interest at such time;

“**Asset Management Agreement**” means an asset management agreement to be entered into between the Fund, Holding GP, Operating LP, U.S. Holding LP and the Manager pursuant to which the Manager will provide asset management services to the Fund as such agreement may be amended and/or restated from time to time;

“**Asset Management Fee**” means a fee, in an annual amount equal to 1% per annum of the Gross Subscription Proceeds plus the gross subscription proceeds of any one or more subsequent offerings, plus applicable taxes, calculated and payable monthly in arrears by Operating LP to the Manager in accordance with the terms of the Asset Management Agreement;

“**Asset Valuation**” means an asset appraisal, or update thereof, of the Fund’s acquired Properties;

“**ATA**” means Apartment Trust of America;

“**BAR**” means business acquisition report;

“**Board**” means the board of directors of the General Partner;

“**Brokered Units**” means, collectively, the Class A Units and the Class B Units;

“**Business Day**” means any day which is not a Saturday, Sunday or statutory holiday in the Province of Ontario;

“**Canadian Private Placement**” means the issuance by the Fund of Class C Units to the Manager and certain other investors by way of a private placement to be closed concurrently with the Offering.

“**Capital Project Management Fee**” means a fee, equal to 4% of the total costs of the renovation and repositioning program of each acquired Property, plus applicable taxes, payable as to 50% of such fee at the beginning of the program and as to the remaining 50% at the completion of the program, by Operating LP to the Manager in accordance with the terms of the Asset Management Agreement;

“**capitalization rate**” means the yield of a property calculated by dividing the net operating income of the property by the purchase price of the property;

“**Carried Interest**” means the Manager’s entitlement to receive an incentive fee from Operating LP pursuant to the Asset Management Agreement and the Operator’s entitlement to receive distributions on the Operating LP Class B Units, in each case in such amounts and circumstances as described in “Description of the Securities Distributed – Units – Distributions”;

“**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 interest, if any, received on the Holding GP Notes, if any, amounts received as a general partner holding Holding GP Interests in Holding GP pursuant to the terms of the Holding GP Agreement and all other income, interest, distributions, dividends, proceeds from the investment in the Holding GP Interests (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) all amounts payable in cash that relate to the repurchase of the Units and have been paid or become payable by the Fund in such Distribution Period or a prior Distribution Period if not accrued in such prior period; and less
- (d) any interest expense incurred by the Fund between distributions,

provided that any funds borrowed by the Fund or the proceeds of the issuance of Units or other securities of the Fund and related transactions in connection therewith will not be included in the calculations of Cash Flow in respect of any Distribution Period;

“**CBCA**” means the *Canadian Business Corporations Act*, as amended from time to time;

“**Class A Units**” means the class A limited partnership units of the Fund;

“**Class B Units**” means the class B limited partnership units of the Fund;

“**Class C Units**” means the class C limited partnership units of the Fund;

“**Closing Date**” means the closing date of the Offering, which is expected to occur on or about October 18, 2012, but in any event not later than 90 days after a receipt for the Final Prospectus is issued;

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

“**Code of Conduct**” means the code of conduct adopted by the Board;

“**Directors**” means the directors of the General Partner;

“**Distributable Cash Flow**” means, for any Distribution Period, an amount equal to the Cash Flow for such Distribution Period, less any amount that the Board may reasonably consider to be necessary to provide for the payment of any costs or expenses, including any tax liability of Holding GP or the Fund, that have been or are

reasonably expected to be incurred in the activities and operations of Holding GP 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 Board, necessary or desirable;

“**Distribution Payment Date**” in respect of any Distribution Period, means a date on which the Fund is required to make a distribution of Distributable Cash Flow after the declaration thereof, which date shall be on or before the 15<sup>th</sup> day of the next calendar month immediately following the end of the Distribution Period or, if such day is not a Business Day, the immediately following Business Day;

“**Distribution Period**” means each quarter of each calendar year, being any of the periods ending on March 31, June 30, September 30 and December 31 in each year, or such earlier date in the quarter as determined by the General Partner;

“**Effective Gross Income**” means the total of the gross rents paid under the Leases, together with any other revenues generated from any other contract, licence, easement or right of occupancy in relation to the Properties;

“**Entity**” means any one of the Fund, the General Partner, Holding GP, Operating LP, U.S. Holding LP, Operating GPCo, U.S. Holding GPCo and Holding GPCo and “**Entities**” means two or more of them;

“**Final Prospectus**” means the final version of this Prospectus which will be filed by the Fund with the securities commissions or other securities regulatory authorities in the Qualifying Provinces and Territories;

“**Fund**” means Timbercreek U.S. Multi-Residential Opportunity Fund #1, a limited partnership formed under the laws of the Province of Ontario, and, where the context requires, includes its subsidiaries;

“**Fund LP Agreement**” means the limited partnership agreement establishing the Fund, as the same may be amended and/or restated from time to time;

“**Fund Property**” means all of the property and assets of the Fund;

“**General Partner**” means Timbercreek U.S. Multi-Residential Opportunity Fund #1 G.P. Inc., a corporation incorporated under the laws of the province of Ontario and the general partner of the Fund;

“**Gross Subscription Proceeds**” means the aggregate gross proceeds received by the Fund and U.S. Holding LP pursuant to the Offering and the Private Placements;

“**Holding GP**” means Timbercreek U.S. Multi-Residential Holding Partnership, a general partnership formed and governed under the laws of the Province of Ontario;

“**Holding GP Agreement**” means the partnership agreement establishing Holding GP between the Fund and Holding GPCo, as the same may be amended and/or restated from time to time;

“**Holding GPCo**” means Timbercreek U.S. Multi-Residential Holding (Ontario) GPCo Inc., a corporation incorporated under the laws of the Province of Ontario and a general partner of Holding GP;

“**Holding GP Interests**” means the general partnership interests of Holding GP held by the Fund and Holding GPCo;

“**Holding GP Notes**” means the subordinated unsecured promissory notes, if any, that may be issued by Holding GP to the Fund from time to time;

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

“**Investable Funds**” means the sum of (i) the net proceeds from the Offering of the Brokered Units; (ii) the net proceeds from the Private Placements; and (iii) the net proceeds received from the Mortgage Loans;

“**Investment Committee**” means the investment committee of the Fund;

“**Investment Period**” means the period of two years from the closing of the Offering during which the net proceeds from the Offering, the Private Placements and the proceeds of any subsequent offerings of Units by the Fund or of U.S. Holding LP Units by U.S. Holding LP must be invested by the Fund and its subsidiaries (namely, Operating LP);

“**Investment Restrictions**” means the investment restrictions of the Fund, as more particularly described under “Investment Strategy – Investment Restrictions”;

“**IRR**” means internal rate of return;

“**LAT**” means Landmark Apartment Trust of America, an affiliate of the Operator;

“**Lead Agents**” means Raymond James Ltd., CIBC World Markets Inc. and GMP Securities L.P.;

“**Leases**” means all present and future leases, binding offers to lease, agreements to lease, tenancies and subleases of any part of a Property and all present or future licensees affording a person a right (other than an easement or a right in the nature of an easement), to use or occupy any part of a Property, in each case for the time being in effect, and all revisions, alterations, modifications, amendments, changes, extensions, renewals, replacements or substitutions thereto or therefor which may hereafter be effected or entered into;

“**Lender**” means a lender and mortgagee of any of the Mortgage Loans;

“**Manager**” or “**Timbercreek**” means Timbercreek Asset Management Inc., an Ontario corporation and the asset manager of Operating LP pursuant to the Asset Management Agreement;

“**Maximum Fund Capital**” means C\$200,000,000, being the maximum aggregate capital to be raised by the Fund (including, for greater certainty, by U.S. Holding LP);

“**Maximum Offering**” means the offering of a maximum of C\$75,000,000 of Class A Units and/or Class B Units;

“**Minimum Offering**” means the offering of a minimum of C\$25,000,000 of Class A Units and/or Class B Units;

“**Mortgage Loans**” means one or more mortgages, charges, pledges, hypothecs, liens, security interests or other encumbrances of any kind or nature whatsoever on any of the Properties, to be granted by Operating LP (or, if a Property is held by a subsidiary or nominee entity on behalf of Operating LP, by such entity) to one or more Lenders, the proceeds of which will be used to finance the purchase, ownership and leasing of the applicable Property;

“**MSA**” means a municipal statistical area;

“**net operating income**” 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 Gross Subscription Proceeds minus the Agents’ Fee;

“**Offering**” means the offering of up to C\$75,000,000 of Class A Units and/or Class B Units;

“**Offering Price**” means C\$10.00 per Class A Unit and C\$10.00 per Class B Unit;

“**Operating Agreement**” means a property management and operating agreement to be entered into between the Manager and the Operator at or prior to the closing of the Offering pursuant to which the Operator will provide property management and operational services to the Manager in respect of the Properties as such agreement may be amended and/or restated from time to time;

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

“**Operating GPCo**” means Timbercreek U.S. Multi-Residential Operating GPCo Inc., a corporation incorporated under the laws of Delaware and the general partner of Operating LP;

“**Operating LP**” means Timbercreek U.S. Multi-Residential Operating L.P., a limited partnership formed under the laws of Delaware;

“**Operating LP Agreement**” means the limited partnership agreement establishing Operating LP between Holding GP, Operating GPCo and U.S. Holding LP, as the same may be amended and/or restated from time to time;

“**Operating LP Class B Units**” means the Class B limited partnership units of Operating LP to be held by the Operator, through which the Operator will be entitled to receive its 50% portion of the Carried Interest;

“**Operating LP Units**” means limited partnership units of Operating LP;

“**Operator**” means Elco Landmark Residential Holdings, LLC;

“**Ordinary Resolution**” means a resolution of the unit holders, 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;

“**Private Placements**” means, collectively, the Canadian Private Placement and the U.S. Private Placement;

“**Properties**” means the lands and premises located in the southeastern United States or interests therein to be purchased and owned, directly or indirectly, by Operating LP;

“**Property**” means any one of the Properties;

“**Property Management Fee**” means a fee, in an annual amount equal to 4% of the Effective Gross Income of Operating LP, plus applicable taxes, calculated and payable monthly in arrears by Operating LP to the Manager, in accordance with the terms of the Asset Management Agreement;

“**Proportionate Class A Interest**” is equal to (i) the Aggregate Class A Interest, divided by the Aggregate Unit Interest;

“**Proportionate Class B Interest**” is equal to (i) the Aggregate Class B Interest, divided by the Aggregate Unit Interest;

“**Proportionate Class C Interest**” is equal to (i) the Aggregate Class C Interest, divided by the Aggregate Unit Interest;

“**Prospectus**” means this prospectus and any amendments hereto;

“**Purchaser**” means a purchaser of Brokered Units;

“**Qualifying Provinces and Territories**” means all of the provinces and territories of Canada other than the province of Quebec;

“**Service Fee**” means an annual service fee equal to 0.5% of the gross subscription proceeds received for the Class A Units issued pursuant to the Offering and any subsequent offering of Class A Units, to be paid to registered dealers based on the number of Class A Units held by clients of such registered dealers at the end of the relevant quarter;

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

“**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 75% of the aggregate number of votes of those persons;

“**Sponsors**” means, collectively, the Manager and the Operator;

“**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 four years, subject to a single one year extension at the discretion of the General Partner;

“**Threshold Capital**” means, provided the Fund (including, for greater certainty U.S. Holding LP) has raised aggregate gross proceeds of C\$100,000,000, the aggregate gross proceeds raised by the Fund, net of agents’ fees and offering and formation expenses;

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

“**Total Assets**” means (i) the consolidated assets of the Fund (including the consolidated assets of U.S. Holding LP), including, without limitation, the Properties as valued in the most recent Asset Valuation, plus (ii) the cost of any capital expenditures made in respect of the assets since the most recent Asset Valuation;

“**Unamortized IPO Expenses**” means the expenses of the Offering (excluding the Agents’ Fee) amortized monthly over the Term.

“**Unit Class Expenses**” means the expenses of the Fund allocable to a specific class of Units. Specifically, for Class A Units, these Unit Class Expenses include the Service Fee paid to registered dealers in respect of Class A Units;

“**Unitholder**” means a holder of record of any Units;

“**Units**” means, collectively, the Class A Units, the Class B Units and the Class C Units;

“**U.S.**” means the United States of America;

“**U.S. Holding GPCo**” means Timbercreek U.S. Multi-Residential (U.S.) Holding GPCo Inc., a corporation incorporated under the laws of Delaware;

“**U.S. Holding LP**” means Timbercreek U.S. Multi-Residential (U.S.) Holding L.P., a limited partnership formed under the laws of Delaware as a parallel investment entity to the Fund for the investment by U.S. investors in the activities of Operating LP;

“**U.S. Holding LP Agreement**” means the limited partnership agreement establishing U.S. Holding LP, as the same may be amended and/or restated from time to time;

“**U.S. Holding LP Units**” means the class A, class B and class C limited partnership units of U.S. Holding LP;

“**U.S. Private Placement**” means the issuance by U.S. Holding LP of U.S. Holding LP Units to the Operator and certain other U.S. investors by way of private placement concurrently with the Offering; and

“**U.S. Unitholder**” means a holder of record of any U.S. Holding LP Units.



## 1. FUND STRUCTURE

### 1.1 Name and Incorporation

#### *The Fund*

The Fund is a limited partnership formed under and governed by the laws of the Province of Ontario. The Fund was established for the primary purpose of acquiring multi-residential real estate assets that are mispriced and/or undermanaged in the view of the Manager, and that are located in the southeastern United States, and enhancing the value of the assets through active management and a stabilization and improvement program. The Fund intends to make quarterly cash distributions to Unitholders from Distributable Cash Flow, and ultimately dispose of the assets to generate significant gains.

The address of the Fund's head office is 1000 Yonge St., Suite 500, Toronto, Ontario, M4W 2K2.

The Fund was formed as of August 30, 2012 under the laws of the Province of Ontario pursuant to the Fund LP Agreement among the General Partner and all persons who become Unitholders as provided therein. The directors of the General Partner of the Fund are R. Blair Tamblyn, David Melo and Carrie Morris, each of whom is a senior executive of the Manager. All of the issued and outstanding shares of the General Partner are owned by the Manager.

#### *Holding GP*

Holding GP is a general partnership formed pursuant to and governed by the laws of Ontario. Holding GP 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 partners of Holding GP are the Fund and Timbercreek U.S. Multi-Residential Holding (Ontario) GPCo Inc. ("**Holding GPCo**"), a corporation incorporated under the laws of Ontario. All of the issued and outstanding shares of Holding GPCo are owned by the Manager.

#### *Operating LP*

Operating LP is a limited partnership formed pursuant to and governed by the laws of Delaware. The general partner of Operating LP is Timbercreek U.S. Multi-Residential Operating GPCo Inc. ("**Operating GPCo**"), a corporation incorporated under the laws of Delaware. All of the issued and outstanding shares of Operating GPCo are owned by the Manager.

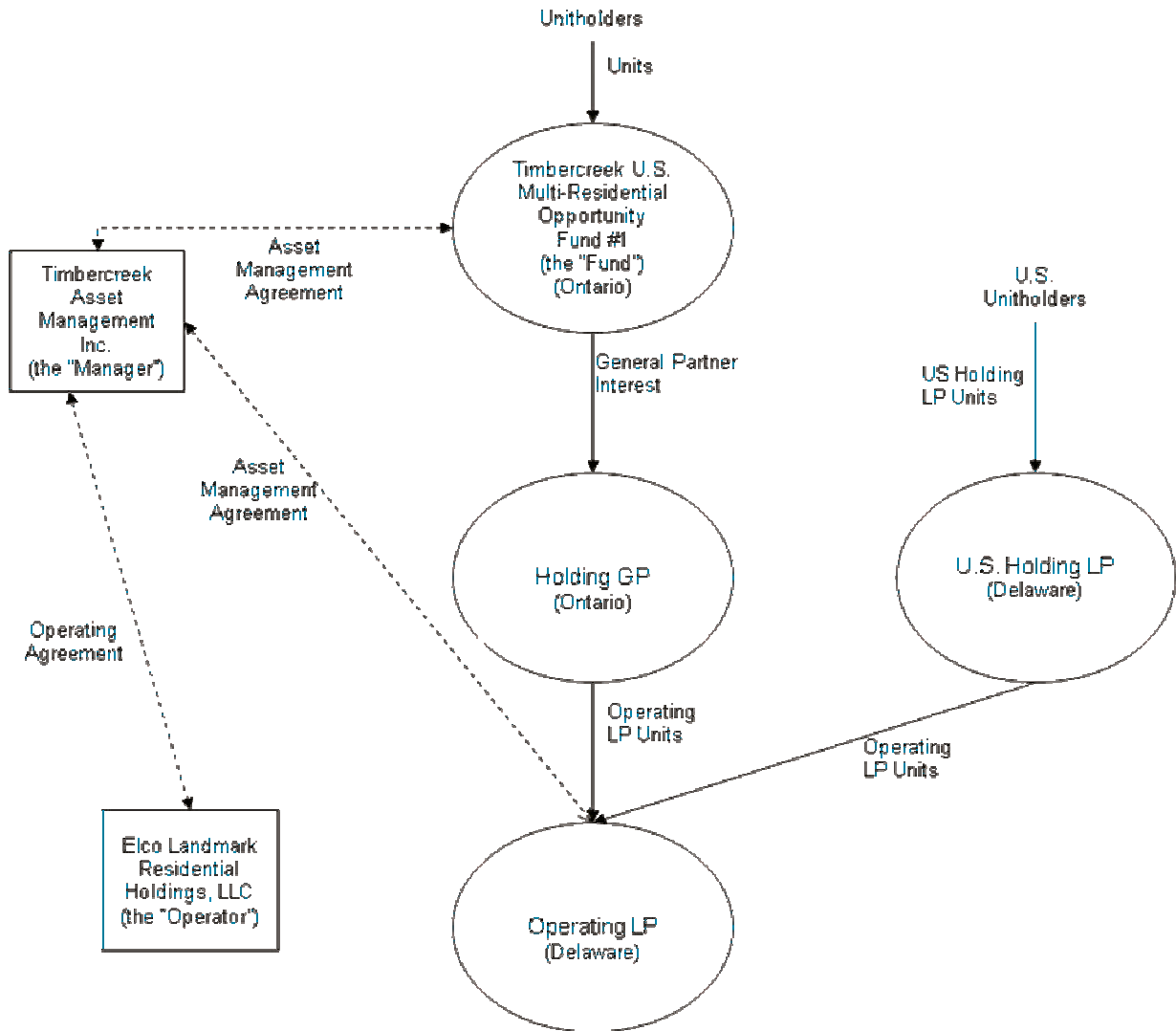
#### *U.S. Holding LP*

U.S. Holding LP is a limited partnership formed pursuant to and governed by the laws of Delaware. The general partner of U.S. Holding LP is Timbercreek U.S. Multi-Residential (U.S.) Holding GPCo Inc. ("**U.S. Holding GPCo**"), a corporation incorporated under the laws of Delaware. All of the issued and outstanding shares of U.S. Holding GPCo are owned by the Manager.



## 1.2 Intercorporate Relationships

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



Notes:

1. The Manager will subscribe for Class C Units of the Fund under the Canadian Private Placement and the Operator will subscribe for U.S. Holding LP Units of U.S. Holding LP under the U.S. Private Placement.
2. The managing general partner of each of the Fund, Holding GP, U.S. Holding LP and Operating LP is a special purpose corporation that is wholly-owned by the Manager.

## **2. INVESTMENT STRATEGY**

### **2.1 Investment Objectives**

The Fund's investment objectives are to:

1. maximize long-term value for investors by acquiring multi-residential real estate assets that are mispriced and/or undermanaged in the view of the Manager and that are located in the southeastern United States;
2. enhance the value of the Fund's assets through active management and a stabilization and improvement program, with the goal of ultimately disposing of the assets to generate significant gains; and
3. make quarterly cash distributions to Unitholders from Distributable Cash Flow.

The total return objective of the Fund is to generate a 15% net IRR (or average annualized total rate of return) on a pre-tax basis and net of all fees and expenses, inclusive of an annual distribution yield of 4% to 5% (which includes the allocation to Unitholders of U.S. taxes paid by the Fund) paid quarterly.

### **2.2 Investment Restrictions**

#### ***Investment Restrictions***

The Fund shall not invest in any asset unless such asset:

1. is a multi-residential asset (including multi-residential assets with ancillary non-residential components that do not comprise more than 10% of the rentable area of such asset) with a minimum of 100 units;
2. is located within Florida, Texas, Georgia, North Carolina, South Carolina, Virginia, Tennessee or Alabama. Notwithstanding the foregoing, the Fund will be permitted to invest up to 15% of the Maximum Fund Capital outside of Florida, Texas, Georgia, North Carolina, South Carolina, Virginia, Tennessee or Alabama;
3. is less than 45 years of age;
4. is located within a MSA with a population base greater than 200,000 people;
5. has an acquisition cost (for a single asset) before debt of less than 10% of the Maximum Fund Capital;
6. is located within a MSA in which, following the acquisition, not more than 25% of the Maximum Fund Capital would be invested;
7. is available for acquisition directly and not through the acquisition of equity in another entity, unless (i) the entity is a single purpose entity established solely for the purpose of providing favourable tax treatment for the owner, and (ii) upon completion of the acquisition, the Fund shall own, directly or indirectly, 100% of the equity interest in such entity; and
8. is available on a freehold basis, not on a leasehold basis.

### **2.3 Investment Rationale**

The Fund has been designed to take advantage of the recent correction in the U.S. real estate market, the decrease in available competitive capital in the Fund's target markets and product type and a strong strategic relationship with the Operator, which is an operator and property manager with significant experience and a successful track record in the targeted region.

The Fund believes there is currently a confluence of five key trends in the U.S. multi-residential real estate market that provides a compelling investment opportunity. In particular, the Fund believes that demographic and economic trends, supply and demand levels, the financing environment, rental growth, and abundant acquisition opportunities have created an ideal environment for investment in multi-residential real estate.

Market fundamentals have presented an opportunity to acquire assets from distressed operators at higher than normal capitalization rates and/or very reasonable price per door metrics, and generally at below replacement cost.

The Fund believes that highlights of the opportunity include:

- Poorly managed existing assets that are unable to service debt;

- Abandoned development deals;
- Defaulted condo conversions;
- Foreclosure rates at historical highs;
- Lenders disposing of foreclosed “real-estate owned” assets at deep discounts; and
- Institutional owners seeking to reposition portfolios and divest non-core assets.

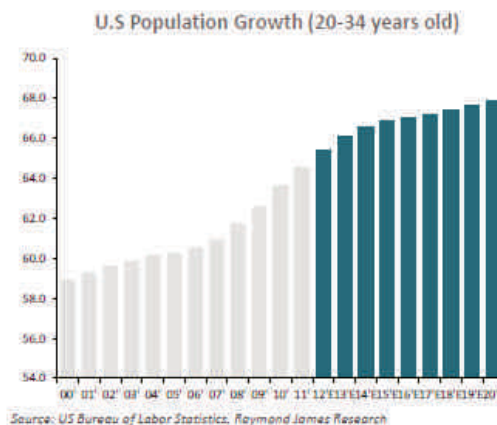
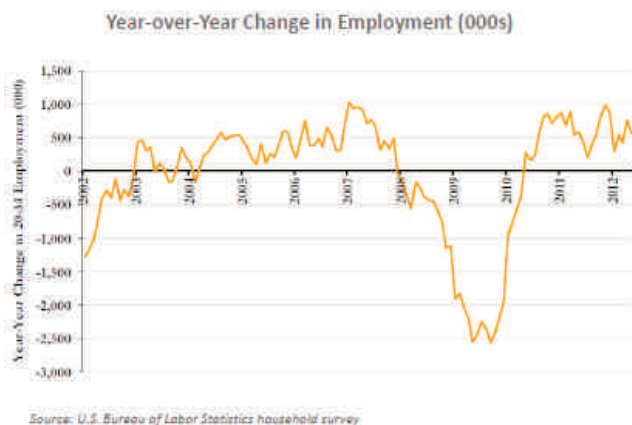
Despite rapid consolidation following the 2008 credit crisis, the U.S. multi-residential real estate asset class continues to remain a highly fragmented market where the majority of assets continue to be held by small scale investors. Many of these residential apartment buildings are inefficiently operated with respect to both revenue and expense management, often operating at below market potential rents, increased vacancies and suppressed operating margins. In addition, many assets require significant capital investment to improve cosmetic and structural elements and energy management systems.

The Fund believes the timing of this opportunity is attractive given that the multi-residential rental market remains in the “sweet spot” of the housing continuum, benefitting from:

- Solid Demographics – A growing and expanding echo-boomer population are expected to provide the fuel for strong rent, occupancy growth and pricing power for years to come.
- Strong Demand – Improving U.S. economic and job growth provide an encouraging landscape for both underlying market rents and occupancies.
- Muted Supply – New supply of multi-residential real estate is at 25 year lows.
- Attractive Financing – Mortgage rates are at historically low levels creating a positive return environment.
- Fundamentals Poised for Growth – Effective rent growth is expected to meaningfully increase, translating to healthy landlord pricing power.
- Rising Acquisition Opportunities – Transaction activity is picking up with more product coming to market resulting in attractive acquisition opportunities.

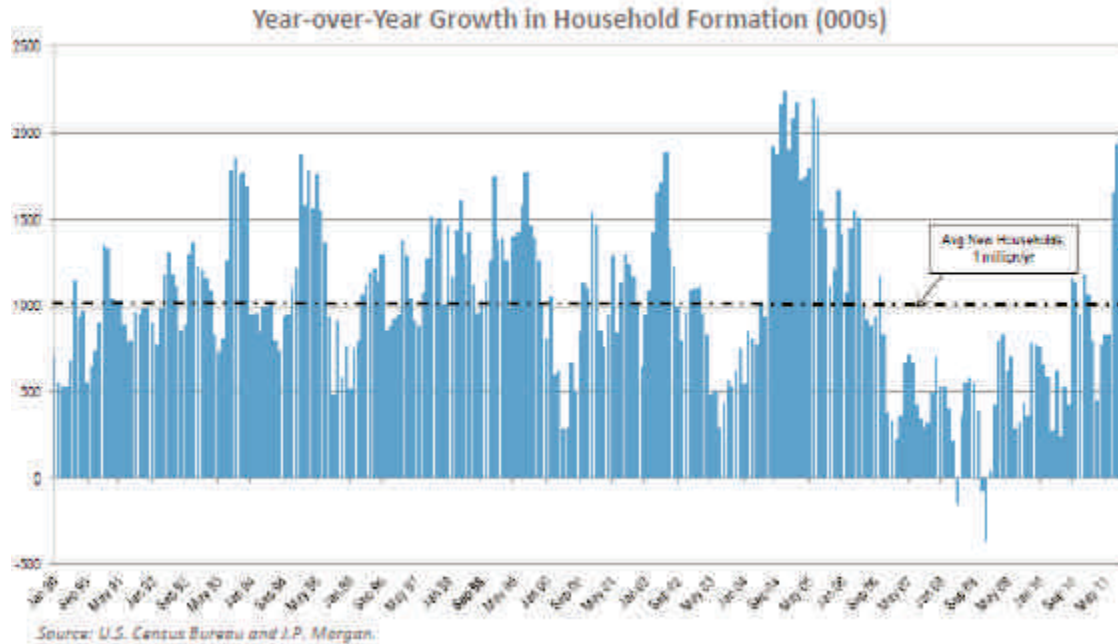
### Solid Demographics

The Fund believes that positive gross domestic product growth will lead to positive job growth in the U.S. market and as job growth accelerates, the Fund believes there will be improvements in property-level fundamentals. The Fund believes echo-boomers, the college graduates entering the work force over the next several years, is a primary source of renters for the U.S. Multi-Residential sector, as this age cohort has historically demonstrated a low home-ownership rate. The population growth rate for echo-boomers is expected to meaningfully increase over the next decade; the Fund believes such increase will be approximately four million people turning 20 each year. Furthermore, the Fund believes employment for individuals ages 20 to 34 has continued at a healthy rate of 250,000 to 1 million jobs despite the national average job growth of approximately 137,000 in 2011.

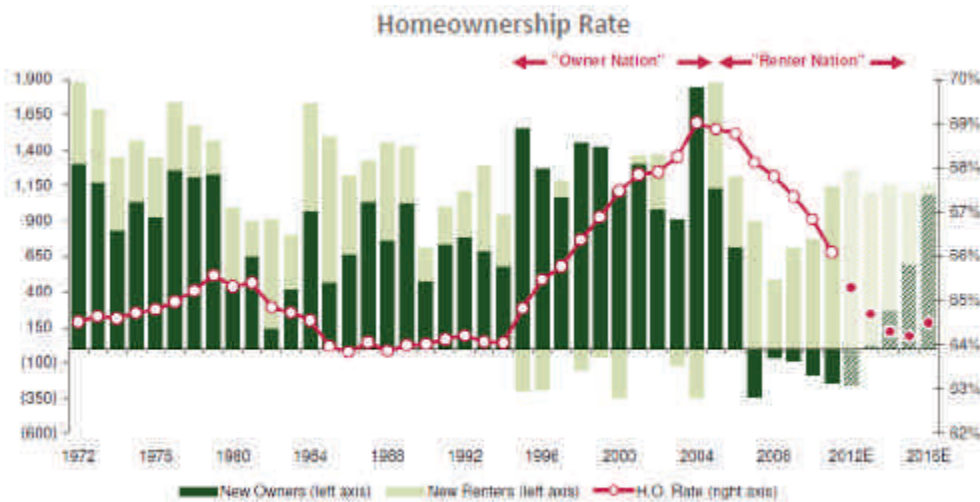


### Strong Demand

Based on data from the U.S. Census Bureau, the Fund believes household formation has accelerated in recent years. Historically, 35% of new households become renters. The Fund believes over the next 5 years, the percentage of households entering the rental pool is expected to double to 70%. The acceleration in household formation coupled with an increase in the percentage of households that become renters should lead to a healthy demand backdrop for multi-residential real estate over the next several years.



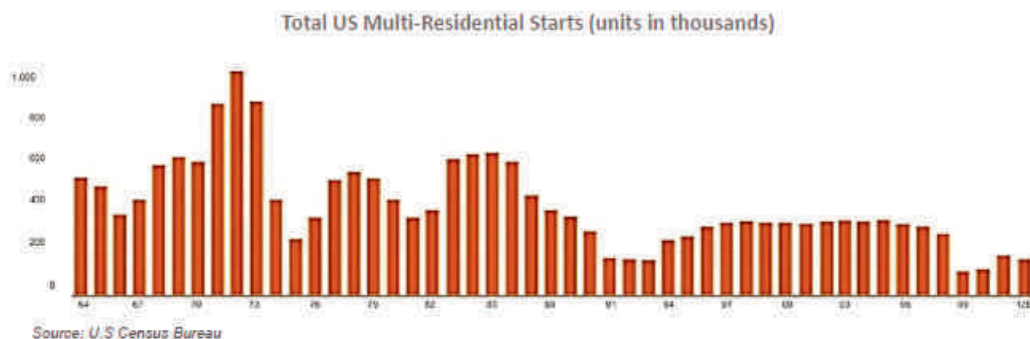
The Fund believes there has been a psychological change in the way people view home ownership. The U.S. homeownership rate peaked at roughly 70% in 2004. Today, the U.S. homeownership rate is approximately 66% and falling. The combination of tighter credit standards and a negative bias towards home ownership is turning more and more households into renters. Each 1% decline in the homeownership rate adds a potential additional 1.2 million renters to the rental pool. Over the next several years, the Fund believes the single family homeownership rate is expected to decline to approximately 64%, adding another 2.5 million renters to the market.



### Muted Supply

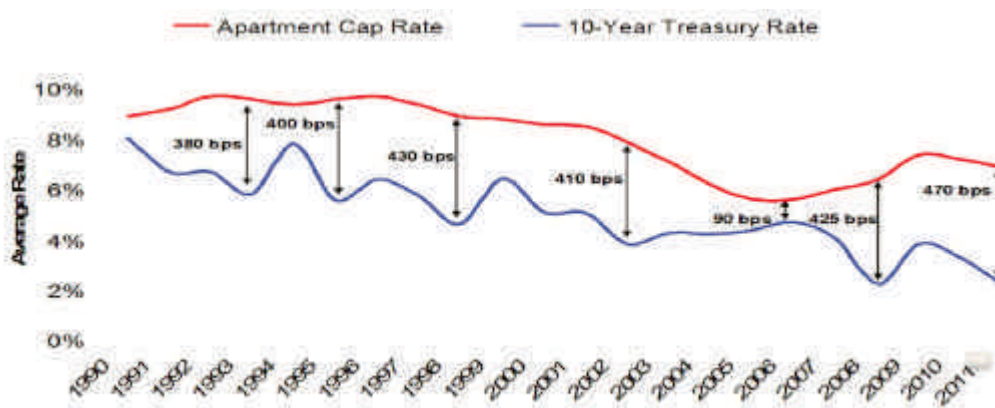
Supply of new multi-residential real estate is currently at a 25 year low. The Fund believes access to construction financing has become increasingly difficult as banks are still weary to lend for new development. Furthermore,

higher equity requirements and sponsorship guarantees have made new development a less profitable endeavor. The lack of new supply should lead to better than average landlord pricing power.



### Attractive Financing

The Fund believes based on current market dynamics, debt financing is readily available in the United States through government agencies such as Fannie Mae and Freddie Mac. Fannie Mae and Freddie Mac continue to provide ample liquidity and attractive financing to the multi-residential sector. Availability of low cost financing at current interest rates of approximately 4% allows the Fund to generate strong equity cash-flows and total returns by locking in long-term rates.



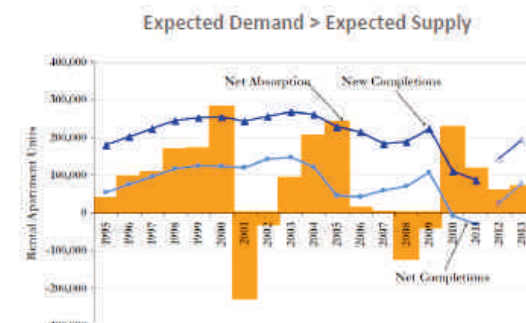
### Fundamentals Poised for Growth

The Fund believes the effective rent growth in the targeted markets is expected to meaningfully increase, translating to healthy landlord pricing power. Strong demand and limited supply of new construction should translate to healthy net absorption rates. Improving economic and job growth, rising population and household formation will lead to acceleration in property fundamentals (market rents, occupancies and operating income) over the coming years.

Effective Market Rent Growth in Target Market

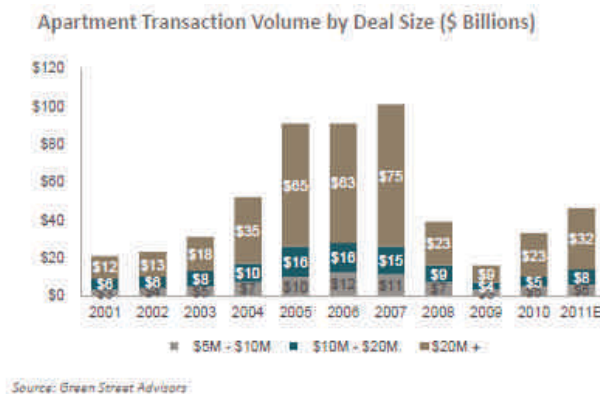
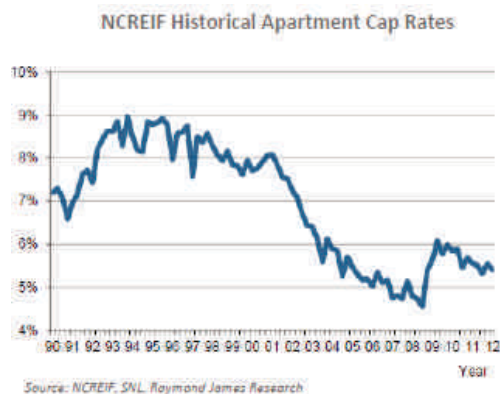
City	2012 Rent Growth	2012 Vacancy
Atlanta	4.0%	7.9%
Austin	6.2%	4.3%
Charlotte	4.6%	6.4%
Dallas / Fort Worth	5.4%	6.0%
Houston	5.4%	8.0%
Jacksonville	3.7%	8.8%
Orlando	3.8%	6.8%
San Antonio	5.1%	6.4%
Tampa	3.9%	5.8%
West Palm Beach	3.9%	6.4%

Source: Marcus & Millichap



## Acquisition Opportunities on the Rise

The Fund believes the transaction activity in the U.S. secondary markets are picking up, increasing the amount of product coming to market, resulting in more attractive acquisition opportunities. Asset values have recovered off of trough levels indicating strong market demand for US apartment properties. Future gains are expected as net operating income and property-level cash flows accelerate, supported by a strong demand and muted supply environment. Higher asset values are leading to less-well capitalized owners looking to monetize the value of their real estate. There exists an ability to acquire product at below replacement cost.



## Recent Historical Deal Flow

The Fund believes that recent historical deal flow in the targeted region demonstrates that sufficient acquisition opportunities exist for the Fund to acquire assets that meet the Investment Restrictions. Independent data provided by REIS Inc., a real estate industry research provider, shows that since January 2011, approximately 1,180 acquisitions have occurred that match the following Investment Restrictions:

- Multi-residential properties with a minimum of 100 units;
- Located within Florida, Texas, Georgia, North Carolina, South Carolina, Virginia, Tennessee or Alabama (with approximately 65% of the acquisitions located in Texas and Florida);
- Less than or equal to 45 years of age; and
- Located in a MSA with a population greater than 200,000.

## 2.4 Investment Strategy

### *Acquire mispriced and/or undermanaged multi-residential real estate assets located in the southeastern United States*

The Operator will leverage its broad network and extensive relationships to identify multi-residential real estate assets that it believes to be mispriced and/or undermanaged in eight key markets: Florida, Texas, Georgia, North Carolina, South Carolina, Virginia, Tennessee and Alabama. Many of these opportunities may be “off-market”, meaning that they are not widely marketed for sale.

The Manager and the Operator will conduct in-depth, detailed analysis during the acquisition process, including site inspections, market analysis, cash flow models, lease review, environmental and structural assessments and legal due diligence (typically over a 45 to 60 day period).



The Operator, on behalf of the Manager, will seek debt financing terms from various lenders, finalize due diligence and debt financing with the selected Lender, and finalize the acquisition of the asset by Operating LP.

***Apply the Sponsors' Professional Active Management Philosophy to Stabilize the Assets and Increase Revenue***

Following the acquisition of an asset, the Manager and the Operator will promptly implement a professional active management strategy with the objective of stabilizing the asset and increasing operating revenue with minimal capital investment. The Operator benefits from economies of scale through 400 operational employees, 21 corporate employees, an integrated financial reporting process and a state of the art technology platform for leasing and management functions. Utilizing these resources and its professional management expertise and experience, the Operator plans to increase margins and maximize operational revenue by (i) improving the quality of the tenant, and tenant profitability, using enhanced credit verification and stronger disciplinary measures for problem tenants, including eviction, and (ii) improving the operations, customer service and cleanliness of a property, thereby enhancing tenant loyalty, increasing margins and maximizing operational revenue.

***Renovate and Reposition the Assets***

In conjunction with the stabilization of an acquired asset, the Operator will begin a value-add renovation and repositioning program to allow for the repositioning of the asset within the marketplace, with the objective of increasing monthly rents and potentially generating a significant gain upon the divestiture of the asset. The Operator will make structural and cosmetic renovations to the building's common areas and apartment suites, as well as improvements to the building's energy systems.

The enhanced cosmetic appeal of the building is designed to allow for the repositioning of the building into a higher market for the purpose of reducing vacancy rates, while energy system upgrades, such as low-flow water technologies and high efficiency lighting and air conditioning, will result in a decrease in energy consumption and improved operating margins.

***Realize Value Through Sales of Properties***

The Fund's exit strategy will be to seek to exit an investment promptly upon completion of the renovation and repositioning program in order to maximize returns for investors. Pursuant to a right of first opportunity granted to the Operator, LAT, an affiliate of the Operator, will be permitted to enter negotiations with the Manager for the acquisition of any repositioned asset before it is offered to other buyers. Although assets repositioned through the Fund's value-add program will be ideally suited as acquisition targets for LAT, the Investment Committee of the Manager will seek the highest value obtainable for each of the Fund's repositioned assets. The Fund believes that other suitable purchasers of the assets include public U.S. real estate investment trusts and pension funds with lower costs of capital.

***Targeted Region***

The Fund is focused on acquiring real estate across eight key markets: Florida, Texas, Georgia, North Carolina, South Carolina, Virginia, Tennessee and Alabama.



The Fund believes there is a compelling investment opportunity to acquire, reposition, renovate and re-brand underperforming multi-residential assets in this targeted region. The Fund believes these particular southeastern states combine the following attractive characteristics for investment:

- Strong population growth;
- Employment and economic growth;
- “landlord friendly” legal environments;
- Comfortable climate and quality of life;
- Minimal temperature fluctuations compared to more Northern regions; and
- Few properties with central utility systems, allowing for utility expense pass-through to the tenants.

## 2.5 Competitive Advantages

The Sponsors both have proven track records of sourcing, acquiring and repositioning multi-residential assets through capital investments in cosmetic, structural and energy management systems, and by implementing professional property management strategies.

This two-phased approach has resulted in increased revenues, higher operating margins and attractive investment returns over the history of both organizations, and their combination will provide the Fund with two high quality organizations and a fully vertically integrated platform with breadth and depth across multiple key functions. The Manager and Operator will provide the Fund with the following key competitive advantages:

*Value-Add Expertise.* Each of the Sponsors has a track record of success in renovating and stabilizing assets, completing renovations on time and on budget while increasing net operating income and value of the asset.

*Deal Flow.* By virtue of Joe Lubeck and the Operator’s approximately 25 year history operating multi-residential real estate assets in the targeted regions, the Fund expects to have access to a broad network of relationships with owners and lenders in those regions. These relationships are expected to provide a valuable pipeline of off-market opportunities at discounts that are not offered to most other buyers. Sellers have historically been willing to discount price to the Operator based on its ability to close transactions.

*Due Diligence Expertise.* Each of the Sponsors has experience in market, asset, tenant, financing, and legal due diligence. The Fund will leverage the valuable due diligence results to devise an effective strategy to reposition and stabilize the asset.

*Ability to Close Complex Transactions.* The Sponsors’ collective expertise in repositioning assets will allow the Fund to consider complicated transactions involving assets that are particularly distressed, foreclosed, or completely mismanaged to the point where many other competitors likely would refrain from investing.

*Operational Expertise.* Internally managed property infrastructure provides the Operator with high quality training, marketing, recruiting and retention of employees. The Operator’s expertise in managing assets post acquisition will enable the Fund to mitigate risks and drive returns.

*Access to Debt Financing.* The Sponsors’ long term relationships with lenders should enable the Fund to secure debt financing on favourable terms.

*Market Focus.* The Operator’s understanding of micro-markets within the southeastern U.S. provides the Fund with the ability to analyze and price risk.

*Exit Experience.* The Manager’s familiarity with capital markets, buyers and the divestiture process should enable the Fund to maximize sale values.

*Internal Reporting.* The Operator utilizes a fully integrated information system to manage portfolio assets. Employees are provided with complete electronic reporting capabilities with data imports, around the clock intranet/access to systems and automated accounting for check payments and bill processing. Integrated interfaces between field workers and the corporate office provide continuous access to real time information via the Internet.

*Focus on Operations.* The Operator will be focused on achieving and maintaining approximately 95% occupancy, with a daily focus on rent collections. Weekly goals will be set by regional vice presidents and regional managers, the pricing system will be reviewed weekly, managers' meetings will be held monthly by region and monthly asset reviews and site visits will be conducted by the senior management team.

### **3. MANAGEMENT OF THE FUND**

#### **3.1 The Manager**

The Manager is an investment management company that employs a conservative and risk-averse approach to real estate-based investments. The Manager and its affiliates currently manage approximately \$3 billion in real estate-related assets based on fair value, including direct real estate ownership (primarily multi-residential), mortgages and global real estate securities. The Manager employs a team of over 90 professionals located in its head office in Toronto with substantial experience in real estate acquisitions, disposals, financing and administration, property and asset management, construction and redevelopment, as well as over 350 people at its 14 additional offices across Canada.

Based on the Manager's belief that attractive investment returns are achieved by actively managing its portfolio, the Manager has spent over eleven years building a full-service asset management platform, including property management and debt management to optimize the value it provides to investors. The principals of the Manager have established reputations and contacts in the commercial real estate and mortgage lending community, as well as in the capital markets and asset management sectors in Canada.

The Manager's assets under management currently include approximately \$2 billion in multi-residential real estate deployed through both core and opportunistic investment strategies and comprising over 16,000 apartment units across Canada. The Manager's opportunistic investment strategy consists of primarily institutionally-funded, segregated portfolios targeting mismanaged/distressed multi-residential assets where, through active management, the Manager is able to enhance the assets and surface value. Value creation through this strategy typically includes substantial building envelope enhancement, suite renovations, repositioning in the market place and sequential material increases in rental rates.

The Manager's first multi-residential opportunity fund, which invested in multi-residential assets throughout Canada, was established in May 2007 and successfully terminated in June 2010. The Manager has subsequently raised a second and third opportunity fund with an aggregate portfolio value of over \$300 million.

#### **3.2 The Investment Committee**

The Manager has established the Investment Committee, comprised of experienced real estate investment professionals that are employees of the Manager or the Operator and that will (i) approve or reject proposed acquisitions and dispositions of assets and (ii) approve all financing arrangements and the assumption, granting or renewal of any Mortgage Loan made by the Fund. All decisions made by the Investment Committee will be determined by a majority of votes cast. The Investment Committee will review each proposed transaction on a stand-alone basis and in the context of the Fund's portfolio as a whole when evaluating whether the proposed transaction is in-line with the Investment Restrictions and is ultimately a suitable investment for the Fund. The Investment Committee currently consists of Ugo Bizzarri, Joseph Lubeck, Corrado Russo, Sam Sahn, Elizabeth Truong and Michael Tsourounis. Joseph Lubeck and Elizabeth Truong shall not be entitled to vote in respect of any decisions regarding (i) the acquisition by the Fund of proposed assets, and (ii) dispositions of Properties wherein the Operator or any affiliate of the Operator is or may become a potential buyer. See "Directors and Executive Officers".

#### **3.3 The Asset Management Agreement**

Pursuant to the terms of an asset management agreement to be entered into at or prior to the closing of the Offering among the Fund, Holding GP, Operating LP and the Manager (the "**Asset Management Agreement**"), the Manager has been appointed as the sole and exclusive manager of the affairs of the Fund. The Manager will be responsible to the Fund for 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 the Properties. Pursuant to the Operating Agreement, the Manager will delegate property management and

operational responsibilities to the Operator, utilizing the Operator's experience and expertise in the Fund's targeted region.

In carrying out its obligations under the Asset 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 Asset Management Agreement include, without limitation: (a) the structuring of the Offering, the Fund, Holding GP, Operating LP and U.S. Holding L.P., (b) liaising with legal and tax counsel, (c) identifying Properties for acquisition, (d) maintaining ongoing relationships with the Lenders in respect of the Mortgage Loans for the Properties, (e) conducting continuous analysis of market conditions to monitor Operating LP's investment in the Properties, (f) arranging for the semi-annual Asset Valuations, (g) advising Operating LP with respect to the disposition of the Properties, (h) providing investor communication and reporting services to the Fund, and (i) 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.

Pursuant to the terms of the Asset Management Agreement, the Fund shall bear the cost of building management personnel engaged by the Manager and/or the Operator for the purposes of management of the Properties. The Manager will bear all costs and expenses incurred by the Manager in connection with any other salaries, employee expenses, corporate office rent and equipment, and other expenses customarily considered to be overhead expenses.

If the Manager has committed a material breach of the Asset Management Agreement (as that term is defined therein), the Unitholders may, by Special Resolution, provide the Manager 30 days' notice to cure such material breach, failing which the Asset Management Agreement will terminate unless otherwise approved by Special Resolution. The Asset Management Agreement shall terminate upon the dissolution, liquidation, bankruptcy or winding-up of the Manager.

The Asset 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 Asset Management Agreement, provided the same does not result from wilful misconduct, bad faith, gross negligence or breach of its standard of care owed under, or material breach of its obligations under, the Asset Management Agreement. In addition, under the Asset 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, or material breach of its obligations under, the Asset Management Agreement.

The Manager may assign or delegate its rights and obligations under the Asset Management Agreement at any time, but any such assignment or delegation will not relieve the Manager of its obligations under the Asset Management Agreement.

In consideration for providing the services as set out in the Asset Management Agreement, the Manager will be paid the following fees:

1. *Asset Management Fee*: In consideration for providing asset management services, Operating LP will pay the Manager the Asset Management Fee, in an annual amount, equal to 1% per annum of the Gross Subscription Proceeds plus the gross subscription proceeds of any one or more subsequent offerings, plus applicable taxes, calculated and payable monthly in arrears.
2. *Acquisition Fee*: In consideration for providing financing and other services in connection with the acquisition of the Properties, Operating LP will pay the Manager the Acquisition Fee, in an amount equal to 1% of the gross purchase price of each Property (or interest in a Property) which purchase price of the Property shall also include, but is not limited to, due diligence costs, closing costs, legal fees, and any additional capital costs incurred in connection with the acquisition of the Property, plus applicable taxes, calculated and payable on the completion of each acquisition.

3. *Property Management Fee*: In consideration for providing property management services, Operating LP will pay the Manager the Property Management Fee, in an annual amount, equal to 4% of the Effective Gross Income of Operating LP, plus applicable taxes, calculated and payable monthly in arrears.
4. *Capital Project Management Fee*: In consideration for the performance of the renovation and repositioning program for each acquired Property, Operating LP will pay the Manager the Capital Project Management Fee in an amount equal to 4% of the total costs of the applicable renovation and repositioning program, plus applicable taxes, payable as to 50% of such fee at the beginning of the program, and as to the remaining 50% at the completion of the program.

The Manager expects the above listed fees to equal, on an aggregate basis, approximately 1% per annum of the Fund's "Total Assets". Total Assets means (i) the consolidated assets of the Fund (including the consolidated assets of U.S. Holding LP), including, without limitation, the Properties as valued in the most recent Asset Valuation, plus (ii) the cost of any capital expenditures made in respect of the assets since the most recent Asset Valuation. A portion of each of the Asset Management Fee, the Acquisition Fee, the Property Management Fee and the Capital Project Management Fee will be paid by the Manager to the Operator for its services as operator and property manager.

### **3.4 The Operator**

The Operator is a Jupiter, Florida based private equity multi-residential real estate company. It is owned principally by Joe Lubeck and Elco Holdings Ltd. and employs a value oriented real estate investment philosophy. Mr. Lubeck has approximately 25 years of experience in the multi-residential real estate industry, recognizing undervalued multi-residential properties, acquiring such properties, enhancing value through refurbishment, repositioning and re-tenanting, and realizing value through individual asset or portfolio sales on behalf of both private and institutional investors. The Operator has co-invested with institutional investors such as Brookfield Asset Management, OPSEU Pension Trust, DeBartolo Holdings, Dezer Properties, Harel Group and Menora Mivtachim.

Since 1997, the Operator has generated an average annual net IRR of over 20% for equity investors through over 82 projects involving the acquisition, value-add renovation and subsequent disposition of multi-residential properties in the Fund's targeted region. In comparison to the Investment Restrictions of the Fund, other than four properties (or 5%) out of the 82 projects that had less than 100 units, all of these projects satisfied all of the Investment Restrictions of the Fund.

The Operator is currently responsible for operating approximately 18,000 units across the southeastern United States and employs a dedicated team of 21 corporate and over 400 operational employees, establishing it as an active market participant in the southeastern U.S. multi-residential property segment. The Operator enjoys economies of scale through its relative size to competitors and utilizes an integrated financial reporting process through a state of the art technology platform for leasing and management functions.

Since inception, the Operator has acquired 40,527 multi-residential units in 143 real estate transactions in the United States with a total value of over C\$2 billion. Through these transactions, the Operator has developed a track record of evaluating and closing acquisitions in a timely manner and without re-trade, establishing its reputation as a preferred counterparty in the market. The Operator's extensive relationships with brokers, managers and other market participants have resulted in a significant number of the acquisitions occurring on an "off-market" basis. It is preferred to acquire assets in this fashion as "off-market" opportunities are typically transacted at a discount to the current market pricing due to the lack of a competitive bidding process. The volume of investment opportunities available in this market segment in the U.S. is significantly greater than in Canada and its ownership far more fragmented between institutional and private investors, which provides for a greater volume of "off-market" acquisition and market pricing arbitrage opportunities.

### **3.5 Operating Agreement**

Pursuant to the Operating Agreement, the Operator will provide property management and operational services to the Manager in respect of the Properties. In particular, the services of the Operator will include sourcing assets that may satisfy the Investment Restrictions. Under the Operating Agreement, the Operator is required to act at all times on a basis which is fair and reasonable to the Fund, to act honestly and in good faith with a view to the best interests of the Fund and, in connection therewith, to exercise the degree of care, diligence and skill that a



reasonably prudent property manager would exercise in comparable circumstances. The initial term of the Operating Agreement is the Term of the Fund, but the Operating Agreement may be terminated in certain prescribed circumstances.

### **3.6 Landmark Apartment Trust of America**

On August 6, 2012, Apartment Trust of America (“ATA”) announced a recapitalization transaction that includes the contribution of a portfolio of 21 apartment communities by the Operator, valued at \$485 million and containing approximately 6,100 apartment units in exchange for \$187 million of partnership interests in ATA’s operating partnership, \$16 million in cash and the assumption of \$282 million in debt on the properties. Concurrently with the acquisition, ATA announced the issuance of \$1.5 million of common stock and \$50 million of preferred stock to OPSEU Pension Trust and DeBartolo Holdings. The proceeds of the offerings will be used to repay debt, fund additional property acquisitions and pay transaction costs.

At the completion of the transactions, ATA will own a total of 36 properties, containing approximately 10,000 multi-residential units, located in 17 markets across the southern United States. ATA is internally managed through the Operator’s property management operations.

Upon completion of the transaction, it is expected that ATA will be renamed Landmark Apartment Trust of America (“LAT”) and Joseph Lubeck, Chief Executive Officer of the Operator, will become the Executive Chairman.

ATA has indicated its intention to publicly list the entity on a well-recognized North American stock exchange within 18-24 months of completion of the transaction. LAT will be well positioned to acquire the Properties from the Fund, utilizing its considerable new capacity and scale in the multi-residential market in the southeastern U.S.

### **3.7 Rights of First Opportunity**

Pursuant to the Asset Management Agreement and the Operating Agreement, the Fund will have a right of first opportunity to acquire all assets identified by either Sponsor that meet the Investment Restrictions. If the Fund does not exercise its right with respect to an asset identified by the Operator, the Operator may invest in such asset on its own or with third parties.

In addition, the Manager shall not be permitted to invest directly, or through an affiliate, other than the Fund, in any asset that meets the Investment Restrictions, unless the Fund has insufficient capital to invest in such asset. For greater certainty, if an asset does not satisfy any one or more of the Investment Restrictions, the Manager shall be free to invest in such asset directly or through an affiliate other than the Fund.

LAT will have a right of first opportunity to acquire all assets of which the Manager, on behalf of the Fund, seeks to dispose, at a price no less than a value supported, to the Manager’s satisfaction, by an independent appraisal.

## **4. DESCRIPTION OF THE ACTIVITIES OF THE FUND**

The Fund will invest the net proceeds from the issuance of Class A Units, Class B Units and Class C Units in Holding GP Interests and possibly Holding GP Notes. Holding GP will invest the net proceeds from the issuance of such Holding GP Interests and, if any, Holding GP Notes, in Operating LP Units. U.S. Holding LP will use the net proceeds of the U.S. Private Placement to invest in Operating LP Units. Operating LP will use the net proceeds from the issuance of Operating LP Units to fund, directly or indirectly, the acquisition, ownership, renovation and leasing of the Properties. See “Investment Strategy”.

As a result, an investment in Units will be an indirect investment in the acquisition, ownership, renovation and leasing of the Properties. The Distributions and other returns on and of capital payable to Holding GP will ultimately form part of the Distributable Cash Flow and be available for distribution to Unitholders.

### **4.1 Activities of the Fund**

The Fund was established for the primary purpose of acquiring multi-residential real estate assets that are mispriced and/or undermanaged in the view of the Manager, and that are located in the southeastern United States, with the



goal of enhancing the value of the assets through active management and a stabilization and improvement program. The Fund intends to make quarterly cash distributions to Unitholders from Distributable Cash Flow, with the goal of ultimately disposing of the assets to generate significant gains.

The Term of the Fund will be four years, subject to a single one year extension at the discretion of the General Partner or subject to earlier termination as described below. The Term may be extended only by Special Resolution of the Unitholders. Notwithstanding the Term of the Fund outlined above, the Fund will be wound down and promptly terminated promptly following the sale of its final investment.

The Fund will have a two year Investment Period beginning on the date of Closing. After the end of the Investment Period, no further capital may be raised and the Fund will make no further investments, other than investments required to complete or support transactions committed to prior to the end of the Investment Period or reserved for follow-on investment. The Investment Period may only be extended by Special Resolution of the Unitholders.

If any proceeds are not invested at the expiry of the Investment Period, they will be promptly distributed to investors pursuant to the distribution provision.

The Fund does not have an operating history. To date, the Sponsors have not identified or entered into any agreements with respect to any Properties for investment by Operating LP. None of the Fund, Holding GP, U.S. Holding LP nor Operating LP have made any property acquisitions or dispositions to date. See “Risk Factors – Blind Pool Offering.”

#### **4.2 Business of Holding GP, U.S. Holding LP and Operating LP**

Holding GP has been established for the purposes of issuing Holding GP Interests and possibly Holding GP Notes and investing the net proceeds therefrom in Operating LP Units. U.S. Holding LP has been established for the purposes of issuing U.S. Holding LP Units and investing the net proceeds therefrom in Operating LP Units. Operating LP has been established for the purposes of acquiring, directly or indirectly, multi-residential real estate assets located in the southeastern United States, to enhance the value of such assets, and to ultimately dispose of the assets. See “Fund Structure – Intercorporate Relationships”.

#### **4.3 The Properties**

The Manager intends to invest the Net Subscription Proceeds in multi-residential real estate assets that are mispriced and/or undermanaged in the view of the Manager, and that are located in the southeastern United States.

The Fund will provide disclosure for each of the Properties acquired in its annual and quarterly financial statements and management’s discussion and analysis.

The Fund will also disclose (either through press releases or its management’s discussion and analysis), among other things, details on the location, size, age, parking, average lease terms, occupancy, relevant competition, purchase price and purchase date for each property acquired by Operating LP.

#### **4.4 Active Management of the Properties**

Following the acquisition of an asset, the Operator will promptly implement a professional active management strategy with the objective of stabilizing the asset and increasing operating revenue with minimal capital investment. The Operator benefits from economies of scale through 400 operational employees, 21 corporate employees, an integrated financial reporting process and a state of the art technology platform for leasing and management functions. Utilizing these resources and its professional management expertise and experience, the Operator plans to increase margins and maximize operational revenue by (i) improving the quality of the tenant, and tenant profitability, using enhanced credit verification and stronger disciplinary measures for problem tenants, including eviction, and (ii) improving the operations, customer service and cleanliness of a property, thereby enhancing tenant loyalty, increasing margins and maximizing operational revenue.

#### **4.5 Renovation and Repositioning Program**

In conjunction with the stabilization of an acquired asset, the Operator will begin a value-add renovation and repositioning program to allow for the repositioning of the asset within the marketplace, with the objective of increasing monthly rents and potentially generating a significant gain upon the divestiture of the asset. The Operator will make structural and cosmetic renovations to the building's common areas and apartment suites, as well as improvements to the building's energy systems.

The enhanced cosmetic appeal of the building is designed to allow for the repositioning of the building into a higher market for the purpose of reducing vacancy rates, while energy system upgrades, such as low-flow water technologies and high efficiency lighting and air conditioning, will result in a decrease in energy consumption and improved operating margins.

#### **4.6 Disposition of Properties**

The Fund's exit strategy will be to seek to exit an investment promptly upon completion of the renovation and repositioning program in order to maximize returns for investors. Pursuant to its right of first opportunity, LAT, an affiliate of the Operator, will be permitted to enter negotiations with the Manager for the acquisition of any repositioned asset before it is offered to other buyers. Although assets repositioned through the Fund's value-add program will be ideally suited as acquisition targets for LAT, the Investment Committee of the Manager will seek the highest value obtainable for each of the Fund's repositioned assets utilizing its own real estate investment expertise as well as independent appraisals of the property value. The Fund believes that other suitable purchasers of the assets include public U.S. real estate investment trusts and pension funds with lower costs of capital.

#### **4.7 Operating Policies**

The Manager shall apply the following operating policies in managing the Fund:

- (a) the Fund shall not incur any debt in respect of an asset that would result in such asset having, upon the incurrence of such debt, a loan to value ratio in excess of 75%;
- (b) the Fund shall directly or indirectly 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 Board considers appropriate, taking into account all relevant factors including the practice of owners of comparable properties; and
- (c) 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 have conducted such further environmental site assessments, in each case by an independent and experienced environmental consultant; as a condition to any acquisition such assessments shall be satisfactory to the Manager.

For the purpose of the foregoing, any references in the foregoing policies to investment in real property will be deemed to include an investment in a joint venture arrangement that invests in real property.

#### **4.8 Operating Expenses of the Fund**

The Fund will pay for all 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 Sponsors or their agents and paid to third parties in connection with their on-going obligations to the Fund; fees payable to the auditors, legal advisors, appraisers and other professional advisers, as required, of the Fund; regulatory filing fees, administrative expenses and costs incurred in connection with the public filing requirements of the Fund and investor relations, costs and expenses arising as a result of complying with all applicable laws, due diligence costs,

regulations and policies, extraordinary expenses the Fund may incur and any expenditures incurred upon the termination of the Fund.

In addition, because the Fund is indirectly owning and operating physical real estate assets, the Fund will be indirectly responsible for the payment of ordinary course operating expenses which are customary for real estate related entities. Pursuant to the terms of the Asset Management Agreement, the Fund shall also bear the cost of building management personnel engaged by the Manager and/or the Operator for the purposes of management of the Properties. The Manager will bear all costs and expenses incurred by the Manager in connection with any other salaries, employee expenses, corporate office rent and equipment, and other expenses customarily considered to be overhead expenses.

#### **4.9 Future Funds**

After the earlier of (i) 90% of the Threshold Capital having been deployed or reserved for deployment to acquire one or more Properties, (ii) the expiry of the Investment Period, and (iii) the Fund having failed to raise a minimum of C\$100,000,000 of aggregate gross proceeds from the Offering and any subsequent offerings within one year of the Closing Date, the Manager (or its affiliates) may commence raising capital for any one or more Future Funds, provided that in the case of (i), no closing of an offering for a Future Fund shall take place until 100% of the Threshold Capital has been deployed or reserved for deployment to acquire one or more Properties. In the event that any Future Fund is raised, the Manager and the Operator shall continue to devote as much time as is necessary to fulfill their obligations to the Fund.

#### **5. USE OF PROCEEDS**

The Fund intends to spend the funds available to it as stated in this Prospectus in the indirect investment in Properties. There may be circumstances, however, where, for sound business reasons, a reallocation of funds may be necessary.

The Investment Period is a two-year period beginning on the date of Closing. After the end of the Investment Period, no further capital may be raised and the Fund will make no further investments, other than investments required to complete or support transactions committed to prior to the end of the Investment Period or reserved for follow-on investment. The Investment Period may only be extended by Special Resolution of the Unitholders.

If any proceeds are not invested at the expiry of the Investment Period, they will be promptly distributed to investors.

The actual timing of the acquisition of Properties will depend upon, among other things, the identification of Properties meeting the Investment Restrictions. Pending the acquisition of Properties during the Investment Period, the Net Subscription Proceeds and other funds not fully invested in the Properties from time to time will be held in cash (or cash equivalents) or exempt securities.

The following table shows the intended use of the gross proceeds from the Offering, the Private Placements and from the Mortgage Loans by Operating LP assuming the Maximum Offering is completed.

Sources of Funds	Assuming Minimum Offering	Assuming Maximum Offering
Proceeds from issuance of Class A Units and Class B Units	C\$25,000,000	C\$75,000,000
Proceeds from Private Placements <sup>(1)</sup>	C\$10,000,000	C\$20,000,000
Mortgage Loans and operating line of credit <sup>(2)</sup>	C\$65,000,000	C\$176,430,000
<b>Total Sources of Funds:</b>	<b>C\$100,000,000</b>	<b>C\$271,430,000</b>
Uses of Funds		
Agents' Fee <sup>(3)</sup>	C\$1,187,500	C\$3,312,500
Additional fees <sup>(4)</sup>	C\$50,000	C\$100,000
Expenses of this Offering and the Private Placements (legal, accounting and audit, tax advice, printing, travel, securities filings)	C\$525,000	C\$900,000
Purchase price of the Properties <sup>(5)</sup>	C\$77,197,500	C\$209,927,500
Estimated closing costs for purchase of Properties (including Acquisition Fees, transfer fees, legal, due diligence and financing costs) <sup>(6)</sup>	C\$4,890,000	C\$13,290,000
Estimated costs, including a reserve, for renovation and repositioning of Properties <sup>(7)</sup>	C\$15,650,000	C\$42,540,000
Creation of reasonable working capital reserves for the Properties <sup>(8)</sup>	C\$500,000	C\$1,360,000
<b>Total Use of Funds:</b>	<b>C\$100,000,000</b>	<b>C\$271,430,000</b>

Notes:

- (1) The Private Placement amounts are illustrative only.
- (2) The Manager intends to finance a part of the purchase price and the subsequent improvement program of the Properties by way of Mortgage Loans and an operating line of credit from third party Lenders. The amounts and Lenders of such Mortgage Loans have not yet been identified and the amount shown in the table above on account of Mortgage Loans is an estimate only. The table above includes Mortgage Loans and an operating line of credit such that it equates to approximately 65% of the total sources of funds.
- (3) Agents' Fees have been calculated based on an estimated Minimum Offering split of C\$20,000,000 Class A Units and C\$5,000,000 Class B Units and a Maximum Offering split of C\$50,000,000 Class A Units and C\$25,000,000 Class B Units.
- (4) Additional fees include a work fee of 0.5% on the gross proceeds raised under the Private Placements.
- (5) No specific properties have been identified by the Fund and the purchase price of Properties shown is an estimate only, and may not be the actual aggregate price payable pursuant to the agreements of purchase and sale to be made between Operating LP and vendors.
- (6) The amount incurred in respect of the purchase of Properties by Operating LP will include, without limitation, all due diligence inspections and reviews, including environmental reviews, of the Properties, third party consultant's fees, closing adjustments, legal and accounting fees, Acquisition Fees, acquisition fees paid to third party mortgage Lenders, insurers and brokers, other closing costs and transfer fees and taxes. The table above includes an estimated cost of approximately 6% of the purchase price of the Properties.
- (7) The estimated costs, including a reserve, for renovation and repositioning of the Properties to ensure sufficient funds are available to facilitate the improvement program. The table above includes an estimated amount of approximately 20% of the purchase price of the Properties.
- (8) The Manager will establish working capital reserves for Operating LP, to help ensure sufficient funds are on hand from time to time to pay anticipated and unanticipated operating and capital expenses of the Properties. The table above includes an estimated reserve of approximately 1.5% of Net Subscription Proceeds, less expenses of the Offering.

The proceeds will also be used from time to time by the Manager to make refundable and non-refundable deposits on account of the purchase price of Properties, to pay mortgage application fees and to pay property due diligence and inspection costs. These payments and costs will include amounts paid to arm's length third parties and all out-of-pocket costs incurred by the Sponsors in the conduct of property inspection and due diligence. Some Properties in respect of which non-refundable deposits, mortgage application fees and property due diligence and inspection

costs are paid may not be acquired by Operating LP, resulting in a possible loss of such deposits, fees and/or costs. See “Risk Factors”.

In determining what would constitute “reasonable reserves” for renovation and repositioning, and “reasonable working capital reserves” for such Properties, the Sponsors will review a comprehensive third party due diligence report that will be produced for each Property. The amount of a renovation and repositioning reserve for a given Property will be assessed by the Sponsors having regard to, among other things, the Property’s age, general state of repair, and an assessment of whether anticipated revenues would be sufficient to cover all or a portion of the repairs or upgrades identified as reasonably necessary through the due diligence process.

The Manager proposes to pursue the business objectives set forth above in accordance with the following schedule:

Milestone	Target Date for Completion	Estimated Costs		
			Assuming Minimum Offering	Assuming Maximum Offering
Document and Complete Purchase of Properties	October 18, 2014	Purchase Price	C\$77,197,500	C\$209,927,500
		Acquisition Fees, Due diligence, documentation and financing costs, brokerage fees <sup>(1)</sup>	C\$4,890,000	C\$13,290,000
		Estimated costs, including a reserve, for renovation and repositioning program <sup>(2)</sup>	C\$15,650,000	C\$42,540,000
		<b>Subtotal</b>	<b>C\$97,737,500</b>	<b>C\$265,757,500</b>

Notes:

(1) Includes all estimated closing costs for purchase of Properties (including Acquisition Fees, transfer fees, legal, due diligence and financing costs).

(2) The estimated costs, including a reserve, is based on approximately 20% of the Purchase Price, however, for any given Property, the Manager could allocate a larger or smaller amount to the renovation and repositioning program.

## 6. SELECTED FINANCIAL INFORMATION

The audited financial statements of the Fund as of August 30, 2012 are included in this Prospectus. The Fund was only recently formed and capitalized with nominal capital. As the Fund has not carried on any business to date, it has no material assets, or cash flow from financing or from operations.

## 7. DESCRIPTION OF THE SECURITIES DISTRIBUTED

The Fund is offering a minimum of C\$25,000,000 and a maximum of C\$75,000,000 of Class A Units and/or Class B Units, at a purchase price of C\$10.00 per Class A Unit or Class B Unit.

### 7.1 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 General Partner.**

Capitalized terms in this summary which are not defined in this Prospectus are defined in the Fund LP Agreement.

## **Units**

The Class B Units are designed for fee-based institutional investor accounts and high net worth individuals and differ from the Class A Units in the following ways: (i) the minimum commitment by an investor for Class B Units is C\$5,000,000; (ii) the Agents' fees payable on the issuance of the Class B Units are lower than those payable on the issuance of the Class A Units; and (iii) there is no Service Fee payable in respect of the Class B Units.

The Class C Units will be offered by private placement contemporaneously with the Offering, and are designed to be purchased by Timbercreek and certain institutional, high net worth and other investors and differ from the Brokered Units in the following ways: (i) they are not offered pursuant to the Offering; (ii) the costs associated with the private placement of the Class C Units are lower than the costs associated with the public offering of the Brokered Units; and (iii) there is no Service Fee payable in respect of the Class C Units.

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, subject to (i) the proportionate entitlement of the holders of Class A Units, Class B Units and Class C Units to participate in distributions made by the Fund and to receive proceeds upon termination of the Fund, based on the Proportionate Class A Interest, Proportionate Class B Interest and Proportionate Class C Interest, respectively, and (ii) the reduction of distributions made by the Fund in respect of a particular class of Units by an amount equal to the Unit Class Expenses allocable to such class.

On termination or liquidation of the Fund, the Unitholders of record are entitled to receive on a proportionate basis based on the Proportionate Class A Interest, Proportionate Class B Interest and Proportionate Class C Interest, respectively, all of the assets of the Fund remaining after payment of or provisions made for all debts, liabilities and liquidation expenses of the Fund.

## **Distributions**

The Fund will distribute to its Unitholders its Distributable Cash Flow for each Distribution Period in which such amounts are realized, based on distributions received in accordance with the following paragraph. The Fund intends to declare quarterly cash distributions on March 31, June 30, September 30 and December 31 in a given year with the first of these distributions to be made upon the earlier of (i) the end of the fiscal quarter in which the Investable Funds are substantially invested and (ii) March 31, 2013. In addition, the Fund will distribute any uninvested offering proceeds following the expiry of the Investment Period and may otherwise make a distribution at any time and in such amount, as determined appropriate by the General Partner in its sole discretion, all in accordance with the following paragraph.

Distributions will be made by Operating LP indirectly to Unitholders and U.S. Unitholders in the following order of priority:

1. First, 100% to the holders of Operating LP Units (*pro rata*), until they have received cumulative distributions equal to their aggregate contributed capital;
2. Second, 100% to the holders of Operating LP Units (*pro rata*) until they have been paid a 8% annual preferred return on all amounts contributed by them;
3. Third, 75% to the holders of Operating LP Units (*pro rata*) and 25% to the Manager and the Operator (each as to 50% of such amount) for any distributions until the holders of Operating LP Units have been paid a cumulative 14% annual preferred return on all amounts contributed by them; and
4. Thereafter, 65% to the holders of Operating LP Units (*pro rata*) and 35% to the Manager and the Operator (each as to 50% of such amount).

The applicable preferred return thresholds shall be calculated on a pre-tax basis and in U.S. dollars. Distributions generally will be paid within 15 days following the end of the quarter in which the distribution is declared.

The foregoing distributions to the Manager and the Operator shall be known as the Carried Interest, and shall be paid by Operating LP to the Manager as a fee pursuant to the terms of the Asset Management Agreement and to the Operator as a distribution on the Operating LP Class B Units held by the Operator.



All distributions shall be paid by the Fund only to Unitholders as of the particular record date specified for such distribution.

The Fund will, indirectly through Holding GP, own all of the issued and outstanding Operating LP Units other than Operating LP Units held by U.S. Holding LP. Holding GP, as a limited partner of Operating LP, will be entitled to receive distributions from Operating LP in accordance with the Operating LP Agreement.

Holding GP will elect to be classified as a corporation for U.S. federal income tax purposes. Accordingly, Holding GP will be subject to applicable U.S. income and withholding taxes. Holding GP 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 Unitholders, based on the proportionate interest of the Class A Units, Class B Units and Class C units, as described below. A taxable Canadian resident Unitholder generally will be entitled to a credit in respect of the U.S. taxes paid by Holding GP 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”.

Distributions on the Units, including any returns of capital and the distribution of proceeds on the termination of the Fund, will be determined and declared in Canadian dollars. The revenues and expenses of the Properties will be denominated in U.S. dollars and distributions will be made to the Fund in U.S. dollars. The Fund will convert such distribution amounts received into Canadian dollars prior to distribution to Unitholders. As a consequence, distributions of the Fund may be affected by fluctuations in the Canadian/U.S. dollar exchange rate.

**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 Units and therefore holders of Units will have full exposure to changes in the exchange rate between the Canadian and U.S. dollar. See “Risk Factors”.**

Distributions paid by the Fund will be distributed as follows:

1. first, to the General Partner, 0.01% of the Fund’s Distributable Cash Flow; and
2. as to the balance, to the Unitholders based on the proportionate interest of each class of Units (as described below) and within each class pro rata based on the number of Units held.

**The amount of the distributions payable in respect of each class of Units will differ based on the proportionate interest attributable to each class, determined as follows:**

- (a) Distributions per Class A Unit will be equal to the Distributable Cash Flow multiplied by the Proportionate Class A Interest divided by the total number of outstanding Class A Units;
- (b) Distributions per Class B Unit will be equal to the Distributable Cash Flow multiplied by the Proportionate Class B Interest divided by the total number of outstanding Class B Units;
- (c) Distributions per Class C Unit will be equal to the Distributable Cash Flow multiplied by the Proportionate Class C Interest divided by the total number of outstanding Class C Units, and

in each case adjusted to reflect the Unit Class Expenses allocable to each respective class. In particular, distributions on the Class A Units shall be reduced by the Service Fee.

The ability of the Fund to make cash distributions and the actual amount distributed will depend on the ability of the Fund to indirectly acquire the Properties and the renovation and repositioning program and the ongoing operations of the Properties, and will be subject to various factors including those referenced in the “Risk Factors” section of this Prospectus. Distributions from Operating LP are 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 Taxable Income 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:

1. first, to the General Partner, 0.01% of the Net Income and Taxable Income of the Fund; and
2. 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 received by the Unitholder in respect of the fiscal year and the denominator of which is the total distributions made by the Fund in respect of the fiscal year.

Where no distributions were paid by the Fund in respect of a fiscal year, the Net Income and Taxable Income of the Fund in respect of that fiscal year shall be allocated among the General Partner and the Unitholders on the following basis:

1. first, to the General Partner, 0.01% of the Net Income and Taxable Income of the Fund; and
2. as to the balance, to the Unitholders who were holders of Units 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.

Net Loss and Taxable Loss of the Fund shall be allocated among Unitholders that were Unitholders at the end of each month ending in such fiscal year, such portion of the Net Loss and Taxable Loss 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, taxable income, net loss and taxable loss 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 revenue and expenses on a basis which ensures a fair distribution among Unitholders after taking into consider 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 the liabilities of the Fund and to establish reserves for the contingent liabilities of the Fund; and
- (b) to Unitholders on a proportionate basis based upon the Proportionate Class A Interest, Proportionate Class B Interest, and Proportionate Class C Interest, respectively, and within each class *pro rata* based upon the number of Units held.

#### ***Restrictions on Transfer***

Unitholders and U.S. Unitholders may not sell, transfer or assign their Units or U.S. Holding LP Units, respectively, without the prior written consent of the Manager (not to be unreasonably withheld), unless any such sale, transfer or other disposition is to one of their wholly-owned affiliates that shall remain wholly-owned by the Unitholder or U.S. Unitholder, as the case may be, for the term of the Fund LP Agreement. Notwithstanding the foregoing, the Manager shall have the absolute discretion to waive such restriction on transfer at any time. All sales, transfers or assignments of Units or U.S. Holding LP Units must be made in compliance with applicable laws in Canada and the U.S. See "Risk Factors."

#### ***Meetings of Unitholders and Resolutions***

The Board 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 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 Board 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 Board upon written request of the 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 three or more Unitholders or any class of Unitholders present in person or by proxy and representing not less than 30% 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 another day, not less than 10 days later, selected by the Board and notice will be given to the Unitholders of such adjourned 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 B Units and Class C Units voting together as a single class. Notwithstanding the foregoing, if the Board 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 the policies of the securities regulatory authorities or other applicable laws and regulations 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 Board considers appropriate to present to the Unitholders for their confirmation or approval.

For the purposes of the foregoing, the Manager, as a Unitholder, shall not vote on any resolution or matter that would require a majority of the minority under Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*.

Each of the following actions 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) the amendment of the Fund LP Agreement (except as provided under “Amendments to the Fund LP Agreement” below) or changes to the Fund, including changes to the Investment Restrictions;
- (b) the incurrence of any debt by the Fund that would result in the Fund’s consolidated assets having, upon the incurrence of such debt, a loan to value ratio in excess of 70%;
- (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 or of the Investment Period;
- (e) any change to the General Partner;
- (f) any issue of Units at a price per Unit of less than the adjusted aggregate appraised value of the Fund’s assets, as computed using the most recent Asset Valuation, plus estimated offering expenses, determined on a per Unit basis; and

- (g) 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 Board, except with the prior written consent of the Board.

#### ***Amendments to the Fund LP Agreement***

The Board 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 Board, additional protection for the Unitholders or to obtain, preserve or clarify the provision of desirable tax treatment to Unitholders;
- (c) make amendments which, in the opinion of the Board, 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) to remove conflicts or inconsistencies between the disclosure in the Prospectus and the Fund LP Agreement that in the opinion of the Board, based on the advice of counsel, are necessary or desirable in order to make the Fund LP Agreement consistent with the Final 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 or investment fund industries 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, for greater certainty, includes an amalgamation, arrangement or merger of the Fund and its affiliates with any entities provided that in the opinion of the Board, 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 Board upon not less than 30 days' prior written notice to Unitholders. Any such amendment of the Fund LP Agreement will be described in the Fund's next quarterly management's discussion and analysis.

#### ***Termination of the Fund LP Agreement***

The Term of the Fund will be four years, subject to a single one year extension at the discretion of the General Partner or subject to earlier termination, as described below. The Term may be further extended only by Special Resolution of the Unitholders.

Notwithstanding the Term of the Fund outlined above, the Fund will be dissolved and terminated promptly following the sale of its final investment.

### ***Information and Reports***

The Fund will file financial statements (including quarterly and annual financial statements) and other reports in accordance with National Instrument 51-102 – *Continuous Disclosure Obligations*. In addition, on or before March 31 in 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 an investment in Units in the Unitholder’s annual Canadian income tax return.

To the extent that the Fund makes a “significant acquisition” under the applicable provisions of National Instrument 51-102 – *Continuous Disclosure Obligations*, the Fund will file a BAR pursuant thereto. For the purposes of the significance tests required under the BAR rules, the consolidated assets of the Fund will include the cash and cash equivalents on hand at the time the Fund agrees to enter into the applicable acquisition.

The Fund will obtain or update Asset Valuations on a semi-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. The adjustments will take into account, among other things, the accrued Carried Interest owing to the Manager and the Operator and accrued taxes payable by the Fund or its subsidiaries, in each case assuming a disposition of the Fund’s Properties at appraised value and a distribution of such proceeds (after taxes) to Unitholders.

Investors are cautioned that this information does not reflect the value that a Unitholder may ultimately receive from the Fund and, furthermore, Unitholders have no redemption or liquidity rights with respect to the Units. See “Risk Factors”.

### ***Powers and Responsibilities of the General Partner***

The General Partner has exclusive authority to manage the operations and affairs of the Fund and to make all decisions regarding the business of the Fund, and has authority 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 without limitation:

- (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 invested in Holding GP Interests and, if desired by the General Partner in its sole discretion, Holding GP Notes net of any expenses incurred by the Fund;
- (c) borrowing money as necessary to pay distributions to Unitholders, and encumbering Fund Property in respect thereof;
- (d) paying properly incurred expenses out of Fund Property;
- (e) depositing moneys from time to time forming part of the Fund Property in accounts;
- (f) possessing and exercising rights, powers and privileges pertaining to ownership of or interest in Fund Property;
- (g) holding legal title to Fund Property;
- (h) reinvesting income and gains of the Fund and taking other actions besides the mere protection and preservation of the Fund Property;
- (i) ensuring compliance with applicable securities legislation;
- (j) preparing and filing or causing to be prepared and filed all requisite returns, reports and filings;
- (k) providing all requisite office accommodation and associated facilities;

- (l) 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;
- (m) prescribing any instrument provided for or contemplated by the Fund LP Agreement;
- (n) remitting distributions to Unitholders;
- (o) appointing the auditors of and registrar and transfer agent for the Fund; and
- (p) except as prohibited by law, delegating from time to time to the Fund's employees, consultants, agents and other persons including, without limitation, the Manager, the doing of such things and the exercise of such powers as the Board 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 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 Asset Management Agreement, the Manager will be responsible for providing management and administration services to the Fund and will fulfil the responsibilities listed above, subject to the oversight of the General Partner.

The Fund LP Agreement provides that the Directors and executive officers of the General Partner (and the directors and officers of any affiliated entity) will be indemnified out of the Fund Property in respect of any civil, criminal or administrative action or proceeding to which such person is made a party by reason of being or having been a Director or officer of the General Partner or director or officer of such affiliated entity, and/or in respect of any and all taxes, penalties or interest in respect of unpaid taxes or other governmental charges imposed upon such parties as a result of the exercise of his or her powers or duties under the Fund LP Agreement. However, any such party will not be indemnified in respect of unpaid taxes or other governmental charges 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 Board shall have the authority to retain external legal counsel, consultants or other advisors to assist it in negotiating and completing such transaction without consulting or obtaining the approval of any officer of the Fund.

## **7.2 Holding GP**

The rights and obligations of Holding GP and the parties holding Holding GP Interests will be governed by the Holding GP Agreement. The following is a summary of certain material provisions of the Holding GP Agreement. This summary does not purport to be complete and reference should be made to the Holding GP Agreement itself, a copy of which will be available from the General Partner.

### ***Capital in Holding GP***

The capital of Holding GP will consist of the general partner interests held by Holding GPCo and the Fund as general partners.

### ***Allocation of Net Income and Net Losses***

Net income and net losses of Holding GP will be allocated (except for U.S. federal income tax purposes) among Holding GPCo and the Fund on the following basis:

- (a) 0.01% of net income or net losses will be allocated to Holding GPCo; and
- (b) the balance of net income or net losses will be allocated to the Fund.

### ***Cash Flow Distributions***

To the extent cash flow permits, Holding GP will pay and distribute an amount equal to all cash flow from its investment in Operating LP Units in that year after payment of, or otherwise providing for, all current obligations of Holding GP including accrued and unpaid interest on the Holding GP Notes, if any, and applicable U.S. taxes (including retaining sufficient reserves in respect thereof). In general, cash flow will be distributed on a quarterly basis as follows:

- (a) 0.01% to Holding GPCo; and
- (b) 99.99% to the Fund.

### ***Distributions upon Wind-up, etc.***

Upon the liquidation, dissolution or wind-up of Holding GP, the assets of Holding GP will be liquidated and the proceeds thereof will be distributed as follows:

- (a) first, to pay all expenses incurred in the winding-up of Holding GP;
- (b) second, to pay all of the liabilities of Holding GP, including the Holding GP Notes, if any and any other loans or advances made by the general partners and any amounts owing to Holding GPCo in respect of costs and expenses owing to it;
- (c) third, to establish such reserves as Holding GPCo considers reasonably necessary, including for greater certainty, sufficient reserves in respect of applicable U.S. taxes; and
- (d) fourth, the balance to Holding GPCo as to 0.01% and the Fund as to 99.99%.

### ***Additional Capital Contributions***

No general partner of Holding GP will be required to make additional capital contributions to Holding GP over and above the purchase price paid for such partner's interests.

### ***Management of Holding GP***

Holding GPCo shall have continuing exclusive authority over the management of Holding GP, the conduct of its affairs, and the management and disposition of the property of Holding GP, except for certain limited matters being subject to the exclusive authority of the Fund.

### ***Voting***

The Holding GP Agreement does not contemplate votes by its partners. The respective rights and obligations of Holding GPCo and the Fund, as the general partners of Holding GP, are set out in the Holding GP Agreement.

### **7.3 U.S. Holding LP**

The rights and obligations of U.S. Holding LP and the parties holding U.S. Holding LP Units will be governed by the U.S. Holding LP Agreement. The following is a summary of certain material provisions of the U.S. Holding LP Agreement. This summary does not purport to be complete and reference should be made to the U.S. Holding LP Agreement itself, a copy of which will be available from the General Partner. **Capitalized terms in this summary which are not defined in this Prospectus are defined in the U.S. Holding LP Agreement.**

### ***Capital in U.S. Holding LP***

The capital of U.S. Holding LP will consist of an unlimited number of class A units, class B units and class C units of U.S. Holding LP, plus the interest held by U.S. Holding GPCo as general partner.

### ***Allocation of Income and Losses***

Income and gains for accounting and tax purposes will be allocated in accordance with the terms of the U.S. Holding LP Agreement.

U.S. Holding GPCo, in its reasonable discretion and from time to time, may modify the manner in which net income, taxable income, net loss and taxable loss are allocated to or among the U.S. Unitholders in order that in the reasonable judgment of U.S. Holding GPCo, and in its sole discretion, such allocations will reasonably reflect the purposes of the U.S. Holding LP Agreement and the intention of the parties. U.S. Holding GPCo shall have the discretion, but not the obligation, acting in good faith, to allocate revenue and expenses on a basis which ensures a fair distribution among U.S. Unitholders after taking into consideration any matters that may be relevant.

### ***Cash Flow Distributions***

To the extent cash flow permits, U.S. Holding LP will pay and distribute an amount equal to all cash flow from its investment in Operating LP Units in that year after payment of all current obligations of U.S. Holding LP. In general, cash flow will be distributed on a quarterly basis as follows:

- (a) 0.01% to U.S. Holding GPCo; and
- (b) as to the balance, to the U.S. Unitholders based on the proportionate interest of each class of U.S. Holding LP Units and within each class *pro rata* based on the number of U.S. Holding LP Units held.

All distributions shall be paid by U.S. Holding LP to U.S. Unitholders as of the particular record date specified for such distribution.

#### ***Distributions on Termination of U.S. Holding LP***

On the termination of U.S. Holding LP, to occur at the expiry of the Term or upon the disposition of U.S. Holding LP's final asset, the proceeds shall be distributed in the following order:

- (a) to pay the liabilities of U.S. Holding LP and to establish reserves for the contingent liabilities of U.S. Holding LP; and
- (b) to U.S. Unitholders on a proportionate basis based on the proportionate interest of each class of U.S. Holding LP Units, and within each class pro rata based upon the number of U.S. Holding LP Units held.

#### ***Management of U.S. Holding LP***

U.S. Holding GPCo shall have continuing exclusive authority over the management of U.S. Holding LP, the conduct of its affairs, and the management and disposition of the property of U.S. Holding LP.

#### ***Voting***

U.S. Holding LP Units will be non-voting.

### **7.4 Operating LP**

The rights and obligations of Operating LP and the parties holding Operating LP Units will be governed by the Operating LP Agreement. The following is a summary of certain material provisions of the Operating LP Agreement. This summary does not purport to be complete and reference should be made to the Operating LP Agreement itself, a copy of which will be available from the General Partner. **Capitalized terms in this summary which are not defined in this Prospectus are defined in the Operating LP Agreement.**

#### ***Capital in Operating LP***

The capital of Operating LP will consist of an unlimited number of Operating LP Units and 100 Operating LP Class B Units, plus the interest held by Operating GPCo as general partner.

The Fund (indirectly through Holding GP) and U.S. Holding LP will use the net proceeds raised from the Offering and the Private Placements, as the case may be, to subscribe for Operating LP Units. The relative number of Operating LP Units held by the Fund (indirectly through Holding GP), on the one hand, and U.S. Holding LP, on the other hand (and, as a result, their relative entitlement to receive distributions from Operating LP) will accordingly be based on the relative amount of net proceeds received by each of the Fund and U.S. Holding LP from the Offering and the Private Placements, as the case may be.

The entitlement of a holder of Operating LP Units to receive distributions from Operating LP and the allocation of Net Income and Taxable Income (or Net Losses and Taxable Losses) to such holder (each as set out below) shall initially be determined without regard to any Unit Class Expenses incurred by Operating LP. The amount of distributions otherwise determined to be payable to Holding GP shall be reduced by any Unit Class Expenses incurred by Operating LP that are attributable to the Class A Units, Class B Units or Class C Units and the amount of distributions otherwise determined to be payable to U.S. Holding LP shall be reduced by any Unit Class Expenses incurred by Operating LP that are attributable to the U.S. Holding LP Units. In addition, to the extent that the Unit Class Expenses incurred by Operating LP are deductible for tax purposes, the amount of Net Income and Taxable Income allocated to such holder shall be similarly reduced.

The Operator will hold the Operating LP Class B Units, through which the Operator will be entitled to received its 50% portion of the Carried Interest.

### ***Cash Flow Distributions***

To the extent cash flow permits, Operating LP will pay and distribute an amount equal to 95% of free cash flow from operations, plus 100% of the net proceeds from the disposition of Properties, after paying or making provision for all expenses, liabilities and contingencies, including the Asset Management Fee and the Carried Interest (including distributions on the Operating LP Class B Units) and all current principal and interest payments under the Mortgage Loans. In general, distributions will be paid on a quarterly basis as follows:

- (a) 0.01% to Operating GPCo; and
- (b) the balance to Holding GP and U.S. Holding LP, as holders of Operating LP Units, *pro rata* based on the number of units held.

### ***Allocation of Net Income and Taxable Income or Net Losses and Taxable Losses***

Income and gains for accounting and tax purposes will be allocated in a manner which is consistent with how income and gains are, or will be, distributed by Operating LP, subject to adjustments necessary to meet the U.S. federal income tax standards.

### ***Distributions upon Wind-up, etc.***

Upon the liquidation, dissolution or wind-up of Operating LP, the assets of Operating LP will be liquidated and the proceeds thereof will be distributed as follows:

- (a) in the event that dissolution occurs upon the sale of the last of the Properties owned by Operating LP, to pay any costs involved in the sale and to pay all amounts required to discharge any mortgages or encumbrances registered against the assets;
- (b) first, to pay all expenses incurred in the winding-up of Operating LP;
- (c) second, to pay all of the liabilities of Operating LP, including any amounts owing to Operating GPCo in respect of costs and expenses owing to it;
- (d) third, to establish such reserves as Operating GPCo considers reasonably necessary;
- (e) fourth, in a manner consistent with the distribution of cash, including the payment of the Carried Interest to the Manager, in accordance with the terms of the Operating LP Agreement.

### ***Additional Capital Contributions***

No limited partner is required to make additional capital contributions to Operating LP over and above the purchase price paid for such limited partner's Operating LP Units.

### ***Management of Operating LP***

Under the terms of the Operating LP Agreement, Operating GPCo is given full power and authority to manage, control, administer and operate the business of Operating LP, except for certain matters being subject to votes of the limited partners. No limited partner is permitted to take part in the management of the business of Operating LP. Operating GPCo has unlimited liability for the debts, liabilities and obligations of Operating LP. A limited partner will not be liable for any debts, liabilities or obligations of Operating LP in excess of such limited partner's paid capital contributions and any unpaid capital contributions agreed to be paid in respect of such limited partner's Operating LP Units, provided such limited partner does not take part in the control or management of the business of Operating LP. The Fund, U.S. Holding LP, Holding GP and Operating LP have entered into the Asset Management Agreement with the Manager to provide for the management of Operating LP.

## 8. CAPITALIZATION

### 8.1 Existing and Proposed Capitalization

The following table summarizes information about the outstanding securities of the Fund:

Description of security	Number authorized to be issued	Number outstanding and carrying value as at September 28, 2012	Number outstanding and carrying value after Offering	
			(Assuming Minimum Offering)	(Assuming Maximum Offering)
Class A Units and Class B Units	unlimited	Nil	C\$25,000,000 <sup>(1)(3)(4)</sup>	C\$75,000,000 <sup>(2)(3)(4)</sup>
Class C Units	unlimited	1 (C\$10)	C\$10,000,000 <sup>(1)(4)</sup>	C\$20,000,000 <sup>(1)(4)</sup>

Note:

- (1) Gross proceeds before issuance costs. Assuming that the Minimum Offering of C\$25,000,000 of Class A Units and/or Class B Units are sold pursuant to this Offering, the issuance costs, which include the expenses of the offering, Agents' Fees and additional fees, for the Offering and the Private Placements are expected to be C\$1,762,500.
- (2) Gross proceeds before issuance costs. Assuming that the Maximum Offering of C\$75,000,000 of Class A Units and/or Class B Units are sold pursuant to this Offering, the issuance costs, which include the expenses of the offering, Agents' Fees and additional fees, for the Offering and the Private Placements are expected to be C\$4,312,500.
- (3) Agents' Fees have been calculated based on an estimated Minimum Offering split of C\$20,000,000 Class A Units and C\$5,000,000 Class B Units and a Maximum Offering split of C\$50,000,000 Class A Units and C\$25,000,000 Class B Units.
- (4) The number of Class A Units and Class B Units outstanding after the Offering will be the number of Class A Units and Class B Units purchased which equal 2,500,000 in the case of the Minimum Offering and 7,500,000 in the case of the Maximum Offering
- (5) The Private Placement amounts are illustrative only.

### 8.2 Subsequent Offerings

During the Investment Period, the Fund may complete one or more subsequent offerings of Units. Subsequent offerings will be targeted to close within 30 days of the completion of an Asset Valuation and the pricing of Units (determined on a per Unit basis) will be equal to the adjusted aggregate appraised value of the Fund's assets, as computed using the most recent Asset Valuation, plus estimated offering expenses of the subsequent offering and a proportionate share of the Unamortized IPO Expenses.

If a subsequent offering is completed more than 30 days following the completion of the most recent Asset Valuation, a new or updated Asset Valuation will be conducted for the purposes of the pricing of such offering.

### 8.3 Long-Term Debt

The Fund will target a 65% loan to value ratio on a consolidated basis, but shall in any event not incur any debt that would result in the Fund's consolidated assets having, upon the incurrence of such debt, a loan to value ratio in excess of 70%. For any individual asset, the Fund shall not incur any debt that would result in the asset having, upon the incurrence of such debt, a loan to value ratio in excess of 75%. The Fund's mortgage debt shall be limited to recourse to the specific property.

Neither the Fund nor Holding GP has had any earnings to date, and neither currently has any outstanding long-term debt. Operating LP has not had any earnings to date, and currently has no outstanding long-term debt. Lenders for the 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) of not more than 65% of the purchase price of the Properties on a consolidated basis. Such non-recourse loans are expected to be for terms of 5 to 10 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. The Mortgage Loans will be secured by mortgages registered on the Properties in respect of which the loans were advanced.

The Fund intends to arrange credit financing in the form of an operating line of credit to fund, among other things, capital expenditures, working capital and ongoing expenses.

**9. PRIOR SALES**

There have been no prior sales of Brokered Units of the Fund.

**10. PRINCIPAL SECURITY HOLDERS**

After giving effect to the Offering, the Manager, pursuant to the Canadian Private Placement, expects to hold 100,000 Class C Units of the Fund. The total number of issued and outstanding Class C Units following completion of the Offering and the Canadian Private Placement is expected to be between 1,000,000 and 2,000,000 Class C Units, the Manager's percentage of which could represent up to 10%.



## 11. DIRECTORS AND EXECUTIVE OFFICERS

### 11.1 Name, Occupation and Security Holdings

The following are the names, provinces and countries of residence of the Directors and executive officers of the General Partner, who as executive officers of the General Partner will serve as executive officers of the Fund, the directors and executive officers of the Manager who will be principally involved in the operations of the Fund and the members of the Investment Committee, their respective offices with the General Partner, the Fund and the Manager, and their principal occupations during the past five years.

Name, and Province or State and Country of Residence	Position Held with the Fund, the General Partner and the Manager	Principal Occupation(s) During the Past Five Years
R. Blair Tamblyn; Ontario, Canada	<ul style="list-style-type: none"> <li>• CEO of the General Partner</li> <li>• CEO, Founding Managing Partner and Director of the Manager</li> <li>• Member of the Audit Committee</li> </ul>	Chief Executive Officer and Founding Managing Director of the Manager
David Melo; Ontario, Canada	<ul style="list-style-type: none"> <li>• CFO of the General Partner</li> <li>• Managing Director of the Manager</li> <li>• Member of the Audit Committee</li> </ul>	Managing Director, Finance and Chief Compliance Officer at the Manager
Carrie Morris; Ontario, Canada	<ul style="list-style-type: none"> <li>• VP of the General Partner</li> <li>• Managing Director and Director of the Manager</li> <li>• Member of the Audit Committee</li> </ul>	Managing Director, Capital Markets & Corporate Communications of the Manager
Ugo Bizzarri; Ontario, Canada	<ul style="list-style-type: none"> <li>• Founding Managing Director and Director of the Manager</li> <li>• Member of the Investment Committee</li> </ul>	Founding Managing Director, Portfolio Management and Investments at the Manager
Corrado Russo; Ontario, Canada	<ul style="list-style-type: none"> <li>• Managing Director of the Manager</li> <li>• Member of the Investment Committee</li> </ul>	Managing Director, Investments, Global Head Real Estate Securities at the Manager
Michael Tsourounis; Ontario, Canada	<ul style="list-style-type: none"> <li>• Executive Director of the Manager</li> <li>• Member of the Investment Committee</li> </ul>	Executive Director, Direct Investments and Valuations, of the Manager
Samuel Sahn; Ontario, Canada	<ul style="list-style-type: none"> <li>• Portfolio Manager of the Manager</li> <li>• Member of the Investment Committee</li> </ul>	Portfolio Manager, Global Real Estate Securities, of the Manager
Joseph Lubeck; Florida, U.S.A.	<ul style="list-style-type: none"> <li>• Member of the Investment Committee</li> </ul>	Chief Executive Officer of the Operator
Elizabeth Truong; Florida, U.S.A.	<ul style="list-style-type: none"> <li>• Member of the Investment Committee</li> </ul>	Chief Investment Officer of the Operator

#### **Personal Profiles**

Set out below is a biography of each of the Directors and officers of the Fund and the Manager.

#### *R. Blair Tamblyn*

Blair Tamblyn is a founding Managing Director, CEO and Director of the Manager. Mr. Tamblyn is also Chairman of the Board for Timbercreek Mortgage Investment Corporation (“**Timbercreek MIC**”) and Timbercreek Senior MIC. Mr. Tamblyn has over 14 years of experience working with the public and private capital markets and has led the origination, structuring, capitalization and execution of all public and private Timbercreek funds that currently

manage approximately C\$3.0 billion in assets. Prior to founding Timbercreek in 1999, Mr. Tamblyn worked with Connor, Clark & Company. Mr. Tamblyn is a graduate of the University of Western Ontario, and is a graduate of the Rotman School of Business Director Education Program.

#### *David Melo*

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

#### *Carrie Morris*

Carrie Morris is Managing Director, Capital Markets & Corporate Communications and Director of the Manager. Ms. Morris is also the acting Corporate Secretary for Timbercreek MIC and Timbercreek Senior MIC. Her primary responsibilities include coordinating all capital market activities including new product development, investor relations and securities operations. Ms. Morris is also responsible for corporate secretariat functions, corporate governance and for assisting with regulatory compliance efforts. Ms. Morris holds a Masters of Business Administration from McMaster University.

#### *Ugo Bizzarri*

Ugo Bizzarri is a founding Managing Director, Portfolio Management and Investments and Director of the Manager. Mr. Bizzarri is also the Chief Financial Officer and Portfolio Manager for Timbercreek MIC and Timbercreek Senior MIC. Since the inception of the Timbercreek real estate funds in 2000, Mr. Bizzarri has directed the acquisitions of greater than \$2.1 billion worth of multi-residential real estate for these funds comprising of over 16,000 units across 25 cities. Mr. Bizzarri is responsible for negotiations, underwriting, and structuring the financing for all Timbercreek multi-residential acquisitions. Prior to founding Timbercreek, Mr. Bizzarri was in Portfolio Management at Ontario Teachers' Pension Plan Board ("OTPPB") where he played a leadership role in the strategic planning, corporate transactions/restructuring and property acquisitions for the Real Estate Group of OTPPB. Mr. Bizzarri is a graduate of the Richard Ivey School of Business and is a Chartered Financial Analyst.

#### *Corrado Russo*

Corrado Russo is Managing Director, Investments/Global Head of Real Estate Securities of the Manager, where he is responsible for managing the Global Securities platform including the Timbercreek Global Real Estate Fund. Mr. Russo has an extensive background in the investment management field, having held positions in portfolio management, equity research and direct real estate investments. Prior to joining Timbercreek, Mr. Russo was an Executive Director and portfolio manager of global real estate securities at Forum Securities Ltd. (2009-2011), a portfolio manager of global real estate securities for Citi Property Investors (2005-2009), a portfolio manager of general equities and income funds for Empire Life Financial (2004-2005), an analyst of real estate securities and general equities at Investors Group (2001-2004) and an assistant portfolio manager of direct real estate for OTPPB (1997-2001). Mr. Russo holds an MBA from the Schulich School of Business at York University in Toronto and holds the Chartered Financial Analyst designation.

#### *Michael Tsourounis*

Michael Tsourounis is Executive Director, Direct Investments & Valuations for Timbercreek. His primary responsibilities include overseeing and co-ordinating the due diligence and analysis process relating to direct real estate investments. Mr. Tsourounis has worked at Timbercreek since 2007 and has been involved in the underwriting and acquisition of approximately \$1 billion of multi-family real estate. In addition, Mr. Tsourounis assists in financial analysis and modeling for the various Timbercreek funds. Prior to joining Timbercreek, Mr. Tsourounis worked at GE Capital in Montreal in GE's Financial Management Program. Mr. Tsourounis has a

Bachelor of Commerce from Dalhousie University and is currently working towards the Chartered Financial Analyst designation.

*Samuel Sahn*

Samuel Sahn is a Portfolio Manager, Global Real Estate Securities of Timbercreek where he heads up the New York office. Mr. Sahn has over 11 years in real estate equities and financial services industry experience. Prior to joining Timbercreek, Mr. Sahn was an Executive Director and portfolio manager with Forum Securities (2009 - 2012), a senior analyst with CPI's global real estate securities team (2004 - 2009), and an analyst for the real estate securities team at AllianceBernstein Institutional Investments (2001 - 2004) covering companies across the United States, Canada, Brazil and Australia. During his tenure with Forum Securities, Mr. Sahn was the lead portfolio manager of the Global Income and Global Liquid Core strategies and co-Portfolio Manager of Forum's flagship Global Diversified Strategy. Further, Mr. Sahn has a four year track record managing the U.S. REIT component of Global Real Estate portfolios. As a member of the AllianceBernstein Institutional Investment Management group he was responsible for proposals that generated in excess of \$1.25 billion in new funds for AllianceBernstein. Mr. Sahn holds an MBA in Finance (Beta Gamma Sigma) from Fordham University Graduate School of Business and a BA in Economics from the University of Michigan.

Set out below is a biography of each of the officers of the Operator.

*Joseph Lubeck – Chief Executive Officer, J.D.*

Joe Lubeck, founder of the Operator is an expert in value added and distressed real estate repositioning; Mr. Lubeck has approximately 25 years of experience in multifamily real estate acquisitions, operations and disposals. As CEO, Mr. Lubeck oversees all aspects of the Operator's business and operations, from finance to property management. An honors graduate of Cornell University, Mr. Lubeck holds a Juris Doctor degree from Delaware Law School. Mr. Lubeck is active in numerous civic and charitable organizations, including AIPAC, Hillel, and The Cornell University Tower Club.

*Elizabeth Truong – Chief Investment Officer, M.B.A.*

Mrs. Truong brings over 20 years of financial and management experience to the Operator's team. She is responsible for all financing for the company and handles all dispositions. She has been involved in the overall financial management and operations of the Operator. Her responsibilities are diversified and touch upon all aspects of the company including marketing, training, financial reporting, risk management, construction, and investor relations. She has implemented many initiatives that have streamlined the Operator's operations allowing it to continue to grow at a fast pace.

*James Miller – Chief Financial Officer, M.B.A., CPA*

Mr. Miller is the Chief Financial Officer of the Operator. He has approximately 20 years of accounting and finance experience. He is involved in the day to day operations and financial management of the portfolio. He is also responsible for the accounting, financial and investor relations of the company. Prior to ELR Jim was the VP of Finance for WRH Income Properties Inc. a privately held multifamily holding company. He also served as Controller for Inacom Information Systems.

None of the above listed members of management will work full time for the Fund.

Immediately after the closing of the Offering, the Directors and executive officers of the Fund, as a group, will beneficially own, directly or indirectly, or exercise control or direction over approximately 100,000 Class C Units, representing an approximate 1.3% effective interest in the Fund assuming the completion of the Maximum Offering. No Director or executive officer of the Fund is expected to beneficially own, directly or indirectly, or exercise control or direction over any Class A Units or Class B Units.

## **11.2 Insurance Coverage for Directors and Officers and Indemnification**

The Manager 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 entity. 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 subsidiary entities, and the directors and officers. In addition, the Fund and its subsidiary entities will each indemnify the directors and officers of the General Partner 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.

### **11.3 Potential Conflicts of Interest (Directors and Officers)**

The Manager is owned and controlled by certain executive officers of the Fund. Pursuant to the Asset Management Agreement, the Manager will be receiving various fees and payments from Operating LP in respect of management services.

The Manager is in no way limited or affected in its ability to carry on other business ventures for its own accounts and for the accounts of others, and is now, and intends to be in the future, engaged in the multi-residential real estate industry. None of these persons will have any obligation to account to the Fund or the Unitholders for profits made in such other activities. However, the Manager shall not be permitted to invest directly, or through an affiliate, other than the Fund, in any asset that meets the Investment Restrictions, unless the Fund has insufficient capital to invest in such asset. For greater certainty, if an asset does not satisfy any one or more of the Investment Restrictions, the Manager shall be free to invest in such asset directly or through an affiliate other than the Fund.

## **12. EXECUTIVE COMPENSATION**

### ***Executive and Director Compensation***

No compensation will be paid to the executive officers of the Fund. The Fund is a newly incorporated entity and has not completed a financial year. For the one day period ended August 30, 2012, no compensation was paid by the Fund to the Directors or to the executive officers.

### ***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.

### **12.1 Compensation Committee**

The Fund does not have a compensation committee.

### **12.2 Indebtedness of Directors and Executive Officers**

None of the Directors or executive officers of the Fund are indebted to the Fund.

### 13. AUDIT COMMITTEE AND CORPORATE GOVERNANCE

#### 13.1 Audit Committee

The audit committee of the Fund will be comprised of R. Blair Tamblin, David Melo and Carrie Morris. As senior officers of the Manager, none of the members are “independent” within the meaning of National Instrument 52-110 – Audit Committees, and the Fund is relying upon the composition exemption in section 6.1 thereof in respect of the independence of the members. Each of the members is financially literate within the meaning of applicable securities laws. See the biographies of Messrs. Tamblin and Melo and Ms. Morris above under “Directors and Executive Officers” 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, the selection of the Fund’s independent auditors and 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, 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.

At no time since the establishment of the Fund has the audit committee relied on the exemptions in Sections 2.4 or Part 8 of National Instrument 52-110 – *Audit Committees*. 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.

#### 13.2 External Audit Service Fees

The fees billed by the Fund’s external auditors for audit and non-audit related services provided to the Fund totalled C\$35,000 and are summarized as follows:

Year	Audit Fees	Audit Related Fees	Tax Fees	All other Fees	Total
2012	C\$35,000	--	--	--	C\$35,000
2011	--	--	--	--	--

#### 13.3 Corporate Governance

Following the closing of the Offering, each of the Directors will be a senior executive of the Manager and as such, none of the Directors are “independent” within the meaning of National Instrument 52-110 – Audit Committees.

The Board has held one meeting 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, on the advice of the Investment Committee, managing the investments and affairs of the Fund; (ii) approving major decisions by the Investment Committee regarding the Fund; (iii) overseeing the Manager and the fulfilment of its responsibilities under the Asset 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 Holding GP Interests.

The Board has not appointed a chair nor 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 conduct (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 addresses conflicts of interest, protecting the Fund’s assets, confidentiality, fair dealing with security holders, competitors and employees, insider trading, compliance with laws and reporting any illegal or unethical behaviour. As part of the Code of Conduct, any person subject to the Code of Conduct is required to avoid or fully disclose interests or relationships that are harmful or detrimental to the Fund’s best interests or that may give rise to real, potential or the appearance of conflicts of interest. The Board will have the ultimate responsibility for the stewardship of the Code of Conduct. The Code of Conduct will also be filed with the Canadian securities regulatory authorities on SEDAR at [www.sedar.com](http://www.sedar.com).

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 director 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.

No compensation will be paid to the executive officers of the Fund. 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.

## **14. PLAN OF DISTRIBUTION**

### **14.1 Maximum Offering**

The Agents, by this Prospectus, are offering to sell to the public in the Qualifying Provinces and Territories up to a maximum of 7,500,000 of Class A Units and/or Class B Units at a price of C\$10.00 per Class A Unit and C\$10.00 per Class B Unit.

Each commitment for Class A Units will be not less than C\$10,000.

Each commitment for Class B Units will be not less than C\$5,000,000.

### **14.2 Minimum Offering**

There will be no closing unless a minimum of C\$25,000,000 of Class A Units and/or Class B Units are sold pursuant to this Offering. The distribution under this Offering will not continue for a period of more than 90 days after the date of the receipt for the Final Prospectus, unless each of the persons or companies who subscribed within that period consents to the continuation and an amendment to the Final Prospectus is filed for which a receipt is provided. During such 90 day period, funds received from subscriptions will be held by the Agents, in trust; if the minimum number of Units are not sold during the 90 day period, these funds will be returned to the subscribers without any deductions, unless the subscribers have otherwise instructed the Agents.



### **14.3 Securities Not Listed**

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.

### **14.4 Agency Agreement**

Pursuant to an Agency Agreement made as of September 28, 2012, the Agents have agreed to offer the Units for sale on a “best efforts” basis until October 18, 2012, but in any event not later than 90 days after a receipt for the Final Prospectus is issued, in consideration of the Agents’ Fee equal to 5.25% of the aggregate purchase price of Class A Units and 2.75% of the aggregate purchase price of Class B Units sold under the Offering.

The obligations of the Agents under the Agency Agreement may be terminated at any time at the Lead Agents’ discretion on the basis of their 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 prospectus, 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.

The price to the public of Units was determined by negotiation between the Lead Agents and the Manager, on behalf of the Fund.

Registration and transfers of Brokered Units will be effected only through the book entry only system administered by CDS. A book entry only certificate representing Brokered Units will be issued in registered form only to CDS or its nominee, and will be deposited with CDS on the closing of the Offering. A purchaser of Brokered Units will receive only customer confirmation from the registered dealer which is a CDS participant and from or through which Brokered Units are purchased. Beneficial owners of Brokered 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 CIBC Mellon Trust Company as transfer agent.

These securities have not been and will not be registered under the United States Securities Act of 1933, as amended and, subject to certain exemptions, may not be offered or sold in the U.S.

### **14.5 Private Placements**

Concurrently with the closing of the Offering, the Fund will offer Class C Units to certain investors under the Canadian Private Placement. The Fund has received a commitment from the Manager to subscribe for C\$2,500,000 (based on the Maximum Fund Capital) of equity in the Fund in the form of Class C Units at a price of C\$10.00 per Class C Unit under the Canadian Private Placement and equity in certain general partner entities, of which a minimum of C\$1,000,000 will be invested on the Closing Date.

Concurrently with the closing of the Offering and the Canadian Private Placement, U.S. Holding LP will offer U.S. Holding LP Units to certain U.S. investors under the U.S. Private Placement. U.S. Holding LP will use the net proceeds of the U.S. Private Placement to subscribe for Operating LP Units. U.S. Holding LP has received a commitment from the Operator to subscribe for US\$5,000,000 (based on the Maximum Fund Capital) of U.S. Holding LP Units at a price of US\$10.00 per U.S. Holding LP Unit under the U.S. Private Placement, of which a minimum of US\$2,000,000 will be invested on the Closing Date.

Raymond James Ltd., a Lead Agent, will receive a work fee of 0.50% of the aggregate gross proceeds from the Canadian Private Placement and from the U.S. Private Placement.

## **15. CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Goodmans LLP (“**Goodmans**”), counsel to the Fund, and Fasken Martineau DuMoulin LLP (“**Faskens**”), counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian

federal income tax considerations generally applicable to the acquisition, holding and disposition of Brokered Units by a holder who acquires Brokered Units pursuant to this Offering. This summary only applies to a holder who is an individual (other than a trust) and who, for the purposes of the Tax Act and at all relevant times, is resident in Canada, deals at arm's length with and is not affiliated with the Fund and holds the Brokered Units as capital property (a "**Holder**"). The Brokered Units generally will be considered to be capital property to a Holder provided that the Holder does not hold such Brokered Units in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary does not address the deductibility of interest by a Holder who has borrowed money to acquire Brokered Units under the Offering.

This summary assumes that: (i) the Fund is not a "tax shelter" or "tax shelter investment", (ii) Units that represent more than 50% of the fair market value of all interests in the Fund are held by Unitholders that are not "financial institutions", and (iii) no interest in any Unitholder is a "tax shelter investment", all within the meaning of the Tax Act. However, no assurances can be given in this regard.

This summary assumes that recourse for any financing by a Unitholder of the subscription price for Units is not limited and is not deemed to be limited within the meaning of the Tax Act. It also assumes that none of the Holders and any person not dealing at arm's length with a Holder is entitled, whether immediately or in the future and either absolutely or contingently, to receive or obtain in any manner whatsoever, any amount or benefit (other than a benefit described in this Prospectus), for the purpose of reducing the impact of any loss that the Holder may sustain by virtue of being a Limited Partner or the holding or disposition of Units.

This summary is based on the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) (the "**Minister**") prior to the date hereof (the "**Proposed Amendments**"), and the current published administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**"), and relies upon a certificate as to certain factual matters from an executive officer of the general partner on behalf of the Fund (the "**Certificate**"). Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations which may differ significantly from the Canadian federal income tax considerations discussed herein. There can be no assurance that the Proposed Amendments will be enacted in the form publicly announced or at all.

**This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Brokered Units. The income and other tax consequences of acquiring, holding or disposing of Brokered Units will vary depending on an investor's particular circumstances including the province or territory in which the investor resides or carries on business. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. Investors should consult their own tax advisors for advice with respect to the tax consequences of an investment in Brokered Units, based on their particular circumstances and review the Risk Factors Relating to Canadian Taxes.**

Generally, for purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Brokered Units must be expressed in Canadian dollars. Amounts denominated in another currency must be converted into Canadian dollars based on exchange rates as determined in accordance with the Tax Act.

### ***The SIFT Rules***

The Tax Act contains rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the "**SIFT Rules**"). 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 SIFT Rules will not apply to the a partnership provided that the units and any other securities issued by the partnership, or any securities that derive their value from, or replicate the return on, the units, are not listed or traded on a stock exchange or other organized facility. In addition, the SIFT Rules do not apply to a partnership

that does not hold any “non-portfolio property” throughout the taxation year of the partnership. The Fund has represented in the Certificate that it does not expect the Fund, Holding GP or Operating LP (individually a “**Partnership**” and collectively, the “**Partnerships**”) to hold any “non-portfolio property”. Consequently, this summary assumes that the Partnerships will not be liable to SIFT tax under the SIFT Rules. However, if any of the Partnerships were to become subject to the SIFT Rules, the tax consequences described below would, in some respects, be materially and adversely different.

### ***Taxation of the Partnerships***

The Partnerships are not subject to tax under the Tax Act. However, the income or loss of each Partnership must be computed for each fiscal year as if it was a separate person resident in Canada, and allocated to its partners on the basis of their respective shares of that income or loss as provided for in the respective limited partnership agreements.

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, for a fiscal year ending in or on the fiscal year end of the partner. For this purpose, each Partnership will have a fiscal year end of December 31. The source and character of amounts included in (or deducted from) the income of a Partnership on account of income (or loss) generally will be determined by reference to the source and character of such amounts when earned by a Subsidiary Partnership. In addition, the Fund will be required to include in computing its income for each taxation year all interest on the Holding GP Notes, if any.

The characterization of gains realized by a Partnership on the disposition of investments as either capital gains or income gains will depend largely on factual considerations. The Fund has represented in the Certificate that it expects all or substantially all of the gains realized by the Partnerships to be on account of income for Canadian federal income tax purposes.

For purposes of the Tax Act, each Partnership must compute its income (or losses) in Canadian currency. Where a Partnership holds investments denominated in U.S. dollars (or other foreign currencies), gains and losses may be realized by such Partnership as a consequence of fluctuations in the relative values of the Canadian and foreign currencies.

In computing its income or loss, a Partnership generally may deduct administrative costs and other expenses of a current nature incurred by it for the purpose of earning income from its business or property, provided such expenses are reasonable and otherwise deductible, subject to the applicable provisions of the Tax Act. If a Property is considered, for Canadian federal income tax purposes, to be held by the Fund on income account, a depreciation deduction may not be claimed in respect of such Property. A Partnership may also deduct any expenses incurred by it in the course of the issuance of its units on a five-year straight line basis (subject to pro-ration for short taxation years).

If a Partnership incurs a loss for tax purposes, the partner will be entitled to deduct in computing its income its share of such loss to the extent that the partner’s investment is considered to be “at risk” within the meaning of the Tax Act (see “At-Risk Rules” below).

### ***Taxation of Holders***

#### *Allocation of Income or Loss*

Subject to the restrictions described below under the “REOP Proposals” and the “At-Risk Rules”, each Holder will be required to include (or be entitled to deduct) in computing the Holder’s income, the Holder’s proportionate share of the income (or loss) of the Fund allocated to the Holder pursuant to the Fund’s limited partnership agreement for the fiscal period of the Fund ending in or on the Holder’s taxation year. A Holder’s share of the Fund’s income must (or loss may) be included in determining the Holder’s income (or loss) for the year, whether or not any distribution of income has been made by the Fund.

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. 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.

If a Holder receives distributions in cash from the Fund and the amount of such distributions received in a year exceed the amount of income allocated to the Holder by the Fund for the year (i.e., a return of capital) such excess distributions are not generally included in a Holder's income for the year, but will reduce the adjusted cost base of the Holder's Brokered Units. A Holder will realize a deemed capital gain if, and to the extent that, the adjusted cost base of the Holder's Brokered Units is negative at the end of any fiscal year of the Fund. In such a case, the adjusted cost base of the Holder's Brokered Units will be adjusted to nil at the beginning of the next fiscal year of the Fund

Foreign taxes paid by the Partnerships and taxes withheld at source will be allocated pursuant to the governing limited partnership agreements. In this regard, counsel has been advised that Holding GP will elect to be taxed as corporation for U.S. tax purposes, such that Holding GP will be subject to U.S. federal income taxation on its income (including its allocable share of income earned by Operating LP). Each Holder's share of the "business-income tax" and "non-business-income tax", each as defined in the Tax Act, paid in a foreign country for a year will be creditable against the Holder's Canadian federal income tax liability to the extent permitted by the detailed rules contained in the Tax Act. Although the foreign tax credit provisions are designed to avoid double taxation, the maximum credit is limited. Because of this, and because of timing differences in recognition of expenses and income and other factors, there is a risk of double taxation.

The Minister announced anti-avoidance Tax Proposals on March 4, 2010 which are contained in draft legislation released on August 27, 2010, to address certain foreign tax credit generator transactions (the "**Foreign Tax Credit Generator Proposals**"). Under the Foreign Tax Credit Generator Proposals, the foreign "business income tax" or "non-business-income tax" eligible as a foreign tax credit for a Holder for any taxation year may be limited in certain circumstances, including where a Holder's share of the Partnership's income under the income tax laws of any country (other than Canada, e.g. the U.S.) under whose laws the income of the Partnership is subject to income taxation, is less than the Holder's share of such income for purposes of the Tax Act. Although this Tax Proposal should not apply, no assurance can be given that the Foreign Tax Credit Generator Proposals will not apply to a Holder. If the Foreign Tax Credit Generator Proposals apply, a Holder's foreign tax credit will be limited.

#### *At-Risk Rules*

If the Fund incurs losses for tax purposes, each Holder will be entitled to deduct in the computation of income for tax purposes the Holder's pro rata share of any net losses for tax purposes of the Fund for its fiscal year to the extent of the Holder's "at-risk amount" within the meaning of the Tax Act. The "at-risk amount" of a Holder in respect of the Fund for any taxation year generally will be the adjusted cost base of the Holder's Brokered Units at the end of the year (subject to certain provisions of the Tax Act), plus the amount of any Fund's income allocated to the Holder for completed fiscal periods, less the aggregate amount of the Holder's share of the Fund's losses and distributions from the Fund. A Holder's "at-risk amount" may be reduced by certain benefits or in circumstances where amounts are owed to the Fund by the Holder. A Holder's loss that is limited by the at-risk rules under the Tax Act becomes a "limited partnership loss", which is available for indefinite carry-forward to be claimed against limited partnership income from the Fund. However, if the Fund is allocated losses from Operating LP (indirectly through Holding GP) that are limited by the "at risk" rules, such losses may not be available to the Fund and, therefore, allocable to Holders, subject to the detailed rules in the Tax Act.

#### *REOP Proposals*

On October 31, 2003, the Department of Finance released for public comment Proposed Amendments under which a taxpayer would be considered to have a loss from a source that is a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit (excluding capital gains or losses) from the business or property during the period that the business is carried on or that the property is held (the "**REOP Proposals**"). In general, these proposals may deny the realization of losses by Holders from their investment in the Fund in a particular taxation year, if, in the year the loss is claimed, it is not reasonable to expect that an overall cumulative profit would be earned from the investment in the Fund for the period in which the Holder has held and can reasonably be expected to hold the investment. As part of the 2005 Canadian federal budget, the Minister announced that an alternative proposal to reflect the REOP Proposals would be released for

comment at an early opportunity. No such alternative proposal has been released to date. There can be no assurance that such alternative proposal will not adversely affect Holders, or that any revised proposal may not differ significantly from the REOP Proposals described herein.

#### *Disposition of Brokered Units*

The disposition by a Holder of a Brokered Unit will result in the realization of a capital gain (or capital loss) by such Holder in the amount, if any, by which the proceeds of disposition of the Brokered Unit, less any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base of such Brokered Unit. See “Adjusted Cost Base of Brokered Units”.

Where a Holder disposes of all of its Brokered 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 the disposition of all such Brokered Units, then the Holder will be deemed to dispose of the Brokered Units at the later of: (i) the end of the fiscal year of the Fund during which the disposition occurred; and (ii) the date of the last distribution made by the Fund to which the Holder was entitled. Pursuant to the Proposed Amendments, the pro rata share of income (or loss) of the Fund for tax purposes for a particular fiscal year 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 Brokered Units immediately prior to the time of the 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 Brokered Units.

In general, one-half of a capital gain realized by a Holder must be included in computing such Holder’s income as a taxable capital gain. Where the capital gain is realized on a disposition of Brokered Units to a person who is exempt from tax, one half of the gain will be a taxable capital gain to the extent that such gain was attributable to an increase in the value of capital property (other than depreciable property) held by the Fund, or pursuant to the Proposed Amendments held indirectly through one or more other partnerships, and all of the balance will be a taxable capital gain. One-half of a capital loss is deducted as an allowable capital loss against taxable capital gains realized in the year and any remainder may be deducted against taxable capital gains in any of the three years preceding the year or any year following the year to the extent and under the circumstances described in the Tax Act.

#### *Adjusted Cost Base of Brokered Units*

In general, the adjusted cost base of a Holder’s Brokered Units will be equal to: (i) the actual cost of the Brokered Units (excluding any portion thereof financed with limited recourse indebtedness); plus (ii) the Holder’s proportionate share of the Fund’s income allocated to the Holder for fiscal years of the Fund ending before the relevant time; less (iii) the aggregate of the Holder’s proportionate share of Fund’s losses allocated to the Holder (other than limited partnership losses) for the fiscal years of the Fund ending before the relevant time; and less (iv) the Holder’s distributions from the Fund made before the relevant time. The adjusted cost base of each of the Brokered Units will be subject to the averaging provisions contained in the Tax Act.

Counsel has been advised that the Fund intends to make quarterly distributions of its free cash flow to Holders. Such amount may be comprised in whole or in part of a return of capital on which no tax is payable by the Holders. As noted above, the return of capital amount will reduce a Holder’s adjusted cost base of the Brokered Units. It will also reduce the Holder’s at-risk amount and could result in a negative adjusted cost base to the Holder in respect of the Brokered Units.

#### *Alternative Minimum Tax*

The Tax Act provides for a special “alternative minimum tax” (“AMT”) applicable to individuals and certain trusts, depending on the amount of their “adjusted taxable income”. In calculating taxable income for the purpose of computing AMT, certain deductions and credits otherwise available are disallowed and certain amounts not otherwise included in computing income are included. In computing adjusted taxable income for AMT purposes, an exemption of C\$40,000 is allowed to a taxpayer who is an individual. The current federal rate of minimum tax is 15%. Whether and to what extent the tax liability of a particular Holder will be increased as a result of the application of the AMT rules will depend on the amount of the Holder’s income, the sources from which it is derived, and the nature and amounts of any deductions the Holder claims.



Any additional tax payable by a Holder for the year resulting from the application of AMT will be deductible in any of the seven immediately following taxation years in computing the amount that would, but for the AMT, be the Holder's tax otherwise payable for any such year. Holders who are individuals (including trusts) should consult their tax advisors as to the potential application of the AMT.

#### *Tax Reporting Requirements*

Each Holder will generally be required to file an income tax return reporting such Holder's share of the income or loss of a Fund. While the Fund will provide each Holder with information required for income tax purposes pertaining to such Holder's investment in Brokered Units of the Fund, the Fund will not prepare or file income tax returns on behalf of any Holder.

Each person who is a Holder in a year will be required to file an information return on or before the last day of March in the following year in respect of the activities of a Fund in which the Holder holds Brokered Units or, where the Fund is dissolved, within 90 days after the dissolution. A return made by any one Partner will be deemed to have been made by each Partner. Under the limited partnership agreement of the Fund, the General Partner is required to file the necessary return.

## **16. CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS**

### ***Circular 230***

**To comply with U.S. Treasury Department Circular 230, prospective investors are advised that: (a) any discussion of U.S. federal tax issues in this Prospectus is not intended or written to be used, and cannot be used, by prospective investors for the purpose of avoiding penalties; (b) such discussion is being used in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) prospective investors should seek advice based on their particular circumstances from an independent tax advisor.**

The following is a summary of certain material U.S. federal income tax considerations applicable to the Fund, Holding GP and Operating LP (as it affects the Fund and Holding GP) that was prepared by Hodgson Russ LLP, special U.S. tax counsel to the Fund. This summary does not address any U.S. federal tax considerations applicable to a Unitholder. U.S. alternative minimum tax, and state, local, non-U.S. and U.S. federal non-income tax matters, are not discussed herein. No legal or U.S. tax opinion is being given, nor will any rulings be sought from the Internal Revenue Service ("IRS"), with respect to any U.S. federal income tax issue. As a result, there can be no assurance that the IRS will not assert positions contrary to the U.S. federal income tax treatment described herein. U.S. federal income tax consequences that are different from those described in this summary, as a result of a successful challenge by the IRS, could negatively impact the cash available for distribution to the Unitholders and the value of the Units.

This summary does not address all possible U.S. federal income tax considerations applicable to the Fund, Holding GP, or Operating LP. This summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Units. **Prospective investors should consult their own tax advisors regarding the application of the U.S. federal tax rules to their particular circumstances as well as the state, local, non-U.S. and other tax consequences to them of the purchase, ownership and disposition of the Units.**

This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, IRS rulings and official pronouncements, judicial decisions and the Convention between the United States of America and Canada with Respect to Taxes on Income and Capital, signed September 26, 1980, as amended (the "U.S.-Canada Tax Treaty"), all as in effect on the date of this Prospectus and all of which are subject to change, possibly with retroactive effect, or different interpretations, which could affect the accuracy of the analysis set forth below.

### ***United States Federal Income Taxation of Foreign Corporations***

As described below, Holding GP will make an election under applicable Treasury Regulations to be classified as a corporation for U.S. federal income tax purposes, effective on the date of its formation. Consequently, Holding GP will be considered a "foreign corporation" for U.S. federal income tax purposes.



A foreign corporation engaged in a U.S. trade or business generally is subject to U.S. federal income tax on income that is “effectively connected” with such U.S. trade or business and, if an income tax treaty with the United States applies, is attributable to a permanent establishment maintained by the foreign corporation in the United States (“ECI”). A foreign corporation that is a partner in a partnership engaged in a U.S. trade or business will itself be deemed to be engaged in a U.S. trade or business (through a permanent establishment if the partnership itself has a place of business in the U.S.). Income earned from rental operations of U.S. real property by a partnership engaged in such business generally will be ECI with respect to a foreign corporation, as will the income and gain on disposition of such real property. Counsel has been advised that Holding GP intends to make any necessary tax elections to ensure that income allocated to it from Operating LP will be treated as ECI.

A foreign corporation will be subject to U.S. federal income tax on its taxable ECI at the regular U.S. federal graduated rates of tax (with the highest corporate tax rate presently at 35%). A foreign corporation’s taxable ECI is computed by claiming allowable deductions that are attributable to its effectively connected gross income on a timely filed U.S. federal income tax return. A foreign corporation that derives ECI from a partnership engaged in a U.S. trade or business generally is subject to U.S. federal income tax withholding at the highest applicable rate of tax (presently 35%) under Section 1446 of the Code on the income and gains allocable to such foreign corporation as a partner in the partnership, and the foreign corporation is required to file a U.S. federal income tax return to report its allocable share of the partnership income, gains, deductions, losses and credits. Withheld tax is allowed as a credit in computing the foreign corporation’s U.S. tax liability on such return. Furthermore, a foreign corporation with ECI may also be subject to U.S. federal branch profits taxes, as discussed below under “United States Federal Income Taxation of Holding GP– Branch Taxes”.

A foreign corporation that owns “United States Real Property Interests” (“USRPI”), including an interest in a partnership that owns U.S. real property as its primary assets, is subject to U.S. federal income tax on gains arising on the sale of such real property or on the sale of such partnership interest, at the graduated rates applicable to corporations. Presently, there is no preferential U.S. federal capital gains tax rate for a foreign corporation on the gain derived on disposition of a USRPI (such as an interest in a partnership owning U.S. real property), or the gain allocated to such foreign corporation on the disposition of U.S. real property by the partnership. Withholding on gains from the disposition of a USRPI is required under Section 1445 of the Code (the “FIRPTA” rules), although if withholding is made under the Section 1446 rules applicable to income allocable to non-U.S. partners of a partnership engaged in a U.S. trade or business, the FIRPTA withholding rules generally will also be satisfied.

A foreign corporation is also subject to a 30% U.S. withholding tax on certain types of U.S. source income which are not ECI, unless the foreign corporation otherwise establishes an exemption from, or a reduced rate of, withholding under an applicable income tax treaty. These types of income generally include passive income such as dividends, rents (that are not otherwise ECI), interest and royalties, and other “fixed or determinable annual or periodic” income (collectively referred to as “FDAP”). Unless an exception applies, a foreign corporation will be subject to U.S. withholding tax on the gross amount of any FDAP income, and will not be entitled to deductions for any expenses to the extent allocable to FDAP income.

#### ***United States Federal Income Taxation of the Fund***

The Fund will make an election pursuant to the Code to be classified as a partnership for U.S. federal income tax purposes. The Fund does not intend to be engaged in a U.S. trade or business nor does it expect to be a direct member of a partnership or disregarded entity that is engaged in a U.S. trade or business. Therefore, the Fund does not expect to have any ECI that would be subject to U. S. federal income tax.

While the Fund may have FDAP in the form of U.S. source interest income arising on the Holding GP Notes, if any, the rate of U.S. withholding tax on such interest income should be reduced to zero provided that the Unitholders of the Fund are able to establish that they qualify for a zero rate of withholding under the U.S. – Canada Tax Treaty or the portfolio interest exception under Section 871 of the Code. Assuming that this requirement is met, no U.S. federal income tax liability arises for the Fund on such interest. See discussion below under “United States Federal Income Taxation of Holding GP – Branch Taxes”.

#### ***United States Federal Income Taxation of Holding GP***

As noted, Holding GP will elect under applicable Treasury Regulations to be treated as a corporation for U.S. federal income tax purposes effective on the date of formation. Operating LP, which is classified as a partnership

for U.S. federal income tax purposes, will not itself be subject to U.S. federal income tax but rather will “flow through” its (and its allocable share from subsidiary limited partnerships) income, gains, deductions, losses and credits to its partners, including Holding GP, based on the partners’ allocable shares in Operating LP. Holding GP, because it is a partner in Operating LP, will have a permanent establishment in the U.S. and will be subject to U.S. federal income tax on any ECI of its own or that flows through to it as a partner of Operating LP. Thus, Holding GP will be subject to U.S. federal income taxation on its allocable share of rental income derived directly or indirectly by Operating LP, on a net basis (e.g., taking into account allowable deductions). Furthermore, the gain from a sale of any of the U.S. real properties owned (directly or indirectly through a subsidiary limited partnership) by Operating LP that is allocable to Holding GP, or a sale or other disposition by Holding GP of its limited partnership interest in Operating LP, will also be considered ECI with respect to Holding GP and subject to U.S. federal income taxation at the regular tax rates applicable to corporations. Income or gains of Operating LP allocable to Holding GP generally will be subject to U.S. withholding tax under Section 1446 of the Code at the highest corporate tax rate (presently 35%), which will also apply in lieu of any FIRPTA withholding requirements otherwise arising on disposition of a USRPI by Holding GP or Operating LP. Such U.S. withholding tax will be allowed as a credit against U.S. tax as shown on Holding GP’s U.S. federal income tax return. See “United States Federal Income Taxation of Foreign Corporations”, above.

In computing Holding GP’s U.S. federal taxable income derived from ECI, certain deductions (subject to limitations) will be allowed, such as the “ordinary and necessary” business expenses of Operating LP (including interest expense on mortgages related to the Properties and reasonable manager fees) and interest expense with respect to the Holding GP Notes, if any. See “– Deductions”, below. Whether depreciation deductions on the Properties will be allowed for U.S. income tax purposes is a facts and circumstances based analysis that depends on a number of factors including whether the Properties are classified as inventory for U.S. tax purposes and whether the Properties produce rental income before their disposition. Therefore, it is possible that depreciation deductions will not be available to reduce the U.S. taxable income of Holding GP.

In addition to the U.S. federal income tax on taxable income which is ECI, Holding GP generally will be liable for a branch profits tax on its after-tax earnings attributable to ECI. See “– Branch Taxes”, below. Moreover, any FDAP of Holding GP will be subject to U.S. withholding tax on a gross basis at 30%, or such lower reduced rate of withholding tax as may be applicable under the US-Canada Tax Treaty.

### ***Deductions***

In addition to the capital it will contribute to Holding GP, the Fund may loan funds to Holding GP in the form of the Holding GP Notes, to enable Holding GP to pay for its limited partnership interest in Operating LP. A number of U.S. federal income tax rules affect the treatment of the Holding GP Notes, if any, and the interest arising thereon.

The Fund and Holding GP intend to treat the Holding GP Notes, if any, as debt allocable to Holding GP’s interest in Operating LP for U.S. federal income tax purposes; however neither the Fund nor Holding GP have obtained an opinion of counsel on this issue. The determination of whether the Holding GP Notes, if any, are debt or equity for U.S. federal income tax purposes will be based on an analysis of the facts and circumstances. Generally, the IRS will not issue a ruling on whether an advance is to be treated as debt or equity. There is no clear definition of debt under the Code, 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 particular instrument. Although the Fund and Holding GP intend to treat the Holding GP Notes, if any, as debt for U.S. federal income tax purposes, the IRS could challenge this position. If such a challenge were successful, interest payments on the Holding GP Notes would be recharacterized as non-deductible payments and Holding GP’s taxable income which is ECI, and thus its U.S. federal income tax liability, would be increased. Branch profits tax may also be increased in such situation. As a result, Holding GP’s after-tax cash flow would be reduced, which would negatively impact the cash available for distribution to the Unitholders and may negatively impact the value of the Units.

The “earnings stripping” rules of Section 163(j) of the Code may also limit the amount of interest that is deductible by Holding GP in calculating its taxable income from ECI in a particular tax year. In general, Section 163(j) limits a corporation’s deductions for interest paid to related non-U.S. persons exempt from U.S. tax in years that: (i) the debt-to-equity ratio of the corporate taxpayer exceeds 1.5 to 1 and (ii) the corporation’s net interest expense (i.e., the excess of interest expense over interest income) exceeds 50% of “adjusted taxable income”. Adjusted taxable income is generally defined as the corporation’s taxable income before net interest expense, depreciation, and

amortization. A corporation and a creditor of the corporation will be “related” if the creditor owns, directly or by attribution, more than 50% of the corporation by vote or value. The Fund owns a 99.99% partnership interest in Holding GP, and is therefore related to Holding GP under the earnings stripping rules. If the earnings stripping rules apply in a given tax year, any interest not deductible under the rules of Section 163(j) of the Code in such tax year may be carried forward indefinitely (within certain limitations) to be used in future tax years to reduce gross ECI.

In addition, other limitations on the deductibility of interest under U.S. federal income tax laws could apply, potentially including, but not limited to, limitations (i) that require the interest to actually be paid in order for the interest to be deducted, regardless of Holding GP's method of accounting, because Holding GP and the Fund are “related parties,” (ii) if the IRS claims that the interest rate on the Holding GP Notes is in excess of an arm’s-length rate (in which case a portion of the interest could be recharacterized as a non-deductible distribution), and (iii) if the Holding GP Notes are issued with “original issue discount.” In any such case, Holding GP’s taxable income (and thus its tax liability) could be increased. As a result, the amount of funds available for distribution to Unitholders could be reduced and the value of Units may be adversely affected.

### ***Branch Taxes***

Under the “branch profits tax” rules of Section 884 of the Code (as modified by the U.S.-Canada Tax Treaty), Holding GP generally will be subject to an additional 5% tax on its effectively connected earnings and profits for the taxable year which exceed U.S.\$500,000, as adjusted for certain items. Reductions in the “U.S. net equity” of Holding GP in the U.S. trade or business conducted through Operating LP by, for example, Holding GP’s distributions to the Fund, may result in the imposition of the branch profits tax. Deductions for interest paid on the Holding GP Notes, if any, will reduce Holding GP’s effectively connected earnings and profits and therefore reduce its resulting branch profits tax liability. If such deductions are denied or limited (as discussed above), Holding GP’s earnings and profits and its resulting liability for branch profits tax could increase. In such case, Holding GP’s after-tax cash flow would be reduced, which would negatively impact the cash available for distribution to the Unitholders and may negatively impact the value of the Units.

Provided that the Holding GP Notes, if any, are respected as debt for U.S. federal income tax purposes (see “United States Federal Income Taxation of Holding GP – Deductions”), as long as more than 80% of the assets of Holding GP are United States assets (or such debt is properly reflected as a liability on books maintained with respect to Holding GP’s U.S. trade or business arising from its ownership of an interest in Operating LP), interest paid on the Holding GP Notes will be “branch interest” under Code Section 884 and will be treated as U.S. source income paid by a U.S. corporation. Generally, such interest is FDAP of the Fund and potentially subject to U.S. withholding tax. However, this withholding tax can be eliminated provided that the Unitholders of the Fund are able to establish that they qualify for a zero rate of withholding under the U.S. – Canada Tax Treaty or the portfolio interest exception under Section 871 of the Code.

### ***Recent Legislative Developments***

Under U.S. federal income tax legislation generally scheduled to go into effect in 2014, the Fund may, in order to avoid a loss of benefits under the U.S.-Canada Tax Treaty on U.S. source FDAP income subject to U.S. withholding tax, require Unitholders that are “U.S. persons,” as defined in the Code, to provide certain tax and reporting information necessary for the Fund to comply with IRS reporting obligations. If a U.S. person does not provide such information, the U.S. person will generally be subject to U.S. withholding tax on payments made by the Fund after January 1, 2014.

## **17. RISK FACTORS**

The purchase of securities 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. In addition to the risk factors set forth elsewhere in this Prospectus, prospective purchasers should consider the following risks associated with a purchase of such securities:

*Blind Pool Offering* – This is a “blind pool” Offering. Although the Fund expects that the available net proceeds of the Offering will be applied to purchase one or more Properties, the specific Properties in which the net proceeds will be invested have not yet been determined. The Unitholders’ return on their investments in the Units will vary depending on the return on investment achieved on the Properties that may be acquired with the net proceeds of the Offering. An investment in Units is appropriate only for Purchasers who have the capacity to absorb a loss of some or all of their investment

*Limited Liquidity of Units* – There is no market for the Units and the Fund does not plan to, but may, list the Units on any stock exchange or market. In addition, the Fund is not required to redeem Units. As a result, the liquidity of the Units will be limited. Purchasers cannot expect to be able to liquidate their investment even in the case of an emergency. Accordingly, an investment in Units is suitable solely for persons able to make and bear the economic risk of a long-term investment. Although the Fund has a Term of four years, with a one year extension period at the discretion of the General Partner, there can be no assurance that the Fund will be wound up or that Unitholders will receive a return of their invested capital at that time.

*No Assurances of Achieving Objectives* - There is no assurance that the Fund will be able to achieve its investment objectives, including being able to pay distributions to Unitholders in an amount equal to the Distributable Cash Flow or at all, or to enhance long-term total return. The Fund will attempt to achieve its investment objectives through its investment strategy as described under the heading “Investment Strategy”.

*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 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 event Operating LP may not generate sufficient funds to pay the expected distributions.

*Reliance on the Manager and Operator* – Prospective purchasers assessing the risks and rewards of this investment should appreciate that they will, in large part, be relying on the good faith and expertise of the Sponsors and their principals. In particular, prospective purchasers will have to rely on the discretion and ability of the Sponsors and their principals in determining the Properties, negotiating the pricing and other terms of the agreements leading to the acquisition of Properties, and implementing the renovation and repositioning program for each Property. The ability of the Sponsors to successfully implement the Fund’s investment strategy will depend in large part on the continued employment of key executives. None of the Fund nor the Sponsors maintains key person life insurance for any of these named individuals. If the Fund loses the services of any one or more of these individuals, the business, financial condition and results of operations of the Fund may be materially adversely affected.

*Experience of the Manager* -- While the Manager has experience in multi-residential real estate asset and property management in Canada, its direct experience in the United States is more limited. As such, the Manager will rely to a certain extent on the experience and expertise of the Operator with respect to the acquisition of Properties in the targeted region of the Fund. Investors are cautioned that the experience of the Manager may not be relevant to the acquisition and disposition of multi-residential real estate assets in the U.S.

*Conflicts of Interest* - The Manager and Operator act and may in the future act as manager or operator, as the case may be, for a number of funds and limited partnerships that engage or may engage in the same business activities or pursue the same investment opportunities as the Fund. Certain conflicts may arise from time to time in the management of such funds or limited partnerships and in assessing suitable investment opportunities. In addition, the Operator will act as a source, property manager, and potential purchaser of the Properties and as such, there is a risk that potential conflicts of interest may arise.

*Newly formed Entities with Little or no Assets* - The Fund is a newly organized fund with no previous operating history. The general partners and the entities created for the purposes described herein are newly formed and have little or no assets and it is unlikely that such entities will have sufficient assets to satisfy any claim that a Unitholder may have against such entities.

*Restrictions on Transfer* - Unitholders and U.S. Unitholders may not sell, transfer or assign their Units or U.S. Holding LP Units, respectively, without the prior written consent of the Manager (not to be unreasonably withheld), unless any such sale, transfer or other disposition is to one of their wholly-owned affiliates that shall remain wholly-owned by the Unitholder or U.S. Unitholder, as the case may be, for the term of the Fund LP Agreement. Notwithstanding the foregoing, the Manager shall have the absolute discretion to waive such restriction



on transfer at any time. All sales, transfers or assignments of Units or U.S. Holding LP Units must be made in compliance with applicable laws in Canada and the U.S.

*Less than Full Offering* – There can be no assurance that more than the Minimum Offering will be sold. If less than all of the C\$75,000,000 of Class A Units and/or Class B Units are sold pursuant to this Offering, then less than the maximum proceeds will be available to the Fund. Consequently, the Fund's business development plans and prospects could be adversely affected, since fewer Properties will be purchased, owned and leased and resold by Operating LP.

*Distributions may be Reduced or Suspended* - Although the Fund intends to distribute its Distributable Cash Flow to the Unitholders, such cash distributions may be reduced or suspended, or the Fund may not make any distributions at all. Units are not traditional fixed income securities. Units do not have a fixed obligation to make payments to Unitholders and do not promise to return the initial purchase price of a Unit on a certain date in the future. The ability of the Fund to make cash distributions and the actual amount distributed will depend on the ability of the Fund to indirectly acquire the Properties, the ongoing operations of the Properties and the realizable value of the Properties upon disposition, and will be subject to various factors. An investment in the Units is not comparable to an investment in a fixed income security. Cash distributions, including a return of a Unitholder's original investment, are not guaranteed and the recovery of an investor's original investment 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 targeted distributions to Unitholders.

*Non-IFRS Measures* – Certain cash returns on investment in previous entities sponsored by the Sponsors set out in this Prospectus are not stated in accordance with IFRS. Such returns are variously referred to as an annualized IRR, net operating income or a total pre-tax cash return on investment. Such measures do not have standardized meanings and are therefore unlikely to be comparable to similar measures presented by other issuers. There is no directly comparable measure calculated in accordance with IFRS, as such measures are based on investment which is external to the issuer. The measures used are meaningful to the investors as they are based on the average investor's individual investment in the entities mentioned. The Sponsors use such unaudited measures to provide investors with an estimated guideline as to the investment returns generated by their previous investment offerings. Investors are cautioned that historical returns on other investment offerings of the Sponsors and similar offerings by others are not predictive of the returns which may be achieved by Unitholders from an investment in Units.

*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 Operating LP and the Properties, directly or indirectly, acquired by Operating LP. Investment in real estate is subject to numerous risks, including the factors listed below and other events and factors which are beyond the control of the Fund:

- (a) *Acquisition Risk* – The Manager intends to acquire Properties selectively. The acquisition of Properties entails risks that investments will fail to perform in accordance with expectations. In undertaking such acquisitions, the Manager will incur certain risks, including the expenditure of funds, including non-refundable deposits, due diligence costs and inspection fees, and the devotion of management's time to, transactions that may not come to fruition. Additional risks inherent in acquisitions include risks that the Properties will not achieve anticipated occupancy levels and that estimates of the costs and benefits of the renovation and repositioning program intended for that Property may prove inaccurate or may not have the intended results.
- (b) *Renovation and Repositioning Program* – If the renovation and repositioning program for any one or more assets is not completed as expected or at all, monthly rents will likely decrease or remain unchanged and/or expected returns on the disposition of such assets will likely decrease.
- (c) *General Real Estate Ownership Risks* – All real property investments are subject to a degree of risk and uncertainty. Property investments are affected by various factors including general economic conditions, local real estate markets, demand for leased premises, competition from other available premises and various other factors. The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants. Distributions will be adversely affected if a significant number of tenants of the Properties were to become unable to meet their obligations under their leases or if a significant number of units in one or more Properties were not able to be leased on economically favourable lease terms. The

failure to rent unleased units on a timely basis or at all would likely have an adverse effect on the Fund's financial condition.

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. If for whatever reason, liquidation of assets is required prior to completion of the renovation and repositioning program, there is a risk that sale proceeds realized might be less than the current book value of the Fund's investments or that market conditions would prevent prompt disposition of assets. The Fund may, in the future, be exposed to a general decline of demand by tenants for units in properties.

- (d) *Financing Risks* – There is no assurance that the Manager will be able to obtain sufficient Mortgage Loans to finance the acquisition of Properties on commercially acceptable terms or at all. In the absence of mortgage financing, the number of Properties which Operating LP will be 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. The Manager may not be able to generate sufficient funds through the operation of the Properties 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, without limitation, foreclosure or sale of the Properties.
- (e) *Interest Rate Fluctuations* – The Mortgage Loans may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in Operating LP's cost of borrowing.
- (f) *Environmental Matters* – Under various environmental and ecological laws, the Fund 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 Fund's ability to sell such Property, and could potentially also result in claims against the Fund by third parties.
- (g) *Uninsured Losses* – The Operator will, under the terms of the Operating Agreement, 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 Operating LP 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 Fund could suffer a loss of capital invested and not realize any profits which might be anticipated from the disposition of such Properties.
- (h) *Reliance on Property Management* – The Manager will rely on the Operator to perform property management functions in respect of each of the Properties. The Operator and its employees will devote as much of their time to the management of the Properties as in their judgement is reasonably required, but conflicts of interest may arise in allocating management time, services and functions among the Properties and their other development, investment and/or management activities not related to the Properties.
- (i) *Competition for Real Property Investments* – The Fund will compete for suitable investments with other individuals, corporations, REITs and similar vehicles, and institutions which are presently seeking or which may seek in the future real property investments similar to those sought by the Fund. Such competition would tend to increase purchase prices of real estate properties and reduce the yield on such investments.
- (j) *Revenue Shortfalls* – Revenues from the Properties may not increase sufficiently to meet increases in operating expenses.



- (k) *Fluctuations in Capitalization Rates* – As interest rates fluctuate in the lending market, generally so too do capitalization rates which affect 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.
- (l) *Joint Ventures* – The Fund will generally not participate in a joint venture unless the acquisition cost of a Property, otherwise identified by the Manager as a suitable investment for the Fund, would prohibit the Fund from making such an investment on its own. A joint venture or partnership involves certain additional risks which could result in additional financial demands, increased liability and a reduction in the Manager’s control over the Properties and its ability to sell its interest in a Property within a reasonable time frame, including 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.
- (m) *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, high levels of home foreclosures, limited access to credit markets, high fuel prices, less consumer spending, fears of a “double-dip” recession, and the slow rate of economic recovery. According to the U.S. Federal Reserve, the recession technically ended in June 2009, but 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. Although a recovery in the real estate market is in its early stages, the Fund cannot predict when or if 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.

*Timing for Investment of Net Subscription Proceeds* – Although the Fund has a two year Investment Period during which it must deploy the net proceeds of the Offering, the time period for the full investment of such proceeds is not certain. The timing of such investment will depend, among other things, upon the identification of Properties meeting the Investment Restrictions. During the Investment Period, the Manager may invest the net proceeds of the Offering only in cash (or cash equivalents) or exempt securities. There is a risk that the Manager may not invest all proceeds of the Offering in Properties in a timely manner and may not be able to generate sufficient funds to pay the expected distributions.

*Currency Exchange Rate Risk* – The revenues and expenses of the Properties will be denominated in U.S. dollars and distributions will be made to the Fund in U.S. dollars. The Fund will convert such distribution amounts received into Canadian dollars prior to distribution to Unitholders. As a consequence, distributions of the Fund will be affected by fluctuations in the Canadian/U.S. dollar exchange rate. 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 Units and therefore holders of Units will have full exposure to changes in the exchange rate between the Canadian and U.S. dollar.

*Possible Loss of Limited Liability of Limited Partners* – Limited partners may lose their limited liability in certain circumstances, including by taking part in the control of the partnership’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 limited partners 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.

*Rights of Unitholders* – A Unitholder does not have all of the same protections, rights and remedies as a shareholder would have under the CBCA. Unlike shareholders of a CBCA corporation, the Fund will not be required to hold annual Unitholder meetings and Unitholders do not have a comparable right of a shareholder to make a proposal at a general meeting of the Fund. The matters in respect of which Unitholder approval is required under the Fund LP Agreement are generally less extensive than the rights conferred on the shareholders of a CBCA

corporation. Unitholders do not have recourse to a dissent right under which shareholders of a CBCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, the sale of all or substantially all of its property, or a going private transaction). Unitholders similarly do not have recourse to the statutory oppression remedy that is available to shareholders of a CBCA corporation which would apply where the corporation undertakes actions that are oppressive, unfairly prejudicial or disregard the interests of security holders and certain other parties. Shareholders of a CBCA corporation may apply to a court to order the liquidation and dissolution of the corporation in certain circumstances whereas Unitholders may rely only on the general provisions of the Fund LP Agreement which permit the winding-up of the Fund with the approval of a Special Resolution of the Unitholders. Shareholders of a CBCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The CBCA also permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its subsidiaries, with the leave of a court. The Fund LP Agreement does not include comparable rights.

#### *Risk Factors Relating to Canadian Taxes*

- (a) *Taxation of Partnerships* – The SIFT Rules apply to a partnership that is a “SIFT partnership” as defined in the Tax Act. Provided that either (a) the Units and any other securities issued by the Fund, or any securities that derive their value from, or replicate the return on, the Units, are not listed or traded on a stock exchange or other organized facility, or (b) a partnership does not own “non-portfolio property” (as defined in the Tax Act), it will not be subject to the SIFT Rules. The Fund has advised counsel that it does not expect the Fund, Holding GP or Operating LP to own “non-portfolio property”, in which case these entities 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, Holding LP, Operating LP and Unitholders.
- (b) *Taxable Income* – In general, a Unitholder must include in computing the Unitholder’s income, gain, loss and deduction the Unitholder’s proportionate share of income of the Fund allocated to the Unitholder pursuant to the Fund’s limited partnership agreement for the fiscal period of the Fund ending on or within the Unitholder’s taxation year. 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. In addition, no assurances can be given that the Fund will make the cash distributions intended. Even if the Fund is unable to distribute cash in amounts that are sufficient to fund the Unitholders’ tax liabilities, each of the Unitholders will still be required to pay income taxes on its proportionate share of Fund’s taxable income.
- (c) *Foreign Taxes* – Foreign taxes paid by Holding GP will be allocated to Unitholders pursuant to its limited partnership agreement and the limited partnership agreement of the Fund. A Unitholder’s share of the “business-income tax” and “non-business-income tax” paid in a foreign country for a year will be creditable against its Canadian federal income tax liability to the extent permitted by the detailed rules contained in the Tax Act. Although the foreign tax credit provisions are designed to avoid double taxation, the maximum credit is limited. Because of this, and because of timing differences in recognition of expenses and income and other factors, double taxation may arise.

Proposed Amendments released on August 27, 2010 address certain Foreign Tax Credit Generator Proposals. Under the Foreign Tax Credit Generator Proposals, the foreign “business income tax” or “non-business-income tax”, each as defined in the Tax Act, for any taxation year may be limited in certain circumstances, including where a partner’s share of the partnership’s income under the income tax laws of any country (other than Canada) under whose laws the income of the partnership is subject to income taxation, is less than the partner’s share of such income for purposes of the Tax Act. No assurances can be given that the Foreign Tax Credit Generator Proposals will not apply to any Unitholder. If the Foreign Tax Credit Generator Proposals apply, a Unitholder’s foreign tax credits will be limited.

- (d) *Differences in Canadian and U.S. Tax Laws* – The Partnerships are required to compute their income 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. Given the effective U.S. tax rate that is expected to apply to income earned by Holding GP, an investment in Brokered Units is most suitable for individuals resident in Canada who are subject to tax at the highest marginal rate of income tax.
- (e) *Change of Law* – There can be no assurance that Canadian federal income tax laws, the judicial interpretation thereof, the terms of the U.S. – Canada Tax Treaty, or the administrative and assessing practices and policies of the CRA and the Department of Finance (Canada) will not be changed in a manner that adversely affects the Fund or 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.
- (f) *Foreign Currency* – For purposes of the Tax Act, the Fund generally is required to compute its 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, the Fund 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 U.S. Taxes*

- (a) *Holding GP is subject to U.S. Federal Income Tax* – Holding GP is subject to U.S. federal income tax as a “foreign” corporation engaged in a U.S. trade or business, and will have both ECI (and may have FDAP) which are U.S. source items subject to U.S. federal income tax law. The Fund may also have U.S. source FDAP income from interest paid on the Holding GP Notes, if any. If Holding GP issues Holding GP Notes, the deduction of interest on such note may be restricted depending upon a variety of factors, as discussed in “Certain U.S. Federal Income Tax Considerations”. If Holding GP’s deductions were limited, the IRS were to successfully challenge a U.S. tax position Holding LP were to take, the Fund or Holding GP were to fail to qualify for benefits under the U.S.-Canada Tax Treaty, or U.S. tax laws or the U.S.-Canada Tax Treaty were to change (perhaps retroactively), U.S. federal income tax costs could increase, thus decreasing cash available for distribution to the Unitholders and possibly the value of the Units.
- (b) *Change of Law* – There can be no assurance that U.S. federal income tax laws, the terms of the U.S.-Canada Tax 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.**

**18. PROMOTER**

Timbercreek 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 Timbercreek nor any of its directors, officers or shareholders beneficially owns, controls or directs, directly or

indirectly, any Units. However, following the closing of the Private Placement, Timbercreek will own 100,000 of the Class C Units. Timbercreek will receive payment from the Fund for asset management services related to the acquisition, management and disposition of Properties in accordance with the terms of the Asset Management Agreement. See “Management of the Fund – The Asset Management Agreement”.

## 19. LEGAL PROCEEDINGS

There are no outstanding legal proceedings to which the Fund is a party, nor are any such proceedings known to be contemplated.

## 20. INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Fund was only recently formed and has not carried on any business to date. Other than as disclosed herein, neither Timbercreek nor any of its directors, executive officers or shareholders, or any of their associates or affiliates 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.

## 21. AUDITORS

The auditors of the Fund are KPMG LLP, whose address is 333 Bay Street, Suite 4600, Toronto, Ontario M5H 2S5.

## 22. REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent for the Units is CIBC Mellon Trust Company at its principal office in Toronto. Registration and transfers of Units will be effected only through the book-entry only system administered by CDS. A purchaser of Units 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”.

## 23. MATERIAL CONTRACTS

The following are the only material agreements, other than contracts entered into in the ordinary course of business, which the Fund has entered into during the last two years. **Copies of these agreements are available for inspection during regular business hours at the offices of Timbercreek, located at 1000 Yonge St., Suite 500, Toronto, Ontario, M4W 2K2 and on SEDAR at [www.sedar.com](http://www.sedar.com).**

### 23.1 Particulars of Material Contracts

1. *Fund LP Agreement* – described in “Description of the Securities Distributed – The Fund”.
2. *Holding GP Agreement* – described in “Description of the Securities Distributed – Holding GP”.
3. *Operating LP Agreement* – described in “Description of Business of the Fund – Operating LP”.
4. *Asset Management Agreement* – described in “Management of the Fund – Asset Management Agreement”.
5. *Agency Agreement* – described in “Plan of Distribution – Agency Agreement”.

## 24. EXPERTS

No professional person providing an opinion in this Prospectus expects to be elected, appointed or employed as a director, trustee, 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.

The Fund's auditors are KPMG LLP, Chartered Accountants, who have prepared an independent auditors' report dated September 28, 2012 in respect of the Fund's financial statements as of and for the one day period ended August 30, 2012. KPMG LLP has advised that they are independent with respect to the Fund within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

Certain legal matters in connection with this Offering will be passed upon by Goodmans LLP, on behalf of the Fund, and by Fasken Martineau DuMoulin LLP, on behalf of the Agents. As at the date of this Prospectus, partners and associates of Goodmans 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 Fasken Martineau DuMoulin 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.

Hodgson Russ LLP, in its capacity as special U.S. tax counsel 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". As at the date of this Prospectus, Hodgson Russ LLP beneficially owned, directly or indirectly, less than 1% in the outstanding securities of the Fund and its respective associates and affiliates.

## **25. PURCHASERS' STATUTORY RIGHTS**

Securities legislation in certain of the provinces and territories of Canada provides Purchasers with the right to withdraw from an agreement to purchase securities within two Business Days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, 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 or territory. The Purchaser should refer to the securities legislation in the province or territory in which the Purchaser resides for the particulars of these rights or consult with a legal advisor.

## AUDITORS' CONSENT

We have read the prospectus of Timbercreek U.S. Multi-Residential Opportunity Fund #1 (the "**Fund**") dated September 28, 2012 relating to the sale and issue of Units of the Fund. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the Unitholder of the Fund on the financial statements of the Fund, which comprise the balance sheet as at August 30, 2012, the statements of changes in equity and cash flows for the one day period ended August 30, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information. Our report is dated September 28, 2012.

(signed) KPMG LLP

Chartered Accountants, Licensed Public Accountants

September 28, 2012

Toronto, Canada



# **Financial Statements of Timbercreek U.S. Multi-Residential Opportunity Fund #1**

One day period ended August 30, 2012

## INDEPENDENT AUDITORS' REPORT

To the Unitholder of Timbercreek U.S. Multi-Residential Opportunity Fund #1

We have audited the accompanying financial statements of Timbercreek U.S. Multi-Residential Opportunity Fund #1, which comprise the balance sheet as at August 30, 2012, the statements of changes in equity and cash flows for the one day period ended August 30, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statements based on our 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 statement. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Timbercreek U.S. Multi-Residential Opportunity Fund #1 as at August 30, 2012, and its cash flows for the one day period ended August 30, 2012 in accordance with International Financial Reporting Standards.

(signed) KPMG LLP

Chartered Accountants, Licensed Public Accountants

September 28, 2012

Toronto, Canada

# TIMBERCREEK U.S. MULTI-RESIDENTIAL OPPORTUNITY FUND #1

Balance Sheet  
(In Canadian dollars)

As at August 30, 2012

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## Assets

Cash	\$ 10
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## Unitholders' Equity

Issued:	
Class C units	\$ 10

Authorized:	
Class A units, unlimited	
Class B units, unlimited	
Class C units, unlimited	

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See accompanying notes to the financial statements.

Approved by the Board of Directors of Timbercreek U.S. Multi-Residential Opportunity Fund GP #1 Inc., as general partner for Timbercreek U.S. Multi-Residential Opportunity Fund #1:

"R. Blair Tamblyn"                      Director

"David Melo"                              Director

# TIMBERCREEK U.S. MULTI-RESIDENTIAL OPPORTUNITY FUND #1

Statement of changes in unitholder's equity  
(In Canadian dollars)

One day period ended August 30, 2012

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Unitholders' equity, beginning of period	\$-
Issuance of unit	\$10
Unitholders' equity, end of period	\$10

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See accompanying notes to the financial statements.

# TIMBERCREEK U.S. MULTI-RESIDENTIAL OPPORTUNITY FUND #1

Statement of cash flows  
(In Canadian dollars)

One day period ended August 30, 2012

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Financing activity

Issuance of unit	\$10
Net increase in cash	\$10
Cash, beginning of period	\$-
Cash, end of period	\$10

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See accompanying notes to the financial statements.

## **1. Organization:**

Timbercreek U.S. Multi-Residential Opportunity Fund #1 (the "Fund") is a limited partnership governed by the laws of the Province of Ontario which was formed on August 30, 2012. The registered office of the Fund is located at 1000 Yonge Street, Suite 500, Toronto, Ontario, M4W 2K2. The Fund was established for the primary purpose of indirectly acquiring multi-residential real estate assets that are mispriced and/or undermanaged in the view of the Manager, and that are located throughout the southeastern United States, and enhancing the value of the properties through active management and a stabilization and improvement program, with the goal of ultimately disposing of the assets to generate significant gains.

The Fund, through the issuance of units, will acquire a general partner interest in Timbercreek U.S. Multi-Residential Holding Partnership ("Holding GP"). Holding GP will subsequently acquire limited partnership units of Timbercreek U.S. Multi-Residential Operating L.P. ("Operating LP"). Concurrently the Fund will complete a private placement in Canada of Class C Units (the "Canadian Private Placement") and an affiliate of the Fund will offer units to certain U.S. investors in a U.S. limited partnership ("U.S. Holdings LP") on a private placement basis in the United States (the "US Private Placement"). U.S. Holdings LP will use the net proceeds of the US Private Placement to invest in units of Operating LP. Operating LP will use the net proceeds from such issuances to acquire multi-residential properties.

Timbercreek Multi-Residential Opportunity Fund #1 G.P. Inc. is the general partner of the Fund ("General Partner"). The General Partner is a wholly-owned subsidiary of Timbercreek Asset Management Inc. (the "Manager").

The term of the Fund will be four years, subject to a single one year extension at the discretion of the General Partner (the "Term") or subject to earlier termination upon the sale of the Fund's final investment. The Term may only be further extended by Special Resolution of the Unitholders.

## **2. Basis of Presentation:**

(a) Statement of compliance:

The financial statement of the Fund has been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements were authorized for issue by the General Partner on September 28, 2012.

As there have been no operations during the period, a statement of income and comprehensive income has not been prepared.

(b) Functional and presentation currency:

The functional and presentation currency of the Fund is Canadian dollars.

## **3. Unitholders' Equity:**



The beneficial interest in the net assets and net income of the Fund is divided into three classes of units: Class A Units, Class B Units and Class C Units (collectively, the “Units”). The Fund is authorized to issue an unlimited number of Units, all of which rank equally with respect to distributions, except as set out below.

Each Unit entitles the holder to the same rights and obligations as all other Unitholders and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of Units, subject to the proportionate entitlement of the holders of Class A Units, Class B Units and Class C Units to participate in distributions made by the Fund and to receive proceeds upon termination of the Fund, in each case based on the proportionate share of each class of Units (taking into account the agents’ fees incurred in connection with the issuance of such units, as applicable) and the reduction of distributions made by the Fund in respect of a particular class of Units by an amount equal to the expenses of the Fund allocable to a specific class of Units including, specifically for the Class A Units, service fees paid to registered deals in respect of the Class A Units.

Class A and Class B Units will be publicly offered; however, there is no market through which these units may be sold or redeemed. Class B Units differ from Class A Units in that they have a minimum commitment by an investor of \$5,000,000 and they will have a reduced agents’ fee and there is no service fee payable in respect of the Class B Units.

The Class C Units will be offered by private placement and are designed for the Manager and certain institutional and high net worth and other investors. The Class C Units differ from Class A Units and Class B Units in that the costs associated with the private placement of the Class C units are lower than the costs associated with the public offering of Class A Units and Class B Units and there is no service fee payable in respect of the Class C Units.

The Fund will not be required to redeem Units at any time.

#### **4. Commitments:**

The Fund will enter into an asset management agreement (“Asset Management Agreement”) with the Manager. Pursuant to the Asset Management Agreement, the Manager will be responsible to the Fund for strategic, advisory, asset management, plus applicable taxes, property management, leasing, construction management and administration services necessary to manage the day-to-day operations of the Fund and the properties. The Fund will pay the following fees:

- a) An asset management fee equal to 1.0% per annum of the gross subscription proceeds plus the gross subscription proceeds of any one or more subsequent offerings, plus applicable taxes, calculated and payable monthly in arrears;
- b) An acquisition fee equal to 1% of the gross purchase price of each property (or interest in a property), which purchase price of the property shall also include, but is not limited to, due diligence costs, closing costs, legal fees, and any additional capital costs incurred in connection with the acquisition of the property, plus applicable taxes, payable on the completion of each acquisition;

c) A property management fee equal to 4% per annum of the effective gross income of Operating LP, plus applicable taxes, calculated and payable monthly in arrears; and

d) A capital project management fee equal to 4% of the total costs of the applicable renovation and repositioning program, plus applicable taxes, payable as to 50% of such fee at the beginning of the program, and as to the remaining 50% at the completion of the program.

The Manager will delegate certain responsibilities under the Asset Management Agreement to Elco Landmark Residential Holdings, LLC. This delegation will be done at the expense of the Manager.

The Fund will pay an annual service fee equal to 0.5% of the gross subscription proceeds received for the Class A Units to registered dealers out of the cash available for distribution to holders of Class A Units based on the number of Class A 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 March 31, 2013).

**5. Subsequent event:**

Pursuant to an agency agreement dated September 28, 2012 the Fund the General Partner and the Manager have engaged Raymond James Ltd., CIBC World Markets Inc., GMP Securities L.P. BMO Nesbitt Burns Inc., National Bank Financial Inc., Scotia Capital Inc., Canaccord Genuity Corp., Macquarie Capital Markets Canada Ltd., Dundee Securities Ltd. and Manulife Securities Incorporated to offer for sale to the public, pursuant to the prospectus dated September 28, 2012 a maximum of 7,500,000 Class A Units and/or Class B Units of the Fund at a price of \$10 per unit (the "Offering"). Costs related to the Offering include agents' fees of \$0.525 for each Class A Unit and \$0.275 for each Class B Unit. The proceeds of the Offering will be used to acquire an interest in Holdings GP, which will in turn acquire units of Operating LP.

Concurrently with the Offering, U.S. Holdings LP will offer units to certain U.S. investors on a private placement basis in the United States. The net proceeds of the US Private Placement will be used by U.S. Holdings LP to acquire units of Operating LP.

**CERTIFICATE OF THE FUND**

Dated: September 28, 2012

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 the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Prince Edward Island, New Brunswick, Nova Scotia and Newfoundland and Labrador, and the Yukon, Northwest Territories, and Nunavut.

**TIMBERCREEK U.S. MULTI-RESIDENTIAL OPPORTUNITY FUND #1**

By: (Signed) R. Blair Tamblyn  
Chief Executive Officer

By: (Signed) David Melo  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS OF TIMBERCREEK U.S. MULTI-RESIDENTIAL OPPORTUNITY FUND #1 G.P. INC., THE GENERAL PARTNER OF TIMBERCREEK U.S. MULTI-RESIDENTIAL OPPORTUNITY FUND #1**

By: (Signed) R. Blair Tamblyn  
Director

By: (Signed) David Melo  
Director

By: (Signed) Carrie Morris  
Director

**PROMOTER**

**TIMBERCREEK ASSET MANAGEMENT INC.**  
as Promoter

By: (Signed) R. Blair Tamblyn  
Director

**CERTIFICATE OF THE AGENTS**

Dated: September 28, 2012

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 the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Prince Edward Island, New Brunswick, Nova Scotia and Newfoundland and Labrador, and the Yukon, Northwest Territories, and Nunavut.

**RAYMOND JAMES LTD.**

**CIBC WORLD MARKETS INC.**

**GMP SECURITIES L.P.**

By: (Signed) J. Graham Fell

By: (Signed) Michael D. Shuh

By: (Signed) Andrew Kiguel

**BMO NESBITT BURNS INC.**

By: (Signed) Robin G. Tessier

**NATIONAL BANK FINANCIAL  
INC.**

**SCOTIA CAPITAL INC.**

By: (Signed) Timothy D.  
Evans

By: (Signed) Bryce Stewart

**CANACCORD GENUITY CORP.**

**MACQUARIE CAPITAL  
MARKETS CANADA LTD.**

By: (Signed) Justin Bosa

By: (Signed) John Bartkiw

**DUNDEE SECURITIES LTD.**

**MANULIFE SECURITIES  
INCORPORATED**

By: (Signed) Aaron Unger

By: (Signed) David MacLeod

**SCHEDULE A  
AUDIT COMMITTEE CHARTER**

**TIMBERCREEK U.S. MULTI-RESIDENTIAL OPPORTUNITY FUND #1**

**1. Mandate**

The primary function of the audit committee (the “**Committee**”) is to 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.

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 auditors, the directors of Timbercreek U.S. Multi-Residential Opportunity Fund #1 G.P. Inc., the general partner of the Fund (the “**General Partner**”), and the senior management of Timbercreek Asset Management Inc., in its capacity as manager of the Fund (the “**Manager**”).

**2. Composition**

- (d) The Committee shall be comprised of three directors of the General Partner as determined by the General Partner.
- (e) 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.
- (f) The members of the Committee shall be appointed by the directors of the General Partner. Unless a Chair is elected by the directors, the members of the Committee may designate a Chair. The Chair shall be responsible for leadership of the Committee, including preparing the agenda, presiding over the meetings and reporting to the directors.

**3. Meetings**

- (g) The Committee shall meet four times annually, or more frequently as circumstances dictate.
- (h) If so requested by a member of the Committee, the external auditor shall attend any meeting of the committee held during the term of office of the external auditor.

**4. Authority**

- (i) 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 counsel or other experts or advisors as the Committee deems necessary for these purposes and as are otherwise necessary or appropriate to carry out its duties.

**5. Duties and Responsibilities**

The Committee shall:

- (j) Documents/Reports Review
  - (i) 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.

- (ii) Review and 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.
- (k) External Auditor
  - (i) Oversee the work of the external auditor for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Fund, including reviewing with management of the Manager and the external auditor the overall scope and plans for the audit.
  - (ii) Review annually the performance of the external auditors, who shall be ultimately accountable to the directors of the General Partner and the Committee as representatives of the unitholders of the Fund.
  - (iii) Recommend to the directors of the Fund 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 services for the Fund.
  - (iv) Consult with the external auditor, without the presence of management 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.
  - (v) Review and pre-approve 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.
  - (vi) Monitoring and reviewing the independence of the external auditor.
- (l) Financial Reporting Processes
  - (i) In consultation with the external auditor, review with management of 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.
  - (ii) Review and assist with the resolution of any significant disagreement among management of the Manager and the external auditor in connection with the preparation of the financial statements.
  - (iii) 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 by the Manager's employees of concerns regarding questionable accounting or auditing matters.
- (m) Risk Management
  - (i) Be aware of the risks of the business and ensure management of the Manager has adequate processes in place to monitor, manage and mitigate these risks as they arise.

## **6. Other**

The Committee shall review any related-party transactions not in the ordinary course of business.