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PROSPECTUS

New Issue

April 29, 2013



TIMBERCREEK U.S. MULTI-RESIDENTIAL OPPORTUNITY FUND #1 (the “Fund”)

Maximum: C\$50,000,000 of Class A Units and/or Class B Units

This Prospectus qualifies the distribution of up to C\$50,000,000 of class A units (the “**Class A Units**”) and/or class B units (“**Class B Units**” and, together with the Class A Units, the “**Offered Units**”) of the Fund (the “**Offering**”) at a price of C\$10.57 per Class A Unit and C\$10.00 per Class B Unit. Capitalized terms used but not defined are defined in the Glossary of Terms.

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 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.

Price: C\$10.57 per Class A Unit and C\$10.00 per Class B Unit
Minimum Purchase: 946 Class A Units or 2,000 Class B Units

	Price to the Public⁽¹⁾	Agents’ Fee	Net Proceeds to the Fund⁽²⁾
Per Class A Unit	C\$10.57	C\$0.555	C\$10.015
Per Class B Unit	C\$10.00	C\$0.275	C\$9.725
Maximum Offering ⁽³⁾	C\$50,000,000	C\$2,625,000	C\$47,375,000

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 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).
- (3) Maximum Offering assumes only Class A Units are issued.

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 “Prospectus”), unless each of the persons or companies who subscribed within that period consents to the continuation and an amendment to this 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 Offering is not completed, these funds will be returned to the subscribers without any deductions, unless the subscribers have otherwise instructed the Agents.

If the Maximum Offering is achieved, the Fund expects that approximately C\$139,960,000, which amount includes the net proceeds of the Offering, available cash of the Fund and the Additional Mortgage Loans will be applied to the purchase price and other acquisition costs of Additional Properties, and to the creation of working capital reserves and reserves for the renovation and repositioning of such Additional Properties.

The Offering is, in part, a “blind pool” offering. Although certain of the net proceeds of the Offering will be used to repay the Bridge Financing, the Fund expects that the remaining net proceeds of the Offering will be applied to purchase one or more Additional Properties. The specific Additional Properties in which such remaining proceeds will be invested have not yet been determined. An investment in the securities offered by this Prospectus is 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 Offered Units (“Purchasers”) may not be able to resell Offered Units purchased under this Prospectus. This may affect the pricing of the Offered Units in the secondary market, the transparency and availability of trading prices, the liquidity of the Offered 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 Additional Properties and to enhance and improve 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). 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 Manulife Securities Incorporated, National Bank Financial Inc., BMO Nesbitt Burns Inc., Canaccord Genuity Corp., Scotia Capital Inc., Dundee Securities Ltd. and Macquarie Capital Markets Canada Ltd. (collectively with the Lead Agents, the “**Agents**”) conditionally offer the Offered 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 Offered Units will be effected only through the book entry only system administered by CDS Clearing and Depository Services Inc. (“**CDS**”). A Purchaser of Offered Units will receive only a customer confirmation from the registered dealer which is a CDS participant and from or through which Offered Units are purchased. Beneficial

owners of Offered 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 May 16, 2013, but in any event not later than 90 days after a receipt for this 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 Additional Properties;
- (d) statements with respect to the intended renovation and repositioning programs to be implemented for the 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 Additional Properties for acquisition and the price at which such Additional Properties may be acquired; the availability of mortgage financing and related interest rates; the extent of competition for Additional Properties; the ability of the Fund to execute its renovation and repositioning strategy with respect to the Properties and to achieve its investment objectives in relation thereto; the markets in which Operating LP operates; 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 beliefs 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 Additional Properties for purchase by the Fund, the availability of mortgage financing for such Additional 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”, “Management’s Discussion and Analysis – Forward-Looking Statements” and “Management’s Discussion and Analysis – Risks and Uncertainties”.

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 Offered 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 April 29, 2013, 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.\$0.9864 (the “Exchange Rate”).

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 provides management services to the Fund pursuant to an asset management agreement 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 \$3.2 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 (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 are not 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 Management, LLC (together with Elco Landmark Residential Holdings, LLC, collectively, the “**Operator**”) operates and acts as property manager for the Properties acquired by Operating LP, pursuant to the Operating Agreement. 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:	Maximum Offering: C\$50,000,000 of Class A Units and/or Class B Units. See “Description of the Securities Distributed.”
Price:	C\$10.57 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\$20,000. See “Plan of Distribution – Maximum Offering.”
Investment Objectives:	<p>The Fund’s investment objectives are to:</p> <ol style="list-style-type: none">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; and3. make quarterly cash distributions to Unitholders from Distributable Cash Flow. <p>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 or by Holding GP) paid quarterly.</p> <p>See “Description of the Securities Distributed.”</p>
Investment Restrictions	<p>The Fund shall not invest in any asset unless such asset:</p> <ol style="list-style-type: none">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 value opportunities stemming from the correction in the United States market and to capitalize on the strong economic and demographic trends in the multi-residential real estate industry, particularly in the southeastern United States. The Fund is able to leverage a strong strategic relationship with the Operator, who has significant experience and a successful track record managing properties in the targeted region.

The Manager and the Operator believe that current demographic and economic trends, supply and demand levels, the debt financing environment, rental growth, and abundant acquisition opportunities have created an ideal environment for investment in multi-residential real estate in the Fund’s target markets.

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. The Fund believes that many of the assets are inefficiently operated with respect to both revenue and expense management, often operating at below market potential rents, increased vacancies and suppressed operating margins. The Fund believes that such inefficiencies provide the Fund with an opportunity to improve these deficiencies by leveraging the experience and track record of the Manager and the Operator. By doing so, the Fund is expected to generate above market growth in an asset’s cash flow and achieve value creation.

The Fund believes the following multi-residential real estate market fundamentals in the southeastern United States, combined with experienced and active management, will be key drivers to the Fund’s expected performance, most notably within the Fund’s targeted regions:

- Attractive Valuations
- Positive Renter Demographics
- Strong Demand
- Historically Low Supply
- Anticipated Market Growth
- Attractive Financing Conditions
- Continued Acquisitions Opportunities
- Value Enhancement

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 continue to 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 will be “off-market”, meaning that they are not widely marketed for sale.

The Manager and the Operator will conduct an 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 Lenders, and finalize the acquisition of Additional Properties by Operating LP or its subsidiaries.

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

Following the acquisition of an Additional Property, 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. Landmark Apartment Trust of America, Inc. ("LAT"), an affiliate of the Operator, has been provided a right of first opportunity 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 Regions

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, 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.

See “Investment Strategy – Investment Strategy.”

Competitive Advantages:

The Sponsors both have strong 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 provides 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 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 approximate 25 year history operating multi-residential real estate assets in the targeted regions, the Fund expects to continue 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 allows 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 enables 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.

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 has 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 is not 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 is free to invest in such asset directly or through an affiliate other than the Fund.

LAT has 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 targets 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 is limited to recourse to the specific property and provides sufficient capital for the ongoing expenses of the respective Properties.

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

Distributions:

The Fund distributes 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. The first distribution of the Fund, in the amount of C\$0.084 per Class A Unit and C\$0.088 per Class C Unit, payable to Class A Unitholders and Class C Unitholders of record on March 28, 2013 and March 14, 2013, respectively, was paid on April 15, 2013. In addition, Unitholders of record on April 29, 2013 will be entitled to receive a distribution of C\$0.028 per Class A Unit and C\$0.029 per Class C Unit, to be paid on or about May 15, 2013 (the "**Advanced Distribution**"). The Advanced Distribution is intended to be equivalent to one-third of the quarterly distribution paid to Unitholders of record on March 31, 2013. An additional second quarter distribution is expected to be paid on or about July 15, 2013 to Unitholders of record on June 30, 2013. The Advanced Distribution will not be paid to purchasers under the Offering, and is being paid in order to treat existing and new Unitholders equitably.

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 Elco Landmark (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 Elco Landmark (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 Elco Landmark are 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 Elco Landmark as a distribution on the Operating LP Class B Units held by Elco Landmark.

All distributions are paid by the Fund only to Unitholders as of the particular record date

specified for such distribution.

Holding GP has elected to be classified as a corporation for U.S. federal income tax purposes. Accordingly, Holding GP is 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 then distribute the Distributable Cash Flow 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 Offered 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”.

After 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 has not entered and 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 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 Additional Properties, the ongoing operations of Properties, the ability of the Fund to indirectly sell 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 has a two year investment period (the “**Investment Period**”) beginning on October 25, 2012 and expiring on October 25, 2014. 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:	<p>The term of the Fund is four years beginning on October 25, 2012 and expiring on October 25, 2016, 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.</p> <p>Notwithstanding the Term of the Fund outlined above, the Fund will be wound down and terminated promptly following the sale of its final investment.</p> <p>See “Description of the Securities Distributed – Termination of the Fund LP Agreement” and “Risk Factors.”</p>
Asset Valuations and Subsequent Offerings:	<p>During the Investment Period, the Fund is permitted to complete one or more offerings of Units, including the Offering. 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 IPO (excluding the agents’ fees) amortized monthly over the Term.</p> <p>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.</p> <p>On April 24, 2013, an Asset Valuation was completed, and the adjusted aggregate appraised value of the Fund’s assets, as computed pursuant to such Asset Valuation is US\$98,220,000, or C\$100,763,898 as computed using an exchange rate of 1.0259. Estimated offering expenses for the Offering are C\$525,000, and the Unamortized IPO Expenses are equal to C\$597,592. These aggregate values provide a per Unit price of C\$10.57 per Class A Unit for the purposes of this Offering.</p> <p>See “Capitalization – Subsequent Offerings.”</p>
Reporting:	<p>The Fund obtains or updates property appraisals on a semi-annual basis (each, an “Asset Valuation”) and reports to Unitholders an adjusted aggregate appraised value of the Fund’s assets on a per Unit and class by class basis. The adjustments take into account, among other things, the accrued Carried Interest owing to the Manager and Elco Landmark and accrued taxes payable by the Fund or its subsidiaries, in each case assuming a disposition of the Properties at appraised value and a distribution of such proceeds (after taxes) to Unitholders.</p> <p>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”.</p> <p>See “Description of the Activities of the Fund – The Properties.”</p>
Liquidity:	<p>The Fund is not 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.</p> <p>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.</p> <p>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</p>

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\$50,000,000. The Fund will use these proceeds net of expenses incurred by the Fund 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 (net of expenses incurred by Operating LP) to directly or indirectly acquire Additional Properties, including the Cary Properties.

The Fund expects to complete the acquisition of the Cary Properties on or about May 2, 2013. Prior to the completion of the acquisition, the Fund expects to incur the Bridge Financing to fund the acquisition. The expected amount of the Bridge Financing is C\$7,000,000 at the rate of 9% per annum, plus a 1% up-front fee of the principal balance. A portion of the net proceeds of the Offering will be used to repay the Bridge Financing.

Pending the acquisition of Additional Properties during the Investment Period, the net proceeds from the Offering 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.”

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 IPO, the Offering, the Private Placements and any subsequent offerings within one year of the closing date of the IPO, 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 launched, 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 Offered 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:

Blind Pool Offering – The Offering is, in part, a “blind pool” offering. Although certain of the net proceeds of the Offering will be used to repay the Bridge Financing, the Fund expects that the remaining net proceeds of the Offering will be applied to purchase one or more Additional Properties. The specific Additional Properties in which such remaining 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 Initial

Properties as well as the Additional Properties.

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 is and will continue to 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 from the closing date of the IPO, 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 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\$50,000,000 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 was formed on August 30, 2012 and has a very brief

operating history. The general partners and the entities created for the purposes described herein were recently formed and have only the Initial Properties as assets. It is possible that such entities will not have sufficient assets to satisfy a 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 Additional Properties, the ongoing operations of 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 Additional Properties on commercially acceptable terms or at all. In the absence of mortgage financing, the number of Additional 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 one or more 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 has arranged for comprehensive insurance of the type and in the amounts customarily obtained for properties similar to those owned and to be acquired 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 relies 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 competes for suitable investments with other individuals, corporations, real estate investment trusts 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 tends 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 generally does not participate in joint ventures 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 Initial Properties are and the Additional 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 from the closing date of the IPO, during which it must deploy the net proceeds of the IPO, the Offering, the Private Placements and any subsequent offerings, 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 Additional Properties meeting the Investment Restrictions. During the Investment Period, pending deployment to acquire Additional Properties, the Manager may invest the net proceeds of such offerings only in cash (or cash equivalents) or exempt securities. There is a risk that the Manager may not invest all proceeds of such offerings in Additional 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 is not 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 are denominated in U.S. dollars and distributions are and 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 has not and 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) are 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.

Type of fee	Amount and Description
Agents’ Fee:	<p>C\$0.555 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.</p> <p>See “Plan of Distribution – the Agency Agreement.”</p>
Expenses of the Offering:	<p>The expenses of the Offering are estimated to be C\$525,000 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).</p> <p>See “Plan of Distribution.”</p>
Management Fees:	<p>In consideration for providing the services as set out in the Asset Management Agreement, the Manager is paid the Manager Fees (as defined herein), which shall not exceed, on an aggregate basis, 1% per annum of the Fund’s Total Assets. The Manager Fees shall be calculated and paid monthly in arrears, provided that for any month in which Acquisition Fees, Capital Project Management Fees or Excess Fees (as defined below) are payable, such fees shall only be paid to the extent the annual 1% per annum limit (calculated monthly) has not been reached as a result of the payment of the Asset Management Fee and Property Management Fee for that month.</p> <p>If the Manager Fees paid or payable for any year exceed 1% per annum of the Fund’s Total Assets, the excess amount (the “Excess Fees”) shall be returned, if applicable, and carried forward and be payable in the first subsequent monthly period in which the Manager Fees paid do not exceed 1% per annum (calculated monthly) of the Fund’s Total Assets, up to an amount that, together with the Manager Fees paid in such monthly period, is equal to 1% of the Fund’s Total Assets (calculated monthly) for such monthly period.</p> <p>Total Assets means (i) the consolidated assets of the Fund (including the consolidated assets of U.S. Holding LP), including, without limitation, the gross value of the Properties as valued in the most recent Asset Valuation and without any deduction for indebtedness associated with the Properties, plus (ii) the cost of any capital expenditures made in respect of the assets since the most recent Asset Valuation.</p> <p>A portion of each of the Manager Fees will be paid by the Manager to the Operator for its services as operator and property manager.</p> <p>See “Management of the Fund – The Asset Management Agreement”.</p>
Service Fee:	<p>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).</p> <p>See “Plan of Distribution – the Agency Agreement.”</p>
Ongoing Expenses	<p>The Fund pays for all expenses incurred in connection with its operation and administration.</p>

Type of fee	Amount and Description
of the Fund:	<p>These expenses 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 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”.</p> <p>In addition, because the Fund indirectly owns and operates physical real estate assets, the Fund is indirectly responsible for the payment of ordinary course operating expenses which are customary for real estate related entities.</p> <p>See “Description of the Activities of the Fund – Operating Expenses of the Fund”.</p>
Carried Interest:	<p>The Fund distributes 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. The first distribution of the Fund, in the amount of C\$0.084 per Class A Unit and C\$0.088 per Class C Unit, payable to Class A Unitholders and Class C Unitholders of record on March 28, 2013 and March 14, 2013, respectively, was paid on April 15, 2013. In addition, Unitholders of record on April 29, 2013 will be entitled to receive the Advanced Distribution. The Advanced Distribution is intended to be equivalent to one-third of the quarterly distribution paid to Unitholders of record on March 31, 2013. An additional second quarter distribution is expected to be paid on or about July 15, 2013 to Unitholders of record on June 30, 2013. The Advanced Distribution will not be paid to purchasers under the Offering, and is being paid in order to treat existing and new Unitholders equitably.</p> <p>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.</p> <p>Distributions are made by Operating LP indirectly to Unitholders and U.S. Unitholders as the indirect holders of Operating LP Units in the following order of priority:</p> <ol style="list-style-type: none"> 1. First, 100% to the holders of Operating LP Units (<i>pro rata</i>), until they have received cumulative distributions equal to their aggregate contributed capital; 2. Second, 100% to the holders of Operating LP Units (<i>pro rata</i>) 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 (<i>pro rata</i>) and 25% to the Manager and Elco Landmark (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 (<i>pro rata</i>) and 35% to the Manager and Elco Landmark (each as to 50% of such amount). <p>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.</p> <p>The foregoing distributions to the Manager and Elco Landmark 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 Elco Landmark as a distribution on the Operating</p>

Type of fee	Amount and Description
	LP Class B Units held by Elco Landmark. 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.

“2012 Financial Statements” means the audited financial statements of the Fund for the Period;

“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;

“Additional Mortgage Loans” means the Mortgage Loans to be incurred, directly or indirectly, by Operating LP to acquire the Additional Properties;

“Additional Properties” means those Properties that may from time to time be acquired, directly or indirectly, by Operating LP following the date hereof;

“Advanced Distribution” means the distribution to Unitholders of record on April 29, 2013 who will be entitled to receive a distribution of C\$0.028 per Class A Unit and C\$0.029 per Class C Unit, to be paid on or about May 15, 2013.

“Agency Agreement” means the agency agreement dated as of April 29, 2013 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, Manulife Securities Incorporated, National Bank Financial Inc., BMO Nesbitt Burns Inc., Canaccord Genuity Corp., Scotia Capital Inc., Dundee Securities Ltd. and Macquarie Capital Markets Canada Ltd.;

“Aggregate Class A Interest” means 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.

“Aggregate Class B Interest” means 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.

“Aggregate Class C Interest” means 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.

“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 entered into on October 25, 2012 between the Fund, Holding GP, Operating LP, U.S. Holding LP and the Manager pursuant to which the Manager provides asset management services to the Fund, as such agreement was amended on December 1, 2012, and as such agreement may be further 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 the IPO, the Private Placements and 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;

“**Bridge Financing**” means the short term unsecured indebtedness the Fund expects to incur prior to the completion of the acquisition of the Cary Properties, as more particularly described under “Use of Proceeds”;

“**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 completed concurrently with the closing of the IPO;

“**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 Elco Landmark’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”;

“**Cary Properties**” means two multi-residential apartment complexes located in Cary, North Carolina;

“**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 May 16, 2013, but in any event not later than 90 days after a receipt for this 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;

“Colonial” means Colonial Realty Limited Partnership, the vendor of the Initial Properties;

“Colonial BAR” means the business acquisition report dated March 5, 2013, prepared and filed in connection with the acquisition by the Fund of the Initial Properties;

“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 15th 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;

“Elco Landmark” means Elco Landmark Residential Holdings II, LLC, the holder of the Operating LP Class B Units;

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

“Elco Landmark Management” means Elco Landmark Residential Management, LLC;

“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;

“Excess Fees” means any amount by which the Manager Fees exceed 1% of Total Assets in any annual period;

“Exchange Rate” means the noon rate of exchange between Canadian dollars and U.S. dollars quoted by the Bank of Canada on April 29, 2013 as C\$1.00 = U.S.\$0.9864.

“Fannie Mae” means the Federal National Mortgage Association, the Lender under the Initial Mortgages;

“**Freddie Mac**” means the Federal Home Loan Mortgage Corporation, the existing mortgage lender for the Cary Properties;

“**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;

“**Future Funds**” means any investment vehicle with the same Investment Restrictions as the Fund;

“**GAAP**” means generally accepted accounting principles;

“**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 pursuant to the Offering;

“**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;

“**IASB**” means the International Accounting Standards Board;

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

“**Initial Mortgages**” means the four individual Mortgage Loans incurred by the Initial Property Owners to acquire the Initial Properties;

“**Initial Properties**” means the portfolio of four Properties acquired indirectly by Operating LP from Colonial on December 20, 2012, and known as Chelsea Commons, Granite Park, Lynden Square and Saratoga Ridge;

“**Initial Property Owners**” means, collectively, Landmark at Chelsea Commons, Landmark at Granite Park, Landmark at Lynden Square and Landmark at Saratoga Ridge;

“**Initial Public Offering**” or “**IPO**” means the initial public offering of Class A Units and Class B Units completed on October 25, 2012;

“**Investable Funds**” means the sum of (i) the net proceeds from the IPO and the Offering; (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 IPO, during which the net proceeds from the IPO, 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;

“Landmark at Chelsea Commons” means Landmark at Chelsea Commons, LP, the sole purpose limited partnership that is wholly owned, directly or indirectly, by Operating LP, and owner of the asset known as “Chelsea Commons” and previously known as “Highland Hills”;

“Landmark at Eagle Landing” means Landmark at Eagle Landing, LP, a sole purpose limited partnership that is wholly owned, directly or indirectly, by Operating LP and the intended purchaser of the asset known as “Hidden Oaks Apartments”;

“Landmark at Granite Park” means Landmark at Granite Park, LP, the sole purpose limited partnership that is wholly owned, directly or indirectly, by Operating LP, and owner of the asset known as “Granite Park” and previously known as “Autumn Hill”;

“Landmark at Lynden Square” means Landmark at Lynden Square, LP, the sole purpose limited partnership that is wholly owned, directly or indirectly, by Operating LP, and owner of the asset known as “Lynden Square” and previously known as “Heatherwood”;

“Landmark at Saratoga Ridge” means Landmark at Saratoga Ridge, LP, the sole purpose limited partnership that is wholly owned, directly or indirectly, by Operating LP, and owner of the asset known as “Saratoga Ridge” and previously known as “Canyon Hills”;

“Landmark at Watercrest” means Landmark at Watercrest, LP, a sole purpose limited partnership that is wholly owned, directly or indirectly, by Operating LP and the intended purchaser of the asset known as “Woodbridge Apartments”;

“LAT” means Landmark Apartment Trust of America, Inc., 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 be effected or entered into;

“Lender” means a lender and mortgagee of any of the Mortgage Loans, and includes Fannie Mae;

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

“Manager Fees” means, collectively, the Asset Management Fee, the Acquisition Fee, the Property Management Fee and the Capital Project Management Fee;

“March Fund Private Placement” means the issuance by the Fund of 567,500 Class C Units of the Fund, by way of a private placement completed on March 18, 2013, for gross proceeds of C\$5,675,000;

“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\$50,000,000 of Class A Units and/or Class B Units;

“MD&A” means the management’s discussion and analysis of financial condition and results of operations of the Fund set out in section 8 of this Prospectus;

“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, granted or 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 have been or will be used to finance the purchase, ownership and leasing of the applicable Property, and includes the Initial Mortgages and the Additional Mortgages, as the context may require;

“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;

“NI 51-102” means National Instrument 51-102 *Continuous Disclosure Obligations*;

“Offered Units” means the Class A Units and/or Class B Units offered pursuant to and qualified for distribution under this Prospectus;

“Offering” means the offering of up to C\$50,000,000 of Class A Units and/or Class B Units;

“Offering Price” means C\$10.57 per Class A Unit and C\$10.00 per Class B Unit;

“Operating Agreement” means, collectively, the Original Operating Agreement, the Operating Agreement Assignment and the Operating Agreement Subcontract;

“Operating Agreement Assignment” means the assignment agreement dated as of October 26, 2012 pursuant to which (i) Elco Landmark Holdings assigned its rights and obligations under the Original Operating Agreement to Elco Landmark Management, but remained liable for the performance of such rights and obligations, and (ii) the Manager consented to such assignment;

“Operating Agreement Subcontract” means the subcontracting agreement dated as of March 14, 2013 pursuant to which Elco Landmark Holdings and Elco Landmark Management subcontracted LAT to perform the property management services under the Original Operating Agreement and the Operating Agreement Assignment but remained liable for the performance of such services;

“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, 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 held by Elco Landmark, through which Elco Landmark is entitled to receive its 50% portion of the Carried Interest, and the economic benefits of which Elco Landmark has assigned to LAT pursuant to the Operating Agreement Subcontract;

“Operating LP Units” means the Class A limited partnership units of Operating LP;

“Operator” means, collectively, Elco Landmark Holdings and Elco Landmark Management;

“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;

“Original Operating Agreement” means a property management and operating agreement entered into between the Manager and Elco Landmark Holdings on October 25, 2012, pursuant to which Elco Landmark Holdings agreed to provide property management and operational services to the Manager in respect of the Properties, as such agreement was amended as of December 1, 2012, and as such agreement may be further amended and/or restated from time to time;

“Period” means the period of August 30, 2012 (the date of formation of the Fund) to December 31, 2012, to which the 2012 Financial Statements and the MD&A relate;

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

“Properties” means the lands and premises located in the southeastern United States or interests therein held, or to be purchased and owned, directly or indirectly, by Operating LP, and shall include the Initial Properties and the Additional Properties, as the context may require;

“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 Offered Units;

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

“Second U.S. Private Placement” means the issuance by U.S. Holding LP of U.S. Holding LP Units to Timbercreek U.S. Multi-Residential (U.S.) Holding L.P. No. 2 by way of a private placement expected to be completed on or about April 30, 2013;

“**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 IPO, 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 from the date of the closing of the IPO 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 gross value of the Properties as valued in the most recent Asset Valuation and without any deduction for indebtedness associated with the Properties, 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 IPO (excluding the agents’ fees) 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 Elco Landmark Holdings by way of a private placement conducted concurrently with the closing of the IPO; 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.

Landmark at Chelsea Commons

Landmark at Chelsea Commons is a sole purpose limited partnership formed pursuant to and governed by the laws of Delaware. The general partner of Landmark at Chelsea Commons is Landmark at Chelsea Commons GP, LLC, a limited liability company incorporated under the laws of Delaware. All of the issued and outstanding limited partnership units of Landmark at Chelsea Commons, and all of the issued and outstanding membership interests of Landmark at Chelsea Commons GP, LLC, are owned by Operating LP.

Landmark at Granite Park

Landmark at Granite Park is a sole purpose limited partnership formed pursuant to and governed by the laws of Delaware. The general partner of Landmark at Granite Park is Landmark at Granite Park GP, LLC, a limited liability company incorporated under the laws of Delaware. All of the issued and outstanding limited partnership units of

Landmark at Granite Park, and all of the issued and outstanding membership interests of Landmark at Granite Park GP, LLC, are owned by Operating LP.

Landmark at Lynden Square

Landmark at Lynden Square is a sole purpose limited partnership formed pursuant to and governed by the laws of Delaware. The general partner of Landmark at Lynden Square is Landmark at Lynden Square GP, LLC, a limited liability company incorporated under the laws of Delaware. All of the issued and outstanding limited partnership units of Landmark at Lynden Square, and all of the issued and outstanding membership interests of Landmark at Lynden Square GP, LLC, are owned by Operating LP.

Landmark at Saratoga Ridge

Landmark at Saratoga Ridge is a sole purpose limited partnership formed pursuant to and governed by the laws of Delaware. The general partner of Landmark at Saratoga Ridge is Landmark at Saratoga Ridge GP, LLC, a limited liability company incorporated under the laws of Delaware. All of the issued and outstanding limited partnership units of Landmark at Saratoga Ridge, and all of the issued and outstanding membership interests of Landmark at Saratoga Ridge GP, LLC, are owned by Operating LP.

Landmark at Watercrest

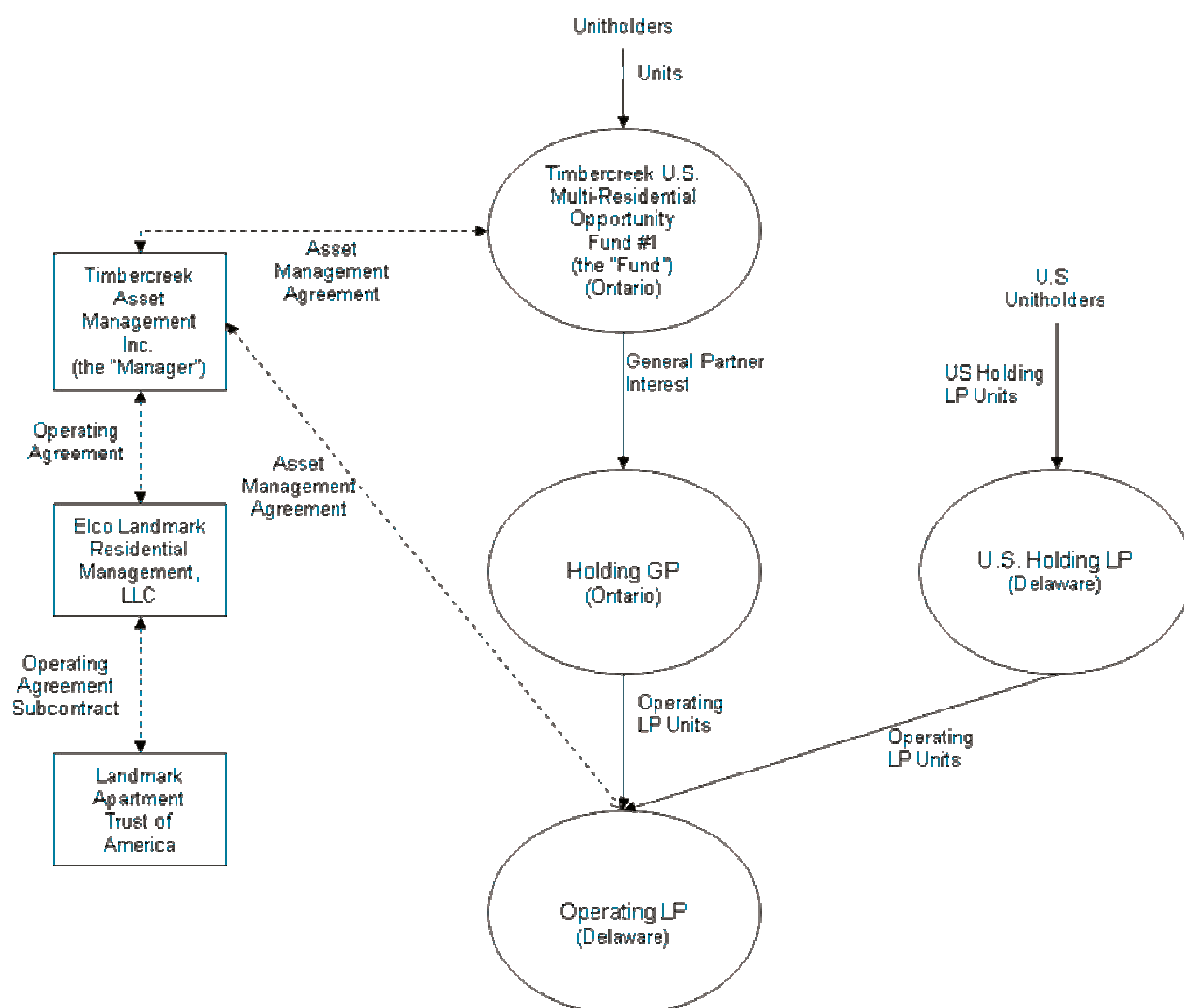
Landmark at Watercrest is a sole purpose limited partnership formed pursuant to and governed by the laws of Delaware. The general partner of Landmark at Watercrest is Landmark at Watercrest GP, LLC, a limited liability company incorporated under the laws of Delaware. All of the issued and outstanding limited partnership units of Landmark at Watercrest, and all of the issued and outstanding membership interests of Landmark at Watercrest GP, LLC, are owned by Operating LP.

Landmark at Eagle Landing

Landmark at Eagle Landing is a sole purpose limited partnership formed pursuant to and governed by the laws of Delaware. The general partner of Landmark at Eagle Landing is Landmark at Eagle Landing GP, LLC, a limited liability company incorporated under the laws of Delaware. All of the issued and outstanding limited partnership units of Landmark at Eagle Landing, and all of the issued and outstanding membership interests of Landmark at Eagle Landing GP, LLC, are owned by Operating LP.

1.2 Intercorporate Relationships

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



Notes:

- (1) The Manager holds Class C Units of the Fund and Elco Landmark holds U.S. Holding LP Units of U.S. Holding LP.
- (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. The managing general partner of each of the Initial Property Owners is a special purpose limited liability company that is wholly-owned by Operating LP.
- (3) Pursuant to the Operating Agreement Assignment, Elco Landmark Residential Holdings, LLC remains liable for the performance of the Operating Agreement.
- (4) Operating LP may from time to time hold one or more investments made by it indirectly through various subsidiary entities (including, but not limited to, corporations, partnerships and/or limited partnerships) as determined appropriate by Operating GP Co. Operating GP Co may determine it appropriate to hold investments in this manner from time to time for various purposes, including those related to taxation matters.

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 value opportunities stemming from the correction in the United States market and to capitalize on the strong economic and demographic trends in the multi-residential real estate industry, particularly in the southeastern United States. The Fund is able to leverage a strong strategic relationship with the Operator, who has significant experience and a successful track record managing properties in the targeted region.

The Manager and the Operator believe that current demographic and economic trends, supply and demand levels, the debt financing environment, rental growth, and abundant acquisition opportunities have created an ideal environment for investment in multi-residential real estate in the Fund's target markets.

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. The Fund believes that many of the assets are inefficiently operated with respect to both revenue and expense management, often operating at below market potential rents, increased vacancies and suppressed operating margins. The Fund believes that such inefficiencies provide the Fund with an opportunity to improve these deficiencies by leveraging the experience and track record of the Manager and the Operator. By doing so, the Fund is expected to generate above market growth in an asset's cash flow and achieve value creation.

The Fund believes the following multi-residential real estate market fundamentals in the southeastern United States, combined with experienced and active management, will be key drivers to the Fund's expected performance, most notably within the Fund's targeted regions:

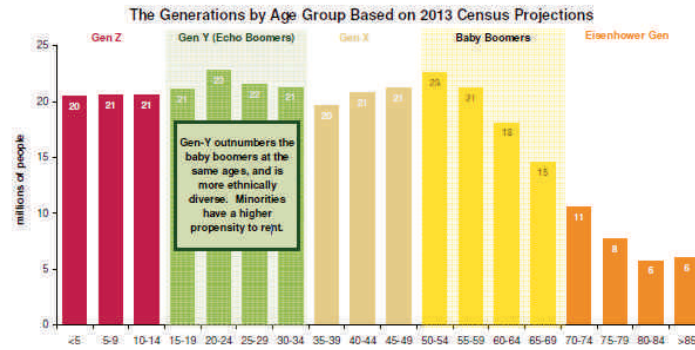
- Attractive Valuations
- Positive Renter Demographics
- Strong Demand
- Historically Low Supply
- Anticipated Market Growth
- Attractive Financing Conditions
- Continued Acquisitions Opportunities
- Value Enhancement

Attractive Valuations: The Fund has the ability to purchase multi-residential real estate assets in many of the targeted markets at higher capitalization rates when compared to major gateway cities in the United States such as Boston, New York, Seattle and San Francisco, while generating similar rent growth. These valuations in the targeted markets are also often more attractive than current valuations found in large Canadian urban markets such as Toronto, Ottawa, Calgary and Vancouver.

Market Capitalization Rate Survey					
U.S. Coastal/Gateway Cities		Canada: Major Urban Centers		Targeted Market	
Boston	5.20%	Toronto	4.00%	Austin	6.00%
New York	4.60%	Ottawa	4.50%	Houston	6.10%
Washington, D.C.	5.40%	Montreal	5.00%	Dallas	6.00%
Miami	5.45%	Calgary	4.25%	Charlotte	6.00%
Seattle	5.20%	Vancouver	3.75%	Atlanta	6.00%
San Francisco	5.00%	Edmonton	4.75%	Orlando	6.45%
Los Angeles	4.70%	Halifax	5.50%	Tampa	6.40%

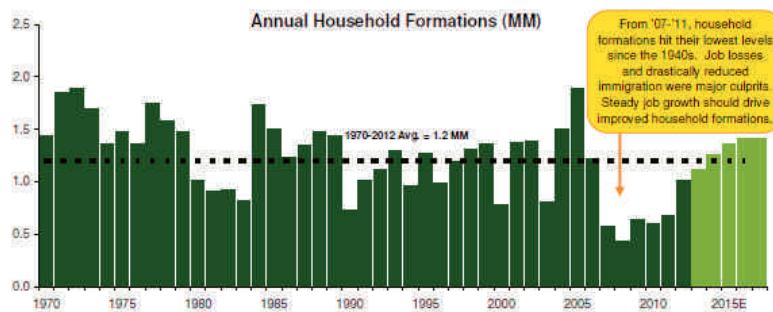
Source: Green Street Advisors, CBRE Canadian Cap Rate Survey, Q4 2012

Positive Renter Demographic: A growing and expanding echo-boomer population is expected to provide the fuel for strong rent growth, occupancy growth and pricing power for years to come. Furthermore, many U.S. consumers, especially young adults (those under 35 who have the highest propensity to rent) have delayed certain major life decisions such as getting married, having children and purchasing a home. These delays have been a result of a more challenging employment environment, higher levels of student debt and tightening of consumer credit which has made obtaining a mortgage for first time home buyers more difficult. The aforementioned factors are anticipated to be continued forces behind rental demand for this cohort.



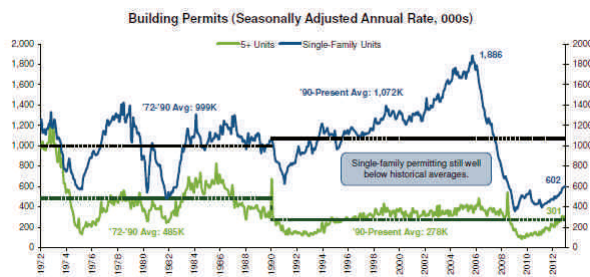
Source: Green Street Advisors

Strong Demand: New household formations is rebounding from an all-time low in 2010 and continues to revert to the mean. As job growth continues in the southeastern United States (cities such as Tampa, Jacksonville, Orlando, Atlanta and Charlotte), the demand for rental based housing is anticipated to continue to grow. Furthermore, as job growth accelerates, demand from many individuals who “bundled up” with room-mates, or lived with parents are now expected to be seeking apartments of their own, further accelerating the demand for rental housing.

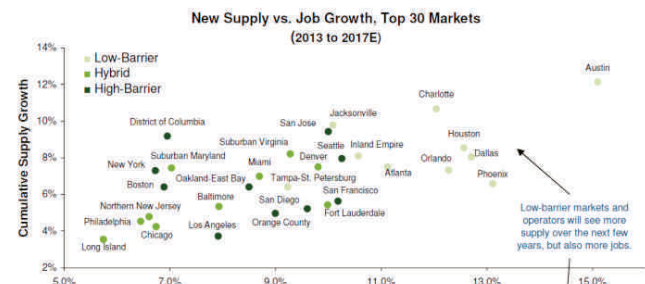


Source: Green Street Advisors

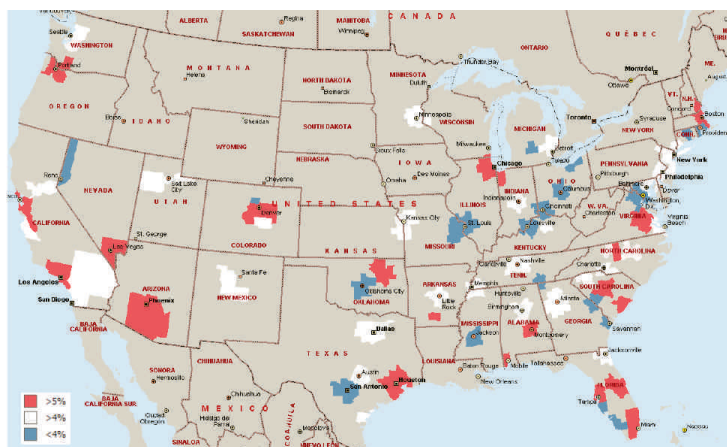
Historically Low Supply: New building permits hit record lows in 2011 and 2012 as demonstrated in the below graph. Although permitting activity increased in 2012 reverting back towards it historical mean, the influx of new rental supply is not anticipated to enter the rental pool for another 12-36 months due to the time required to develop purpose built multi-residential real estate assets (typically 12-36 months). Moreover, as construction approaches historical norms, accelerated job growth is expected to generate further demand to absorb the anticipated new supply.



Source: Green Street Advisors

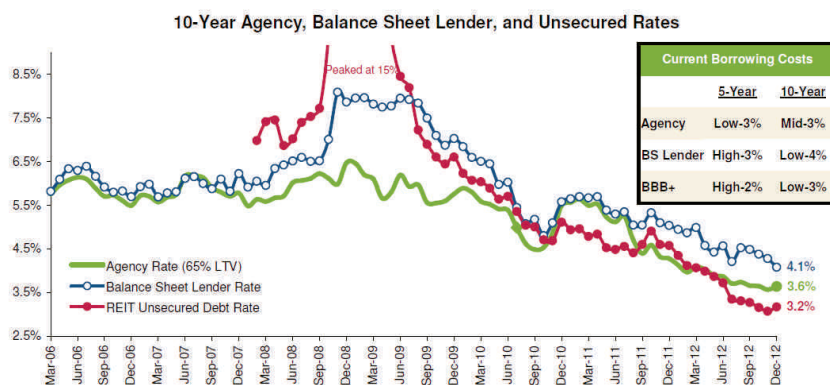


Anticipated Market Growth: The Fund believes there are significant growth prospects in the southeastern United States with respect to rental rates. The Fund believes an improving job market and increase in household formations coupled with a relatively low addition to the rental supply within these markets over the past 2-3 years has resulted in upward pressure on rental rates.



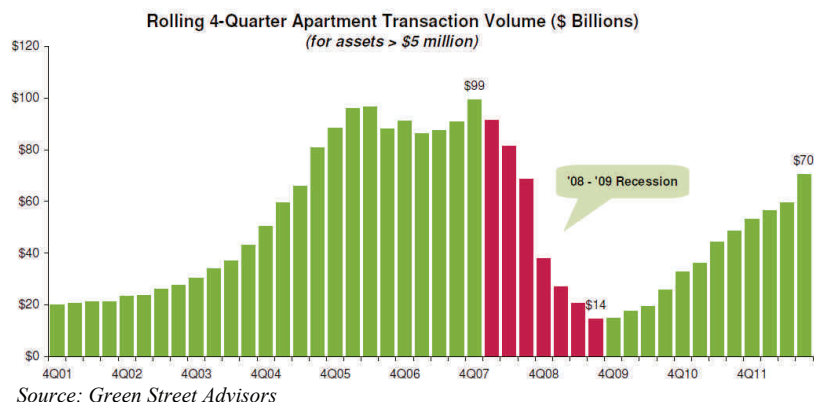
Source: Axiometrics 2013 Apartment Market Outlook

Financing: The ability to obtain fixed rate, long-term mortgage financing at historically low interest rates provides a very accretive financing environment. Obtaining long-term debt at fixed interest rates mitigates interest rate exposure going forward while increasing total returns. The Fund believes that 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 low cost financing. The Fund believes that this results in an ability to generate strong equity cash-flows and returns.



Source: Green Street Advisors

Rising Acquisition Opportunities: The Fund believes robust multi-residential real estate transaction activity in the U.S. will continue, providing the Fund with 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. Higher asset values are expected to lead to less well capitalized owners looking to monetize the value of their real estate.



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 to February, 2013, approximately 1,580 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.

Value Add: Attributable to an active management philosophy and the successful track record of the Operator, the Fund is taking advantage of opportunities to generate additional rental growth, or reduce operating expenses through a repositioning program of the asset. The repositioning program is designed to invest capital into a property to improve both its cosmetic and structural elements. The Fund believes that these repositioning programs help the Fund differentiate its Properties from competing multi-residential real estate assets in order to achieve above-market growth opportunities, improve operating margins and enhance investment returns.

2.4 Investment Strategy

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

The Operator will continue to 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 will be “off-market”, meaning that they are not widely marketed for sale.

The Manager and the Operator will conduct an 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 Lenders, and finalize the acquisition of Additional Properties by Operating LP or its subsidiaries.

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

Following the acquisition of an Additional Property, 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. LAT, an affiliate of the Operator, has been provided a right of first opportunity 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 Regions

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 provides 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 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 approximate 25 year history operating multi-residential real estate assets in the targeted regions, the Fund expects to continue 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 allows 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 enables 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 is focused on achieving and maintaining approximately 95% occupancy, with a daily focus on rent collections. Weekly goals are set by regional vice presidents and regional managers, the pricing system is reviewed weekly, managers' meetings are held monthly by region and monthly asset reviews and site visits are conducted by the senior management team.

3. THE PROPERTIES

3.1 Acquisition of Initial Properties

On December 20, 2012, the Fund indirectly acquired the Initial Properties from Colonial for consideration of US\$95,900,000, including transaction costs of US\$485,000. The purchase price was satisfied from the proceeds of mortgage financing in the aggregate amount of US\$71,600,000, and the remainder from the net proceeds of the IPO, the Canadian Private Placement and the U.S. Private Placement.

Each of the Initial Properties was acquired by a separate sole purpose limited partnership, the equity interests in which are held, as to 99.999% by Operating LP, and as to 0.001% by separate sole purpose limited liability companies that act as general partners of the respective limited partnerships and which are wholly-owned by Operating LP. The limited partnerships, the general partners, and their respectively held assets, are set out below:

Limited Partnership	General Partner	Acquired Asset
Landmark at Lynden Square, LP	Landmark at Lynden Square, LLC	Lynden Square
Landmark at Saratoga Ridge, LP	Landmark at Saratoga Ridge, LLC	Saratoga Ridge
Landmark at Chelsea Commons, LP	Landmark at Chelsea Commons, LLC	Chelsea Commons
Landmark at Granite Park, LP	Landmark at Granite Park, LLC	Granite Park

The acquisition of the Initial Properties constituted a "significant acquisition", as that term is defined under applicable Canadian securities legislation, and the Colonial BAR was prepared and publicly filed in respect thereof.

As stated in the Colonial BAR, no valuation was required to be obtained under applicable Canadian securities legislation or a Canadian exchange or market by the Fund to support the consideration paid by the Fund for the Initial Properties, and the transaction was not with an informed person, associate or affiliate of the Fund. The Initial Properties are managed by the Operator in accordance with the terms of the Operating Agreement. See “Investment Strategy” and “Management of the Fund”. The Fund has no current plans or proposals for material changes in its business affairs or the affairs of the Initial Properties which may have a significant effect on the results of operations and financial position of the Fund following the acquisition of the Initial Properties.

3.2 Description of the Initial Properties

The details of the Initial Properties are as follows:

Autumn Hill Apartments (Landmark at Granite Park)

Autumn Hill Apartments, rebranded as Landmark at Granite Park, was constructed in 1970 and is located at 2407 Peyton Drive, Charlottesville, Virginia. The 425 unit asset contains one, two and three bedroom apartment units situated in 26 two and three storey apartment buildings. The property amenities include a clubhouse, leasing center, fitness center, three swimming pools, playground, BBQ and picnic areas.

The property is currently 97% occupied and since the acquisition, the Operator has implemented a US\$50-\$75 per month (depending on unit type) rent increase for all new leases. Upon expiry of existing leases, approximately 60% of tenants are renewing at an average increase in rent of US\$45 per month. The renovation program is currently underway and includes improvements to the clubhouse, leasing center and fitness center. As units become vacant upon turnover, an interior renovation program is initialized to upgrade the units in order to command a higher market rent. Exterior renovations to the property are anticipated to start as weather conditions improve and include roof upgrades, parking lot repairs and exterior painting.

Heatherwood Apartments (Landmark at Lynden Square)

Heatherwood Apartments, rebranded as Landmark at Lynden Square, was constructed in two phases: the first in 1971 and the second in 1980. It is located at 5931 Providence Road, Charlotte, North Carolina. The 476 unit asset contains one, two, three and four bedroom apartment units situated in 35 walk-up, two and three storey apartment buildings. The property amenities include a leasing office/clubhouse, two swimming pools, tennis courts, a fitness center, a business center, and two laundry rooms.

The property is currently 95% occupied and since the acquisition, the Operator has implemented a US\$45-\$60 per month (depending on unit type) rent increase for all new leases. As units become vacant upon turnover, an interior renovation program is initialized to upgrade the units in order to command a higher market rent. The renovations program is currently underway and includes the clubhouse and leasing center, fitness center and sports court. Exterior renovations are anticipated to commence as weather conditions improve and will include parking lots repairs, balcony restorations and exterior painting.

Highlands Hills Apartments (Landmark at Chelsea Commons)

Highlands Hills Apartments, rebranded as Landmark at Chelsea Commons, was constructed in 1987 and is located at 180 BPW Club Road, Carrboro, Orange County, North Carolina. The 250 unit asset consists of one, two and three bedroom apartment units situated in 19 walk-up, two storey apartment buildings. The complex includes a leasing office /clubroom, business center, swimming pool, tennis courts, fitness center and laundry facility.

The property is currently 98% occupied and since the acquisition, the Operator has implemented a US\$45 per month rent increase for all new leases for one-bedroom units and US\$100 per month rent increase for all new leases for two-bedroom units. As units become vacant upon turnover, an interior renovation program is initialized to upgrade the units in order to command a higher market rent. The renovation program is currently underway and includes the clubhouse and leasing center, fitness center and various outdoor amenities, including a sports court and dog park. Exterior renovations to the property are anticipated to begin as weather conditions improve and will include exterior painting and parking lot repairs.

Canyon Hills Apartments (Landmark at Saratoga Ridge)

Canyon Hills Apartments, rebranded as Landmark at Saratoga Ridge, was constructed in 1995 and is located at 6307 Bluff Springs Road, Austin, Texas near Grandview Hills and Concordia University. The property consists of 229 units throughout 10 three storey buildings, in addition to a clubhouse. The property amenities include a swimming pool, hot tub/spa, 24-hour fitness center, clubhouse, additional storage, garage and courtyard.

The property is currently 94% occupied and since the acquisition, the Operator has implemented a US\$60 per month rent increase for all new leases. Approximately 50% of the tenants are renewing leases upon expiry, with renewal rate increases averaging \$59 per month. Renovations are currently underway at the property and include upgrades to the business center, clubhouse and leasing center, fitness center and outdoor amenity space. Furthermore, upgrades to exterior elements such as parking lot repairs, landscaping and signage have been completed.

3.3 Mortgage Financing

The mortgage financing for the Initial Properties consists of the Initial Mortgages. Immediately following the Fund's acquisition of the Properties, Fannie Mae assumed the Initial Mortgages as Lender. The loans bear interest at rates ranging between 3.75% and 3.79% and each of the Initial Mortgages matures on January 1, 2023. See "Capitalization – Long Term Debt".

3.4 Cary Properties

The Fund has executed an agreement of purchase and sale to acquire the Cary Properties, consisting of two multi-residential apartment complexes located in Cary, North Carolina. The agreement is subject to loan assumption approval by Freddie Mac, and is expected to close on or about May 2, 2013. If completed, the purchase price for the Cary Properties will be US\$55,700,000, to be satisfied by the assumption of the existing mortgage indebtedness held by Freddie Mac in the original aggregate principal amount of US\$32,560,000, and the balance in cash payable at closing. An initial deposit of US\$1,500,000 has been made and will be applied to the purchase price at closing. A portion of the net proceeds of the Offering will be used to repay the Bridge Financing that is expected to be incurred to fund a portion of the Cary Acquisition. See "Use of Proceeds".

The Cary Properties will be acquired and held by separate sole purpose limited partnerships, the equity interests in which will be held, as to 99.999% by Operating LP, and as to 0.001% by separate sole purpose limited liability companies that act as general partners of the respective limited partnerships and which are wholly-owned by Operating LP. The limited partnerships, the general partners, and the respective assets to be acquired, are set out below:

Limited Partnership	General Partner	Acquired Asset
Landmark at Watercrest, LP	Landmark at Watercrest, LLC	Hidden Oaks Apartments
Landmark at Eagle Landing, LP	Landmark at Eagle Landing, LLC	Woodbridge Apartments

If completed, the Cary Acquisition will constitute a "significant acquisition", as that term is defined under applicable Canadian securities legislation, and the Fund will file a BAR in respect thereof. As will be stated in such report, no valuation is required under applicable Canadian securities legislation or a Canadian exchange or market to be obtained by the Fund to support the consideration paid for the Cary Properties, and the transaction will not be with an informed person, associate or affiliate of the Fund. The Cary Properties will be managed by the Operator in accordance with the terms of the Operating Agreement. See "Investment Strategy" and "Management of the Fund". The Fund has no current plans or proposals for material changes in its business affairs or the affairs of the Cary Properties which may have a significant effect on the results of operations and financial position of the Fund following the acquisition. Selected financial statements of the Cary Properties, and certain *pro forma* financial statements of the Fund giving effect to the acquisition of the Cary Properties, are contained in this Prospectus. See "Selected Financial Information."

3.5 Description of the Cary Properties

The details of the Cary Properties are as follows:

Hidden Oaks Apartments (Landmark at Watercrest)

Hidden Oaks was constructed in two phases, the first in 1986 and the second in 1988. Hidden Oaks is located at 100 Northwoods Village Drive, Cary, North Carolina and is comprised of 444 units. There are 248 one bedroom units, 176 two bedroom units and 20 three bedroom units. Property amenities include two swimming pools, a fitness center, tennis courts, barbeque areas and a dog park.

Woodbridge Apartments (Landmark at Eagle Landing)

Woodbridge Apartments was constructed in two phases, the first in 1992 and the second in 1995. Woodbridge is located at 100 Appledown Drive, Cary, North Carolina and is comprised of 344 units. There are 76 one bedroom units, 204 two bedroom units and 64 three bedroom units. Property amenities include a swimming pool, clubhouse with fitness center and outdoor picnic areas.

4. MANAGEMENT OF THE FUND

4.1 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 \$3.2 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.

4.2 The Investment Committee

The Manager has established the Investment Committee, comprised of experienced real estate investment professionals that are employees of the Manager and 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 are 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 are not 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”.

4.3 The Asset Management Agreement

Pursuant to the terms of an asset management agreement dated October 25, 2012, as amended on December 1, 2012, 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 is 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 has delegated 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 is 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 provided by the Manager under the terms of the Asset Management Agreement include, without limitation: (a) the structuring of equity offerings, 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 bears the cost of building management personnel engaged by the Manager and/or the Operator for the purposes of management of the Properties. The Manager bears 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 commits 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 the IPO and the Private Placements and 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 Fees shall not exceed, on an aggregate basis, 1% per annum of the Fund's Total Assets. The Manager Fees shall be calculated and paid monthly in arrears, provided that for any month in which Acquisition Fees, Capital Project Management Fees or Excess Fees are payable, such fees shall only be paid to the extent the annual 1% per annum limit (calculated monthly) has not been reached.

If the Manager Fees paid or payable for any year exceed 1% per annum of the Fund's Total Assets, the Excess Fees shall be returned, if applicable, and carried forward and be payable in the first subsequent monthly period in which the Manager Fees paid do not exceed 1% per annum (calculated monthly) of the Fund's Total Assets, up to an amount that, together with the Manager Fees paid in such monthly period, is equal to 1% of the Fund's Total Assets (calculated monthly) for such monthly period.

A portion of each of the Manager Fees is paid by the Manager to the Operator for its services as operator and property manager.

4.4 The Operator

Elco Landmark Holdings 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. Elco Landmark Holdings has co-invested with institutional investors such as Brookfield Asset Management, OPSEU Pension Trust, DeBartolo Holdings, Dezer Properties, Harel Group and Menora Mivtachim.

At the closing of the IPO, the Manager entered into the Original Operating Agreement with Elco Landmark Holdings. Effective as of October 26, 2012, Elco Landmark Holdings assigned its rights and obligations under the Original Operating Agreement to Elco Landmark Management pursuant to the Operating Agreement Assignment. Notwithstanding such assignment, Elco Landmark Holdings remains liable for the performance of the obligations of the Operator under the Original Operating Agreement. On March 14, 2013, the Operator further subcontracted the property management obligations under the Operating Agreement to LAT pursuant to the Operating Agreement Subcontract.

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.

4.5 Operating Agreement

Pursuant to the Operating Agreement, the Operator is obligated to provide property management and operational services to the Manager in respect of the Properties. Pursuant to a subcontracting agreement dated as of March 14, 2013, the Operator has subcontracted the property management aspects of the Operating Agreement to LAT, but the Operator remains liable to the Fund for the performance of the Operating Agreement. The services of the Operator 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.

4.6 Landmark Apartment Trust of America, Inc.

On March 14, 2013, LAT completed the acquisition of the management operations of Elco Landmark Holdings and Elco Landmark Management, including the property management services under the Operating Agreement. As of December 31, 2012, LAT owned a total of 31 properties with an aggregate of 9,021 apartment units located in Texas, Florida, Georgia, Virginia, Alabama, Tennessee, North Carolina and South Carolina. In conjunction with the acquisition of properties from Elco Landmark, Joseph Lubeck, Chief Executive Officer of Elco Landmark Holdings and Elco Landmark Management, was made the Executive Chairman of LAT, while continuing to act in his capacity as Chief Executive Officer of Elco Landmark Holdings and Elco Landmark Management.

LAT is a publicly listed Maryland corporation that is in the business of acquiring, holding and managing a diverse portfolio of quality apartment communities with stable cash flows and growth potential in select metropolitan areas in the southern United States. As a real estate investment trust that is required to distribute at least 90% of its annual taxable income to its stockholders, LAT focuses primarily on investments that produce current income, and specializes in existing apartment communities in the southern United States. LAT is therefore particularly well positioned to acquire newly repositioned Properties from the Fund as it seeks to expand its portfolio and exploit its considerable new capacity and scale in the multi-residential market in the southeastern U.S.

4.7 Rights of First Opportunity

Pursuant to the Asset Management Agreement and the Operating Agreement, the Fund has 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 is not 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 is free to invest in such asset directly or through an affiliate other than the Fund.

LAT has 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.

5. DESCRIPTION OF THE ACTIVITIES OF THE FUND

The Fund will invest the net proceeds from the issuance of the Offered 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. 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 Additional Properties. See "Investment Strategy".

As a result, an investment in Units will be an indirect investment in the acquisition, ownership, renovation and leasing of 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.

5.1 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 is four years from the closing date of the IPO, 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 closing date of the IPO. 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.

To date, the Sponsors have not identified or entered into any agreements with respect to any Additional Properties for investment by Operating LP. See "Risk Factors."

5.2 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 – Intercompany Relationships".

5.3 The Properties

The Manager intends to invest the Net Subscription Proceeds in the acquisition, ownership, renovation and leasing of Additional Properties.

The Fund will provide disclosure for each of its Properties 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 directly or indirectly acquired by Operating LP.

5.4 Operating Policies

The Manager applies 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 for 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.

5.5 Operating Expenses of the Fund

The Fund pays for all expenses incurred in connection with its operation and administration. These expenses 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 indirectly owns and operates physical real estate assets, the Fund is 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 also bears the cost of building management personnel engaged by the Manager and/or the Operator for the purposes of management of the Properties. The Manager bears 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.

5.6 Future Funds

After the earlier of (i) 90% of the Threshold Capital having been deployed or reserved for deployment to acquire 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 IPO, the Offering, the Private Placements and any subsequent offerings within one year of the closing date of the IPO, 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 Properties. In the event that any Future Fund is launched, the Manager and the Operator shall continue to devote as much time as is necessary to fulfill their obligations to the Fund.

6. USE OF PROCEEDS

The Fund intends to spend the funds available to it as stated in this Prospectus in the indirect investment in Additional Properties, including the Cary Properties. There may be circumstances, however, where, for sound business reasons, a reallocation of funds may be necessary. The Fund expects to complete the acquisition of the Cary Properties on or about May 2, 2013. Prior to the completion of the acquisition, the Fund expects to incur certain short term unsecured indebtedness (the “**Bridge Financing**”) to fund the acquisition. The expected amount of the Bridge Financing is C\$7,000,000 at the rate of 9% per annum, plus a 1% up-front fee of the principal balance. In addition, the Fund expects to complete the Second U.S. Private Placement on or about April 30, 2013 for expected gross proceeds to US Holding LP of US\$3,000,000.

The Investment Period is a two-year period beginning on the date of closing of the IPO, and shall expire on October 25, 2014. 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 Additional Properties will depend upon, among other things, the identification of Additional Properties meeting the Investment Restrictions. Pending the acquisition of Additional Properties during the remainder of 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 and from Additional Mortgage Loans and Bridge Financing assuming the Maximum Offering is completed.

Sources of Funds	Assuming Maximum Offering
Proceeds from issuance of Class A Units and Class B Units	C\$50,000,000
Additional Mortgage Loans ⁽¹⁾	C\$92,860,000
Total Sources of Funds:	C\$142,860,000
Uses of Funds	
Agents' Fee ⁽²⁾	C\$2,375,000
Expenses of this Offering (legal, accounting and audit, tax advice, printing, travel, securities filings)	C\$525,000
Repayment of Bridge Financing	C\$7,051,800
Purchase price of Additional Properties ⁽³⁾	C\$102,958,200

Sources of Funds	Assuming Maximum Offering
Estimated closing costs for purchase of Additional Properties (including Acquisition Fees, transfer fees, legal, due diligence and financing costs) ⁽⁴⁾	C\$6,960,000
Estimated costs, including a reserve, for renovation and repositioning of Properties ⁽⁵⁾	C\$22,280,000
Creation of reasonable working capital reserves for the Properties ⁽⁶⁾	C\$710,000
Total Use of Funds:	C\$142,860,000

Notes:

- (1) The Manager intends to finance a part of the purchase price and the subsequent improvement program of Additional Properties by way of Additional Mortgage Loans. The amounts and Lenders of such Additional Mortgage Loans have not yet been identified and the amount shown in the table above on account of Additional Mortgage Loans is an estimate only. The table above includes Additional Mortgage Loans such that it equates to approximately 65% of the total sources of funds.
- (2) Agents' Fees have been calculated based on an estimated Maximum Offering split of C\$40,000,000 of Class A Units and C\$10,000,000 of Class B Units.
- (3) No specific Additional Properties have been identified by the Fund and the purchase price of Additional 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, or its subsidiaries, and vendors.
- (4) The amount incurred in respect of the purchase of the Additional Properties by Operating LP will include, without limitation, all due diligence inspections and reviews, including environmental reviews, of the Additional 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 Additional Properties.
- (5) The estimated costs, including a reserve, for renovation and repositioning of the Additional 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 Additional Properties.
- (6) 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 Additional 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 Additional 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 Properties, the Sponsors review a comprehensive third party due diligence report that is produced for each Property. The amount of a renovation and repositioning reserve for a given Property is 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.

7. SELECTED FINANCIAL INFORMATION

7.1 The following financial statements of the Fund are contained in the Prospectus:

- (a) Audited statements of the Fund for the period August 30, 2012 to December 31, 2012.

7.2 The following financial statements of the Initial Properties are contained in this Prospectus:

- (a) Audited carve-out statements of financial position as of December 20, 2012, December 31, 2011, and January 1, 2011 and the related carve-out statements of income and comprehensive income,

changes in divisional surplus, and cash flows for the period from January 1, 2012 to December 20, 2012, and the year ended December 31, 2011, and the related notes to the carve-out financial statements.

- (b) Unaudited pro-forma statement of financial position of the Fund as at December 20, 2012 and an unaudited *pro forma* income statement of the Fund for the period August 30, 2012 to December 20, 2012.

7.3 The following financial statements in respect of the Cary Properties are contained in this Prospectus:

- (a) Audited statements of income and comprehensive income, statements of changes in equity and statements of cash flows, including notes thereto, for the annual period ended December 31, 2012;
- (b) Comparative unaudited statements of income and comprehensive income, statements of changes in equity and statements of cash flows, including notes thereto, for the annual period ended December 31, 2011;
- (c) A statement of financial position as at the last day of each of the periods specified above;
- (d) A *pro forma* statement of financial position of the Fund as at December 31, 2012 that gives effect to the acquisition of the Cary Properties as if it had occurred on December 31, 2012;
- (e) A *pro forma* income statement of the Fund that gives effect to the acquisition of the Cary Properties as if it had occurred on January 1, 2012 for the period August 30, 2012 to December 31, 2012.
- (f) Pro forma earnings per share based on the statements referred to in paragraph (e) above.

See “Financial Statements” beginning at page F-2 of this Prospectus.

8. MANAGEMENT’S DISCUSSION AND ANALYSIS

The following is the MD&A related to the audited statements of the Fund for the Period.

Caution regarding forward-looking statements

The terms, the “Fund”, “we”, “us” and “our” in this “MD&A” refer to the Fund and its consolidated financial position and results of operations for the Period. Financial data provided has been prepared in accordance with IFRS, as issued by the IASB. This MD&A should be read in conjunction with the Fund’s 2012 Financial Statements, which have been prepared in accordance with IFRS and are attached at page F-3 of this Prospectus. Historical results and percentage relationships contained in the 2012 Financial Statements and MD&A, including trends, should not be taken as indicative of future operations. The functional and reporting currency of the Fund is U.S. dollars.

Forward-looking statement advisory

This MD&A may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. These statements are typically identified by expressions like “believe”, “expects”, “anticipates”, “would”, “will”, “intends”, “projected”, “in our opinion” and similar expressions. By their nature, forward-looking statements require us to make assumptions which include, among other things, that (i) the Fund will have sufficient capital under management to effect its investment strategies and pay its targeted distributions, (ii) the Fund’s investment strategies will produce the results intended by the Manager (iii) markets will react and perform in a manner consistent with the investment strategies and (iv) the Fund is able to acquire mispriced and / or undermanaged multi-residential investment properties in the southeastern United States.

Forward-looking statements are subject to inherent risks and uncertainties. There is significant risk that forecasts and other forward-looking statements will prove to not be accurate. Readers of this MD&A are cautioned not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to, general global market conditions, general risks relating to the acquisition of multi-residential investment properties and the risks detailed under the heading “Risk Factors” in this Prospectus.

We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties, potential events and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the Fund and the Manager do not undertake, and specifically disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

9. BUSINESS OVERVIEW

As at December 31, 2012 the Fund indirectly owns 92.6% of the Operating LP Units. The remaining interest in the Operating LP is held by U.S. Holding L.P. The assets of the Fund are indirectly held by Operating LP, which carries out the business of the Fund. The Fund and its controlled subsidiaries are collectively referred to as the “Fund” in this MD&A section of this Prospectus.

On October 25, 2012, the Fund completed its IPO through the issuance of Class A Units for net proceeds of approximately \$21,024,000 and Class C Units, through the Canadian Private Placement, for net proceeds of approximately \$15,789,000. U.S. Holding LP completed the U.S. Private Placement of U.S. Holding L.P. Units for net proceeds of \$2,945,000, which it used to acquire the interest attributable to U.S. Unitholders in Operating LP.

10. SELECTED ANNUAL INFORMATION

The following table presents an overview of certain key IFRS and non-IFRS financial measures and operational results of the Fund for the Period:

	2012
Total assets	\$ 111,585,000
Mortgages payable, net of financing costs	\$ 71,133,000
Net liabilities attributable to Unitholders and U.S. Holding L.P.	\$ 39,337,000
Revenue from rental operations) ⁽¹⁾	\$ 332,000
Net rental income	\$ 167,000
Net loss and comprehensive loss	\$ (514,000)
Total debt to gross book value	67.0%
Total debt to total assets	63.7%
Weighted average interest rate	3.8%
Weighted average Mortgage term (years)	10
Overall portfolio occupancy	96.0%
Total number of suites acquired in the year	1,380
Total number of suites	1,380

(1) Revenue from rental operations represents eleven days of operations from the date of acquisition on December 20, 2012 to December 31,

11. PERFORMANCE REVIEW OF 2012

11.1 Capital Resources

Unit Type	Net proceeds
Class A Unitholders	\$ 21,024,000
Class C Unitholders	15,789,000
U.S. Holding L.P.	2,945,000
General partner	4,000
Total Net proceeds	<u>\$ 39,762,000</u>

On October 25, 2012, the Fund completed its IPO of Class A Units for net proceeds of approximately \$21,024,000 and the Canadian Private Placement, for net proceeds of approximately \$15,789,000, which the Fund used to acquire an indirect controlling interest in Operating LP. U.S. Holding LP completed the U.S. Private Placement for net proceeds of \$2,945,000, which it used to acquire the interest attributable to U.S. Unitholders in Operating LP.

The Fund incurred total issue costs of \$1,933,000 from the IPO, the Canadian Private Placement and the U.S. Private Placement which includes agents' commissions, issue and structuring costs. Of this amount, \$1,178,000 and \$81,000 relates to agents' commissions incurred by the Class A Units and Class C Units, respectively. The remaining \$674,000 of expenses relate to legal, tax, accounting and other fees associated with the offering absorbed proportionately by the Unitholders and U.S. Unitholders.

Under IFRS, a financial liability arises from a contractual obligation to deliver cash or another financial asset to another party. The limited life of the Fund creates an obligation for the Fund to repay Unitholders equity at the end of the Term; as a result the Unitholders' equity meets the definition of a financial liability. Thus, Unitholders' equity is classified as a financial liability and classified as net liabilities attributable to Unitholders in the consolidated statement of net assets.

	General Partner	Class A Units	Class B Units	Class C Units	Total
Issuance of Units	372	2,244,350	—	1,605,000	3,849,722
Units outstanding, end of period	372	2,244,350	—	1,605,000	3,849,722

11.2 Investment Property Acquisitions

On December 20, 2012, the Fund completed the acquisition of the Initial Properties for a total cost of \$95,922,000 including transaction costs of \$485,000. The Fund financed the purchase price of the acquisition from new mortgage financing of \$71,133,000, net of financing costs of \$443,000, with the balance funded from proceeds raised from the IPO, the Canadian Private Placement and the U.S. Private Placement.

The following table summarizes the assets acquired and liabilities assumed resulting from the acquisition of the Initial Properties:

	2012
Investment properties	\$ 95,922,000
Prepaid expenses and other assets	94,000
Tenant rental deposits and prepaid rents	(180,000)
Total assets acquired, net	<u>\$ 95,836,000</u>
Cash paid	<u>\$ 95,836,000</u>
Total consideration paid	<u>\$ 95,836,000</u>

See “The Properties”.

The details of the Initial Properties acquired are follows:

Property	Location	Size (Sq Ft)	No. of suites	Occupancy⁽¹⁾ (%)	Purchase price (\$)	Mortgage funding (\$)
Landmark at Granite Park	Charlottesville, Virginia	369,579	425	93.4	32,163,000	24,000,000
Landmark at Lynden Square	Charlotte, North Carolina	437,913	476	95.0	29,084,000	21,562,000
Landmark at Chelsea Commons	Orange County, North Carolina	262,639	250	98.8	18,091,000	13,312,000
Landmark at Saratoga Ridge	Austin, Texas	179,604	229	97.0	16,584,000	12,700,000
Total / Average		1,249,735	1,380	96.05	95,922,000	71,574,000

(1) The occupancy of the investment properties are as of the acquisition date.

11.3 Dispositions

There were no dispositions of investment properties by the Fund for the Period.

11.4 Future Acquisitions

On November 6, 2012, the Operator entered into a purchase and sale agreement on behalf of Operating LP to acquire the Cary Properties for a total purchase price of \$55,700,000. The Cary Properties are comprised of 788 suites and are located in North Carolina. The acquisition is in the due diligence phase, and completion is subject to satisfaction of certain conditions required by the Operator. Assuming these conditions are satisfied, the acquisition is expected to close in the second quarter of 2013. The details of the Cary Properties are as follows:

See “The Properties”.

Property	Location	Size (Sq Ft)	No. of suites	Occupancy⁽¹⁾ (%)	Purchase price (\$)	Mortgage funding (\$)
Landmark at Eagle Landing	Cary, North Carolina	344,424	444	93.7	30,100,000	17,200,000
Landmark at Watercrest	Cary, North Carolina	317,376	344	92.7	25,600,000	15,360,000
Total/Average		661,800	788	93.2	55,700,000	32,560,000

12. ANALYSIS OF FINANCIAL INFORMATION FOR THE PERIOD

12.1 Statement of Income and Comprehensive Income

	Period ended August 30, 2012 to December 31, 2012
Revenue from rental operations	\$ 332,000
Total rental expenses	165,000
Net rental income	167,000
General and administrative expenses	156,000
Asset management fees	77,000
Net loss before foreign exchange loss, finance costs and income tax expense	(66,000)
Foreign exchange loss	268,000
Finance costs	180,000
Net loss before income tax expense	(514,000)
Income tax expense	—
Net loss and comprehensive loss	\$ (514,000)

The significant revenue and expense items are as follows:

12.2 Net Operating Income

The rental revenue of \$332,000 represents all of the revenue earned from the Fund's operating leases from the acquisition of the Initial Properties on December 20, 2012 and represents eleven days of operations from December 20, 2012 to December 31, 2012.

Operating expenses of \$165,000 include repairs and maintenance, utilities and salaries and benefits incurred at the property level and are specifically for the eleven days of operations from December 20, 2012 to December 31, 2012.

12.3 General and Administrative Expenses

General and administrative expenses incurred in the Period consist of audit fees, legal fees, Unitholder reporting and other corporate expenses of the Fund. Of note, the Fund experienced higher general and administrative expenses in the first year of operations given certain expenses are not reduced for a partial calendar year.

12.4 Asset Management Fees

The Fund incurred Asset Management Fees of \$77,000 for the Period. The Asset Management Fee is calculated at 1.0% per annum of the gross subscription proceeds of any offerings of securities of the Fund and is calculated and payable monthly in arrears (see "Related Party Transactions" for additional information).

12.5 Foreign Exchange Loss

A foreign exchange loss of \$268,000 was recorded in the Period. The loss is a result of changes in foreign exchange conversion rates between Canadian dollars and U.S. dollars, as the functional and reporting currency of the Fund is in U.S. dollars and the liabilities to Unitholders is in Canadian dollars.

12.6 Finance Costs

Finance costs incurred in the Period consist of interest expense of \$89,000, amortization of issue costs of \$89,000 and amortization of finance costs of \$2,000. Interest expense relates to interest on the mortgages payable of \$71,574,000, for the eleven days from December 20, 2012 to December 31, 2012. Mortgages payable on the Initial

Properties acquired during the Period are interest only mortgages for the first two years and bear interest at rates ranging from 3.75% to 3.79%.

Amortization of unit offering costs incurred in connection with the IPO, the Canadian Private Placement and the U.S. Private Placement was \$89,000 for the Period. The Fund incurred \$1,933,000 of agency commissions, legal fees and other issue costs in connection with the IPO, the Canadian Private Placement and the U.S. Private Placement. As the Class A Units, Class B Units, Class C Units and interest held by the General Partner meet the definition of a liability under IFRS, the unit offering costs are amortized over the Term of the Fund.

Financing costs of \$443,000 were incurred on the placement of the mortgages and are amortized over the term of the mortgages. For the period ended December 31, 2012, \$2,000 was amortized to finance costs.

12.7 Income Tax Expense

The Fund is not subject to income taxes on income earned and gains realized by the Fund as those amounts will be included in the taxable income of its partners. The Fund has a subsidiary, Holding GP, which is subject to U.S. corporate income taxes and accordingly has provided for current and deferred income taxes with respect to that subsidiary.

The Fund has an unrecorded deferred tax asset of \$700,000 related primarily to investment properties. The Fund has not recognized the benefit of these losses as management does not anticipate they will be realized in the future. The effective tax rate differs from the statutory tax rate of 40.8% as these tax benefits have not been recognized in the period.

12.8 Statement of Net Assets

	As at December 31, 2012
Other assets	\$ 9,416,000
Cash and cash equivalents	6,247,000
Investment properties	95,922,000
Total assets	<u>\$ 111,585,000</u>
Accounts payable and accrued liabilities	\$ 911,000
Tenant rental deposits and prepaid rents	204,000
Mortgages payable	71,133,000
Net liabilities attributable to Unitholders	36,403,000
Net liabilities attributable to U.S. Holding LP	2,934,000
Total liabilities including net liabilities attributable to Unitholders and U.S. Holding L.P.	<u>\$ 111,585,000</u>

12.9 Investment Properties

On December 20, 2012, the Fund completed the acquisition of the Initial Properties for a total purchase price of \$95,437,000 and incurred transaction costs of \$485,000. See “The Properties – Acquisition of Initial Properties”.

12.10 Other Assets

	2012
Tenant and other receivables	\$ 9,000
Prepaid expenses and other assets (a)	602,000
Deposit in trust (b)	1,650,000
Holdbacks in escrow (c)	6,849,000
Due from Manager (d)	306,000
Due from Operator	—
Balance, December 31, 2012	<u>\$ 9,416,000</u>

- (a) Prepaid expenses and other assets include prepaid taxes and insurance relating to the Initial Properties acquired on December 20, 2012.
- (b) Included in deposits in trust are refundable cash deposits held pursuant to agreements of purchase and sale, as further discussed in this MD&A.
- (c) Holdbacks in escrow consist of cash on deposit requested by the lender to be retained in escrow to pay for planned capital expenditures relating to the Initial Properties. These funds will be released to pay the respective obligations as they become due.
- (d) Due from Manager relates to issue costs incurred on the offerings which are recoverable from the Manager.

12.11 Mortgages Payable

	December 31, 2012
Minimum future principal repayments	\$ 71,574,000
Less unamortized financing costs	(441,000)
	<u>\$ 71,133,000</u>

The Fund takes a conservative approach and actively manages its mortgage portfolio to reduce interest costs while ensuring it is not exposed to interest rate volatility risk. Currently, the risk-free interest rates underlying mortgage financings are at historically low levels. This provides an opportunity for the Fund to reduce the risk of increased interest rates by securing long-term fixed interest rate mortgages.

The current mortgages payable bear interest at rates ranging between 3.75% and 3.79%, with a weighted average rate of 3.78% at December 31, 2012, and mature on January 1, 2023. The mortgages payable are interest only for the first two years of the ten year term. The Fund incurred financing costs of \$443,000 on the placement of the mortgages, which is accounted for as an adjustment to the mortgages payable.

Mortgages payable are secured by the investment properties and a guarantee from the Operator and the Operator's key principal, Joseph Lubeck.

The breakdown of future principal repayments required to meet mortgage obligations at December 31, 2012 are as follows:

	Regular principal repayments	Balance due on maturity	Total
2013	\$ —		
2014	—		
2015	1,168,000		1,168,000
2016	1,396,000		1,396,000
Thereafter	9,123,000	59,887,000	69,010,000
	11,687,000	59,887,000	71,574,000
Less unamortized financing costs			(441,000)
			\$ 71,133,000

12.12 Liquidity and Financial Conditions

Access to liquidity is an important element of the Fund as it allows the Fund to implement its investment strategy. To date, the Fund has financed its operations using the proceeds raised in the IPO and the Canadian Private Placement and U.S. Private Placement. The Fund's cash position as at December 31, 2012 was \$6,247,000. The Fund is confident that it will be able to finance its operations using the cash flow generated from the investment properties, the proceeds raised in subsequent offerings and the ability to secure new mortgage financing.

The Fund's approach to managing liquidity is to ensure that it will have sufficient financial resources available to meet its liabilities as they become due. This includes monitoring of cash, current receivables and payables and non-current liabilities as they become current.

13. RELATED PARTY TRANSACTIONS

The Manager, the General Partner and the Fund are related by virtue of common management.

Pursuant to the Asset Management Agreement, the Manager Fees for the period ended December 31, 2012, carried forward as Excess Fees is \$1,096,000.

In accordance with the Asset Management Agreement for the period ended December 31, 2012, \$77,000, \$13,000 and \$10,000 were charged by the Manager to the Fund relating to Asset Management Fees, Property Management Fees and Acquisition Fees, respectively. A portion of the fees earned by the Manager is payable to the Operator pursuant to the Operating Agreement.

As at December 31, 2012, \$306,000 was receivable from the Manager and includes excess issue costs relating to offerings recoverable from the Manager.

14. COMMITMENTS

14.1 Service fees

The Fund is required to pay an annual service fee equal to 0.5% of the gross subscription proceeds received for the Class A Units to registered dealers from 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).

15. RISKS AND UNCERTAINTIES

15.1 Capital risk management

The Fund manages its capital structure in order to support ongoing operations while focusing on its primary objective of acquiring multi-residential real estate located in the southeastern United States that the Manager

believes is mispriced and / or undermanaged with a goal to enhance the value of the assets through active management and a stabilization and improvement program. The Fund defines its capital structure to include mortgages payable and net liabilities attributed to Unitholders and U.S. Holding L.P.

The Fund reviews its capital structure on a regular basis and adjusts its capital structure in response to investment property acquisition or disposition opportunities, the availability of mortgage financing and anticipated changes in general economic conditions.

15.2 Risk management and fair values

The General Partner of the Fund has the overall responsibility for the establishment and oversight of the Fund's risk management framework. The Fund's risk management policies are established to identify and analyze the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in response to the Fund's activities.

In the normal course of operations, the Fund is exposed to various financial risks, including changes in interest rates and government regulatory controls. The following describes these financial risks and how they are managed by the Fund:

- (a) *Interest rate risk* — The Fund is not exposed to any interest rate risk as at December 31, 2012 as the mortgages payable have fixed rates of interest. Interest rate risk is the risk that the fair value or future cash flows of financial assets or financial liabilities will fluctuate because of changes in market interest rates. Generally, the Fund seeks to fix the term of long-term debt within a range from five to ten years.
- (b) *Credit risk* — Credit risk is the risk of financial loss to the Fund if a tenant or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's receivables from tenants. Since the Fund is exposed to credit risk by the collection of accounts receivable from tenants, the Operator routinely obtains credit history reports on prospective tenants before entering into a tenancy agreement. In addition, the Operator obtains security deposits from tenants in geographic regions where permitted by law.
- (c) *Liquidity risk* — Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. Real estate property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit the Fund's ability to vary its portfolio of Properties promptly in response to changing economic or investment conditions. If the Fund were required to liquidate a Property investment, the proceeds to the Fund might be significantly less than the aggregate carrying value of such investment Property.

The Fund manages cash from operations and its capital structure to ensure that there are sufficient resources to operate the investment Properties, make capital and development expenditures, meet its debt servicing obligations, fund general administrative costs and make cash distributions to Unitholders.

- (d) *Currency risk* — Currency risk is the risk that the Fund faces from fluctuations in the Canadian/U.S. dollar exchange rate. The revenues and expenses of the Properties are denominated in U.S. dollars and distributions indirectly made to the Fund by Operating LP are in U.S. dollars. The Fund converts such distribution amounts received into Canadian dollars prior to distributions 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 enter into any hedging arrangements to limit the impact of changes in the Canadian/U.S. dollar exchange rate.

16. ACCOUNTING POLICIES AND CRITICAL ESTIMATES

As at March 18, 2013, the following new or amended IFRS have been issued by IASB and are expected to apply to the Fund for annual reporting periods beginning after December 31, 2012:

(i) IFRS 9, Financial Instruments (“IFRS 9”):

The IASB issued a new standard, IFRS 9 (2009) superseded by IFRS 9 (2010), which will ultimately replace International Accounting Standard (“IAS”) 39, Financial Instruments - Recognition and Measurement (“IAS 39”). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase. This standard becomes effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. For annual periods beginning before January 1, 2015, either IFRS 9 (2009) or IFRS 9 (2010) may be applied.

The Fund intends to adopt IFRS 9 (2010) in its consolidated financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of IFRS 9 (2010) has not yet been determined.

(ii) IAS 1, Presentation of Financial Statements - Amendment (“IAS 1”):

In June 2011, the IASB published amendments to IAS 1, Presentation of Items of Other Comprehensive Income, which are effective for annual periods beginning on or after July 1, 2012 and are to be applied retrospectively. Early adoption is permitted. The Fund intends to adopt the amendments in its consolidated financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

(iii) IAS 32, Financial Instruments - Presentation (“IAS 32”) and IFRS 7, Financial Statements: Disclosures -Amendments (“IFRS 7”):

In December 2011, the IASB published Offsetting Financial Assets and Financial Liabilities and issued new disclosure requirements in IFRS 7. The effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014. The effective date for the amendments to IFRS 7 is annual periods beginning on or after January 1, 2013. These amendments are to be applied retrospectively. The Fund intends to adopt the amendments to IFRS 7 in its consolidated financial statements for the annual period beginning on January 1, 2013, and the amendments to IAS 32 in its consolidated financial statements for the annual period beginning January 1, 2014. The extent of the impact of adoption of the amendments has not yet been determined.

(iv) IFRS 13, Fair Value Measurements (“IFRS 13”):

The IASB has issued a new standard, IFRS 13, which replaces the fair value guidance contained in individual IFRS with a single source of fair value measurement guidance and establishes a framework for measuring fair value. IFRS 13 is effective prospectively for annual periods beginning on or after January 1, 2013. The Fund has yet to assess the impact of the standard on its consolidated results of operations, financial position and disclosures.

16.1 Early Adoption of New Accounting Policies

New accounting standards early adopted by the Fund include:

(i) IFRS 10, Consolidated Financial Statements (“IFRS 10”):

In May 2011, the IASB issued IFRS 10. IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under IFRS prior to the

issuance of IFRS 10, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces Standing Interpretation Committee -12, Consolidation - Special Purpose Entities and parts of IAS 27, Consolidated and Separate Financial Statements. The standard is effective for annual periods beginning on or after January 1, 2013 with earlier adoption permitted. The Fund has elected to early adopt IFRS 10 on August 30, 2012.

(ii) IFRS 11, Joint Arrangements (“IFRS 11”):

In May 2011, the IASB issued IFRS 11, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The new standard redefines joint operations and joint ventures, requiring joint operations to be proportionately consolidated and joint ventures to be equity accounted. Under IAS 31, joint ventures could be proportionately accounted. The Fund has elected to early adopt IFRS 11 on August 30, 2012.

(iii) IFRS 12, Disclosure of Interests in Other Entities (“IFRS 12”):

In May 2011, the IASB issued IFRS 12, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. The Fund has elected to early adopt IFRS 12 on August 30, 2012.

16.2 Critical Estimates

The preparation of the consolidated financial statements requires management to make critical judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the Period. Actual results could differ from those estimates.

In making estimates and judgements, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. There are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgements in the consolidated financial statements. The estimates and judgements used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

Valuation of investment properties:

The critical estimates and assumptions underlying the valuation of investment properties are described in the audited financial statements of the Fund. In applying this policy, judgement is applied in determining certain assumptions such as capitalization rates, future rental income, operating expenses and capital expenditures to be used to value each investment property.

Accounting for acquisitions:

The Fund assesses whether an acquisition transaction is an asset acquisition or a business combination under IFRS 3, Business Combinations (“IFRS 3”). This assessment requires management to make judgements on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business, and the Fund obtains control of the business.

When the cost of a business combination exceeds the fair value of the identifiable assets acquired or liabilities assumed, such excess is recognized as goodwill. Transaction-related costs are expensed as incurred. Subsequent to initial measurement, the carrying cost of individual assets and liabilities are based on their respective classification.

If the acquisition does not meet the definition of a business combination, the Fund accounts for the acquisition as an asset acquisition. The investment property acquired is initially measured at the purchase price, including directly attributable costs. Subsequent to initial measurement, investment properties are carried at fair value.

Accounting for subsidiaries:

Significant judgment is required in assessing whether the Fund should consolidate the underlying structured entities in accordance with IFRS 10.

17. DESCRIPTION OF THE SECURITIES DISTRIBUTED

The Fund is offering a maximum of C\$50,000,000 of Class A Units and/or Class B Units, at a purchase price of C\$10.57 per Class A Unit and C\$10.00 per Class B Unit.

17.1 The Fund

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

There are 2,244,350 Class A Units and no Class B Units issued and outstanding as at the date hereof. 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.

2,172,501 Class C Units are issued and outstanding as at the date hereof. Class C Units are designed to be purchased by Timbercreek and certain institutional, high net worth and other investors and differ from Offered Units in the following ways: (i) they are not qualified for distribution under a prospectus; (ii) 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 (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 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. The first distribution of the Fund, in the amount of C\$0.084 per Class A Unit and C\$0.088 per Class C Unit, payable to Class A Unitholders and Class C Unitholders of record on March 28, 2013 and March 14, 2013,

respectively, was paid on April 15, 2013. In addition, Unitholders of record on April 29, 2013 will be entitled to receive the Advanced Distribution. The Advanced Distribution is intended to be equivalent to one-third of the quarterly distribution paid to Unitholders of record on March 31, 2013. An additional second quarter distribution is expected to be paid on or about July 15, 2013 to Unitholders of record on June 30, 2013. The Advanced Distribution will not be paid to purchasers under the Offering, and is being paid in order to treat existing and new Unitholders equitably.

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 Elco Landmark (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 Elco Landmark (each as to 50% of such amount).

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

The foregoing distributions to the Manager and Elco Landmark are 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 Elco Landmark as a distribution on the Operating LP Class B Units held by Elco Landmark.

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

The Fund, indirectly through Holding GP, owns 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, is entitled to receive distributions from Operating LP in accordance with the Operating LP Agreement.

Holding GP has elected to be classified as a corporation for U.S. federal income tax purposes. Accordingly, Holding GP is 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 then distribute the Distributable Cash Flow 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 Offered 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".

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 are

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 has not entered and 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 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 Additional Properties, the ongoing operations of Properties, the ability of the Fund to indirectly sell 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. Distributions from Operating LP are not guaranteed, and therefore cash distributions to Unitholders, 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 the “Risk Factors” section of this Prospectus.

Allocation of Income and Losses

Where distributions are 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 are 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 are 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 United States. 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, requires the approval of Unitholders by an Ordinary Resolution. A quorum for a meeting convened to consider such a matter consists of three or more Unitholders of 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 this 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 is four years from the closing of the IPO, 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 files financial statements (including quarterly and annual financial statements) and other reports in accordance with NI 51-102. 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 NI 51-102, 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 Elco Landmark 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 is 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 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 has 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.

17.2 Holding GP

The rights and obligations of Holding GP and the parties holding Holding GP Interests are 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 is available from the General Partner.

Capital in Holding GP

The capital of Holding GP consists 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 is 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 to the Fund as to 99.99%.

Additional Capital Contributions

No general partner of Holding GP is 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 has 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.

17.3 U.S. Holding LP

The rights and obligations of U.S. Holding LP and the parties holding U.S. Holding LP Units are 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 is 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 consists 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 has 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 has 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 are non-voting.

17.4 Operating LP

The rights and obligations of Operating LP and the parties holding Operating LP Units are 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 consists 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) will use the net proceeds raised from the Offering 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) is based on the relative amount of net proceeds received by each of the Fund and U.S. Holding LP from the IPO, the Offering and the Private Placements, respectively.

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) is initially determined without regard to any Unit Class Expenses incurred by Operating LP. The amount of distributions otherwise determined to be payable to Holding GP are 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 are 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.

Elco Landmark holds the Operating LP Class B Units, through which Elco Landmark is entitled to receive 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 Manager Fees 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 (not taking into account distributions on the Operating LP Class B Units) 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 is not 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.

18. CAPITALIZATION

18.1 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 April 29, 2013	Number outstanding and carrying value as at April 29, 2013 after Offering (Assuming Maximum Offering)
Class A Units and Class B Units	unlimited	2,244,350 Class A Units Nil Class B Units (C\$22,443,500)	6,028,645 Class A Units 1,000,000 Class B Units (C\$72,443,500) ⁽¹⁾⁽²⁾⁽³⁾
Class C Units	unlimited	2,172,501 (C\$21,725,010)	2,172,501 (C\$21,725,010)

Note:

- (1) Gross proceeds before issuance costs. Assuming that the Maximum Offering of C\$50,000,000 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 are expected to be C\$2,900,000.
- (2) Agents' Fees have been calculated based on an estimated Maximum Offering split of C\$40,000,000 Class A Units and C\$10,000,000 Class B Units.
- (3) The number of Class A Units and Class B Units outstanding after the Offering will be 6,028,645 Class A Units and 1,000,000 Class B Units plus the number of Class A Units and Class B Units purchased, which shall equal an aggregate amount of 6,028,645 Class A Units and 1,000,000 Class B Units assuming that 3,784,295 Class A Units and 1,000,000 Class B Units are issued in the case of the Maximum Offering.

18.2 Asset Valuations and Subsequent Offerings

During the Investment Period, the Fund is permitted to complete one or more offerings of Units subsequent to the IPO, including the Offering. 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.

On April 24, 2013, an Asset Valuation was completed, and the adjusted aggregate appraised value of the Fund's assets, as computed pursuant to such Asset Valuation is US\$98,220,000, or C\$100,763,898 as computed using an exchange rate of 1.0259. Estimated offering expenses for the Offering are C\$525,000, and the Unamortized IPO Expenses are equal to C\$597,592. These aggregate values provide a per Unit price of C\$10.57 per Class A Unit for the purposes of this Offering.

18.3 Long-Term Debt

The Fund targets 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 is limited to recourse to the specific property.

The mortgage financing for the Initial Properties consists of the Initial Mortgages, each of which was assumed by Fannie Mae, as Lender, immediately following the acquisition of the Initial Properties. The following is a summary of the principal terms of the Initial Mortgages:

Borrower	Guarantor	Loan Amount	Loan Term	Loan Maturity	Amortization Period	Interest Rate
Landmark at Lynden Square	Landmark at Lynden Square, LLC	US\$21,562,000	10 years	January 1, 2023	2 years interest only; 30 year amortization	3.79%
Landmark at Saratoga Ridge	Landmark at Saratoga Ridge, LLC	US\$12,700,000	10 years	January 1, 2023	2 years interest only; 30 year amortization	3.75%
Landmark at Chelsea Commons	Landmark at Chelsea Commons, LLC	US\$13,312,000	10 years	January 1, 2023	2 years interest only; 30 year amortization	3.79%
Landmark at Granite Park	Landmark at Granite Park, LLC	US\$24,000,000	10 years	January 1, 2023	2 years interest only; 30 year amortization	3.79%

Lenders for the Additional Mortgage Loans are expected to be U.S.-based banks, life insurance companies and pension funds unrelated to the Manager. The Manager targets 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 Additional Mortgage Loans will be secured by mortgages registered on the Additional Properties in respect of which the loans were advanced.

Neither the Fund nor Holding GP currently has any outstanding long term debt. Operating LP intends to incur the Bridge Financing to fund the completion of the acquisition of the Cary Properties, expected to close on May 2, 2013. A portion of the net proceeds of the Offering will be used to repay such indebtedness.

19. PRIOR SALES

The following table sets out the prior sales of Units of the Fund since its inception on August 30, 2012:

Issue Type	Class of Units	Date	Price Per Unit	Quantity	Gross Proceeds
Initial Issuance	C	August 30, 2012	C\$10.00	1	C\$10.00
Initial Public Offering	A	October 25, 2012	C\$10.00	2,244,350	C\$22,443,500
Private Placement	C	October 25, 2012	C\$10.00	1,605,000	C\$16,050,000
Private Placement	C	March 18, 2013	C\$10.00	567,500	C\$5,675,000

20. PRINCIPAL SECURITY HOLDERS

After giving effect to the Offering, the Manager, will continue to hold, both of record and beneficially, 250,001 Class C Units of the Fund. The total number of issued and outstanding Class C Units following completion of the Offering will be 2,172,501 Class C Units, the Manager's percentage of which represents approximately 12%.

21. DIRECTORS AND EXECUTIVE OFFICERS

21.1 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), and the directors and executive officers of the Manager who will be principally involved in the operations of the Fund. The term of each of the Directors of the General Partner will expire upon the expiry of the Term of the Fund.

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"> • CEO of the General Partner, and Director since August 30, 2012 • CEO, Founding Managing Partner and Director of the Manager • Member of the Audit Committee 	Chief Executive Officer and Founding Managing Director of the Manager
David Melo; Ontario, Canada	<ul style="list-style-type: none"> • CFO of the General Partner and Director since August 30, 2012 • Managing Director of the Manager • Member of the Audit Committee 	Managing Director, Finance and Chief Compliance Officer at the Manager
Carrie Morris; Ontario, Canada	<ul style="list-style-type: none"> • VP of the General Partner and Director since August 30, 2012 • Managing Director and Director of the Manager • Member of the Audit Committee 	Managing Director, Capital Markets & Corporate Communications of the Manager
Ugo Bizzarri; Ontario, Canada	<ul style="list-style-type: none"> • Founding Managing Director and Director of the Manager • Member of the Investment Committee 	Founding Managing Director, Portfolio Management and Investments at the Manager
Corrado Russo; Ontario, Canada	<ul style="list-style-type: none"> • Managing Director of the Manager • Member of the Investment Committee 	Managing Director, Investments, Global Head Real Estate Securities at the Manager

The following are the names, provinces and countries of residence of the members of the Investment Committee, their respective roles 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
Michael Tsourounis; Ontario, Canada	<ul style="list-style-type: none"> • Executive Director of the Manager • Member of the Investment Committee 	Executive Director, Direct Investments and Valuations, of the Manager
Samuel Sahn; Ontario, Canada	<ul style="list-style-type: none"> • Portfolio Manager of the Manager • Member of the Investment Committee 	Portfolio Manager, Global Real Estate Securities, of the Manager
Joseph Lubeck; Florida, U.S.A.	<ul style="list-style-type: none"> • Member of the Investment Committee 	Chief Executive Officer of the Operator

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
Elizabeth Truong; Florida, U.S.A.	<ul style="list-style-type: none"> Member of the Investment Committee 	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\$3.2 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 negotiating, 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.

The following employees of the Manager are also members of the Investment Committee.

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 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 250,001 Class C Units, representing an approximate 2.63% 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.

21.2 Insurance Coverage for Directors and Officers and Indemnification

The Manager maintains 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 has reimbursement coverage to the extent that it has indemnified the Directors and officers. The policy or policies 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.

21.3 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 receives 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 has any obligation to account to the Fund or the Unitholders for profits made in such other activities. However, the Manager is not 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 is free to invest in such asset directly or through an affiliate other than the Fund.

22. EXECUTIVE COMPENSATION

Executive and Director Compensation

No compensation has been or will be paid to the executive officers or the Directors of the Fund at any time during the Term of the Fund.

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.

22.1 Compensation Committee

The Fund does not have a compensation committee.

22.2 Indebtedness of Directors and Executive Officers

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

23. AUDIT COMMITTEE AND CORPORATE GOVERNANCE

23.1 Audit Committee

The audit committee of the Fund is comprised of R. Blair Tamblyn, David Melo and Carrie Morris. Part 6.1 of National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”) provides an exemption for “venture issuers” (as such term is defined in NI 52-110) from the requirements of Part 3 of NI 52-110 (Composition of the Audit Committee). As senior officers of the Manager, none of the members are “independent” within the meaning of NI 52-110, and the Fund is relying on the exemption in Part 6.1 of NI 52-110 for venture issuers with respect to the independence of its audit committee. Each of the members is financially literate within the meaning of applicable securities laws. See the biographies of Messrs. Tamblyn 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 assists 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 is 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.

23.2 External Audit Service Fees

The following chart summarizes the fees for services provided by the auditors to the Fund since the Fund’s inception on August 30, 2012:

Year	Audit Fees⁽¹⁾	Audit Related Fees⁽²⁾	Tax Fees⁽³⁾	All other Fees⁽⁴⁾	Total
2012	C\$75,000	C\$8,000	C\$100,000	Nil	C\$183,000

Note:

- (1) “Audit fees” include fees paid for audit and review services in respect of the annual and quarterly consolidated financial statements and other regulatory filings.
- (2) “Audit-related fees” include fees paid for services related to consultations regarding financial reporting and accounting standards and assistance with compliance requirements.
- (3) “Tax fees” include fees paid for tax compliance and tax advisory services, including structuring matters with respect to the Fund.
- (4) “All other fees” include all other services other than those presented in the categories of audit fees, audit-related fees and tax fees, including namely advisory services for business transformation and other corporate matters.

23.3 Corporate Governance

Each of the Directors is 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 mandate of the Board is one of stewardship and oversight of the Fund and its business. In fulfilling its mandate, the Board adopted 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) maintaining records and providing reports to Unitholders; (vii) ensuring effective and adequate communication with Unitholders, other stakeholders and the public; (viii) determining the amount and timing of distributions to Unitholders; and (ix) 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 has adopted 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 has the ultimate responsibility for the stewardship of the Code of Conduct. The Code of Conduct has been filed with the Canadian securities regulatory authorities on SEDAR at www.sedar.com.

Each Director is 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 is 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 has been or 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.

24. PLAN OF DISTRIBUTION

24.1 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 \$50,000,000 of Class A Units and/or Class B Units at a price of C\$10.57 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\$20,000.

24.2 Distribution Period

The distribution under this Offering will not continue for a period of more than 90 days after the date of the receipt for this Prospectus, unless each of the persons or companies who subscribed within that period consents to the continuation and an amendment to this 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 Offering is not completed, these funds will be returned to the subscribers without any deductions, unless the subscribers have otherwise instructed the Agents.

24.3 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.

24.4 Agency Agreement

Pursuant to an Agency Agreement made as of April 29, 2013, the Agents have agreed to offer the Units for sale on a “best efforts” basis until May 16, 2013, but in any event not later than 90 days after a receipt for this 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 Offered Units will be effected only through the book entry only system administered by CDS. A book entry only certificate representing Offered 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 Offered Units will receive only customer confirmation from the registered dealer which is a CDS participant and from or through which Offered Units are purchased. Beneficial owners of Offered 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.

25. 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 Offered Units by a holder who acquires Offered 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 Offered Units as capital property (a “**Holder**”). The Offered Units generally will be considered to be capital property to a Holder provided that the Holder does not hold such Offered 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 Offered Units under the Offering.

This summary assumes that: (i) the Fund is not a “tax shelter” or “tax shelter investment” within the meaning of the Tax Act, (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” within the meaning of the Tax Act, (iii) no interest in any Unitholder is a “tax shelter investment” within the meaning of the Tax Act, and (iv) no Holder has entered into a “derivative forward agreement”, as that term is defined in the proposed amendments contained in the Notice of Ways and Means Motion that accompanied the federal budget tabled by the Minister of Finance (Canada) on March 21, 2013, with respect to the Holder’s Offered Units. 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 “**Tax Proposals**”), 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 Tax Proposals, 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 Tax Proposals 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 Offered Units. The income and other tax consequences of acquiring, holding or disposing of Offered 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 Offered 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 Offered 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 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 includes 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 has 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 is determined by reference to the source and character of such amounts when earned by a Subsidiary Partnership. In addition, the Fund is 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 depends 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-rata for short taxation years).

If a Partnership incurs a loss for tax purposes, a 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 Offered Units. A Holder will realize a deemed capital gain if, and to the extent that, the adjusted cost base of the Holder's Offered 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 Offered 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 has elected to be taxed as a 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 now contained in draft legislation in Bill C-48, 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 these Tax Proposals 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 Offered 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 Tax Proposals 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 Offered Units

The disposition by a Holder of an Offered 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 Offered Unit, less any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base of such Offered Unit. See “Adjusted Cost Base of Offered Units”.

Where a Holder disposes of all of its Offered 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 Offered Units, then the Holder will be deemed to dispose of the Offered 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 Tax Proposals, 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 Offered 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 Offered 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 Offered Units to a person who is exempt from tax, a non-resident person or certain trusts or partnerships, 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 held indirectly by the Fund 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. **Holders should consult their own tax advisors prior to a disposition of Offered Units to a person that is exempt from tax, a non-resident person or a partnership or trust.**

Adjusted Cost Base of Offered Units

In general, the adjusted cost base of a Holder’s Offered Units will be equal to: (i) the actual cost of the Offered 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 Offered 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 Offered 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 Offered 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 Offered 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 Offered 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.

26. 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 has made 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 has made 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 has elected 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) may 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.

27. 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 – The Offering is, in part, a “blind pool” offering. Although certain of the net proceeds of the Offering will be used to repay the Bridge Financing, the Fund expects that the remaining net proceeds of the Offering will be applied to purchase one or more Additional Properties. The specific Additional Properties in which such remaining 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 Initial Properties as well as the Additional Properties. 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 is and will continue to 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 from the closing date of the IPO, 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 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 Few Assets - The Fund was formed on August 30, 2012, and has a very brief operating history. The Fund and the entities created for the purposes described herein were recently formed and have only the Initial Properties as assets. It is possible that such entities will not have sufficient assets to satisfy a 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 the Maximum Offering will be sold. If less than all of the C\$50,000,000 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 Additional 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 Additional Properties, the ongoing operations of 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 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 Additional Properties on commercially acceptable terms or at all. In the absence of mortgage financing, the number of Additional 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 one or more 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 has arranged for comprehensive insurance, including fire, liability and extended coverage, of the type and in the amounts customarily obtained for properties similar to those owned and to be acquired 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 relies 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 competes for suitable investments with other individuals, corporations, real estate investment trusts 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 tends 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 generally does not and will not participate in joint ventures 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 Initial Properties are, and the Additional 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 from the closing date of the IPO, during which it must deploy the net proceeds of the IPO, the Offering, the Private Placements and any subsequent offerings, 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 Additional Properties meeting the Investment Restrictions. During the Investment Period, the Manager may invest the net proceeds of such offerings only in cash (or cash equivalents) or exempt securities. There is a risk that the Manager may not invest all proceeds of such offerings in Additional 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 are denominated in U.S. dollars and distributions are and 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 is not 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 contained in Bill C-48 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 Offered 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 notes 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, her or its 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.

28. PROMOTER

The Manager may be considered to be the promoter of the Fund by reason of its initiative in organizing the business of the Fund and taking the steps necessary for the public distribution of the Units. As at the date hereof, the Manager beneficially owns, controls or directs, directly or indirectly, 250,001 Class C Units. The Manager 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”.

29. LEGAL PROCEEDINGS

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

30. 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 the Manager 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.

31. AUDITORS

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

32. 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 is effected only through the book-entry only system administered by CDS. A purchaser of Offered Units will receive only customer confirmation from the registered dealer which is a CDS participant and from or through which Offered Units are purchased. See “Plan of Distribution”.

33. 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.**

33.1 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, including Amendment No. 1 to the Asset Management Agreement*** – described in “Management of the Fund – Asset Management Agreement”.
5. ***Agency Agreement*** – described in “Plan of Distribution – Agency Agreement”.

34. 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 March 18, 2013 in respect of the financial statements provided herein. 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.

Mayer Hoffman McCann, P.C. was the auditor in respect of Cary Properties.

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.

Certain information relating to the Asset Valuation has been based upon a report by CBRE, Inc.

35. 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.

INDEX TO FINANCIAL STATEMENTS

1. The following financial statements of the Fund are contained in the Prospectus:
 - (a) Consolidated Financial Statements of the Fund for the period from August 30, 2012 to December 31, 2012. F-2
2. The following financial statements of the Initial Properties are contained in this Prospectus:
 - (a) Audited carve-out statements of financial position as of December 20, 2012, December 31, 2011, and January 1, 2011 and the related carve-out statements of income and comprehensive income, changes in divisional surplus, and cash flows for the period from January 1, 2012 to December 20, 2012, and the year ended December 31, 2011, and the related notes to the carve-out financial statements.F-30
 - (b) Unaudited pro-forma statement of financial position of the Fund as at December 20, 2012 and an unaudited *pro forma* income statement of the Fund for the period August 30, 2012 to December 20, 2012.F-44
3. The following financial statements in respect of the Cary Properties are contained in this Prospectus:
 - (a) Audited statements of income and comprehensive income, statements of changes in equity and statements of cash flows, including notes thereto, for the annual period ended December 31, 2012; Comparative unaudited statements of income and comprehensive income, statements of changes in equity and statements of cash flows, including notes thereto, for the annual period ended December 31, 2011; A statement of financial position for each of the periods specified above.F-62
 - (b) A *pro forma* statement of financial position of the Fund as at December 31, 2012 that gives effect to the acquisition of the Cary Properties as if it had occurred on December 31, 2012; A *pro forma* income statement of the Fund that gives effect to the acquisition of the Cary Properties as if it had occurred on January 1, 2012 for the period August 30, 2012 to December 31, 2012, and pro forma earnings per share in respect thereof.F-78

Consolidated Financial Statements of

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

Period from August 30, 2012 (date of formation)
to December 31, 2012

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Timbercreek U.S. Multi-Residential Opportunity Fund #1, which comprises the consolidated statement of net assets as at December 31, 2012, and the consolidated statements of loss and comprehensive loss, changes in net liabilities and cash flows for the period from August 30, 2012 (date of formation) to December 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Timbercreek U.S. Multi-Residential Opportunity Fund #1 as at December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the period from August 30, 2012 (date of formation) to December 31, 2012 in accordance with International Financial Reporting Standards.

"KPMG"

Chartered Accountants, Licensed Public Accountants

March 18, 2013
Toronto, Canada

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

Consolidated Statement of Changes in Net Assets

(In thousands of U.S. Dollars)

		As at December 31, 2012
	Note	
Assets		
Other assets	7	\$ 9,416
Cash and cash equivalents		6,247
Total current assets		15,663
Investment properties	6&9	95,922
Total noncurrent assets		95,922
Total assets		\$ 111,585
Liabilities		
Accounts payable and accrued liabilities		\$ 911
Tenant rental deposits and prepaid rents		204
Total current liabilities		1,115
Mortgages payable	8	71,133
Total noncurrent liabilities excluding net liabilities attributable to Unitholders and US Holding LP		71,133
Net liabilities attributable to Unitholders	4	36,403
Net liabilities attributable to US Holding LP		2,934
Total net liabilities attributable to Unitholders and US Holding LP		39,337
Total liabilities including net liabilities attributable to Unitholders and US Holding LP		\$ 111,585
Commitments (note 12)		
Subsequent events (note 15)		

See accompanying notes to the consolidated financial statements

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

“R. Blair Tamblyn”	Director
“David Melo”	Director

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

Consolidated Statement of Loss and Comprehensive Loss

(In thousands of U.S. Dollars)

		For the period from August 30, 2012 (date of formation) to December 31, 2012
	Note	
Revenue from rental operations	10	\$ 332
Rental expenses:		
Property operating expenses		115
Realty taxes		37
Property management fees	9	13
Total rental expenses		<u>165</u>
Net rental income		167
General and administrative expenses		156
Asset management fees	9	<u>77</u>
Net loss before foreign exchange loss, finance costs, and income tax expense		(66)
Foreign exchange loss		268
Finance costs:		
Interest expense		89
Amortization of mortgages payable financing costs		2
Amortization of unit offering costs		<u>89</u>
Total finance costs		<u>180</u>
Net loss before income tax expense		(514)
Income tax expense	11	<u>-</u>
Net loss and comprehensive loss		<u>\$ (514)</u>
Net loss and comprehensive loss attributable to:		
Unitholders		\$ (496)
US Holding LP		<u>(18)</u>
Net loss and comprehensive loss		<u>\$ (514)</u>

See accompanying notes to the consolidated financial statements.

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

Consolidated Statement of Changes in Net Liabilities

(In thousands of U.S. Dollars)

	For the period from August 30, 2012 (date of formation) to December 31, 2012				
	General Partner	Class A Unitholders	Class C Unitholders	US Holding LP	Total
Net proceeds from issuance of units	\$4	\$21,024	\$15,789	\$2,945	\$39,762
Decrease in net assets from operations	—	(283)	(213)	(18)	(514)
Amortization of unit offering costs	—	47	35	7	89
Net liabilities, end of period	\$4	\$20,788	\$15,611	\$2,934	\$39,337

See accompanying notes to the consolidated financial statements.

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

Consolidated Statement of Cash Flows

(In thousands of U.S. Dollars)

	For the period from August 30, 2012 (date of formation) to December 31, 2012
Cash provided by (used in):	
Operating activities:	
Net loss and comprehensive loss	\$ (514)
Financing costs	180
Change in working capital:	
Increase in tenant and other receivables	(9)
Increase in prepaid expenses and other assets	(508)
Increase in deposits in trust	(1,650)
Increase in due from Manager	(306)
Increase in accounts payable and accrued liabilities	911
Increase in tenant deposits and prepaid rent	24
	<u>(1,872)</u>
Financing activities:	
Mortgage payable	64,725
Proceeds from issuance of units to Unitholders, net of issuance costs	36,817
Proceeds from issuance of units to US Holding LP, net of issuance costs	2,945
Financing costs paid	(89)
Financing costs incurred on mortgages payable	(443)
	<u>103,955</u>
Investing activities:	
Acquisition of investment properties	<u>(95,836)</u>
	<u>(95,836)</u>
Increase in cash and cash equivalents	6,247
Cash and cash equivalents, beginning of period	<u>-</u>
Cash and cash equivalents, end of period	<u>\$ 6,247</u>

See accompanying notes to the consolidated financial statements.

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

Notes to Consolidated Financial Statements for the period from August 30, 2012 (date of formation) to

December 31, 2012

(In thousands of U.S. Dollars)

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 Fund was established for the primary purposes of (i) indirectly acquiring multi-residential investment properties located throughout the southeastern United States, that are mispriced and/or undermanaged in the view of Timbercreek Asset Management Inc. (the “Manager”), and (ii) enhancing the value of the investment properties through active management and a stabilization and improvement program, with the goal of ultimately disposing of the assets to generate significant gains. Elco Landmark Residential Holdings, LLC (the “Operator”) has been hired to operate and act as the property manager of the investment properties. The registered office of the Fund is located at 1000 Yonge Street, Suite 500, Toronto, Ontario, M4W 2K2.

As at December 31, 2012 the Fund indirectly owns 92.6% of Class A limited partnership units of Timbercreek U.S. Multi-Residential Operating LP (“Operating LP”), a limited partnership formed pursuant to and governed by the laws of Delaware. The remaining interest in the Operating LP is held by Timbercreek U.S. Multi-Residential (U.S.) Holding L.P. (“US Holding LP”), a controlling interest of which is held by an affiliated entity of the Operator. The assets of the Fund are indirectly held by the Operating LP, which carries out the business of the Fund.

Timbercreek Multi-Residential Opportunity Fund #1 G.P. Inc. is the general partner of the Fund (the “General Partner”). The General Partner is a wholly-owned subsidiary of the Manager. The net income of the Fund is allocated 0.01% to the General Partner and the balance of 99.99% to the limited partners.

The term of the Fund is four years beginning on October 25, 2012, the closing date of the Fund’s initial public offering (“IPO”), 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 property. The Term may only be further extended by special resolution of the Unitholders.

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

Notes to Consolidated Financial Statements for the period from August 30, 2012 (date of formation) to

December 31, 2012

(In thousands of U.S. Dollars)

2. Basis of presentation:

(a) Statement of compliance:

The consolidated financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The consolidated financial statements were authorized for issue by the General Partner on March 18, 2013.

(b) Basis of measurement:

These consolidated financial statements have been prepared on a historical cost basis, except for investment properties which have been measured at fair value.

The preparation of these consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Fund’s accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3(h).

(c) Functional and presentation currency:

The functional and presentation currency of the Fund is U.S. dollars.

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

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

Notes to Consolidated Financial Statements for the period from August 30, 2012 (date of formation) to

December 31, 2012

(In thousands of U.S. Dollars)

3. Significant accounting policies:

(a) Basis of consolidation:

These consolidated financial statements include the accounts of the Fund and controlled subsidiaries. Subsidiaries are entities controlled by the Fund. The Fund controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries included in these consolidated financial statements are from the date that control commences until the date that control ceases.

The Fund has no interests in joint arrangements and associates, or structured entities that are not controlled by the Fund.

The Fund has early adopted IFRS 10, Consolidated Financial Statements, as described in note 3(i).

(b) Investment properties:

The Fund accounts for real estate classified as investment property using the fair value method. A property is determined to be an investment property when it is principally held to earn rental income, capital appreciation, or both. Investment properties are initially measured at cost, including transaction costs associated with acquiring the property where such acquisitions are determined to be an asset acquisition. Subsequent to initial recognition, investment properties are carried at fair value at each consolidated balance sheet date with any gains or losses arising from changes in fair value recognized in the consolidated statement of income and comprehensive income during the period in which they arise.

The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income, appropriate discount rates, capitalization rates and estimates of future rental income, operating expenses and capital expenditures.

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

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

Notes to Consolidated Financial Statements for the period from August 30, 2012 (date of formation) to

December 31, 2012

(In thousands of U.S. Dollars)

3. Significant accounting policies (continued):

Gains or losses from the disposal of investment properties are determined as the difference between the net disposal proceeds and the carrying amount and are recognized in the consolidated statements of income and comprehensive income in the year of disposal.

(c) Revenue recognition:

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

Revenue from investment properties includes all rental income earned from the properties, including residential tenant rental income, parking income, laundry income, cable and antenna income and all other miscellaneous income paid by the tenants under the terms of their existing lease. Revenue recognition under a lease commences when a tenant has a right to use the leased unit and is recognized pursuant to the terms of the lease agreement.

(d) Finance costs:

Finance costs consist of interest on mortgages payable, amortization of financing costs relating to placement of mortgages payable, offering costs relating to Units issued to the Unitholders and US Holding LP and distributions to the Unitholders and US Holding LP. Finance costs are recognized in the period in which they are incurred.

(e) Financial instruments:

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Fund's designation of such instruments. IFRS requires all financial assets and financial liabilities be classified as held for trading, fair value through profit or loss ("FVTPL"), loans and receivables, available-for-sale, other financial liabilities or held-to-maturity.

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

Notes to Consolidated Financial Statements for the period from August 30, 2012 (date of formation) to

December 31, 2012

(In thousands of U.S. Dollars)

3. Significant accounting policies (continued):

The Fund has classified its financial instruments as follows:

	Classification	Measurement
Financial assets		
Tenant and other receivables	Loans and Receivables	Amortized costs
Deposits in trust	Loans and Receivables	Amortized costs
Holdbacks in escrow	Loans and Receivables	Amortized costs
Due from Manager	Loans and Receivables	Amortized costs
Due from Operator	Loans and Receivables	Amortized costs
Cash and cash equivalents	Loans and Receivables	Amortized costs
Financial liabilities		
Mortgages payable	Other financial liabilities	Amortized cost
Net liabilities attributable to Unitholders	Other financial liabilities	Amortized cost
Net liabilities attributable to US Holding LP	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Tenant rental deposits and prepaid rents	Other financial liabilities	Amortized cost

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. The Fund has no held for trading, available-for-sale, held-to-maturity investments or fair value through profit or loss financial instruments.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception, except for those financial assets or financial liabilities classified as FVTPL, where transaction costs are expensed as incurred. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate method over the anticipated life of the related instrument.

Financial assets carried at amortized cost are assessed at each reporting date to determine whether there is objective evidence indicating the assets might be impaired. The Fund considers evidence of impairment for receivables at both a specific asset and collective level. All receivables are assessed for specific impairment. All receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

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

Notes to Consolidated Financial Statements for the period from August 30, 2012 (date of formation) to

December 31, 2012

(In thousands of U.S. Dollars)

3. Significant accounting policies (continued):

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance against the associated account receivable. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(f) Cash and cash equivalents:

The Fund considers highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value to be cash equivalents.

(g) Income taxes:

The Fund is organized as a partnership for Canadian tax purposes and therefore the taxable income, for Canadian tax purposes, is subject to tax by the Unitholder. The Fund has a subsidiary that is considered to be a corporation for U.S. tax purposes. Therefore, this subsidiary is subject to U.S. tax on its taxable income. Taxes paid by the subsidiary are allocated to the Unitholders and may be available as a credit against the Canadian taxes otherwise payable. Accordingly, the Fund provides for income tax with respect to its taxable subsidiary.

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

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

Notes to Consolidated Financial Statements for the period from August 30, 2012 (date of formation) to

December 31, 2012

(In thousands of U.S. Dollars)

3. Significant accounting policies (continued):

- (i) temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future;
- (ii) temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. In determining the amount of current and deferred tax the Fund takes into account the impact of uncertain tax provisions and whether additional taxes and interest may be due. The Fund believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Fund to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable (which the Fund has defined as more likely than not) that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

- (h) Critical judgements and estimates:

The preparation of consolidated financial statements requires management to make critical judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

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

Notes to Consolidated Financial Statements for the period from August 30, 2012 (date of formation) to

December 31, 2012

(In thousands of U.S. Dollars)

3. Significant accounting policies (continued):

In making estimates and judgements, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. There are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgements in these consolidated financial statements. The estimates and judgements used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

(i) Valuation of investment properties:

The critical estimates and assumptions underlying the valuation of investment properties are described in note 3(b). In applying this policy, judgement is applied in determining certain assumptions such as capitalization rates, future rental income, operating expenses and capital expenditures to be used to value each investment property.

(ii) Accounting for acquisitions:

The Fund assesses whether an acquisition transaction is an asset acquisition or a business combination under IFRS 3, Business Combinations ("IFRS 3"). This assessment requires management to make judgements on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, are capable of being conducted and managed as a business, and the Fund obtains control of the business.

When the cost of a business combination exceeds the fair value of the identifiable assets acquired or liabilities assumed, such excess is recognized as goodwill. Transaction-related costs are expensed as incurred. Subsequent to initial measurement, carrying cost of individual assets and liabilities are based on their respective classification.

If the acquisition does not meet the definition of a business combination, the Fund accounts for the acquisition as an asset acquisition. The investment property acquired is initially measured at the purchase price, including directly attributable costs. Subsequent to initial measurement, investment properties are carried at fair value.

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

Notes to Consolidated Financial Statements for the period from August 30, 2012 (date of formation) to

December 31, 2012

(In thousands of U.S. Dollars)

3. Significant accounting policies (continued):

(iii) Accounting for subsidiaries:

Significant judgment is required in assessing whether the Fund should consolidate the underlying structured entities in accordance with IFRS 10 (see note 5).

(i) Early adoption of new accounting policies:

(i) IFRS 10, Consolidated Financial Statements ("IFRS 10"):

In May 2011, the International Accounting Standards Board ("IASB") issued IFRS 10. IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under IFRS, prior to the issuance of IFRS 10 consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces Standing Interpretation Committee - 12, Consolidation - Special Purpose Entities and parts of IAS 27, Consolidated and Separate Financial Statements. The standard is effective for annual periods beginning on or after January 1, 2013 with earlier adoption permitted. The Fund has elected to early adopt IFRS 10 on August 30, 2012.

(ii) IFRS 11, Joint Arrangements ("IFRS 11"):

In May 2011, the IASB issued IFRS 11, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The new standard redefines joint operations and joint ventures, requiring joint operations to be proportionately consolidated and joint ventures to be equity accounted. Under IAS 31, joint ventures could be proportionately accounted. The Fund has elected to early adopt IFRS 11 on August 30, 2012.

(iii) IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"):

In May 2011, the IASB issued IFRS 12, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. The Fund has elected to early adopt IFRS 12 on August 30, 2012.

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

Notes to Consolidated Financial Statements for the period from August 30, 2012 (date of formation) to

December 31, 2012

(In thousands of U.S. Dollars)

3. Significant accounting policies (continued):

(j) Future accounting changes:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2013 and are expected to apply to the Fund:

(i) IFRS 9, Financial Instruments (“IFRS 9”):

The IASB issued a new standard, IFRS 9 (2009) superseded by IFRS 9 (2010), which will ultimately replace International Accounting Standard (“IAS”) 39, Financial Instruments - Recognition and Measurement (“IAS 39”). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase. This standard becomes effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. For annual periods beginning before January 1, 2015, either IFRS 9 (2009) or IFRS 9 (2010) may be applied.

The Fund intends to adopt IFRS 9 (2010) in its consolidated financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of IFRS 9 (2010) has not yet been determined.

(ii) IAS 1, Presentation of Financial Statements – Amendment (“IAS 1”):

In June 2011, the IASB published amendments to IAS 1, Presentation of Items of Other Comprehensive Income, which are effective for annual periods beginning on or after July 1, 2012 and are to be applied retrospectively. Early adoption is permitted. The Fund intends to adopt the amendments in its consolidated financial statements for the annual period beginning on January 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

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

Notes to Consolidated Financial Statements for the period from August 30, 2012 (date of formation) to

December 31, 2012

(In thousands of U.S. Dollars)

3. Significant accounting policies (continued):

- (iii) IAS 32, Financial Instruments - Presentation ("IAS 32") and IFRS 7, Financial Statements: Disclosures - Amendments ("IFRS 7"):

In December 2011, the IASB published Offsetting Financial Assets and Financial Liabilities and issued new disclosure requirements in IFRS 7. The effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014. The effective date for the amendments to IFRS 7 is annual periods beginning on or after January 1, 2013. These amendments are to be applied retrospectively. The Fund intends to adopt the amendments to IFRS 7 in its consolidated financial statements for the annual period beginning on January 1, 2013, and the amendments to IAS 32 in its consolidated financial statements for the annual period beginning January 1, 2014. The extent of the impact of adoption of the amendments has not yet been determined.

- (iv) IFRS 13, Fair Value Measurements ("IFRS 13"):

The IASB has issued a new standard, IFRS 13, which replaces the fair value guidance contained in individual IFRS with a single source of fair value measurement guidance and establishes a framework for measuring fair value. IFRS 13 is effective prospectively for annual periods beginning on or after January 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

4. Unitholders' liabilities:

On October 25, 2012, the Fund completed its IPO through the issuance of 2,244,350 Class A Units for net proceeds of approximately \$21,024 and 1,605,000 Class C Units, through a Canadian private placement, for net proceeds of approximately \$15,789. Included in the net proceeds are issue costs of \$1,933 on these offerings, which includes agents' commissions, issue and structuring costs.

The Fund is authorized to issue an unlimited number of Class A Units, Class B Units and Class C Units (collectively, the "Units" and the holders of such units being "Unitholders"), all of which rank equally with respect to distributions, except as set out below.

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

Notes to Consolidated Financial Statements for the period from August 30, 2012 (date of formation) to

December 31, 2012

(In thousands of U.S. Dollars)

4. Unitholders' liabilities (continued):

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).

Class A and Class B Units are 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, include a reduced agents' fee and there is no service fee payable in respect of the Class B Units.

The Class C Units are offered by private placement and are designed for the Manager, certain institutional, 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 is not required to redeem Units prior to the completion of the Term.

Under IFRS, a financial liability arises from a contractual obligation to deliver cash or another financial asset to another party. The limited life of the Fund creates an obligation for the Fund to pay Unitholders at the end of the Term; as a result the Units meet the definition of a financial liability. Thus, the Units are classified as liabilities attributable to Unitholders in the consolidated statement of net assets.

Since the Units are classified as liabilities, the distributions on these Units will be recognized as part of finance costs. In addition, the issue costs incurred on the offerings are amortized to finance costs over the Term of the Fund.

	General Partner	Class A Units	Class B Units	Class C Units	Total
Issuance of Units	372	2,244,350	—	1,605,000	3,849,722
Units outstanding, end of period	372	2,244,350	—	1,605,000	3,849,722

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

Notes to Consolidated Financial Statements for the period from August 30, 2012 (date of formation) to

December 31, 2012

(In thousands of U.S. Dollars)

5. Interests in other structured entities:

The Fund has interests in two structured entities being its 99.99% interest in Timbercreek U.S. Multi-Residential Holding Partnership and its 92.6% interest in Operating LP. Although the Fund does not have substantive voting rights in these structured entities, the Fund determined it should consolidate these entities as the Fund receives the majority of the returns related to their operations.

The interest attributable to US Holding LP results from the issuance of Class A units of Operating LP to US Holding LP. US Holding LP issued units for net proceeds of \$3,000, which were purchased by an affiliate of the Operator. The proceeds from US Holding LP were in turn invested in Class A units of Operating LP. Substantially all of the assets, liabilities, revenue and expenses of the Fund are held within and earned from operations of the Operating LP.

During the year, there were no distributions which were paid to the interests attributable to US Holding LP Unitholders.

6. Investment properties:

On December 20, 2012, the Fund completed the acquisition of 4 investment properties for a total cost of \$95,922 including transaction costs of \$485. The Fund financed the acquisition of these properties from the gross proceeds of new mortgage financing, before holdbacks in escrow, of \$71,574 and incurred lender costs of \$443. The balance was funded from proceeds raised from the issuance of Units and the proceeds received from the US Holding LP

Property Description	Location	Number of units	Purchase price	Gross Mortgage funding
Autumn Hill Apartments	Virginia	425	\$32,163	\$24,000
Heatherwood Apartments	North Carolina	476	29,084	21,562
Highlands Hills Apartments	North Carolina	250	18,091	13,312
Canyon Hills Apartments	Texas	229	16,584	12,700
Total		<u>1,380</u>	<u>\$95,922</u>	<u>\$71,574</u>

The following table summarizes the assets acquired and liabilities assumed resulting from the acquisition of the investment properties:

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

Notes to Consolidated Financial Statements for the period from August 30, 2012 (date of formation) to

December 31, 2012

(In thousands of U.S. Dollars)

6. Investment properties (continued):

Investment properties	\$	95,922
Prepaid expenses and other assets		94
Tenant rental deposits and prepaid rents		(180)
Total assets acquired, net	\$	95,836
Cash paid	\$	95,836
Total consideration paid	\$	95,836

As at December 31, 2012, the fair value of the investment properties was estimated to be equal to their cost.

7. Other assets:

Tenant and other receivables	\$	9
Prepaid expenses and other assets		602
Deposits in trust (a)		1,650
Holdbacks in escrow (b)		6,849
Due from Manager		306
	\$	9,416

(a) Included in deposits in trust are refundable cash deposits held pursuant to agreements of purchase and sale, as further discussed in note 15.

(b) Holdbacks in escrow consist of cash on deposit requested by the lenders to be retained in escrow to pay planned capital expenditures relating to the properties. These funds will be released to pay the respective obligations as they become due.

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

Notes to Consolidated Financial Statements for the period from August 30, 2012 (date of formation) to

December 31, 2012

(In thousands of U.S. Dollars)

8. Mortgages payable:

Minimum future principal repayments	\$	71,574
Less unamortized financing costs		(441)
	\$	<u>71,133</u>

Mortgages payable bear interest at rates ranging between 3.75% and 3.79%, with a weighted average rate of 3.78% at December 31, 2012, and mature on January 1, 2023. The mortgages payable are interest only for the first two years of the ten year term of the mortgages.

Mortgages payable are secured by investment properties and are guaranteed by the Operator and the Operator's key principal.

Financing costs of \$ 443 incurred on the placement of the mortgages are recognized using the effective interest rate method and accounted for as an adjustment to the mortgages payable.

The minimum future principal repayments required to meet mortgage obligations at December 31, 2012 are as follows:

	Regular principal repayments	Balance due on maturity	Total
2015	\$ 1,168	\$	\$ 1,168
2016	1,396		1,396
Thereafter	9,123	59,887	69,010
	<u>\$ 11,687</u>	<u>\$ 59,887</u>	<u>\$ 71,574</u>
Less unamortized financing costs			(441)
			<u><u>\$71,133</u></u>

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

Notes to Consolidated Financial Statements for the period from August 30, 2012 (date of formation) to

December 31, 2012

(In thousands of U.S. Dollars)

9. Related party transactions and balances:

Except as disclosed elsewhere in these consolidated financial statements, related party transactions include the following transactions and balances. The Manager, the General Partner and the Fund are related by virtue of common management.

In accordance with the Asset Management Agreement (note 12(a)), for the period ended December 31, 2012, \$77, \$13 and \$10 were charged by the Manager to the Fund relating to asset management fees, property management fees and acquisition fees, respectively. A portion of the fees earned by the Manager is payable to the Operator.

As at December 31, 2012, \$306 was receivable from the Manager and includes excess Unit issue costs recoverable from the Manager.

10. Operating leases:

The Fund leases residential rental properties under operating leases generally with a term of not more than 12 months and, in many cases, tenants lease rental space on a month-to-month basis. As such, rental revenue represents all revenue earned from the Fund's operating leases and totalled \$332 from the date of acquisition of investment properties.

11. Income taxes:

The Fund is not subject to income taxes on income earned and gains realized by the Fund as those amounts will be included in the taxable income of its partners. The Fund has a subsidiary which is subject to U.S. corporate income taxes.

The Fund has an unrecorded deferred tax asset of \$700 related primarily to investment properties. The Fund has not recognized the benefit of these losses as management does not anticipate they will be realized in the future. The effective tax rate differs from the statutory tax rate of 40.8% as these tax benefits have not been recognized in the period.

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

Notes to Consolidated Financial Statements for the period from August 30, 2012 (date of formation) to

December 31, 2012

(In thousands of U.S. Dollars)

12. Commitments:

(a) Asset management agreement:

The Fund has entered into an asset management agreement ("Asset Management Agreement") with the Manager. Pursuant to the Asset Management Agreement, the Manager is responsible for strategic, advisory, asset management, property management, leasing, construction management and administration services necessary to manage the day-to-day operations of the Fund and the properties.

The Manager is entitled to asset management fees, property management fees, acquisition fees and capital management fees. However, these shall not exceed, on an aggregate basis, 1% per annum of the Fund's total assets, provided that, if such fees exceed 1% per annum of the Fund's total assets, the excess amount shall be carried forward and paid in the first subsequent year in which the total fees paid do not exceed 1% per annum of the Fund's total assets, up to an amount that, together with the total fees paid in such year, is equal to 1% of the Fund's total assets for such year. Any excess carried forward at the end of the term shall not be paid. The excess amount carried forward as at December 31, 2012 is \$1,096. The description of the individual fees is as follows:

- (i) An asset management fee equal to 1.0% per annum of the gross subscription proceeds of any one or more subsequent offerings, plus applicable taxes, calculated and payable monthly in arrears;
- (ii) A property management fee equal to 4% per annum of the effective gross rental income of Operating LP, plus applicable taxes, payable monthly in arrears;
- (iii) An acquisition fee equal to 1% of the gross purchase price of each property (or interest in a property), which 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; and
- (iv) 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.

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

Notes to Consolidated Financial Statements for the period from August 30, 2012 (date of formation) to

December 31, 2012

(In thousands of U.S. Dollars)

12. Commitments (continued):

(b) Service fees:

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 from 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).

(c) Distributions:

Distributions will be made by Operating LP in the following order of priority:

- (i) First, 100% to the holders of Operating LP Units (pro rata), until they have received cumulative distributions equal to their aggregate contributed capital;
- (ii) 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;
- (iii) 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
- (iv) 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.

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

Notes to Consolidated Financial Statements for the period from August 30, 2012 (date of formation) to

December 31, 2012

(In thousands of U.S. Dollars)

13. Capital risk management:

The Fund manages its capital structure in order to support ongoing operations while focusing on its primary objective of acquiring multi-family real estate located in the southeastern United States that is mispriced and/or undermanaged with a goal enhancing the value of the assets through active management and a stabilization and improvement program. The Fund defines its capital structure to include mortgages payable and net liabilities attributable to Unitholders and US Holding LP.

The Fund reviews its capital structure on an ongoing basis and adjusts its capital structure in response to property acquisition or disposition opportunities, the availability of mortgage financing and anticipated changes in general economic conditions.

14. Risk management and fair values:

The General Partner of the Fund has the overall responsibility for the establishment and oversight of the Fund's risk management framework. The Fund's risk management policies are established to identify and analyze the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in response to the Fund's activities.

In the normal course of operations, the Fund is exposed to various financial risks, including changes in interest rates and government regulatory controls. The following describes these financial risks and how they are managed by the Fund:

(a) Risk management:

(i) Interest rate risk:

The Fund is not exposed to any immediate interest rate risk as at December 31, 2012 as the mortgages payable have fixed rates of interest. Interest rate risk is the risk that the fair value or future cash flows of financial assets or financial liabilities will fluctuate because of changes in market interest rates. Generally, the Fund seeks to fix the term of long-term debt within a range from five to ten years.

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

Notes to Consolidated Financial Statements for the period from August 30, 2012 (date of formation) to

December 31, 2012

(In thousands of U.S. Dollars)

14. Risk management and fair values (continued):

(ii) Credit risk:

Credit risk is the risk of financial loss to the Fund if a tenant or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's receivables from tenants. Since the Fund is exposed to credit risk by the collection of accounts receivable from tenants, the Operator routinely obtains credit history reports on prospective tenants before entering into a tenancy agreement. In addition, the Operator obtains security deposits from tenants in geographic regions where permitted by law.

(iii) Liquidity risk:

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. Real estate property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit the Fund's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Fund were required to liquidate a real estate property investment, the proceeds to the Fund might be significantly less than the aggregate carrying value of such property.

The Fund manages cash from operations and its capital structure to ensure that there are sufficient resources to operate the investment properties, make capital and development expenditures, meet its debt servicing obligations, fund general administrative costs and make distributions.

The following are the contractual maturities of financial liabilities as at December 31, 2012, including expected interest payments, where applicable:

	Contractual cash flow	Within a year	2 — 5 years	Over 5 years
Mortgages payable	\$ 97,268	\$ 2,512	\$ 14,711	\$ 80,045
Accounts payable and other liabilities	911	911	--	--
Tenant rental deposits and prepaid rents	204	204	--	--
	<u>\$ 98,383</u>	<u>\$ 3,627</u>	<u>\$ 14,711</u>	<u>\$ 80,045</u>

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

Notes to Consolidated Financial Statements for the period from August 30, 2012 (date of formation) to

December 31, 2012

(In thousands of U.S. Dollars)

14. Risk management and fair values (continued):

(iv) Currency risk:

Currency risk is the risk that the Fund faces from fluctuations in the Canadian/U.S. dollar exchange rate. The revenues and expenses of the investment properties are denominated in U.S. dollars and distributions made to the Fund by the Operating LP are in U.S. dollars. The Fund converts such distribution amounts received into Canadian dollars prior to distributions 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 enter into any hedging arrangements to limit the impact of changes in the Canadian/U.S. dollar exchange rate.

(b) Fair value:

The fair value of a financial instrument is the amount that a third party is willing to pay in an arm's length transaction. In certain circumstances, the initial fair value may be based on other observable current market transactions, without modification or on a valuation technique using market based inputs.

Fair value measurements recognized in the statement of financial position are categorized in accordance with the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

The fair values of the Fund's financial assets and liabilities, which represent tenant and other receivables, deposits in trust, holdbacks in escrow, due from Manager, due from Operator, accounts payable and accrued liabilities and tenant rental deposits and prepaid rents approximate their carrying values at December 31, 2012 due to their short-term nature.

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

Notes to Consolidated Financial Statements for the period from August 30, 2012 (date of formation) to

December 31, 2012

(In thousands of U.S. Dollars)

14. Risk management and fair values (continued):

As at December 31, 2012, the estimated fair market value of the mortgages payable approximates their carrying value as mortgages payable were secured close to the year-end. The fair value of the net liabilities attributable to Unitholders and net liabilities attributable to US Holding LP equates to their carrying value as at December 31, 2012.

15. Subsequent-events:

- (a) On November 6, 2012, the Operator entered into a purchase and sale agreement on behalf of Operating LP to acquire two investment properties for a total purchase price of \$55,700 and for which the Fund has made a refundable deposit of \$1,500. The properties are comprised of 788 suites and are located in North Carolina. The acquisition is in the due diligence phase, and completion is subject to satisfaction of certain conditions required by the Operator. Assuming these conditions are satisfied, the acquisition is expected to close in the second quarter of 2013.
- (b) In March 2013, the Fund raised \$5,561 through the issuance of 567,500 Class C units in a private placement offering.

COLONIAL PORTFOLIO

Carve-Out Financial Statements
December 20, 2012, December 31, 2011
and January 1, 2011

(With Independent Auditor's Report Thereon)

Independent Auditor's Report

The Management
Timbercreek U.S. Multi-Residential Opportunity Fund #1:

We have audited the accompanying carve-out financial statements of Colonial Portfolio, which comprise the carve-out statements of financial position as of December 20, 2012, December 31, 2011, and January 1, 2011 and the related carve-out statements of income and comprehensive income, changes in divisional surplus, and cash flows for the period from January 1, 2012 to December 20, 2012, and the year ended December 31, 2011, and the related notes to the carve-out financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these carve-out financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the carve-out financial statements.

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

Opinion

In our opinion, the carve-out financial statements referred to above present fairly, in all material respects, the financial position of Colonial Portfolio as of December 20, 2012, December 31, 2011, and January 1, 2011, and the results of its operations and its cash flows for the period from January 1, 2012 to December 20, 2012, and the year ended December 31, 2011, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

"KPMG LLP"

March 4, 2013

COLONIAL PORTFOLIO

Carve-out Statements of Financial Position

December 20, 2012, December 31, 2011 and January 1, 2011

(In thousands of U.S. Dollars)

	December 20, 2012	December 31, 2011	January 1, 2011
Assets			
Tenant and other receivables	\$ 175	\$ 374	\$ 167
Prepaid expenses and other assets	131	124	131
Cash	11	6	—
Total current assets	<u>317</u>	<u>504</u>	<u>298</u>
Investment properties (notes 3 and 4)	<u>95,438</u>	<u>97,500</u>	<u>82,780</u>
Total noncurrent assets	<u>95,438</u>	<u>97,500</u>	<u>82,780</u>
Total assets	<u>\$ 95,755</u>	<u>\$ 98,004</u>	<u>\$ 83,078</u>
Liabilities and Divisional Surplus			
Bank indebtedness	\$ —	\$ —	\$ 24
Accounts payable and other liabilities	740	717	709
Tenant rental deposits and prepaid rents	190	248	300
Total current liabilities	<u>930</u>	<u>965</u>	<u>1,033</u>
Divisional surplus (note 1)	<u>94,825</u>	<u>97,039</u>	<u>82,045</u>
Total liabilities and divisional surplus	<u>\$ 95,755</u>	<u>\$ 98,004</u>	<u>\$ 83,078</u>

See accompanying notes to carve-out financial statements.

COLONIAL PORTFOLIO

Carve-out Statements of Income and Comprehensive Income
Period from January 1, 2012 to December 20, 2012 and
year ended December 31, 2011
(In thousands of U.S. Dollars)

	2012	2011
Revenue from property operations (note 2)	\$ 12,519	\$ 12,217
Property operating costs (note 5)	5,015	4,910
Real estate taxes	1,118	1,110
Total operating expenses	<u>6,133</u>	<u>6,020</u>
Change in fair value of investment properties (notes 3 and 4)	<u>(3,350)</u>	<u>13,364</u>
Net income and comprehensive income	<u>\$ 3,036</u>	<u>\$ 19,561</u>

See accompanying notes to carve-out financial statements.

COLONIAL PORTFOLIO

Carve-out Statements of Changes in Divisional Surplus

Period from January 1, 2012 to December 20, 2012

and year ended December 31, 2011

(In thousands of U.S. Dollars)

	<u>2012</u>	<u>2011</u>
Divisional surplus, beginning of period (note 1)	\$ 97,039	\$ 82,045
Net distributions (note 6)	(5,250)	(4,567)
Net income and comprehensive income	<u>3,036</u>	<u>19,561</u>
Divisional surplus, end of period	<u>\$ 94,825</u>	<u>\$ 97,039</u>

See accompanying notes to carve-out financial statements.

COLONIAL PORTFOLIO

Carve-out Statements of Cash Flow

Period from January 1, 2012 to December 20, 2012

and year ended December 31, 2011

(In thousands of U.S. Dollars)

	2012	2011
Cash flows from operating activities:		
Net income	\$ 3,036	\$ 19,561
Adjustments for:		
Change in fair value of investment properties (note 4)	3,350	(13,364)
Change in noncash operating items (note 8)	157	(268)
Net cash provided by operating activities	<u>6,543</u>	<u>5,929</u>
Cash flows from investing activity:		
Additions to investment properties (note 4)	<u>(1,288)</u>	<u>(1,356)</u>
Net cash used in investing activity	<u>(1,288)</u>	<u>(1,356)</u>
Cash flows from financing activity:		
Net divisional distributions (note 6)	<u>(5,250)</u>	<u>(4,567)</u>
Net cash used in financing activity	<u>(5,250)</u>	<u>(4,567)</u>
Increase in cash	<u>5</u>	<u>6</u>
Cash, beginning of period	<u>6</u>	<u>—</u>
Cash, end of period	<u><u>\$ 11</u></u>	<u><u>\$ 6</u></u>

See accompanying notes to carve-out financial statements.

COLONIAL PORTFOLIO

Notes to Carve-out Financial Statements

December 20, 2012, December 31, 2011 and January 1, 2011

(In thousands of U.S. Dollars)

(1) Reporting Entity

The Colonial Portfolio (the Portfolio) as presented in these carve-out financial statements is not a legal entity and represents the combination of four multi-residential properties (the Properties) located in the Southern United States. On October 26, 2012, the Timbercreek U.S. Multi-Residential Opportunity Fund #1 (the Fund) entered into an agreement of purchase and sale with Colonial Realty Limited Partnership (the Partnership) to purchase the investment property of the Portfolio for a gross purchase price of \$95.4 million. The sale closed on December 20, 2012, which is the end date of the Portfolio. Subsequent to December 20, 2012, the Properties are indirectly owned by the Fund.

Timbercreek Asset Management Inc., as manager of the Fund (the Manager), is responsible for providing management services to the Fund, while Elco Landmark Residential Holdings, LLC (the Operator) operates and acts as property manager for the Properties, handling the day-to-day operations and property management. The registered office of the Fund is 1000 Yonge Street, Suite 500, Toronto, Ontario M4W 2K2.

These financial statements have been prepared on a carve-out basis from the books and records of the Partnership to represent the financial position, performance and cash flows of the Portfolio as if it had existed as a carve-out business as of December 20, 2012, December 31, 2011, and January 1, 2011 and during the period January 1, 2012 to December 20, 2012, and the year ended December 31, 2011, and by applying International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), as if the Portfolio has been accounted for on a stand-alone basis and include its share of assets, liabilities, revenue and all expenses of doing business.

The Portfolio as presented in these carve-out financial statements is not a legal entity. It represents the combination of the following properties: Autumn Hill Apartments (Charlottesville, Virginia), Heatherwood Apartments (Charlotte, North Carolina), CV at Highlands (Chapel Hill, North Carolina), and Canyon Hills (Austin, Texas). During all periods presented in these carve-out financial statements, the Portfolio was under the common control of a single party (the Partnership).

Because these Properties were part of the Partnership, these carve-out financial statements depict the Partnership's equity in net assets as divisional surplus, representing the amount associated specifically with these Properties. Management's estimates, when necessary, have been used to prepare such allocations.

The carve-out financial statements are prepared in accordance with a financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107, *Acceptable Accounting Principles and Auditing Standards* (subsection 3.11(6)) as issued by the Canadian Securities Administrators, for carve-out financial statements. Subsection 3.11(6) requires the Portfolio to select from a specified list of financial reporting frameworks. The financial reporting framework selected by the Portfolio to prepare these carve-out financial statements is IFRS.

COLONIAL PORTFOLIO

Notes to Carve-out Financial Statements

December 20, 2012, December 31, 2011 and January 1, 2011

(In thousands of U.S. Dollars)

(2) Basis of Preparation

(a) *Basis of Presentation and Statement of Compliance*

The carve-out financial statements have been prepared in accordance with IFRS as issued by the IASB. These are the Portfolio's first carve-out financial statements in accordance with IFRS and IFRS 1, First-Time Adoption of International Reporting Standards, has been applied. The Portfolio's first annual IFRS financial statements are those for the year ended December 31, 2011 with a date of transition of January 1, 2011.

An explanation or reconciliation of how the transition to IFRS has affected the Portfolio's carve-out financial position, performance, and cash flows has not been presented as the Portfolio has not presented carve-out financial statements in previous years.

The carve-out financial statements were authorized for issue by the Manager on March 4, 2013. The carve-out financial statements have been prepared on a historical cost basis, except for investment properties, which are stated at fair value.

The carve-out financial statements are presented in U.S. dollars, which is the functional currency of the Portfolio.

(b) *Critical Judgments and Estimates*

The preparation of carve-out financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical Judgments in Applying Accounting Policies

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the carve-out financial statements:

Accounting for Acquisitions

The Portfolio assesses whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3, Business Combinations (IFRS 3). This assessment requires management to make judgments on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business and the Fund obtains control of the business. All of the Portfolio's acquisitions have been accounted for as asset acquisitions as no core processes were acquired by the Portfolio.

COLONIAL PORTFOLIO

Notes to Carve-out Financial Statements

December 20, 2012, December 31, 2011 and January 1, 2011

(In thousands of U.S. Dollars)

(ii) Preparation of Carve-out Financial Statements

The preparation of these carve-out financial statements entails certain critical judgments and estimates including the allocation of expenses and costs of doing business as if the Portfolio would have been operated as a stand-alone reporting entity. Included in property operating costs for the period January 1, 2012 to December 20, 2012 and for the period ended December 31, 2011, are management fees of \$376 and \$363, respectively, which have been allocated based on a 3.0% imputed rate of the gross collections from the Properties. The imputed rate was based on other similar asset management agreements of the property manager (note 6).

(iii) Key Sources of Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Investment Properties

The critical assumptions and estimates used when determining the fair value of investment properties are: capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location, and market of each investment property. The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Portfolio determines fair value internally utilizing internal financial information, external market data, and capitalization rates provided by independent industry experts and third-party appraisals. Further information on investment properties estimates and assumptions is provided in note 3.

Other

Critical judgments and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Portfolio to its counterparties, the credit risk of the Portfolio's counterparties relative to the Portfolio, and estimated future cash flows and discount rates. Further information on financial instruments is provided in note 11.

(3) Significant Accounting Policies

(a) Investment Properties

The Portfolio selected the fair value method to account for real estate classified as investment property. A property is determined to be an investment property when it is principally held to earn

COLONIAL PORTFOLIO

Notes to Carve-out Financial Statements

December 20, 2012, December 31, 2011 and January 1, 2011

(In thousands of U.S. Dollars)

rental income or for capital appreciation, or both. Investment properties are initially measured at the purchase price, including transaction-related costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in the carve-out statements of income and comprehensive income during the period in which they arise. Fair values are primarily determined by using the capitalized net operating income method which applies a capitalization rate to the future stabilized cash flows of the investment properties.

(b) Revenue Recognition

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

Revenue from investment properties includes all rental income earned from the properties, including residential tenant rental income, parking income, laundry income, cable and antenna income and all other miscellaneous income paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized pursuant to the terms, generally one year or less, of the lease agreement.

(c) Income Taxes

Provision has not been made for income taxes as the Portfolio is not a legal entity and each partner is responsible for income taxes on its share of income or loss from the Portfolio.

(d) Acquisitions

The Portfolio assesses whether an acquisition transaction is an asset acquisition or a business combination.

The Portfolio accounts for an acquisition as a business combination if the assets acquired and liabilities assumed constitute a business and the Portfolio obtains control of the business. When the cost of a business combination exceeds the fair value of the identifiable assets acquired or liabilities assumed such excess is recognized as goodwill. Transaction-related costs are expensed as incurred.

If the acquisition does not meet the definition of a business combination, the Portfolio accounts for the acquisition as an asset acquisition. The investment properties acquired are initially measured at the purchase price, including transaction-related costs. Subsequent to initial measurement, investment properties are carried at fair value.

(e) Financial Instruments

The Portfolio initially recognizes receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Portfolio becomes a party to the contractual provisions of the instrument. The Portfolio derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Portfolio is recognized as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and

COLONIAL PORTFOLIO

Notes to Carve-out Financial Statements

December 20, 2012, December 31, 2011 and January 1, 2011

(In thousands of U.S. Dollars)

only when, the Portfolio has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The following summarizes the Portfolio's classification and measurement of financial assets and measurement of financial assets and liabilities:

	<u>Classification</u>	<u>Measurement</u>
Financial Assets		
Tenant and other receivables	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial Liabilities		
Bank indebtedness	Other liabilities	Amortized costs
Tenant rental deposits and prepaid rents	Other liabilities	Amortized costs
Accounts payable and accrued liabilities	Other liabilities	Amortized costs

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

The Portfolio derecognizes a financial liability when its contractual obligations are discharged, canceled, or expired.

(4) Investment Properties

The following table summarizes the changes in the fair value measurement of the investment properties using significant unobservable inputs (Level 3) for the period January 1, 2012 to December 20, 2012 and for the period ended December 31, 2011:

	<u>2012</u>	<u>2011</u>
Balance, beginning of period	\$ 97,500	\$ 82,780
Additions – capital expenditures	1,288	1,356
Fair value adjustment	(3,350)	13,364
Balance, end of period	<u>\$ 95,438</u>	<u>\$ 97,500</u>

Investment properties are stated at fair value. As at December 20, 2012, the fair value of the Portfolio was determined based on the Agreement of Purchase and sale (note 1) agreed to by the Fund and the Partnership.

The fair values of the investment properties as at January 1, 2011 and December 31, 2011 are based on the valuations performed internally by management with appropriate professional qualifications.

COLONIAL PORTFOLIO

Notes to Carve-out Financial Statements

December 20, 2012, December 31, 2011 and January 1, 2011

(In thousands of U.S. Dollars)

The following table shows quantitative information about significant unobservable inputs (Level 3) used to determine the fair value of the Portfolio's investment properties. The table lists significant unobservable inputs for the valuations from the sales and/or income approach:

	December 20, 2012	December 31, 2011	January 1, 2011
Capitalization rates – range	N/A	6.60-6.75%	6.50-7.75%
Capitalization rate – weighted average	N/A	6.63%	7.07%
Occupancy rate – average	N/A	95.60	94.10
Market rent rates – average	N/A	\$ 661	\$ 637
Sale price of Portfolio	\$ 95,438	N/A	N/A

(5) Property Operating Costs

	December 20, 2012	December 31, 2011
Repairs and maintenance	\$ 1,172	\$ 1,156
Utilities	1,310	1,290
Management fees	376	363
Salaries and benefits	1,614	1,492
Other	543	609
Total property operating costs	<u>\$ 5,015</u>	<u>\$ 4,910</u>

Salaries and benefits of \$1,614 for the period January 1, 2012 to December 20, 2012 and \$1,492 for the period ended December 31, 2011, include salary, bonus and other short-term benefits and are included within property operating costs in the accompanying carve-out statements of income and comprehensive income.

(6) Related Party Transactions

The Portfolio has a lock box agreement where cash is swept daily and is maintained by the Partnership, where various trade receivables and payable amounts are received and paid by the Partnership on behalf of the Portfolio. Cash received in excess of cash paid by the Partnership on behalf of the Portfolio was \$5,250 and \$4,567 as of December 20, 2012 and December 31, 2011, respectively, and is included in distributions in the accompanying carve-out statements of changes in divisional surplus.

Management fees of \$376 and \$363 for the period January 1, 2012 to December 20, 2012 and the period ended December 31, 2011, respectively, for asset management services provided by the Partnership were imputed at a rate of 3% of the gross collections from the Properties, as the Partnership did not charge a management fee to wholly owned properties.

COLONIAL PORTFOLIO

Notes to Carve-out Financial Statements

December 20, 2012, December 31, 2011 and January 1, 2011

(In thousands of U.S. Dollars)

(7) Commitments and Contingencies

As at December 20, 2012, December 31, 2011 and January 1, 2011, the Portfolio had no commitments for future minimum lease payments under noncancelable operating leases.

The Portfolio is involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the financial position of the Portfolio.

(8) Change in Noncash Operating Working Capital

The changes in noncash operating working capital for the period from January 1, 2012 to December 20, 2012 and for the year ended December 31, 2011 are as follows:

	2012	2011
Tenant and other receivables	\$ 199	\$ (207)
Prepaid expenses and other assets	(7)	7
Tenant rental deposits and prepaid rents	(58)	(52)
Accounts payable and other liabilities	23	8
Bank indebtedness	-	(24)
Balance, end of period	<u>\$ 157</u>	<u>\$ (268)</u>

(9) Capital Management

The Partnership manages its capital structure in order to support ongoing operations while focusing on its primary objective of maximizing value through the ongoing active management of the Portfolio's assets, which are leased to creditworthy tenants, as opportunities arise.

The Partnership reviews its capital structure on an ongoing basis and adjusts its capital structure in response to changes to economic conditions and investment strategies.

(10) Risk Management

In the normal course of business, the Portfolio is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

(a) Market Risk

Market risk is the risk that changes in market prices, such as interest rate, will affect the Portfolio's financial instruments. The Portfolio is not exposed to changes in interest rate or to any other form of market risk.

COLONIAL PORTFOLIO

Notes to Carve-out Financial Statements

December 20, 2012, December 31, 2011 and January 1, 2011

(In thousands of U.S. Dollars)

(b) Credit Risk

Credit risk is the risk that: (i) one party to a financial instrument will cause a financial loss for the Portfolio by failing to discharge its obligations; and (ii) the possibility that tenants may experience financial difficulty and be unable to meet their rental obligations.

The Portfolio mitigates the risk of credit loss with respect to tenants by evaluating their creditworthiness, obtaining security deposits as permitted by legislation, and geographically diversifying its portfolio. The Portfolio monitors its collection process on a month-to-month basis to ensure that a stringent policy is adopted to provide for all past due amounts. All receivables from past tenants and tenant receivable balances exceeding 90 days are provided for as bad debt expense in the carve-out statements of income and comprehensive income.

(c) Liquidity Risk

Liquidity risk is the risk that the Portfolio may encounter difficulty in meeting its financial obligations when they come due. Management's strategy to managing liquidity risk is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities.

(11) Fair Value Measurement

The Portfolio uses various methods in estimating the fair values recognized in the carve-out financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 – quoted prices in active markets;
- Level 2 – inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 – valuation technique for which significant inputs are not based on observable market data.

The fair values of the Portfolio's other financial assets, which include cash and tenant and other receivables, as well as financial liabilities, which include, tenant rental deposits and prepaid rents and accounts payable and accrued liabilities, approximate their recorded values due to their short-term nature.

(12) Subsequent Events

The Portfolio has evaluated subsequent events from the reporting date through March 4, 2013, the date at which the carve-out financial statements were available to be issued, and determined there are no other items to disclose.

Pro Forma Consolidated Financial Statements of

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

Period from August 30, 2012 (date of formation) to
December 20, 2012
(unaudited)

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

Unaudited Pro Forma Consolidated Statement of Financial Position

(In thousands of U.S. Dollars)

(Unaudited)

As at December 20, 2012

	Fund	Colonial Portfolio	Pro Forma Adjustments	Notes	Total
Assets					
Tenant and other receivables	\$ -	\$ 175	\$ (175)	6(b)	\$ -
Prepaid expenses and other assets	4,412	131	(3,540)	6(b)	1,003
Holdbacks in escrow	-	-	7,096	6(b)	7,096
Cash and cash equivalents	35,720	11	(28,379)	6(b), 6(c)	7,352
Total current assets	40,132	317	(24,998)		14,451
Investment properties	-	95,438	554	6(b), 6(g)	95,992
Total noncurrent assets	-	95,438	554		95,992
Total assets	\$ 40,132	\$ 95,755	\$ (24,444)		\$ 111,443
Liabilities and Divisional Equity					
Accounts payable and other liabilities	\$ 851	\$ 740	\$ (740)	6(b)	\$ 851
Tenant rental deposits and prepaid rents	-	190	(10)	6(b)	180
Total current liabilities	851	930	(750)		1,031
Mortgages payable	-	-	71,131	6(c)	71,131
Net assets attributable to partners	36,344	-	-		36,344
Total noncurrent liabilities	36,344	-	71,131		107,475
Net assets attributable to non-controlling interest	2,937	-	-		2,937
Divisional Surplus	-	94,825	(94,825)	6(b)	-
Total liabilities and divisional equity	\$ 40,132	\$ 95,755	\$ (24,444)		\$ 111,443

See accompanying notes to the pro forma consolidated financial statements.

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

Unaudited Pro Forma Consolidated Statement of Income and Comprehensive Income

(In thousands of U.S. Dollars)

(Unaudited)

For the period from August 30, 2012 (date of formation) to December 20, 2012

	<u>Fund</u>	<u>Colonial Portfolio</u>	<u>Pro Forma Adjustments</u>	<u>Notes</u>	<u>Total</u>
Revenue from property operations	\$ -	\$ 12,519	\$ (8,534)	6(d)	\$ 3,985
Expenses:					
Property operating expenses	-	5,015	(3,538)	6(d), 6(f)	1,477
Real estate taxes	-	1,118	(762)	6(d)	356
Finance costs	-	-	1,024	6(e)	1,024
General and administrative	277	-	-		277
Asset and property management fees	-	-	286	6(f)	286
Total expenses	<u>277</u>	<u>6,133</u>	<u>(2,990)</u>		<u>3,420</u>
Income before the foreign exchange loss, fair value adjustment of investment properties and income taxes	(277)	6,386	(5,544)		565
Foreign exchange loss	(285)	-	-		(285)
Fair value adjustment of investment properties	-	(3,350)	3,350	6(d)	-
Income tax expense	-	-	(253)	6(h)	(253)
Net income (loss) and comprehensive income (loss)	<u>\$ (562)</u>	<u>\$ 3,036</u>	<u>\$ (2,447)</u>		<u>\$ 27</u>
Net income (loss) and comprehensive income (loss) attributable to:					
Unitholders	(521)				25
Non-controlling interest	(41)				2
Total	<u>\$ (562)</u>				<u>\$ 27</u>

See accompanying notes to the pro forma consolidated financial statements.

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

Notes to Pro Forma Consolidated Financial Statements

(In thousands of U.S. Dollars)

(Unaudited)

For the period from August 30, 2012 (date of formation) to December 20, 2102

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 purposes of (i) indirectly acquiring multi-residential investment properties, located throughout the Southeastern United States, that are mispriced and/or undermanaged in the view of Timbercreek Asset Management Inc. (the “Manager”), and (ii) enhancing the value of the investment properties through active management and a stabilization and improvement program, with the goal of ultimately disposing of the assets to generate significant gains. Elco Landmark Residential Holdings, LLC (the “Operator”) has been hired to operate and act as the property manager for the investment properties.

The Fund, following the initial public offering of Class A Units on October 25, 2012 (the “IPO”), acquired a general partnership interest in Timbercreek U.S. Multi-Residential Holding Partnership (“Holding GP”). Holding GP subsequently acquired limited partnership units of Timbercreek U.S. Multi-Residential Operating L.P. (“Operating LP”). Concurrently with the closing of the IPO, the Fund completed a private placement in Canada of Class C Units (the “Canadian Private Placement”) and Timbercreek U.S. Multi-Residential (U.S.) Holdings L.P. (“U.S. Holdings LP”), an affiliate of the Fund, completed a private placement of limited partnership units to certain U.S. investors on a private placement basis in the United States (the “U.S. Private Placement”). U.S. Holdings LP used the net proceeds of the U.S. Private Placement to invest in units of Operating LP. Operating LP used the net proceeds from the issuance of limited partnership units to Holding GP and U.S. Holdings LP to acquire multi-residential properties and meet working capital requirements.

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

The term of the Fund is four years beginning October 25, 2012, the closing date of the IPO, 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 property. The Term may only be further extended by special resolution of the unitholders.

On December 20, 2012, the Fund acquired a portfolio of four multi-family residential investment properties from Colonial Realty Limited Partnership (the “Colonial Portfolio”) as discussed in note 6.

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

Notes to Pro Forma Consolidated Financial Statements

(In thousands of U.S. Dollars)

(Unaudited)

For the period from August 30, 2012 (date of formation) to December 20, 2012

2. Basis of presentation:

The pro forma consolidated statement of financial position has been prepared from the unaudited statement of financial position of the Fund as at December 20, 2012 and the audited statement of financial position of the Colonial Portfolio as at December 20, 2012. The pro forma consolidated statement of income and comprehensive income for the period from August 30, 2012 to December 20, 2012 (the “Period”) has been derived from the unaudited statement of income and comprehensive income of the Fund for the period from August 30, 2012 to December 20, 2012 and the audited statement of income and comprehensive income of the Colonial Portfolio for the period from January 1, 2012 to December 20, 2012.

The pro forma consolidated statement of financial position gives effect to the acquisition outlined in note 6 as if it had occurred on December 20, 2012. The pro forma consolidated statement of income and comprehensive income for the Period gives effect to the acquisition and initial public offering discussed in note 6 as if they had occurred on August 30, 2012.

The pro forma consolidated financial statements are not necessarily indicative of the results that would have actually occurred had the acquisition been completed at the dates indicated, nor are they necessarily indicative of future operating results or the financial position of the Fund.

(a) Statement of compliance:

The pro forma consolidated financial statement of the Fund has been prepared in accordance with International Financial Reporting Standards (“IFRS”).

(b) Functional and presentation currency:

The functional and presentation currency of the Fund is U.S. dollars.

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

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

Notes to Pro Forma Consolidated Financial Statements

(In thousands of U.S. Dollars)

(Unaudited)

For the period from August 30, 2012 (date of formation) to December 20, 2102

3. Significant accounting policies:

(a) Basis of consolidation:

These pro forma consolidated financial statements include the accounts of the Fund and subsidiaries of the Fund, including Holding GP and Operating LP. The pro forma consolidated financial statements include the accounts of entities in which the Fund holds a controlling interest. The financial statements of subsidiaries are consolidated from the date that control commences and continue to be consolidated until the date that control ceases. Intra-group transactions and balances are eliminated in preparing the consolidated financial statements.

The Fund has early adopted IFRS 10, Consolidated Financial Statements, as described in note 3(i).

(b) Investment properties:

The Fund accounts for real estate classified as investment properties using the fair value method. A property is determined to be an investment property when it is principally held to earn rental income, capital appreciation, or both. Investment properties are initially measured at cost, including transaction costs associated with acquiring the property. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in profit and loss during the period in which they arise. The Fund may also use alternative valuation methods such as discounted cash flow projections or income capitalization methods where appropriate.

The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. It also reflects any cash outflows (excluding those relating to future capital expenditures) that could be expected in respect of the properties.

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

Gains or losses from the disposal of investment properties are determined as the difference between the net disposal proceeds and the carrying amount and are recognized in the consolidated statements of income and comprehensive income in the year of disposal.

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

Notes to Pro Forma Consolidated Financial Statements

(In thousands of U.S. Dollars)

(Unaudited)

For the period from August 30, 2012 (date of formation) to December 20, 2102

3. Significant accounting policies (continued):

(c) Revenue recognition:

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

Revenue from investment properties includes all rental income earned from the properties, including residential tenant rental income, parking income, laundry income, cable and antenna income and all other miscellaneous income paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized pursuant to the terms, generally one year or less, of the lease agreement.

(d) Finance costs:

Finance costs consists of mortgage interest, amortization of financing costs, Class A and Class C limited partner unit offering costs and distributions to Class A and Class C limited partners and non-controlling interest holders. Finance expenses are recognized in the period in which they are incurred.

(e) Financial instruments:

The Fund has classified its financial instruments as follows:

	Classification	Measurement
Financial assets		
Tenant and other receivables	Loans and receivables	Amortized cost
Holdbacks in escrow	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost
Financial liabilities		
Mortgage payable	Other financial liabilities	Amortized cost
Net assets attributable to partners	Other financial liabilities	Amortized cost
Accounts payable and other liabilities	Other financial liabilities	Amortized cost
Tenant rental deposits and prepaid rents	Other financial liabilities	Amortized cost

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

Notes to Pro Forma Consolidated Financial Statements

(In thousands of U.S. Dollars)

(Unaudited)

For the period from August 30, 2012 (date of formation) to December 20, 2102

3. Significant accounting policies (continued):

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception, except for those financial assets or financial liabilities classified as FVTPL, where transaction costs are expensed as incurred.

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

Critical judgments and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates; the relative creditworthiness of the Fund to its counterparties; the credit risk of the Fund's counterparties relative to the Fund; the estimated future cash flow; and discount rates.

Fair value:

The fair value of a financial instrument is the amount that a third party is willing to pay in an arm's length transaction. In certain circumstances, the initial fair value may be based on other observable current market transactions, without modification or on a valuation technique using market based inputs.

Fair value measurements recognized in the statement of financial position are categorized in accordance with the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

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

Notes to Pro Forma Consolidated Financial Statements

(In thousands of U.S. Dollars)

(Unaudited)

For the period from August 30, 2012 (date of formation) to December 20, 2102

3. Significant accounting policies (continued):

(f) Cash and cash equivalents:

The Fund considers highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value to be cash equivalents.

(g) Income taxes:

The Fund is organized as a partnership for Canadian tax purposes and therefore the taxable income, for Canadian tax purposes, is subject to tax by the investor. The Fund has a subsidiary that is considered a corporation for U.S. tax purposes. Therefore, this subsidiary is subject to U.S. tax on its taxable income. Taxes paid by the subsidiary are allocated to the investors and may be available as a credit against the Canadian taxes otherwise payable. Accordingly, the Fund provides for income tax with respect to its taxable subsidiary.

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- (i) temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future;
- (ii) temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on

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

Notes to Pro Forma Consolidated Financial Statements

(In thousands of U.S. Dollars)

(Unaudited)

For the period from August 30, 2012 (date of formation) to December 20, 2102

3. Significant accounting policies (continued):

different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. In determining the amount of current and deferred tax the Fund takes into account the impact of uncertain tax provisions and whether additional taxes and interest may be due. The Fund believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Fund to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable (which the Fund has defined as more likely than not) that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(h) Critical judgements and estimates:

The preparation of consolidated financial statements requires management to make critical judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

In making estimates and judgements, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. There are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgements in these consolidated financial statements. The estimates and judgements used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

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

Notes to Pro Forma Consolidated Financial Statements

(In thousands of U.S. Dollars)

(Unaudited)

For the period from August 30, 2012 (date of formation) to December 20, 2102

3. Significant accounting policies (continued):

(i) Valuation of investment properties:

The critical estimates and assumptions underlying the valuation of investment properties are described in note 3(b). In applying this policy, judgement is applied in determining certain assumptions such as capitalization rates, future rental income, operating expenses and capital expenditures to be used to value each investment property.

(ii) Accounting for acquisitions:

The Fund assesses whether an acquisition transaction is an asset acquisition or a business combination under IFRS 3, Business Combinations (“IFRS 3”). This assessment requires management to make judgements on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business, and the Fund obtains control of the business.

When the cost of a business combination exceeds the fair value of the identifiable assets acquired or liabilities assumed, such excess is recognized as goodwill. Transaction-related costs are expensed as incurred.

If the acquisition does not meet the definition of a business combination, the Fund accounts for the acquisition as an asset acquisition. The investment property acquired is initially measured at the purchase price, including directly attributable costs. Subsequent to initial measurement, investment properties are carried at fair value.

(i) Early adoption of new accounting policies:

(i) IFRS 10, Consolidated Financial Statements (“IFRS 10”):

In May 2011, the International Accounting Standards Board (“IASB”) issued IFRS 10. IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under IFRS prior to the issuance of IFRS 10, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces Standing Interpretation Committee - 12, Consolidation - Special Purpose Entities and parts of IAS 27, Consolidated and Separate Financial Statements. The standard is effective for annual periods

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

Notes to Pro Forma Consolidated Financial Statements

(In thousands of U.S. Dollars)

(Unaudited)

For the period from August 30, 2012 (date of formation) to December 20, 2102

3. Significant accounting policies (continued):

beginning on or after January 1, 2013 with earlier adoption permitted. The Fund has elected to early adopt IFRS 10 on August 30, 2012.

(ii) IFRS 11, Joint Arrangements (“IFRS 11”):

In May 2011, the IASB issued IFRS 11, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Fund has elected to early adopt IFRS 11 on August 30, 2012.

(iii) IFRS 12, Disclosure of Interests in Other Entities (“IFRS 12”):

In May 2011, the IASB issued IFRS 12, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. The Fund has elected to early adopt IFRS 12 on August 30, 2012.

(j) Future accounting changes:

The following new standards and amendments to existing standards issued by the International Accounting Standards Board may be relevant to the Fund in preparing its consolidated financial statements in future periods:

Standards	Effective date
IFRS 13, Fair Value Measurement	Annual period beginning on or after January 1, 2013
IAS 32, Financial Instruments - Presentation (amendments)	Annual period beginning on or after January 1, 2014
IFRS 9, Financial Statements (2010)	Annual period beginning on or after January 1, 2015

The Fund intends to adopt these standards on their respective effective dates. The extent of the impact of adoption of these standards on the Fund has not yet been determined.

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

Notes to Pro Forma Consolidated Financial Statements

(In thousands of U.S. Dollars)

(Unaudited)

For the period from August 30, 2012 (date of formation) to December 20, 2102

4. Unitholders' liabilities:

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).

Class A and Class B Units are 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, they have a reduced agents' fee and there is no service fee payable in respect of the Class B Units.

The Class C Units are offered by private placement and are designed for the Manager, certain institutional, 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.

Under IFRS, a financial liability arises from a contractual obligation to deliver cash or another financial asset to another entity. The limited life of the Fund creates an obligation for the Fund to repay unitholders contributed equity at the end of the Term; as a result the unitholders contributed equity meets the definition of liability. Thus, unitholders contributed equity is classified as a liability.

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

Notes to Pro Forma Consolidated Financial Statements

(In thousands of U.S. Dollars)

(Unaudited)

For the period from August 30, 2012 (date of formation) to December 20, 2102

5. Commitments:

(a) Asset management agreement:

The Fund has entered into an asset management agreement (“Asset Management Agreement”) with, among others, the Manager. Pursuant to the Asset Management Agreement, the Manager is responsible for strategic, advisory, asset management, 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 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 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, 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 fees outlined above shall not exceed, on an aggregate basis, 1% per annum of the Fund’s total assets, provided that, if such fees exceed 1% per annum of the Fund’s total assets, the excess amount shall be carried forward and paid in the first subsequent year in which the total fees paid do not exceed 1% per annum of the Fund’s total assets, up to an amount that, together with the total fees paid in such year, is equal to 1% of the Fund’s total assets for such year.

(b) Service fees:

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

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

Notes to Pro Forma Consolidated Financial Statements

(In thousands of U.S. Dollars)

(Unaudited)

For the period from August 30, 2012 (date of formation) to December 20, 2102

5. Commitments (continued):

dealers at the end of the relevant quarter (calculated and paid at the end of each calendar quarter commencing on March 31, 2013).

(c) Distributions:

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:

- (i) First, 100% to the holders of Operating LP Units (pro rata), until they have received cumulative distributions equal to their aggregate contributed capital;
- (ii) 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;
- (iii) 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
- (iv) 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.

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

Notes to Pro Forma Consolidated Financial Statements

(In thousands of U.S. Dollars)

(Unaudited)

For the period from August 30, 2012 (date of formation) to December 20, 2102

6. Pro forma adjustments:

The pro forma adjustments to the pro forma consolidated financial statements have been prepared to account for the impact of the Fund's IPO and the acquisition of the Colonial Portfolio as described below:

(a) Initial Public Offering:

For the purpose of the pro forma consolidated statement of income and comprehensive income, the initial public offering which occurred on October 25, 2012 has been assumed to have occurred on August 30, 2012 in order to provide for the acquisition of the Colonial Portfolio as of the same date, as noted in 6(b). On October 25, 2012, the Fund completed its IPO of 2,244,350 Class A Units for net proceeds of approximately \$21,389 and 1,605,000 Class C Units, through the Canadian Private Placement, for net proceeds of approximately \$16,062. The Fund also received approximately \$2,985 for the US Private Placement.

(b) Acquisition:

On December 20, 2012, the Fund completed the acquisition of the Colonial Portfolio for a total purchase price of \$95,438 and incurred transaction costs of \$554. The Fund financed the purchase price of the Colonial Portfolio from new mortgage financing of \$71,131, net of lender costs of \$443, with the balance funded from proceeds raised from the IPO, the Canadian Private Placement and the US Private Placement.

The following table summarizes the pro forma assets acquired and liabilities assumed resulting from the acquisition of the Colonial Portfolio:

	2012
Investment properties	\$ 95,992
Prepaid expenses and other assets	94
Tenant rental deposits and prepaid rents	(180)
Total assets acquired, net	<u>\$ 95,906</u>
Cash paid	<u>\$ 95,906</u>
Total consideration paid	<u>\$ 95,906</u>

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

Notes to Pro Forma Consolidated Financial Statements

(In thousands of U.S. Dollars)

(Unaudited)

For the period from August 30, 2012 (date of formation) to December 20, 2102

6. Pro forma adjustments (continued):

On closing of the acquisition, deposits of \$3,502 were applied against the purchase price. Tenant and other receivables, prepaid expenses and other assets, cash, accounts payable and other liabilities and tenant rental deposits and prepaid rents of \$175, \$38, \$11, \$740 and \$10 respectively, have been eliminated because they were not acquired by the Fund.

Divisional equity of the Colonial Portfolio of \$94,825 has been eliminated upon consolidation.

This acquisition has been accounted for as an asset purchase and recognized initially at fair value plus transaction costs.

(c) Mortgage financing:

Upon acquisition of the Colonial Portfolio, the Fund secured new mortgage financing of \$71,574 and incurred transaction costs of \$443. The mortgage financing is secured by the investment properties to which it relates and bears interest at rates ranging between 3.75% and 3.79% and mature on January 1, 2023. Mortgage financing is interest only for the first two years. The lender has held back \$7,096 relating to renovations required for the Colonial Portfolio and taxes payable.

(d) Statement of Income and Comprehensive Income

The revenues from property operations, property operating expenses, realty taxes and fair value adjustment of investment properties have been decreased by \$8,534, \$3,163, \$762 and \$3,350 respectively relating to the period from January 1, 2012 to August 29, 2012, the period prior to the date of formation of the Fund.

(e) Finance costs:

Finance costs have been increased by \$1,024 for the Period to reflect mortgage interest of \$850, amortization of mortgage financing costs of \$13 and amortization of issue costs relating to the IPO and private placements of \$161.

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

Notes to Pro Forma Consolidated Financial Statements

(In thousands of U.S. Dollars)

(Unaudited)

For the period from August 30, 2012 (date of formation) to December 20, 2102

6. Pro forma adjustments (continued):

(f) Asset and property management fees:

Property operating expenses have been decreased by \$376 to remove management fees included in the financial statements of the Colonial Portfolio. The Fund has included asset management fees and property management fees of \$286 for the Period to reflect the asset management fees and property management fees under the current asset management agreement between, among others, the Fund, the Manager and the Operator, as defined in note 5.

(g) Acquisition fees:

Acquisition fees of \$53 were recorded as a transaction cost to reflect the fees payable on the acquisition of the Colonial Portfolio as defined in note 6(b). While the total acquisition fee payable is \$959, the fee payable by the Fund for the Period was capped to \$53, as total fees payable by the Fund in a given year are capped at 1% of total assets of the Fund, as outlined in note 5, and prorated for any partial years.

(h) Income taxes:

Income taxes of \$253 has been recorded for the Period for income tax with respect to its taxable subsidiary.

CARY PORTFOLIO

Carve-Out Financial Statements
December 31, 2012, December 31, 2011
and January 1, 2011

(With Independent Auditor's Report Thereon)

Independent Auditor's Report

To Management
Timbercreek U.S. Multi-Residential Opportunity Fund #1
Toronto, Ontario

We have audited the accompanying carve-out financial statements of the Cary Portfolio (as defined below), which comprise the carve-out statements of financial position as of December 31, 2012, and the related carve-out statements of income and comprehensive income, changes in member equity, and cash flows for the year then ended, and the related notes to the carve-out financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these carve-out financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 carve-out financial statements referred to above present fairly, in all material respects, the financial position of the Cary Portfolio as of December 31, 2012, and the results of their operations and their cash flows for the year then ended, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matters

As described in note 1, the financial statements have been derived from the historical financial information recorded in the financial records of Star/Somer Hidden Oaks, LLC and Star/Somer Woodbridge, LLC (collectively the "Cary Portfolio") as if they existed as a combined business as of December 31, 2012 and for the year then ended. The financial position, results of operations and cash flows of the Cary Portfolio could differ if it had operated as a combined business.

The accompanying carve-out statements of financial position as of December 31, 2011 and January 1, 2011, and the related carve-out statements of income and comprehensive income, changes in member's equity, and cash flows for the year ended December 31, 2011 were not audited, reviewed, or compiled by us, and, accordingly, we do not express an opinion or any other form of assurance on them.

“Mayer Hoffman McCann P.C.”

Memphis, Tennessee
March 25, 2013

CARY PORTFOLIO

Carve-out Statements of Financial Position

December 31, 2012, December 31, 2011 and January 1, 2011

(In thousands of U.S. Dollars)

	December 31, 2012	December 31, 2011	January 1, 2011
	(Audited)	(Unaudited)	(Unaudited)
Assets			
Tenant and other receivables	\$ 21	\$ 27	\$ 26
Prepaid expenses and other assets	59	59	74
Holdbacks in escrow	445	604	1,042
Cash and cash equivalents	7	120	283
Total current assets	<u>532</u>	<u>810</u>	<u>1,425</u>
Investment properties (notes 4)	<u>56,700</u>	<u>50,690</u>	<u>46,720</u>
Total noncurrent assets	<u>56,700</u>	<u>50,690</u>	<u>46,720</u>
Total assets	<u>\$ 57,232</u>	<u>\$ 51,500</u>	<u>\$ 48,145</u>
Liabilities and Equity			
Accounts payable and other liabilities	\$ 217	\$ 308	\$ 335
Tenant rental deposits and prepaid rents	203	193	196
Current portion of mortgages payable	405	254	-
Total current liabilities	<u>825</u>	<u>755</u>	<u>531</u>
Mortgages payable (note 5)	<u>31,758</u>	<u>32,142</u>	<u>32,377</u>
Total noncurrent liabilities	<u>31,758</u>	<u>32,142</u>	<u>32,377</u>
Member's equity	<u>24,649</u>	<u>18,603</u>	<u>15,237</u>
Total member's equity	<u>24,649</u>	<u>18,603</u>	<u>15,237</u>
Total liabilities and member's equity	<u>\$ 57,232</u>	<u>\$ 51,500</u>	<u>\$ 48,145</u>

See accompanying notes to carve-out financial statements.

CARY PORTFOLIO

Carve-out Statements of Income and Comprehensive Income

For the years ended December 31, 2012 and 2011

(In thousands of U.S. Dollars)

	2012	2011
	(Audited)	(Unaudited)
Revenue from property operations	\$ 6,830	\$ 6,392
Expenses:		
Property operating expenses (note 6)	2,105	2,041
Real estate taxes	400	400
Finance costs	1,928	2,031
General and administrative	255	259
Asset and property management fees (note 7)	204	191
Total expenses	4,892	4,922
Income before change in fair value of investment properties	1,938	1,470
Fair value change in investment properties (note 4)	5,483	2,700
Net income and comprehensive income	\$ 7,421	\$ 4,170

See accompanying notes to carve-out financial statements.

CARY PORTFOLIO

Carve-out Statements of Changes in Member Equity

For the years ended December 31, 2012 and 2011

(In thousands of U.S. Dollars)

	2012	2011
	(Audited)	(Unaudited)
Member equity, beginning of year	\$ 18,603	\$ 15,237
Net income and comprehensive income	7,421	4,170
Distributions to member	(1,375)	(804)
Member equity, end of year	<u>\$ 24,649</u>	<u>\$ 18,603</u>

See accompanying notes to carve-out financial statements.

CARY PORTFOLIO

Carve-out Statements of Cash Flow

For the years ended December 31, 2012 and 2011

(In thousands of U.S. Dollars)

	2012	2011
	(Audited)	(Unaudited)
Cash flows from operating activities:		
Net income and comprehensive income	\$ 7,421	\$ 4,170
Adjustments for:		
Change in fair value of investment properties (note 4)	(5,483)	(2,700)
Change in restricted cash	159	438
Change in noncash operating items (note 9)	(54)	3
Net cash provided by operating activities	<u>2,043</u>	<u>1,911</u>
Cash flows from investing activities:		
Additions to investment properties (note 4)	(527)	(1,270)
Net cash used in investing activities	<u>(527)</u>	<u>(1,270)</u>
Cash flows from financing activities:		
Principal repayments on mortgage	(254)	-
Distributions to member	(1,375)	(804)
Net cash used in financing activities	<u>(1,629)</u>	<u>(804)</u>
Decrease in cash and cash equivalents	(113)	(163)
Cash and cash equivalents, beginning of year	<u>120</u>	<u>283</u>
Cash and cash equivalents, end of year	<u>\$ 7</u>	<u>\$ 120</u>

See accompanying notes to carve-out financial statements.

CARY PORTFOLIO

Notes to Carve-out Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

(In thousands of U.S. Dollars)

(1) Reporting Entity

The Cary Portfolio (the “Portfolio”) as presented in these carve-out financial statements is not a legal entity and represents the combination of two companies, including Star/Somer Hidden Oaks, LLC and Star/Somer Woodbridge, LLC (collectively the “Cary Portfolio”). Star/Somer Hidden Oaks, LLC owns and operates a 444 unit apartment building located in Cary, North Carolina (“Hidden Oaks Apartments”) and Star/Somer Woodbridge, LLC owns and operates a 344 unit apartment property in Cary, North Carolina (“Woodbridge Apartments”). During all periods presented in these carve-out financial statements, the Portfolio was under the common control of Star/Somer Portfolio, LLC. On November 6, 2012, the Timbercreek U.S. Multi Residential Opportunity Fund #1 (the “Fund”) entered into an agreement of purchase and sale with Star/Somer Hidden Oaks, LLC and Star/Somer Woodbridge, LLC to purchase the investment properties of the Portfolio for a gross purchase price of \$55,700. The sale is expected to close in the second quarter of 2013.

These carve-out financial statements have been prepared on a carve-out basis from the books and records of the Cary Portfolio to represent the financial position, performance and cash flows of the Portfolio as if it had existed as a combined business as of December 31, 2012, December 31, 2011, and January 1, 2011 and during the years then ended, and by applying International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), as if the Portfolio has been accounted for on a stand alone basis and include its share of assets, liabilities, revenue and all expenses of doing business.

The carve-out financial statements are prepared in accordance with a financial reporting framework specified in subsection 3.11(6) of National Instrument 52-107, *Acceptable Accounting Principles and Auditing Standards* (subsection 3.11(6)) as issued by the Canadian Securities Administrators, for carve-out financial statements. Subsection 3.11(6) requires the Portfolio to select from a specified list of financial reporting frameworks. The financial reporting framework selected by the Portfolio to prepare these carve-out financial statements is IFRS.

(2) Basis of Preparation

(a) *Basis of Presentation and Statement of Compliance*

The carve-out financial statements have been prepared in accordance with IFRS as issued by the IASB. These are the Cary Portfolio’s first carve-out financial statements in accordance with IFRS and IFRS 1, First Time Adoption of International Reporting Standards, has been applied. The Cary Portfolio’s first annual IFRS financial statements are those for the year ended December 31, 2011 with a date of transition of January 1, 2011.

An explanation or reconciliation of how the transition to IFRS has affected the Cary Portfolio’s carve-out financial position, performance, and cash flows has not been presented as the Cary Portfolio has not presented carve-out financial statements in previous years.

The carve-out financial statements were authorized for issue by the general partner of the Fund on March 25, 2013. The carve-out financial statements have been prepared on a historical cost basis, except for investment properties, which are stated at fair value.

CARY PORTFOLIO

Notes to Carve-out Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

(In thousands of U.S. Dollars)

The carve-out financial statements are presented in U.S. dollars, which is the functional currency of the Cary Portfolio.

(b) Critical Judgments and Estimates

The preparation of carve-out financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical Judgments in Applying Accounting Policies

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the carve-out financial statements:

Accounting for Acquisitions

The Cary Portfolio assesses whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3, *Business Combinations* (IFRS 3). This assessment requires management to make judgments on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business and the Fund obtains control of the business. All of the Cary Portfolio's acquisitions have been accounted for as asset acquisitions as no core processes were acquired by the Cary Portfolio.

Preparation of Carve-out Financial Statements

The preparation of these carve-out financial statements entails certain critical judgments and estimates including the allocation of expenses and costs of doing business as if the Portfolio would have been operated as a stand alone reporting entity. Included in property operating costs for the years ended December 31, 2012 and 2011, are management fees of \$204 and \$191, respectively, based on 3.0% of the monthly effective gross income from the properties.

CARY PORTFOLIO

Notes to Carve-out Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

(In thousands of U.S. Dollars)

(ii) Key Sources of Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Investment Properties

The critical assumptions and estimates used when determining the fair value of investment properties are: capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location, and market of each investment property. The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Cary Portfolio determines fair value internally utilizing internal financial information, external market data, and capitalization rates provided by independent industry experts and third party appraisals. Further information on investment properties estimates and assumptions is provided in note 3.

Other

Critical judgments and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Cary Portfolio to its counterparties, the credit risk of the Cary Portfolio's counterparties relative to the Cary Portfolio, and estimated future cash flows and discount rates. Further information on financial instruments is provided in note 11.

(3) Significant Accounting Policies

(a) Investment Properties

The Cary Portfolio selected the fair value method to account for real estate classified as investment property. A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at the purchase price, including transaction related costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in the carve-out statements of income and comprehensive income during the period in which they arise. Fair values are primarily determined by using the capitalized net operating income method which applies a capitalization rate to the future stabilized cash flows of the investment properties.

(b) Revenue Recognition

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

CARY PORTFOLIO

Notes to Carve-out Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

(In thousands of U.S. Dollars)

Revenue from investment properties includes all rental income earned from the properties, including residential tenant rental income, parking income, laundry income, cable and antenna income and all other miscellaneous income paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized pursuant to the terms, generally one year or less, of the lease agreement.

(c) *Income Taxes*

Provision has not been made for income taxes as the Cary Portfolio is not a legal entity and the member is responsible for income taxes on its share of income or loss from the Portfolio.

(d) *Acquisitions*

The Cary Portfolio assesses whether an acquisition transaction is an asset acquisition or a business combination.

The Cary Portfolio accounts for an acquisition as a business combination if the assets acquired and liabilities assumed constitute a business and the Cary Portfolio obtains control of the business. When the cost of a business combination exceeds the fair value of the identifiable assets acquired or liabilities assumed, such excess is recognized as goodwill. Transaction-related costs are expensed as incurred.

If the acquisition does not meet the definition of a business combination, the Cary Portfolio accounts for the acquisition as an asset acquisition. The investment properties acquired are initially measured at the purchase price, including transaction-related costs. Subsequent to initial measurement, investment properties are carried at fair value.

(e) *Financial Instruments*

The Cary Portfolio initially recognizes receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Cary Portfolio becomes a party to the contractual provisions of the instrument. The Cary Portfolio derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Cary Portfolio is recognized as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Cary Portfolio has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

CARY PORTFOLIO

Notes to Carve-out Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

(In thousands of U.S. Dollars)

The following summarizes the Cary Portfolio's classification and measurement of financial assets and liabilities:

Financial Assets

Tenant and other receivables	Loans and receivables	Amortized cost
Holdbacks in escrow	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost

Financial Liabilities

Accounts payable and other liabilities	Other liabilities	Amortized costs
Tenant rental deposits and prepaid rents	Other liabilities	Amortized costs
Mortgages payable	Other liabilities	Amortized costs

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

The Cary Portfolio derecognizes a financial liability when its contractual obligations are discharged, canceled, or expired.

(4) Investment Properties

The following table summarizes the changes in the fair value measurement of the investment properties using significant unobservable inputs (Level 3) for the years ended December 31, 2012 and 2011:

	2012	2011
Balance, beginning of period	\$ 50,690	\$ 46,720
Additions – capital expenditures	527	1,270
Fair value adjustment	5,483	2,700
Balance, end of period	<u>\$ 56,700</u>	<u>\$ 50,690</u>

Investment properties are stated at fair value. As of December 31, 2012, the fair value of the Portfolio was determined based on the appraisals performed by external independent appraisers with appropriate professional qualifications.

The fair values of the investment properties as of January 1, 2011 and December 31, 2011 are based on the valuations performed internally by management with appropriate professional qualifications.

CARY PORTFOLIO

Notes to Carve-out Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

(In thousands of U.S. Dollars)

The following table shows quantitative information about significant unobservable inputs (Level 3) used to determine the fair value of the Cary Portfolio's investment properties. The table lists significant unobservable inputs for the valuations from the sales and/or income approach:

	December 31, 2012	December 31, 2011	January 1, 2011
Capitalization rates – range	6.00-6.5%	5.75-7.00%	6.50-7.25%
Capitalization rate – weighted average	6.25%	6.38%	6.88%
Occupancy rate – average	93.2%	95.35%	95.05%
Market rent rates – average	\$745	\$716	\$668

(5) Mortgages payable

	December 31, 2012	December 31, 2011
Minimum future principal repayments	\$ 32,306	\$ 32,560
Less unamortized financing costs	(143)	(164)
	\$ 32,163	\$ 32,396

Mortgages payable bear interest at a fixed rate of 5.78% and mature in April 2020. For the period from May 2010 to April 1, 2012, monthly interest only payments were paid. Beginning May 1, 2012, principal and interest payments of \$191 were payable monthly.

Mortgages payable are secured by the investment properties to which they relate.

Financing costs are amortized over the ten year life of the related mortgage agreement. The net carrying amount of financing costs as of December 31, 2012 and 2011 is \$143 and \$164, respectively.

The minimum future principal repayments required to meet mortgage obligations at December 31, 2012 are as follows:

CARY PORTFOLIO

Notes to Carve-out Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

(In thousands of U.S. Dollars)

Year	Total
2013	\$ 405
2014	430
2015	455
2016	483
2017	512
Thereafter	30,021
	<u>\$ 32,306</u>
Less unamortized financing costs	<u>(143)</u>
	<u>\$ 32,163</u>

(6) Property Operating Expenses

	December 31, 2012	December 31, 2011
Repairs and maintenance	\$ 368	\$ 345
Utilities	537	525
Salaries and benefits	893	873
Other	<u>307</u>	<u>298</u>
Total property operating expenses	<u>\$ 2,105</u>	<u>\$ 2,041</u>

Salaries and benefits of \$893 and \$873 for the years ended December 31, 2012 and 2011 respectively, include salary, bonus and other short term benefits and are included within property operating expenses in the accompanying carve out statements of income and comprehensive income.

(7) Related Party Transactions

Management fees of \$204 and \$191 for the years ended December 31, 2012 and 2011, respectively, for asset management services provided by Somerset Apartment Management, LLC were calculated based on 3.0% of the monthly effective gross income from the properties.

CARY PORTFOLIO

Notes to Carve-out Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

(In thousands of U.S. Dollars)

(8) Commitments and Contingencies

As of December 31, 2012, December 31, 2011 and January 1, 2011, the Cary Portfolio had no commitments for future minimum lease payments under non-cancelable operating leases.

The Cary Portfolio is involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the financial position of the Cary Portfolio.

(9) Change in Noncash Operating Working Capital

The changes in noncash operating working capital for the years ended December 31, 2012 and 2011 are as follows:

	2012	2011
Tenant and other receivables	\$ 6	\$ (1)
Prepaid expenses and other assets	-	15
Tenant rental deposits and other assets	10	(3)
Accounts payable and other liabilities	(70)	(8)
Balance, end of year	\$ (54)	\$ 3

(10) Capital Management

The Cary Portfolio manages its capital structure in order to support ongoing operations while focusing on its primary objective of maximizing value through the ongoing active management of the Cary Portfolio's assets, which are leased to creditworthy tenants, as opportunities arise.

The Cary Portfolio reviews its capital structure on an ongoing basis and adjusts its capital structure in response to changes in economic conditions and investment strategies.

(11) Risk Management

In the normal course of business, the Cary Portfolio is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

(a) Market Risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Cary Portfolio's financial instruments. The Cary Portfolio is not exposed to changes in interest rates or to any other form of market risk.

CARY PORTFOLIO

Notes to Carve-out Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

(In thousands of U.S. Dollars)

(b) Credit Risk

Credit risk is the risk that: (i) one party to a financial instrument will cause a financial loss for the Cary Portfolio by failing to discharge its obligations; and (ii) the possibility that tenants may experience financial difficulty and be unable to meet their rental obligations.

The Cary Portfolio mitigates the risk of credit loss with respect to tenants by evaluating their creditworthiness and obtaining security deposits as permitted by legislation. The Cary Portfolio monitors its collection process on a month to month basis to ensure that a stringent policy is adopted to provide for all past due amounts. All receivables from past tenants and tenant receivable balances exceeding 90 days are provided for as bad debt expense in the carve-out statements of income and comprehensive income.

(c) Liquidity Risk

Liquidity risk is the risk that the Cary Portfolio may encounter difficulty in meeting its financial obligations when they come due. Management's strategy to managing liquidity risk is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities.

(12) Fair Value Measurement

The Cary Portfolio uses various methods in estimating the fair values recognized in the carve-out financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 – quoted prices in active markets;
- Level 2 – inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 – valuation technique for which significant inputs are not based on observable market data.

The fair values of the Cary Portfolio's other financial assets, which include cash and tenant and other receivables, as well as financial liabilities, which include, tenant rental deposits and prepaid rents and accounts payable and other liabilities, approximate their recorded values due to their short term nature.

(13) Subsequent Events

The Cary Portfolio has evaluated subsequent events from the reporting date through March 25, 2013, the date at which the carve-out financial statements were available to be issued, and determined there are no other items to disclose.

Pro Forma Consolidated Financial Statements of

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

Period from August 30, 2012 (date of formation) to
December 31, 2012
(unaudited)

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

Pro Forma Consolidated Statement of Net Assets

(In thousands of U.S. Dollars)

(Unaudited)

As at December 31, 2012

	Fund	Cary Portfolio	Pro Forma Adjustments	Note	Total
Assets					
Other assets	\$ 9,416	\$ 525	\$ 3,240	4(d)	\$ 13,181
Cash and cash equivalents	6,247	7	27,707	4(b), 4(d)	33,961
Total current assets	15,663	532	30,947		47,142
Investment properties	95,922	56,700	2,723	4(d)	155,345
Total noncurrent assets	95,922	56,700	2,723		155,345
Total assets	\$ 111,585	\$ 57,232	\$ 33,670		\$ 202,487
Liabilities					
Accounts payable and accrued liabilities	\$911	\$217	\$(217)	4(d)	\$911
Tenant rental deposits and prepaid rents	204	203	-		407
Current portion of mortgages payable	-	405	-		405
Total current liabilities	1,115	825	(217)		1,723
Mortgages payable	71,133	31,758	12,161	4(d)	115,052
Total noncurrent liabilities excluding net liabilities attributable to Unitholders and US Holding LP	71,133	31,758	12,161		115,052
Net liabilities attributable to Unitholders	36,403	-	46,375	4(b)	82,778
Net liabilities attributable to US Holding LP	2,934	-	-		2,934
Total net liabilities attributable to Unitholders and US Holding LP	39,337	-	46,375		85,712
Member's equity	-	24,649	(24,649)	4(d)	-
Total member's equity	-	24,649	(24,649)	-	-
Total liabilities including net liabilities attributable to Unitholders and US Holding LP and member's equity	\$ 111,585	\$ 57,232	\$ 33,670		\$ 202,487

See accompanying notes to the pro forma consolidated financial statements.

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

Pro Forma Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)

(In thousands of U.S. Dollars)

(Unaudited)

For the period from August 30, 2102 (date of formation) to December 31, 2012

	Fund	Colonial Portfolio	Cary Portfolio	Pro Forma Adjustments	Note	Total
Revenue from property operations	\$ 332	\$ 12,519	\$ 6,830	\$ (13,068)	4(c), 4(d)	\$ 6,613
Rental expenses:						
Property operating expenses	115	5,015	2,105	(4,937)	4(c), 4(d)	2,298
Realty taxes	37	356	400	(1,028)	4(c), 4(d)	527
Property management fees	13	-	-	251	4(c), 4(d)	264
Total rental expenses	165	6,133	2,505	(5,714)		3,089
Net rental income	167	6,386	4,325	(7,354)		3,524
General and administrative expenses	156	-	255	(170)	4(c), 4(d)	241
Asset management fees	77	-	204	153	4(c), 4(d)	434
Net loss before foreign exchange loss, finance costs, income tax expense and fair value adjustment of investment properties	(66)	6,386	3,866	(7,337)		2,849
Foreign exchange loss	268	-	-	-		268
Finance costs:						
Interest expense	89	-	1,900	(410)	4(c), 4(d)	1,579
Amortization of mortgages payable financing costs	2	-	28	17	4(c), 4(d)	47
Amortization of unit offering costs	89	-	-	72	4(a)	161
Total finance costs	180	-	1,928	(321)		1,787
Net income (loss) before fair value adjustment of investment properties and income tax expense	(514)	6,386	1,938	(7,016)		794
Fair value adjustment of investment properties	-	(3,350)	5,483	(2,133)	4(c), 4(d)	-
Income tax expense	-	-	-	349	4(e)	349
Net income (loss) and comprehensive income (loss)	\$ (514)	\$ 3,036	\$ 7,421	\$ (9,498)		\$ 445

See accompanying notes to the pro forma consolidated financial statements

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

Pro Forma Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)

(In thousands of U.S. Dollars)

(Unaudited)

For the period from August 30, 2102 (date of formation) to December 31, 2012

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 Fund was established for the primary purposes of (i) indirectly acquiring multi-residential investment properties located throughout the southeastern United States, that are mispriced and/or undermanaged in the view of Timbercreek Asset Management Inc. (the “Manager”), and (ii) enhancing the value of the investment properties through active management and a stabilization and improvement program, with the goal of ultimately disposing of the assets to generate significant gains. Elco Landmark Residential Holdings, LLC and Elco Landmark Residential Management, LLC (together, the “Operator”) have been hired to operate and act as the property manager of the investment properties. The registered office of the Fund is located at 1000 Yonge Street, Suite 500, Toronto, Ontario, M4W 2K2.

As at December 31, 2012 the Fund indirectly owns 92.6% of Class A limited partnership units of Timbercreek U.S. Multi-Residential Operating LP (“Operating LP”), a limited partnership formed pursuant to and governed by the laws of Delaware. The remaining interest in the Operating LP is held by Timbercreek U.S. Multi-Residential (U.S.) Holding L.P. (“US Holding LP”), a controlling interest of which is held by an affiliated entity of the Operator. The assets of the Fund are indirectly held by the Operating LP, which carries out the business of the Fund.

Timbercreek Multi-Residential Opportunity Fund #1 G.P. Inc. is the general partner of the Fund (the “General Partner”). The General Partner is a wholly-owned subsidiary of the Manager. The net income of the Fund is allocated 0.01% to the General Partner and the balance of 99.99% to the limited partners.

The term of the Fund is four years beginning on October 25, 2012, the closing date of the Fund’s initial public offering (“IPO”), 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 property. The Term may only be further extended by special resolution of the Unitholders.

On November 6, 2012, the Operator entered into a purchase and sale agreement on behalf of Operating LP to acquire two multi-family investment properties from Star/Somer Hidden Oaks, LLC and Star/Somer Woodbridge, LLC (the “Cary Portfolio”) as discussed in note 4(d).

On December 20, 2012, the Fund completed the acquisition of four multi-family investment properties from Colonial Realty Limited Partnership (the “Colonial Portfolio”) as discussed in note 4(c).

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

Pro Forma Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)

(In thousands of U.S. Dollars)

(Unaudited)

For the period from August 30, 2102 (date of formation) to December 31, 2012

2. Basis of presentation:

The pro forma consolidated statement of net assets has been prepared from the audited statement of net assets of the Fund as at December 31, 2012 and the audited statement of financial position of the Cary Portfolio as at December 31, 2012. The pro forma consolidated statement of income (loss) and comprehensive income (loss) for the period from August 30, 2012 to December 31, 2012 (the “Period”) has been derived from the audited statement of loss and comprehensive loss of the Fund for the period from August 30, 2012 to December 31, 2012, the audited statement of income and comprehensive income of the Cary Portfolio for the year ended December 31, 2012 and the audited statement of income and comprehensive income of the Colonial Portfolio for the period from January 1, 2012 to December 20, 2012.

The pro forma consolidated statement of net assets gives effect to the acquisition outlined in note 4(d) as if it had occurred on December 31, 2012. The pro forma consolidated statement of income (loss) and comprehensive income (loss) for the Period gives effect to the acquisitions discussed in notes 4(c) and 4(d) as if they had occurred on August 30, 2012.

The pro forma consolidated financial statements are not necessarily indicative of the results that would have actually occurred had the acquisition been completed at the dates indicated, nor are they necessarily indicative of future operating results or the financial position of the Fund.

3. Significant accounting policies:

The accounting policies used in the preparation of these pro forma consolidated financial statements are consistent with those disclosed in the Fund’s audited consolidated financial statements for the period ended December 31, 2012 prepared in accordance with IFRS. These pro forma consolidated financial statements do not include all of the information and disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the December 31, 2012 annual consolidated financial statements of the Fund.

4. Pro forma adjustments:

The pro forma adjustments to the pro forma consolidated financial statements have been prepared to reflect the IPO, the proposed subsequent public offering, the acquisition of the Colonial Portfolio and the acquisition of the Cary Portfolio as described below:

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

Pro Forma Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)

(In thousands of U.S. Dollars)

(Unaudited)

For the period from August 30, 2102 (date of formation) to December 31, 2012

(a) IPO:

For the purpose of the pro forma consolidated statement of income and comprehensive income, the initial public offering which occurred on October 25, 2012 has been assumed to have occurred on August 30, 2012 in order to provide for the acquisition of the Colonial Portfolio as of the same date, as discussed in note 4(c). On October 25, 2012, the Fund completed its IPO of 2,244,350 Class A Units for net proceeds of approximately \$21,389 and 1,605,000 Class C Units, through a Canadian private placement, for net proceeds of approximately \$16,062. The Fund also received approximately \$2,985 in connection with a private placement of units of US Holdings LP.

(b) Subsequent Public Offering:

The pro forma financial statements assume that the Fund will raise maximum gross proceeds of approximately \$50,000, through a subsequent issuance of Class A Units of the Fund. Costs related to the subsequent public offering, including the underwriter's commission, legal, audit and filing fees, are estimated to be \$3,625.

(c) Pro Forma Adjustments for the Acquisition of the Colonial Portfolio:

In the pro forma consolidated statement of net assets, the balance of the Fund includes the acquisition of the Colonial Portfolio as the acquisition was completed on December 20, 2012. The pro forma consolidated statement of income (loss) and comprehensive income (loss) assumes the Fund acquired the Colonial Portfolio as at August 30, 2012 and includes pro forma operations of the Colonial Portfolio for the period from August 30, 2012 to December 20, 2012. Operating activities for the period from December 21, 2012 to December 31, 2012 are included in the Fund's statement of net loss and comprehensive loss.

(i) Statement of Income and Comprehensive Income:

The revenues from property operations, property operating expenses, realty taxes and fair value adjustment of investment properties have been decreased by \$8,534, \$3,163, \$762 and \$3,350 respectively relating to the period from January 1, 2012 to August 29, 2012, the period prior to the date of formation of the Fund.

(ii) Finance costs:

Finance costs have been increased by \$1,024 for the Period to reflect mortgage interest of \$850, amortization of mortgage financing costs of \$13 and amortization of issue costs relating to the IPO and private placements of \$72.

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

Pro Forma Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)

(In thousands of U.S. Dollars)

(Unaudited)

For the period from August 30, 2102 (date of formation) to December 31, 2012

(iii) Asset and property management fees:

Property operating expenses have been decreased by \$376 to remove management fees included in the financial statements of the Colonial Portfolio. The Fund has included asset management fees of \$127 and property management fees of \$159 for the Period to reflect the asset management fees and property management fees under the current asset management agreement between, among others, the Fund and the Manager, as defined in the December 31, 2012 audited consolidated financial statements of the Fund.

(d) Pro Forma Adjustments for the Acquisition of the Cary Portfolio:

The pro forma consolidated financial statements assume that the Fund will acquire the Cary Portfolio for a purchase price of \$55,700 and incur transaction costs of \$300. The Fund will assume existing mortgages of \$32,163 and record a mark-to-market adjustment of \$3,423. The Fund will also secure new mortgage financing of \$8,738 net of lender costs of \$552, with the balance of the acquisition expected to be funded from proceeds raised from the subsequent public offering.

The following table summarizes the pro forma assets to be acquired and pro forma liabilities to be assumed which will result from the acquisition of the Cary Portfolio:

Investment Properties	\$	59,423
Mortgage payable (including market-to-market adjustment of \$3,423)		(35,586)
Tenant rental deposits and prepaid rents		(203)
Total assets acquired, net	\$	23,634
Cash paid	\$	23,634
Total consideration paid	\$	23,634

As at December 31, 2012, refundable deposits of \$1,500 were applied against the purchase price. Other assets, cash and cash equivalents and accounts payable and accrued liabilities of \$525, \$7 and \$217 respectively, have been eliminated because they were not acquired by the Fund.

Member's equity of the Cary Portfolio of \$24,649 has been eliminated upon consolidation.

This acquisition has been accounted for as an asset purchase and recognized initially at fair value plus transaction costs.

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

Pro Forma Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)

(In thousands of U.S. Dollars)

(Unaudited)

For the period from August 30, 2102 (date of formation) to December 31, 2012

(i) Mortgage financing:

Upon acquisition of the Cary Portfolio, the Fund will assume existing mortgage financing of \$32,163 and secure new financing of \$8,738, net of lender costs of \$552. The mortgage financing will be secured by the investment properties, will bear interest at rates ranging between 5.59% and 5.63% and will mature on April 1, 2020. The lender will also hold back \$5,265 to pay for planned capital expenditures, realty taxes and insurance relating to the properties. The funds will be released to pay the respective obligations as they become due.

(ii) Statement of loss and comprehensive loss:

The revenue from property operations, property operating expenses, realty taxes, general and administrative expenses and fair value adjustment of investment properties have been decreased by \$4,534, \$1,398, \$266, \$170 and \$5,483 respectively relating to the period from January 1, 2012 to August 29, 2012, the period prior to the date of formation of the Fund.

(iii) Finance costs:

A pro forma adjustment of \$1,928 has been recorded to remove interest expense of \$1,900 and amortization of mortgage financing costs of \$28 included in the financial statements of the Cary Portfolio. Finance costs have been increased by \$826 for the Period to reflect mortgage interest of \$794 and amortization of mortgage financing costs of \$32 and have also been decreased by \$154 to reflect the amortization of mark-to-market premiums on mortgages being assumed as part of the Cary Portfolio acquisition.

(iv) Asset and property management fees:

A pro forma adjustment of \$204 has been recorded to remove the asset management fee included in the financial statements of the Cary Portfolio. The Fund has included property management fees of \$92 and asset management fees of \$230 for the Period to reflect the fee terms under the asset management agreement between, among others, the Fund and the Manager.

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

Pro Forma Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)

(In thousands of U.S. Dollars)

(Unaudited)

For the period from August 30, 2102 (date of formation) to December 31, 2012

(v) Acquisition fees:

Acquisition fees of \$44 were recorded as a transaction cost to reflect the fees payable on the acquisition of the Cary Portfolio as defined in note 4(d). While the total acquisition fee payable on acquisition is \$560, the fee payable by the Fund for the Period was capped to \$44, as total fees payable by the Fund in a given year are capped at 1% of the total assets of the Fund and prorated for any partial years.

(e) Income taxes:

Income taxes of \$349 have been recorded for the Period with respect to its taxable subsidiary.

CERTIFICATE OF THE FUND

Dated: April 29, 2013

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of 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: April 29, 2013

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of 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

**MANULIFE SECURITIES
INCORPORATED**

**NATIONAL BANK FINANCIAL
INC.**

By: (Signed) William Porter

By: (Signed) Tim Evans

BMO NESBITT BURNS INC.

CANACCORD GENUITY CORP.

SCOTIA CAPITAL INC.

By: (Signed) Robin G. Tessier

By: (Signed) Justin Bosa

By: (Signed) Bryce Stewart

DUNDEE SECURITIES LTD.

**MACQUARIE CAPITAL
MARKETS CANADA LTD.**

By: (Signed) Aaron Unger

By: (Signed) John Bartkiw

**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

- (a) The Committee shall be comprised of three directors of the General Partner as determined by the General Partner.
- (b) 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.
- (c) 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

- (a) The Committee shall meet four times annually, or more frequently as circumstances dictate.
- (b) 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

- (a) 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:

- (a) 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.
- (b) 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.
- (c) 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.

(d) 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.