PRELIMINARY SHORT FORM PROSPECTUS

New Issue June 2, 2014

TRUE NORTH APARTMENT REAL ESTATE INVESTMENT TRUST

$20,000,000

5.75% Extendible Convertible Unsecured Subordinated Debentures

This preliminary short form prospectus (the "**Prospectus**") qualifies for distribution (the "**Offering**") $20,000,000 aggregate principal amount of 5.75% extendible convertible unsecured subordinated debentures (the "**Debentures**") of True North Apartment Real Estate Investment Trust (the "**REIT**").

The REIT is an unincorporated, open-ended real estate investment trust established under, and governed by, the laws of Ontario. The REIT was established to own multi-suite residential rental properties and currently owns an aggregate of 6,002 residential suites located in Ontario, Québec, Nova Scotia, New Brunswick and Alberta. Starlight Investments Ltd. ("**Starlight**") provides asset management and administrative services to the REIT. The REIT utilizes third party property managers to take advantage of local expertise. See "The REIT".

The Debentures shall bear interest from, and including, the date of closing of the Offering at a rate of 5.75% per annum, payable semi-annually in arrears on June 30 and December 31 in each year commencing December 31, 2014. The maturity date of the Debentures will initially be the date upon which a Termination Event (as defined herein) occurs (the "**Initial Maturity Date**"). If the completion of the indirect acquisition by the REIT (the "**Acquisition**") of the Acquisition Properties (as defined herein) occurs prior to the occurrence of a Termination Event, the maturity date of the Debentures will be automatically extended from the Initial Maturity Date to June 30, 2019 (the "**Final Maturity Date**"). In the event that the completion of the Acquisition does not occur prior to the occurrence of a Termination Event, the Debentures will mature on the Initial Maturity Date and the REIT will repay the aggregate principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon.

Price: $1,000 per Debenture

	Price to the Public(1)	Underwriters' Fee(2)(3)	Net Proceeds to the REIT(3)(4)
Per Debenture	$1,000	$50	$950
Total Offering(5)	$20,000,000	$1,000,000	$19,000,000

Notes:

(1) The terms of the Offering and the offering price of the Debentures were established by negotiation among the REIT and the Underwriters with reference to the market price of the Units and other applicable factors.

(2) Pursuant to the underwriting agreement (the "**Underwriting Agreement**") among the Underwriters, as principals, and the REIT, the Underwriters will be paid a fee equal to 5% of the gross proceeds of the Offering (the "**Underwriters' Fee**"). The Underwriters' Fee in respect of the Debentures is payable upon the closing of the Offering.

(3) The "Underwriters' Fee" and "Net Proceeds to the REIT" per Debenture represent 5% and 95%, respectively, of the "Price to the Public".

(4) Before deducting the REIT's expenses of the Offering, estimated at $1.0 million, which will be paid from the net proceeds of the Offering.

(5) The REIT has granted to the Underwriters an option (the "**Over-Allotment Option**"), exercisable in whole or in part and at any time not later than the earlier of (i) the 30th day following the closing of the Offering and (ii) the occurrence of a Termination Event, to purchase up to an additional $3,000,000 aggregate principal amount of Debentures on the same terms as set forth above solely to cover over-allocations, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the "Price to the Public", "Underwriters' Fee" and "Net Proceeds to the REIT" for the total Offering will be $23,000,000, $1,150,000 and $21,850,000, respectively. The Prospectus also qualifies the grant of the Over-Allotment Option and the Debentures issuable upon the exercise of the Over-Allotment Option, as well as the Units issuable upon conversion of the Debentures. A purchaser who acquires Debentures forming part of the Underwriters' over-allocation position acquires such Debentures under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

Underwriters' Position	Maximum Amount of Debentures Available	Exercise Period	Exercise Price
Over-Allotment Option	Option to purchase up to $3,000,000 aggregate principal amount of Debentures	Not later than the earlier of (i) the 30th day following the closing of the Offering and (ii) the occurrence of a Termination Event	$1,000 per Debenture

(continued on next page)

Debentureholder's Conversion Privilege

Each Debenture will be convertible into Units at the option of the holder of a Debenture (the "**Debentureholder**") at any time after the Initial Maturity Date and prior to 5:00 p.m. (Toronto time) on the earlier of the Final Maturity Date and the business day immediately preceding the date specified by the REIT for redemption of the Debentures (if applicable), at a conversion price of $9.30 per Unit (the "**Conversion Price**"), being a conversion rate of approximately 107.5 Units per $1,000 principal amount of the Debentures, subject to adjustment in certain events in accordance with the Indenture (as defined herein). Debentureholders converting their Debentures will also receive accrued and unpaid interest on such Debentures for the period from the last interest payment date on their Debentures (or the date of closing of the Offering if no interest has yet been paid with respect to their Debentures) to and including the last record date declared by the REIT, occurring prior to the date of conversion, for determining the holders of Units entitled to receive a distribution on the Units. Notwithstanding the foregoing, no Debenture may be converted during the five business days preceding June 30 and December 31 in each year, as the registers of the Debenture Trustee (as defined herein) will be closed during such periods. Further particulars concerning the conversion privilege, including provisions for the adjustment of the Conversion Price in certain events, are set out under "Description of the Debentures — Conversion Privilege". **A Debentureholder will not be entitled to deferred tax treatment on the conversion, redemption or repayment at maturity of such Debentures. See "Certain Canadian Federal Income Tax Considerations".**

The Debentures shall not be redeemable prior to June 30, 2017, except upon the satisfaction of certain conditions after a Change of Control (as defined herein) has occurred. On and from June 30, 2017, and prior to June 30, 2018, the Debentures shall be redeemable, in whole at any time, or in part from time to time, at the option of the REIT on not more than 60 days' and not less than 30 days' prior written notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest up to the date fixed for redemption, provided that the volume-weighted average trading price of the Units on the Toronto Stock Exchange (the "**TSX**") (if the Units are then listed on the TSX) for the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given (the "**Current Market Price**") is not less than 125% of the Conversion Price. On and from June 30, 2018, and prior to the Final Maturity Date, the Debentures shall be redeemable, in whole at any time, or in part from time to time, at the option of the REIT on not more than 60 days' and not less than 30 days' prior written notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest up to the date fixed for redemption. Subject to regulatory approval and other conditions, the REIT may, at its option, elect to satisfy its obligation to pay, in whole or in part, the principal amount of the Debentures which are to be redeemed or which have matured by issuing and delivering that number of freely-tradeable Units to the Debentureholders obtained by dividing the principal amount of the Debentures being repaid by 95% of the Current Market Price on the date of redemption or maturity, as applicable. In addition, if the maturity date for the Debentures is extended to the Final Maturity Date, and subject to regulatory approval and other conditions, the REIT may elect, from time to time, to satisfy its obligation to pay interest on the Debentures on the date interest is payable under the Indenture, by issuing and delivering freely-tradeable Units to the Debenture Trustee to be sold by the Debenture Trustee for proceeds, which together with any cash payments to be made by the REIT in lieu of fractional Units, are sufficient to satisfy all of the REIT's obligations to pay interest on the Debentures in accordance with the Indenture. See "Description of the Debentures".

CIBC World Markets Inc. and Raymond James Ltd. (together, the "**Lead Underwriters**") and National Bank Financial Inc., TD Securities Inc., BMO Nesbitt Burns Inc., Scotia Capital Inc., Dundee Securities Ltd., GMP Securities L.P., Canaccord Genuity Corp. and Desjardins Securities Inc. (collectively with the Lead Underwriters, the "**Underwriters**"), as principals, conditionally offer the Debentures qualified under this Prospectus, subject to prior sale, if, as and when issued by the REIT and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement and subject to the approval of certain legal matters on behalf of the REIT by Cassels Brock & Blackwell LLP and on behalf of the Underwriters by Blake, Cassels & Graydon LLP.

In connection with this distribution, the Underwriters have been granted the Over-Allotment Option and the REIT has been advised by the Underwriters that, subject to applicable laws, the Underwriters may over-allocate or effect transactions intended to stabilize or maintain the market price of the Debentures at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. **After the Underwriters have made a reasonable effort to sell all of the Debentures offered under this Prospectus at the offering price specified in this Prospectus, the Underwriters may offer the Debentures at a price lower than the price stated above. See "Plan of Distribution".**

Subscriptions for Debentures will be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. Book-entry only certificates representing the Debentures will be issued in registered form to CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee as registered global debentures and will be deposited with CDS on the closing date of the Offering. Holders of beneficial interests in the Debentures will not be entitled to receive physical certificates evidencing their ownership of Debentures except under certain circumstances described under "Description of the Debentures — Debenture Certificates". Closing of the Offering is expected to occur on or about June 16, 2014 or such later date as the REIT and the Underwriters may agree, but in any event not later than June 27, 2014.

There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this Prospectus. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures and the extent of issuer regulation. See "Risk Factors".

The REIT has applied to list the Debentures and the Units issuable upon conversion of the Debentures on the TSX. Listing is subject to the REIT fulfilling all of the requirements of the TSX. The outstanding Units are listed and posted for trading on the TSX under the symbol "TN.UN". On May 28, 2014, the last trading day prior to the announcement of the Offering, the closing price of a Unit on the TSX was $8.05.

The REIT is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on or intend to carry on the business of a trust company. Neither the Debentures nor the Units are "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that statute or any other legislation.

A return on a purchaser's investment in the REIT is not comparable to the return on an investment in a fixed income security. The recovery of the initial investment in the REIT by an investor is at risk, and the anticipated return on an investment is based on many performance assumptions. It is important for a person making an investment in the REIT to consider the particular risk factors that may affect the REIT. **A prospective purchaser should therefore review this Prospectus in its entirety and carefully consider the risk factors described under "Risk Factors" before purchasing Debentures.**

The after-tax return to an investor subject to Canadian federal income tax from an investment in any Units acquired on conversion of a Debenture will depend, in part, on the composition for tax purposes of distributions paid by the REIT, portions of which may be fully or partially taxable or may constitute tax deferred returns of capital (i.e., returns that initially are non-taxable but which reduce the adjusted cost base of Units to a holder who holds such Units as capital property). Prospective purchasers of Debentures should consult their own tax advisors with respect to the Canadian income tax considerations in their circumstances. See "Certain Canadian Federal Income Tax Considerations".

CIBC World Markets Inc. is an affiliate of a Canadian chartered bank that has provided a credit facility to the REIT. TD Securities Inc. is an affiliate of a Canadian chartered bank that has provided mortgage financing in respect of seven of the Acquisition Properties. Consequently, the REIT may be considered a "connected issuer" of each of CIBC World Markets Inc. and TD Securities Inc. under applicable Canadian securities laws. See "Plan of Distribution".

The principal, registered and head office of the REIT is located at 401 The West Mall, Suite 1100, Toronto, Ontario, M9C 5J5.

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ABOUT THIS SHORT FORM PROSPECTUS

An investor should rely only on the information contained in this Prospectus (including the documents incorporated by reference herein) and is not entitled to rely on parts of the information contained in this Prospectus (including the documents incorporated by reference herein) to the exclusion of others. The REIT has not, and the Underwriters and Starlight have not, authorized anyone to provide investors with additional or different information. The REIT is not, and the Underwriters are not, offering to sell these securities in any jurisdictions where the offer or sale of these securities is not permitted. The information contained in this Prospectus (including the documents incorporated by reference herein) is accurate only as of the date of this Prospectus (or the date of the document incorporated by reference herein, as applicable), regardless of the time of delivery of this Prospectus or any sale of Debentures. The REIT's business, financial condition, results of operations and prospects may have changed since the date of this Prospectus.

MEANING OF CERTAIN REFERENCES

Certain terms used in this Prospectus are defined under "Glossary". References to dollars or "$" are to Canadian currency. Unless otherwise indicated, the disclosure in this Prospectus assumes that the Over-Allotment Option will not be exercised.

Unless the context otherwise requires, all references in this Prospectus to the "REIT" refer to the REIT and its subsidiary entities on a consolidated basis; and in the case of references to matters undertaken by a predecessor in interest to the REIT or its subsidiary entities, include each such predecessor in interest.

Notwithstanding the foregoing, for the purposes of the opinions given under the heading "Certain Canadian Federal Income Tax Considerations" and the opinion given under the heading "Eligibility for Investment", a reference to the "REIT" is a reference to True North Apartment Real Estate Investment Trust only and is not a reference to any of its subsidiary entities.

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

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Prospectus constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking statements are provided for the purposes of assisting the reader in understanding the REIT's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and readers are cautioned such statements may not be appropriate for other purposes. Forward-looking information may relate to future results, performance, achievements, events, prospects or opportunities for the REIT or the real estate industry and may include statements regarding: the REIT's financial position; business strategy; budgets; litigation; projected costs; capital expenditures; financial results; occupancy levels; average monthly rent; taxes; the REIT's intention with respect to, and ability to execute, its internal and external growth strategies; the REIT's distribution policy and the distributions to be paid to holders of Units; the distributions to be paid to holders of Class B LP Units; the REIT's debt strategy; plans and policies regarding capital expenditures; the REIT's payout ratio; the REIT's use of its normal course issuer bid; and the ability of the REIT to qualify as a "mutual fund trust", as defined in the Tax Act, and as a "real estate investment trust", as defined in the SIFT Rules. In some cases, forward-looking information can be identified by such terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "seek", "aim", "estimate", "target", "goal", "project", "predict", "forecast", "potential", "continue", "likely", "schedule", or the negative thereof or other similar expressions concerning matters are not historical facts. Some of the specific forward-looking statements in this Prospectus include, but are not limited to, those statements identified under "Forward-Looking Statements" in the AIF and statements with respect to the following:

- the expected completion of the Acquisition;
- the effect of the Acquisition on the financial performance of the REIT;
- the REIT's capital expenditure requirements for the Acquisition Properties and capital expenditures to be made on the Acquisition Properties by the REIT and certain of the Vendors;
- the use of the net proceeds of the Offering to be received by the REIT (including on the exercise of the Over-Allotment Option, if exercised);
- the REIT's organizational structure;
- the REIT's arrangements with Starlight;
- the retained interest of the Vendors;
- the REIT's intention with respect to, and ability to execute, its internal and external growth strategies;
- the REIT's distribution policy and the distributions to be paid to holders of Units and Class B LP Units;
- the REIT's debt strategy, including its use of CMHC debt;
- the REIT's payout ratio; and
- the ability of the REIT to qualify as a "mutual fund trust", as defined in the Tax Act, and as a "real estate investment trust", as defined in the SIFT Rules.

Forward-looking statements necessarily involve known and unknown risks and uncertainties, that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, assumptions may not be correct and objectives, strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond the REIT's control, affect the operations, performance and results of the REIT and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to; the risks discussed in the REIT's materials filed with Canadian securities regulatory authorities from time to time, risks related to the Offering, risks related to the Acquisition, risks related to the Debentures, risks related to the Units issuable upon conversion of the Debentures and risks related to the REIT and its business, including the risks discussed in "Risk Factors" in this Prospectus and "Risk Factors" in the AIF and risks disclosed in the REIT's most recent MD&A. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements as there can be no assurance actual results will be consistent with such forward-looking statements.

Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including the following: the Canadian economy will remain stable over the next 12 months; inflation will remain relatively low; interest rates will remain stable; conditions within the real estate market, including competition for acquisitions, will be consistent with the current climate; the Canadian capital markets will provide the REIT with access to equity and/or debt at reasonable rates when required; and that the risks referenced above, collectively, will not have a material impact on the REIT. While management considers these assumptions to be reasonable based on currently available information, they may prove to be incorrect. See "Risk Factors" herein and "Risk Factors" in the AIF.

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

NON-IFRS MEASURES

Certain terms used or incorporated by reference in this Prospectus such as FFO, AFFO, NOI, Indebtedness to Gross Book Value ratio, Gross Book Value, Indebtedness, Indebtedness coverage ratio, interest coverage ratio and earnings coverage ratio are not measures defined under IFRS, do not have standardized meanings prescribed by IFRS and should not be compared to or construed as alternatives to profit/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. FFO, AFFO, NOI, Indebtedness to Gross Book Value ratio, Gross Book Value, Indebtedness, Indebtedness coverage ratio, interest coverage ratio and earnings coverage ratio as computed by the REIT may not be comparable to similar measures as reported by other reporting issuers in similar or different industries.

FFO is a measure of operating performance based on the funds generated from the business of the REIT before reinvestment or provision for other capital needs. Management considers this non-GAAP measure to be an important measure of the REIT's operating performance.

AFFO is calculated as FFO subject to certain adjustments. Management considers AFFO to be an important performance measure to determine the sustainability of future distributions paid to holders of Units and Class B LP Units. AFFO should not be interpreted as an indicator of cash generated from operating activities as it does not consider changes in working capital.

NOI is presented in this Prospectus because management considers this non-IFRS measure to be an important measure of the REIT's operating performance and uses this measure to assess the REIT's property operating performance on an unlevered basis.

Indebtedness to Gross Book Value ratio is a compliance measure in the Declaration of Trust and establishes the limit for financial leverage of the REIT. Indebtedness to Gross Book Value ratio is presented in this Prospectus because management considers this non-IFRS measure to be an important measure of the REIT's financial position.

Gross Book Value is defined in the Declaration of Trust and is a measure of the value of the REIT's assets. Gross Book Value is presented in this Prospectus because management considers this non-IFRS measure to be an important measure of the REIT's asset base and financial position.

Indebtedness is defined in the Declaration of Trust and is a measure of the amount of debt financing utilized by the REIT. Indebtedness is presented in this Prospectus because management considers this non-IFRS measure to be an important measure of the REIT's financial position.

Indebtedness coverage ratio measures the amount of cash flow available to meet annual principal and interest payments on the REIT's indebtedness. Generally, the higher the indebtedness coverage ratio, the higher the capacity for additional debt. Indebtedness coverage ratio is presented in this Prospectus because management considers this non-IFRS measure to be an important measure of the REIT's operating performance and financial position.

Interest coverage ratio measures the amount of cash flow available to meet annual interest payments on the REIT's indebtedness. Generally, the higher the interest coverage ratio, the lower the credit risk. Interest coverage ratio is presented in this Prospectus because management considers this non-IFRS measure to be an important measure of the REIT's operating performance and financial position.

Earnings coverage ratio refers to earnings before borrowing costs and income taxes divided by borrowing costs, and is presented in this Prospectus in accordance with applicable securities laws.

ELIGIBILITY FOR INVESTMENT

In the opinion of Cassels Brock & Blackwell LLP, counsel to the REIT, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, if issued on the date hereof, the Debentures would be qualified investments for a trust governed by a Plan (other than a trust governed by a DPSP to which contributions are made by the REIT or by an employer with which the REIT does not deal at arm's length within the meaning of the Tax Act), provided that the Debentures are listed on a "designated stock exchange" as defined in the Tax Act (which currently includes the TSX) or the REIT qualifies as a "mutual fund trust" for purposes of the Tax Act and the Units are listed on a designated stock exchange in Canada.

Units acquired upon the conversion, redemption or repayment of Debentures, will be, at the time of their acquisition, qualified investments for trusts governed by Plans provided that at that time the Units are listed on a designated stock exchange or the REIT qualifies as a "mutual fund trust" for purposes of the Tax Act.

Subsidiary Notes received as a result of an *in specie* redemption of Units by the REIT would not be qualified investments for Plans, and may give rise to adverse consequences to the Plan, or to the annuitant, beneficiary, subscriber or holder thereunder. Accordingly, Plans that own Units should consult their own tax advisors before deciding to exercise the redemption rights attached to the Units.

Notwithstanding that the Debentures and Units acquired upon the conversion, redemption or repayment of Debentures may be qualified investments for a trust governed by an RRSP, RRIF or TFSA, the annuitant or holder thereunder, as the case may be, will be subject to a penalty tax if such securities are a "prohibited investment" for the RRSP, RRIF, or TFSA, as the case may be. Debentures and Units will not be a "prohibited investment" unless the annuitant of the RRSP or RRIF or the holder of the TFSA, as the case may be, does not deal at arm's length with the REIT for purposes of the Tax Act or has a "significant interest" in the REIT for the purposes of the "prohibited investment" rules in the Tax Act. Debentures and Units will not be a "prohibited investment" if the Debentures or Units, as the case may be, are "excluded property" (as defined in the Tax Act for purpose of the "prohibited investment" rules). In addition, Units acquired upon the conversion, redemption or repayment of Debentures will not be a "prohibited investment" if such Units are "excluded property" (as defined in the Tax Act for the purposes of the "prohibited investment" rules).

Individuals who hold or intend to hold Debentures or Units acquired upon the conversion, redemption or repayment of Debentures in an RRSP, RRIF or TFSA should consult their own tax advisors as to whether the "prohibited investment" rules will apply in their particular circumstances.

For purposes of this section "Eligibility for Investment", a reference to the REIT is to the True North Apartment Real Estate Investment Trust only, and is not a reference to any subsidiary entity.

DOCUMENTS INCORPORATED BY REFERENCE

As of the date hereof, the following documents, filed with the various securities commissions or similar authorities in each of the provinces and territories of Canada, are specifically incorporated by reference into and form an integral part of this Prospectus for the purposes of the Offering:

1. the AIF;
2. the audited consolidated financial statements of the REIT for the year ended December 31, 2013 and the period from January 12, 2012 (commencement of operations) to December 31, 2012, together with the notes thereto and the independent auditors' report thereon;
3. MD&A of the REIT for the year ended December 31, 2013;
4. the management information circular of the REIT dated January 21, 2013 prepared in connection with the special meeting of Unitholders to approve, among other matters, the acquisition of the Rocky Properties, excluding the sections "Background and Recommendations — Fairness Opinion", "Background and Recommendations — Independent Appraisals", "Background and Recommendations — Instalment Note Valuation", "Background and Recommendations — Prior Valuations" and Schedule "B" attached thereto, and any references to the "Independent Appraisals", "Original Appraisals", "Fairness Opinion" or "Instalment Note Valuation" therein;
5. the management information circular of the REIT dated April 30, 2013 prepared in connection with the 2013 annual and special meeting of Unitholders;
6. the unaudited condensed consolidated interim financial statements of the REIT for the three month period ended March 31, 2014; and
7. MD&A of the REIT for the three month period ended March 31, 2014.

All material change reports (excluding confidential material change reports), annual information forms, annual financial statements and the auditors' report thereon and related MD&A, interim financial statements and related MD&A, information circulars, business acquisition reports, any news release issued by the REIT that specifically states that it is to be incorporated by reference in this Prospectus and any other documents as may be required to be incorporated by reference herein under applicable Canadian securities laws which are filed by the REIT with a securities commission or any similar authority in Canada after the date of this Prospectus and prior to the termination of this distribution shall be deemed to be incorporated by reference into this Prospectus.

Notwithstanding anything herein to the contrary, any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this Prospectus, to the extent that a statement contained herein or in any other subsequently filed document incorporated or deemed to be incorporated by reference herein modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall thereafter neither constitute, nor be deemed to constitute, a part of this Prospectus, except as so modified or superseded. For greater certainty, the projection of operating income described under the heading "Projected Operating Income for the Acquisition Properties" in the management information circular of the REIT dated January 21, 2013 is superseded, for the purposes of this Prospectus, by actual financial information for the relevant financial periods and does not constitute a part of this Prospectus.

GLOSSARY

The following terms used in this Prospectus have the meanings set out below:

"**1933 Act**" means the United States Securities Act of 1933, as amended.

"**2012 Acquisition Properties**" means, collectively, 33 Richmond Street West, Oshawa, Ontario, 155 Market Street, Hamilton, Ontario, 285 Erb Street West, Waterloo, Ontario, 10 Cartier Court, Brockville, Ontario, 2 Colborne Street West, Lindsay, Ontario and 25 Westwood Court, Lindsay, Ontario.

"**2013 Acquisition Properties**" means, together, 1 Rosemount Drive, Toronto, Ontario and 840 Water Street, Peterborough, Ontario.

"**Acquisition**" means the indirect acquisition by the REIT of the Acquisition Properties and the Instalment Notes pursuant to the terms of the Acquisition Agreement.

"**Acquisition Agreement**" means the agreement of purchase and sale between the Vendors, True North General Partner and the REIT dated May 29, 2014, pursuant to which the REIT will indirectly acquire the Acquisition Properties and the Instalment Notes as described under "The Acquisition".

"**Acquisition Closing Date**" means the date upon which the REIT completes the Acquisition, which is expected to occur on or about June 27, 2014.

"**Acquisition Properties**" or "**Private Portfolio II**" means, collectively, the 29 properties containing 2,824 residential suites located in Ontario and Alberta to be acquired by the REIT pursuant to the Acquisition Agreement as described under "The Acquisition".

"**Affiliate**" means any person that would be deemed to be an affiliated entity of such person within the meaning of National Instrument 45-106 — *Prospectus and Registration Exemptions*.

"**AFFO**" means FFO subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on mortgages acquired, amortization of deferred financing costs, amortization of CMHC premium, and compensation expense related to unit-based incentive plans; and (ii) deducting a reserve for normalized maintenance capital expenditures, as determined by the REIT. Other adjustments may be made to adjusted funds from operations as determined by the Trustees in their discretion.

"**AIF**" means the REIT's annual information form for the year ended December 31, 2013.

"**AIC Standards**" has the meaning ascribed thereto in "The Acquisition — Independent Appraisals".

"**Asset Management Agreement**" means the amended and restated asset management agreement effective as of January 1, 2013 among Starlight and the REIT, pursuant to which Starlight provides asset management, advisory and administrative services to the REIT and its Subsidiaries.

"**Assumed Mortgages**" means the mortgages and related security to be assumed by the REIT as described under "Debt Financing for the Acquisition — Assumed Mortgages".

"**BAR**" means a business acquisition report filed under Part 8 of National Instrument 51-102 — *Continuous Disclosure Obligations.*

"**Blue-Starlight LP**" means Blue-Starlight LP, a partnership duly existing and governed by the laws of Ontario.

"**Board**" or "**Board of Trustees**" means the board of Trustees of the REIT.

"**Capital Gains Refund**" has the meaning ascribed thereto in "Certain Canadian Federal Income Tax Considerations — Taxation of the REIT".

"**CBCA**" means the *Canada Business Corporations Act*, as amended.

"**CBRE**" means CBRE Limited, the appraiser that prepared the Independent Appraisals and the Original Appraisals for each of the Acquisition Properties.

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

"**Change of Control**" means the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction over an aggregate of 66⅔% or more of the outstanding Units (on a fully-diluted basis).

"**Class A LP Units of the New Partnerships**" means, collectively, the Class A limited partnership units in the capital of the New Partnerships.

"**Class B LP Units**" means, collectively, the Class B limited partnership units in the capital of True North LP, Blue-Starlight LP, Rocky LP and the New Partnerships and "**Class B LP Unit**" means any one of the foregoing, as the context requires.

"**CMHC**" means Canada Mortgage and Housing Corporation.

"**Conversion Price**" means $9.30 per Unit.

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

"**Credit Facility**" means the $25 million floating rate revolving credit facility renewed by the REIT on September 27, 2013 with a Canadian chartered bank.

"**Current Market Price**" means the volume-weighted average trading price of the Units on the TSX (if the Units are then listed on the TSX) for the 20 consecutive trading days ending on the fifth trading day preceding the date of the applicable event.

"**Currently Owned Properties**" has the meaning ascribed to the term "Properties" in the AIF.

"**Deadline**" means 5:00 p.m. (Toronto time) on August 29, 2014.

"**Debenture Trustee**" means Equity Financial Trust Company, as the expected trustee under the Indenture.

"**Debentureholder**" means a holder of Debentures.

"**Debentures**" means the 5.75% extendible convertible unsecured subordinated debentures of the REIT offered hereunder.

"**Declaration of Trust**" means the amended and restated declaration of trust of the REIT dated as of September 28, 2012, as it may be further amended, supplemented or amended and restated from time to time.

"**DPSP**" means deferred profit sharing plan within the meaning of the Tax Act.

"**DRIP**" means the REIT's distribution reinvestment plan effective July 18, 2012, and as amended and restated as of May 28, 2013.

"**Environmental Site Reconnaissance Letters**" means the site reconnaissance letters dated April 2014 prepared by the Independent Property Consultant, for the purpose of providing the REIT with a summary of any changes of environmental significance at the Acquisition Properties since completion of the most recent Phase I or Phase II environmental report, as applicable.

"**Event of Default**" has the meaning ascribed thereto under "Description of the Debentures — Events of Default".

"**Exchange Agreement**" means the exchange agreement dated as of June 5, 2012, among Starlight (which for the purposes of such agreement includes Affiliates of Starlight), the REIT and True North General Partner, amongst others.

"**Fairness Opinion**" means the opinion of Origin that the Acquisition is fair, from a financial point of view, to the Unitholders (other than Daniel Drimmer and his Affiliates).

"**FFO**" means net income calculated in accordance with IFRS, excluding: (i) fair value adjustments on investment properties; (ii) gains (or losses) from sales of investment properties; (iii) fair value adjustments and other effects of redeemable units classified as liabilities; (iv) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; and (v) deferred income tax expense and certain other non-cash adjustments, after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect funds from operations on the same basis as consolidated properties.

"**Final Maturity Date**" means 5:00 p.m. (Toronto time) on June 30, 2019, being the maturity date of the Debentures if the completion of the Acquisition occurs prior to the occurrence of a Termination Event.

"**Global Debenture Certificates**" means one or more Debenture certificates registered in the name of CDS or its nominee and held by, or on behalf of, CDS, as depositary of the Debenture certificates.

"**Gross Book Value**" means the acquisition cost of the assets of the REIT plus: (i) the cumulative impact of fair value adjustments; (ii) acquisition related costs in respect of completed investment property acquisitions that were expensed in the period incurred; (iii) accumulated amortization on property, plant and equipment, and other assets; and (iv) deferred loan costs.

"**High-Rise**" means a building with more than seven storeys.

"**Holder**" has the meaning ascribed thereto in "Certain Canadian Federal Income Tax Considerations".

"**IFRS**" means International Financial Reporting Standards, as issued by the International Accounting Standards Board and as adopted by the Chartered Professional Accountants Canada, as amended from time to time.

"**Indebtedness**" means (without duplication) on a consolidated basis:

(a) any obligation of the REIT for borrowed money (other than the impact of any net discount or premium on Indebtedness at the time assumed from vendors of properties at rates of interest less or greater than, respectively, fair value and any undrawn amounts under any acquisition or operating facility);

(b) any obligation of the REIT (other than the impact of any net discount or premium on Indebtedness at the time assumed from vendors of properties at rates of interest less or greater than, respectively, fair value and any undrawn amounts under any acquisition or operating facility) incurred in connection with the acquisition of property, assets or businesses other than the amount of future income tax liability arising out of indirect acquisitions;

(c) any obligation of the REIT issued or assumed as the deferred purchase price of property;

(d) any capital lease obligation of the REIT; and

(e) any obligation of the type referred to in subsections (a) through (d) of another person, the payment of which the REIT has guaranteed or for which the REIT is responsible for or liable, other than such an obligation in connection with a property that has been disposed of by the REIT for which the purchaser has assumed such obligation and provided the REIT with an indemnity or similar arrangement therefor;

provided that (i) for the purposes of subsections (a) through (d), an obligation (other than convertible debentures) will constitute Indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of the REIT in accordance with IFRS; (ii) obligations referred to in subsections (a) through (c) exclude trade accounts payables, security deposits, distributions payable to holders of Units and accrued liabilities arising in the ordinary course of business; (iii) convertible debentures will constitute Indebtedness to the extent of the principal amount thereof outstanding; and (iv) Units and exchangeable securities, including Class B LP Units, will not constitute Indebtedness.

"**Indenture**" means the trust indenture to be entered into between the REIT and the Debenture Trustee which will create and govern the Debentures, as described under "Description of the Debentures".

"**Independent Appraisals**" means the appraisals conducted by CBRE on the Acquisition Properties dated September 30, 2013, as confirmed by CBRE, subject to assumptions, as of May 23, 2014 pursuant to a letter from CBRE to the Special Committee dated May 28, 2014.

"**Independent Property Consultant**" means the independent consultant that prepared the Environmental Site Reconnaissance Letters and the Property Condition Site Assessments.

"**Independent Trustee**" means a Trustee who, in relation to the REIT, is "independent" within the meaning of National Instrument 58-101 — *Disclosure of Corporate Governance Practices*.

"**Initial Maturity Date**" means the date upon which a Termination Event occurs, being the initial maturity date of the Debentures.

"**Instalment Notes**" means the promissory notes in the aggregate amount of $1,692,242 pursuant to which certain of the Vendors will provide instalment payments to the REIT upon completion of the Acquisition, in consideration of the REIT assuming the Assumed Mortgages, in order for the REIT to achieve an effective interest rate equivalent to 2.5% per annum in respect of the Assumed Mortgages, as described under "The Acquisition — Instalment Notes".

"**Interest Payment Date**" means June 30 and December 31 in each year.

"**Lead Underwriters**" means, collectively, CIBC World Markets Inc. and Raymond James Ltd.

"**Low-Rise**" means a building with fewer than four storeys.

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

"**Meeting**" means the annual and special meeting of Unitholders of record as of May 5, 2014 for the purpose of, among other things, approving the Acquisition, expected to be held on June 26, 2014. See "The Acquisition — Transaction Approvals — Unitholder Approval".

"**MI 61-101**" means Multilateral Instrument 61-101 — *Protection of Minority Security Holders in Special Transactions.*

"**Mid-Rise**" means a building with no fewer than four storeys and no more than seven storeys.

"**Minority Unitholders**" means Unitholders other than: (i) Starlight; (ii) any other party that is an "interested party" in respect of the Acquisition; (iii) any party that is a "related party" of (i) or (ii); and (iv) any other party that is a "joint actor" with any of (i), (ii) or (iii) in respect of the Acquisition, as determined pursuant to MI 61-101 and subject to the exceptions noted therein.

"**New Mortgages**" means those mortgages on certain of the Acquisition Properties to be entered into by the REIT as described under "Debt Financing for the Acquisition — New Mortgages".

"**New Partnerships**" means True North 4 Limited Partnership, True North 5 Limited Partnership and True North 6 Limited Partnership, each a partnership duly existing and governed by the laws of Ontario.

"**New Partnership LP Agreements**" means the limited partnership agreements of each of the New Partnerships between True North General Partner, as general partner and each person who is admitted to one of the New Partnerships in accordance with the terms of the applicable limited partnership agreement, as the same may be amended and/or restated from time to time.

"**NOI**" means net operating income.

"**Non-Residents**" means (i) non-residents of Canada, (ii) partnerships that are not Canadian partnerships or (iii) a combination of non-residents of Canada and such partnerships (all within the meaning of the Tax Act).

"**Offering**" means the offering of the Debentures pursuant to this Prospectus.

"**Offering Price**" means $1,000 per $1,000 aggregate principal amount of Debentures.

"**Officer's Certificate**" has the meaning ascribed thereto in "Certain Canadian Federal Income Tax Considerations".

"**Option Plan**" means the amended and restated 2013 unit option plan of the REIT adopted with effect from May 28, 2013.

"**Origin**" means Origin Merchant Partners.

"**Original Appraisals**" means the appraisals conducted on the Acquisition Properties dated between February 5, 2012 and June 30, 2013, as described under "The Acquisition — Prior Valuations".

"**Over-Allotment Option**" means the option granted to the Underwriters by the REIT, exercisable in whole or in part and at any time not later than the earlier of: (i) the 30th day following the closing of the Offering; and

(ii) the occurrence of a Termination Event, to purchase up to an additional $3,000,000 aggregate principal amount of Debentures solely to cover over-allocations, if any, and for market stabilization purposes, as described under "Plan of Distribution".

"**Partnerships**" means, collectively, True North LP, Blue-Starlight LP, Rocky LP and the New Partnerships.

"**person**" means an individual, firm, trust, trustee, syndicate, corporation, partnership, limited partnership, association, government, governmental agency or other entity.

"**Plans**" means, collectively, RRSPs, RRIFs, DPSPs, registered education savings plans, registered disability savings plans and TFSAs, in each case within the meaning of the Tax Act.

"**Property Condition Assessments**" means the baseline property condition assessments prepared by the Independent Property Consultant dated September, 2014.

"**Put Date**" has the meaning ascribed thereto in "Description of the Debentures — Put Right Upon a Change of Control".

"**Put Price**" has the meaning ascribed thereto in "Description of the Debentures — Put Right Upon a Change of Control".

"**Put Right**" has the meaning ascribed thereto in "Description of the Debentures — Put Right Upon a Change of Control".

"**REIT**" means True North Apartment Real Estate Investment Trust and references in this Prospectus to the "REIT" should be interpreted as described under "Meaning of Certain References".

"**REIT Exception**" has the meaning ascribed thereto in "Certain Canadian Federal Income Tax Considerations — SIFT Rules — REIT Exception".

"**Rights Plan**" means the Unitholder rights plan established by the REIT on June 5, 2012.

"**Rocky LP**" means Rocky (2013) Limited Partnership, a partnership duly existing and governed by the laws of Ontario.

"**Rocky Properties**" means, collectively, the 17 properties owned by Rocky LP as at the date of acquisition thereof by the REIT, containing 1,570 residential suites located in Ontario, Québec, Alberta and British Columbia.

"**RRIF**" means registered retirement income fund within the meaning of the Tax Act.

"**RRSP**" means registered retirement savings plan within the meaning of the Tax Act.

"**Senior Indebtedness**" of the REIT will be defined in the Indenture as the principal of and the interest and premium (or any other amounts payable thereunder), if any, on: (i) all indebtedness, liabilities and obligations of the REIT, or of others for payment of which the REIT is responsible or liable, whether outstanding on the date of the Indenture or thereafter created, incurred, assumed or guaranteed in connection with the acquisition of any businesses, properties or other assets or for monies borrowed or raised by whatever means; and (ii) renewals, extensions, restructurings, refinancings and refundings of any such indebtedness, liabilities or obligations, unless in each case it is provided by the terms of the instrument creating or evidencing such indebtedness, liabilities or obligations that such indebtedness, liabilities or obligations are not superior in right of payment to debentures issued under the Indenture which by their terms are subordinated, which for greater certainty includes the Debentures.

"**SIFT**" means specified investment flow-through trust or specified investment flow-through partnership, as the case may be, within the meaning of the SIFT Rules.

"**SIFT Rules**" means the rules applicable to "SIFT trusts" and "SIFT partnerships" (each as defined in the Tax Act) in the Tax Act (including any proposed amendments contained in the Tax Proposals) as described under "Certain Canadian Federal Income Tax Considerations — SIFT Rules".

"**Special Committee**" means the committee of Independent Trustees of the REIT, consisting of J. Michael Knowlton (Chair), Graham L. Rosenberg and Denim Smith, established by the REIT for the purposes of supervising the process to be carried out by the REIT and its professional advisors in connection with the

Acquisition and making recommendations to the Trustees in respect of matters that it considers relevant with respect to the Acquisition and ensuring that the REIT completes such acquisition in compliance with the requirements of MI 61-101, the applicable policies of the TSX and applicable law.

"**Special Voting Unit**" means a special voting unit in the capital of the REIT.

"**Starlight**" means Starlight Investments Ltd., a company incorporated under the laws of Ontario and controlled by Mr. Drimmer, being the asset manager of the REIT, and any reference to Starlight in the context of ownership of Units, Class B LP Units or Class B LP Units of the New Partnerships means, collectively, Starlight and/or certain or all of the other entities directly or indirectly beneficially owned or controlled by Mr. Drimmer that currently own Units or Class B LP Units and those that will hold Class B LP Units of the New Partnerships as a result of the Acquisition.

"**Subject Debentures**" has the meaning ascribed thereto in "Description of the Debentures — Limitation on Non-Resident Ownership".

"**Subject Securities**" has the meaning ascribed thereto in "Certain Canadian Federal Income Tax Considerations".

"**Subsidiary**" means, with respect to any person, company, partnership, limited partnership, trust or other entity, any company, partnership, limited partnership, trust or other entity controlled, directly or indirectly, by such person, company, partnership, limited partnership, trust or other entity.

"**Subsidiary Notes**" means promissory notes of a partnership or a trust all of the units of which, or a corporation all of the shares of which, are owned directly or indirectly by the REIT or another entity that would be consolidated with the REIT under IFRS, or of a Partnership having a maturity date, determined at the time of issuance, of not more than five years, bearing interest at a market rate determined by the Trustees at the time of issuance.

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder, as amended.

"**Tax Proposals**" means all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof.

"**TC2 Portfolio**" means the properties owned by affiliates of Timbercreek Asset Management Inc. from the date of the privatization of TransGlobe on June 29, 2012 to October 14, 2013, being 915 44th Street SE, Calgary, Alberta, 740 – 758 Kipps Lane, London, Ontario and 7-11 Manhattan Court, Guelph, Ontario.

"**Termination Event**" means the earliest to occur of any of: (i) the completion of the Acquisition not occurring on or before the Deadline; (ii) the REIT delivering to the Underwriters a notice, executed by the REIT, declaring that the Acquisition Agreement has been terminated or that the REIT will not be proceeding with the Acquisition; or (iii) the REIT formally announcing to the public by way of a press release that it does not intend to proceed with the Acquisition.

"**TFSA**" means tax-free savings account within the meaning of the Tax Act.

"**TGA3 Portfolio**" means the properties owned by TransGlobe from May 14, 2010, being 37 Berkeley Place West, Lethbridge, Alberta, 590 & 600 Columbia Boulevard West, Lethbridge, Alberta, 1304-1310 23rd Avenue North, Lethbridge, Alberta, 3210 & 3310 23rd Avenue South, Lethbridge, Alberta, 1603, 1607, 1611 & 1615 Scenic Heights South, Lethbridge, Alberta, 2201 32nd Street South, Lethbridge, Alberta, 175 Columbia Boulevard West, Lethbridge, Alberta, 256 Mayor Magrath Drive North, Lethbridge, Alberta, 2014 15th Avenue North, Lethbridge, Alberta, 915 44th Street SE, Calgary, Alberta, 286 Chandler Drive, Kitchener, Ontario, 294 Chandler Drive, Kitchener, Ontario, 7-11 Manhattan Court, Guelph, Ontario and 131 Maxwell Street, Sarnia, Ontario, and, properties owned by TransGlobe from September 1, 2011, being 1219 Centre Street, Brooks, Alberta, 740 – 758 Kipps Lane, London, Ontario, 135 Connaught Avenue and 543 Mornington Avenue, London, Ontario, in each case, to the date of the privatization of TransGlobe on June 29, 2012.

"**Transfer Agent**" means Equity Financial Trust Company, in its capacity as registrar and transfer agent of the Units, at its principal office in Toronto, Ontario.

"**TransGlobe**" means TransGlobe Apartment Real Estate Investment Trust.

"**True North General Partner**" means True North General Partner Corp., a company incorporated under the laws of Ontario, a wholly-owned Subsidiary of the REIT, the general partner of True North LP, Blue-Starlight LP, Rocky LP and, upon completion of the Acquisition, the general partner of the New Partnerships.

"**True North LP**" means True North Limited Partnership, a partnership duly existing and governed by the laws of Ontario.

"**True North LP Agreement**" means the limited partnership agreement of True North LP between the True North General Partner, as general partner and each person who is admitted to the partnership in accordance with the terms of the agreement, as the same may be amended and/or restated from time to time.

"**Trustees**" means the trustees from time to time of the REIT.

"**TSX**" means the Toronto Stock Exchange.

"**TSXV**" means the TSX Venture Exchange.

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

"**Underwriters' Fee**" means the fee equal to 5% of the gross proceeds of the Offering to be paid to the Underwriters pursuant to the Underwriting Agreement.

"**Underwriting Agreement**" means the agreement dated June 2, 2014 entered into among the REIT and the Underwriters in respect of the Offering.

"**Unit Interest Payment Election**" has the meaning ascribed thereto in "Description of the Debentures — Interest Payment Election".

"**Unit Issuance Plan**" means the non-executive Trustee unit issuance plan of the REIT adopted with effect from May 28, 2013 and amended and restated as of January 1, 2014.

"**Unitholder**" means a holder of Voting Units.

"**Units**" means trust units in the capital of the REIT, other than Special Voting Units.

"**Vendors**" means, collectively, D.D. Acquisitions Partnership, Mustang DDAP Partnership, Green-Starlight LP, Yellow-Starlight LP, Red-Starlight LP and PD Kanco LP.

"**Voting Units**" means, collectively, the Units and the Special Voting Units.

"**VTB**" means the vendor take-back mortgage provided by the Vendors to the REIT as described under "The Acquisition — VTB".

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere, or incorporated by reference, in this Prospectus.

The REIT

The REIT is an unincorporated, open-ended real estate investment trust established under, and governed by, the laws of Ontario pursuant to the Declaration of Trust. The principal, registered and head office of the REIT is located at 401 The West Mall, Suite 1100, Toronto, Ontario, M9C 5J5.

The REIT was established to own multi-suite residential rental properties across Canada, the United States and such other jurisdictions where opportunities may arise, subject to the terms set out in the Declaration of Trust. The REIT currently owns 54 residential properties, consisting of an aggregate of 6,002 residential suites located in Ontario, Québec, Nova Scotia, New Brunswick and Alberta. See "The REIT" and "Recent Developments".

The Units commenced trading on the TSXV under the symbol "TN.UN" on June 11, 2012. On May 3, 2013, the Units were delisted from the TSXV, the Consolidation of the Units was effected and the Units commenced trading on the TSX under the same symbol. The REIT has applied to list the Debentures and the Units issuable upon conversion of the Debentures on the TSX. Listing is subject to the REIT fulfilling all of the requirements of the TSX.

The Acquisition

The REIT has agreed to indirectly acquire a portfolio of 29 properties comprising an aggregate of 2,824 residential suites in 11 High-Rise properties, four Mid-Rise properties, 13 Low-Rise properties, and one townhouse complex. The Acquisition Properties are located in Ontario and Alberta. In connection with the Acquisition, certain of the Vendors will be providing the Instalment Notes. To effect the Acquisition, the REIT has agreed to acquire control of the New Partnerships by subscribing for Class A LP Units of the New Partnerships and causing True North General Partner to acquire the general partnership interest of the New Partnerships and thereby indirectly acquire the Acquisition Properties and the Instalment Notes. The purchase price for the Acquisition Properties and Instalment Notes of approximately $286.0 million (inclusive of an issue price premium of approximately $8.4 million on the Class B LP Units of the New Partnerships as at May 28, 2014, but exclusive of transaction costs), which implies a capitalization rate of approximately 5.4%, will be satisfied by a combination of: (i) approximately $12.9 million in cash, (ii) the assumption of approximately $65.6 million aggregate principal amount of existing mortgage debt, (iii) approximately $127.5 million aggregate principal amount of new mortgage debt, including $0.75 million represented by the VTB, and (iv) the issuance to the Vendors of an aggregate of 8,890,466 Class B LP Units of the New Partnerships (each such unit to be issued at a price of $9.00). The new and assumed mortgages have an expected effective weighted average interest rate of 3.1% (after giving effect to the Instalment Notes) and an expected weighted average term to maturity of approximately 4.1 years. As at April 30, 2014, the Acquisition Properties had an occupancy rate of approximately 96.6%. See "Description of the Acquisition Properties". Completion of the Acquisition is expected to occur on or about June 27, 2014. Notwithstanding the terms of the Asset Management Agreement, Starlight has agreed to waive its acquisition fee in connection with the Acquisition. See "The Acquisition".

The Acquisition and the VTB constitute "related party transactions" under MI 61-101. Pursuant to MI 61-101, the REIT is required to obtain prior approval of the Acquisition and the VTB by a majority of the Minority Unitholders at a meeting of Unitholders held to consider the Acquisition. A special meeting (the "**Meeting**") of the Unitholders for the purpose of, among other things, approving the Acquisition and VTB is expected to be held on or about June 26, 2014. See "The Acquisition — Transaction Approvals — Unitholder Approval".

The Special Committee, consisting of J. Michael Knowlton (Chair), Graham L. Rosenberg and Denim Smith, each of whom is an Independent Trustee, was established by the REIT for the purposes of supervising the process to be carried out by the REIT and its professional advisors in connection with the Acquisition and make recommendations to the Trustees in respect of matters that it considers relevant with respect to the Acquisition and ensure that the REIT completes such acquisition in compliance with the requirements of MI 61-101, the applicable policies of the TSX and applicable law. On May 28, 2014, the Special Committee unanimously recommended to the Trustees that they approve the Acquisition and VTB and recommend that Unitholders vote for the Acquisition and VTB at the Meeting. The Trustees (with the exception of Daniel Drimmer, who declared his interest and recused himself from voting) have unanimously resolved to recommend that Unitholders vote for the Acquisition and VTB at the Meeting. See "The Acquisition — Transaction Approvals".

Following the completion of the Acquisition and the Offering, it is expected that Mr. Drimmer (together with his Affiliates) will hold an approximate 41.2% effective interest in the REIT through the ownership of, or the control or direction over, Units, Class B LP Units and Special Voting Units. See "Retained Interest".

THE OFFERING

Offering: $20,000,000 aggregate principal amount of Debentures ($23,000,000 aggregate principal amount of Debentures if the Over-Allotment Option is exercised in full).

Issue Price: $1,000 per Debenture.

Over-Allotment Option: The Underwriters will have the option exercisable, in whole or in part and at any time not later than the earlier of: (i) the 30th day following the closing of the Offering and (ii) the occurrence of a Termination Event, to purchase up to an additional $3,000,000 aggregate principal amount of Debentures solely to cover over-allocations, if any, and for market stabilization purposes. See "Plan of Distribution".

Use of Proceeds: The estimated total net proceeds to be received by the REIT from the Offering will be approximately $18.0 million, after deducting the Underwriters' Fee and the estimated expenses of the Offering. Substantially all of the net proceeds of the Offering will be used to finance the cash component of the purchase price for the Acquisition Properties and the Instalment Notes, and to pay for expenses of the Offering and Acquisition.

It is the REIT's current intention to use all of the net proceeds received by the REIT on the exercise of the Over-Allotment Option, if exercised, to repay Indebtedness, for future acquisitions and/or general trust purposes. See "Use of Proceeds".

Risk Factors: An investment in the Debentures is subject to a number of risks that prospective investors should carefully consider before making an investment decision. These risks and uncertainties include, among other things:

(a) risks related to the Offering, which include risks relating to (i) there being no prior public market for the Debentures, (ii) the volatile market price for the Debentures, (iii) the credit risk in respect of the Debentures, including risks relating to prior ranking indebtedness and the absence of covenant protection, (iv) the structural subordination of the Debentures, (v) the conversion of the Debentures following certain transactions, (vi) the value of the conversion privilege of the Debentures, (vi) redemption of the Debentures prior to the maturity thereof, (viii) the REIT's inability to purchase the Debentures on a Change of Control, (ix) dilution and (x) risks related to the Units issuable upon conversion of the Debentures, which are discussed in the AIF in "Risk Factors — Risks Related to the Units";

(b) risks related to the Acquisition, which include risks relating to (i) the possible failure to complete the Acquisition, (ii) the possible failure to obtain the New Mortgages on the terms disclosed in this Prospectus, (iii) the possible failure to realize the expected returns on the Acquisition, (iv) historical financial information and pro-forma financial information, (v) the use of property appraisals, (vi) the use of fairness opinions, and (vii) the REIT's assumption of liabilities pursuant to the Acquisition Agreement; and

(c) risks related to the REIT and its business, which include risks relating to taxation matters.

See "Risk Factors" herein and "Risk Factors" in the AIF.

Interest: The Debentures shall bear interest from, and including, the date of closing of the Offering at a rate of 5.75% per annum, payable semi-annually in arrears on June 30 and December 31 in each year commencing December 31, 2014.

Maturity Date: The maturity date of the Debentures will initially be the Initial Maturity Date (being the date upon which a Termination Event occurs). If the completion of the Acquisition occurs prior to the occurrence of a Termination Event, the maturity date of the Debentures will be automatically extended from the Initial Maturity Date to the Final Maturity Date (being June 30, 2019). In the event that the completion of the Acquisition does not occur prior to the occurrence of a Termination Event, the Debentures will mature on the Initial Maturity Date and the REIT will repay the aggregate principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon.

Conversion: Each Debenture will be convertible into Units at the option of the Debentureholder at any time after the Initial Maturity Date and prior to 5:00 p.m. (Toronto time) on the earlier of the Final Maturity Date and on the business day immediately preceding the date specified by the REIT for redemption of the Debentures (if applicable), at the Conversion Price, being a conversion rate of approximately 107.5 Units per $1,000 principal amount of the Debentures, subject to adjustment in certain events in accordance with the Indenture. Debentureholders converting their Debentures will also receive accrued and unpaid interest on such Debentures for the period from the last interest payment date on their Debentures (or the date of closing of the Offering if no interest has yet been paid with respect to their Debentures) to and including the last record date declared by the REIT, occurring prior to the date of conversion, for determining the holders of Units entitled to receive a distribution on the Units. Further particulars concerning the conversion privilege, including provisions for the adjustment of the Conversion Price in certain events, are set out under "Description of the Debentures — Conversion Privilege".

Redemption: The Debentures shall not be redeemable prior to June 30, 2017, except upon the satisfaction of certain conditions after a Change of Control (as defined herein) has occurred. On and from June 30, 2017, and prior to June 30, 2018, the Debentures shall be redeemable, in whole at any time, or in part from time to time, at the option of the REIT on not more than 60 days' and not less than 30 days' prior written notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest up to the date fixed for redemption, provided that the Current Market Price is not less than 125% of the Conversion Price. On and from June 30, 2018, and prior to the Final Maturity Date, the Debentures shall be redeemable, in whole at any time, or in part from time to time, at the option of the REIT on not more than 60 days' and not less than 30 days' prior written notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest up to the date fixed for redemption.

Interest Payment Election:	Subject to regulatory approval and other conditions, the REIT may, at its option, elect to satisfy its obligation to pay, in whole or in part, the principal amount of the Debentures which are to be redeemed or which have matured by issuing and delivering that number of freely-tradeable Units to the Debentureholders obtained by dividing the principal amount of the Debentures being repaid by 95% of the Current Market Price on the date of redemption or maturity, as applicable. In addition, if the maturity date for the Debentures is extended to the Final Maturity Date, and subject to regulatory approval and other conditions, the REIT may elect, from time to time, to satisfy its obligation to pay interest on the Debentures on the date interest is payable under the Indenture, by issuing and delivering freely-tradeable Units to the Debenture Trustee to be sold by the Debenture Trustee for proceeds, which together with any cash payments to be made by the REIT in lieu of fractional Units, are sufficient to satisfy all of the REIT's obligations to pay interest on the Debentures in accordance with the Indenture. See "Description of the Debentures".

THE REIT

The REIT is an unincorporated, open-ended real estate investment trust established under, and governed by, the laws of Ontario pursuant to the Declaration of Trust. The principal, registered and head office of the REIT is located at 401 The West Mall, Suite 1100, Toronto, Ontario, M9C 5J5.

The REIT was established to own multi-suite residential rental properties across Canada, the United States and such other jurisdictions where opportunities may arise, subject to the terms set out in the Declaration of Trust. The REIT currently owns 54 residential properties, consisting of an aggregate of 6,002 residential suites located in Ontario, Québec, Nova Scotia, New Brunswick and Alberta.

The objectives of the REIT are to:

(a) generate stable cash distributions on a tax-efficient basis;

(b) expand the asset base of the REIT and increase its distributable cash flow through acquisitions of additional multi-suite residential rental properties across Canada, the United States and such other jurisdictions where opportunities may arise; and

(c) enhance the value of the REIT's assets to maximize long-term Unit value through active management of its assets.

Starlight provides advisory, asset management and administrative services to the REIT and its Subsidiaries pursuant to the Asset Management Agreement which is filed with the Canadian securities regulatory authorities and available on SEDAR at *www.sedar.com*.

The REIT has also outsourced the property management function to third party property managers who provide reporting and analysis and property site functions such as leasing, tenant retention, building maintenance and operating cost management. The REIT believes the third party managers provide extensive local market knowledge.

RECENT DEVELOPMENTS

For recent developments relating to the REIT, please refer to "The REIT — Development of the REIT" in the AIF.

THE ACQUISITION

Overview

The REIT has agreed to indirectly acquire a portfolio of 29 properties comprising an aggregate of 2,824 residential suites in 11 High-Rise properties, four Mid-Rise properties, 13 Low-Rise properties, and one townhouse complex. The Acquisition Properties are located in Ontario and Alberta. In connection with the Acquisition, certain of the Vendors will be providing the Instalment Notes. To effect the Acquisition, the REIT has agreed to acquire control of the New Partnerships by subscribing for Class A LP Units of the New Partnerships and causing True North General Partner to acquire the general partnership interest of the New Partnerships and thereby indirectly acquire the Acquisition Properties and the Instalment Notes. The purchase price for the Acquisition Properties and Instalment Notes of approximately $286.0 million (inclusive of an issue price premium of approximately $8.4 million on the Class B LP Units of the New Partnerships as at May 28, 2014, but exclusive of transaction costs), which implies a capitalization rate of approximately 5.4%, will be satisfied by a combination of: (i) approximately $12.9 million in cash, (ii) the assumption of approximately $65.6 million aggregate principal amount of existing mortgage debt, (iii) approximately $127.5 million aggregate principal amount of new mortgage debt, including $0.75 million represented by the VTB, and (iv) the issuance to the Vendors of an aggregate of 8,890,466 Class B LP Units of the New Partnerships (each such unit to be issued at a price of $9.00). The new and assumed mortgages have an expected effective weighted average interest rate of 3.1% (after giving effect to the Instalment Notes) and an expected weighted average term to maturity of approximately 4.1 years. As at April 30, 2014, the Acquisition Properties had an occupancy rate of approximately 96.6%. See "Description of the Acquisition Properties".

Notwithstanding the terms of the Asset Management Agreement, Starlight has agreed to waive its acquisition fee in connection with the Acquisition.

The Acquisition will be completed pursuant to the Acquisition Agreement and will be conditional upon the satisfaction of certain conditions including lender consents, completion of the Offering, Unitholder approval, completion of the VTB, *Competition Act* (Canada) approval and meeting the conditions of TSX approval. See "The Acquisition — Transaction Approvals". Completion of the Acquisition is expected to occur on or about June 27, 2014.

The purchase price for the Acquisition Properties was established by negotiation between the Special Committee and the Vendors (each an Affiliate of Mr. Drimmer), after the consideration by the Special Committee of, among other things, the Fairness Opinion, the Original Appraisals, the Independent Appraisals, the valuation of the Instalment Notes, the Environmental Site Reconnaissance Letters, the Property Condition Assessments and other financial, market and detailed property-related information deemed appropriate and sufficient for such purposes. See "The Acquisition — Recommendation of the Special Committee", "The Acquisition — Independent Appraisals", "The Acquisition — Prior Valuations" and "Description of the Acquisition Properties — Environmental and Property Condition Assessment of Acquisition Properties".

Each of the Vendors is a related party of the REIT, as Mr. Drimmer is the Chairman of the REIT. An aggregate of 8,890,466 Class B LP Units of the New Partnerships will be issued to the Vendors pursuant to the Acquisition Agreement and, following the completion of the Acquisition and the Offering, it is expected that Mr. Drimmer (together with his Affiliates) will hold an approximate 41.2% effective interest in the REIT through the ownership of, or the control or direction over, Units, Class B LP Units and Special Voting Units. See "Retained Interest".

The Acquisition and VTB constitute "related party transactions" under MI 61-101. See "The Acquisition — Recommendation of the Special Committee".

Acquisition Agreement

The following is a summary of the material attributes and characteristics of the Acquisition Agreement. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Acquisition Agreement, which has been filed with the Canadian securities regulatory authorities and will be available on SEDAR at www.sedar.com. A purchaser of Debentures should refer to the terms of the Acquisition Agreement for a complete description of the representations, warranties and indemnities being provided in favour of, and by, the REIT, and related limitations under the Acquisition Agreement.

The REIT has agreed to acquire control of the New Partnerships by subscribing for Class A LP Units of the New Partnerships and causing True North General Partner to acquire the general partnership interest of each of the New Partnerships and thereby indirectly acquire the Acquisition Properties and the Instalment Notes, for an aggregate purchase price of approximately $286.0 million (inclusive of the issue price premium of approximately $8.4 million on the Class B LP Units of the New Partnerships as at May 28, 2014, but exclusive of transaction costs), all pursuant to the provisions of the Acquisition Agreement. The Acquisition Agreement contains representations, warranties and covenants typical of those contained in acquisition agreements negotiated between parties dealing at arm's length (including, among other things, representations and warranties as to organization and status, power and authorization, authorized and issued capital of nominee companies, leasing matters, the existence of work orders and covenants of the Vendors, relating to outstanding lender undertakings and the resolution of outstanding work orders pertaining to the Acquisition Properties), as well as indemnities with respect to a breach of any representation or warranty of a Vendor, failure to comply with covenants, taxes or obligations with respect to wages and employee benefits. Only the REIT will be entitled to bring a claim or action for misrepresentation or breach of contract under the Acquisition Agreement. Purchasers of Debentures under this prospectus do not and will not have any contractual rights under the Acquisition Agreement.

Purchasers will, however, have certain statutory rights against the REIT under applicable securities laws. See "Purchasers' Statutory Rights".

Instalment Notes

Pursuant to the terms of the Acquisition Agreement, certain of the Vendors have agreed to make monthly instalment payments to the REIT under the Instalment Notes, in order for the REIT to achieve an effective interest rate of 2.5% per annum on the Assumed Mortgages, which will be assumed by the REIT upon completion of the Acquisition. The monthly instalment payments will extend over a period of approximately 80 months from the Acquisition Closing Date, based on the maturity dates of the Assumed Mortgages. Instalment payments are expected to initially be approximately $39,114 per whole month declining to approximately $2,570 for the last whole month, for an aggregate amount of approximately $1.7 million over the term of the Assumed Mortgages.

The Special Committee retained Origin to provide an independent opinion of the fair market value of the Instalment Notes. See "The Acquisition — Recommendation of the Special Committee". Origin determined, as at May 26, 2014, that the value of the Instalment Notes on the Acquisition Closing Date, using a discounted cash flow analysis, was in the range of $1,456,057 to $1,513,532.

VTB

The VTB in the amount of $0.75 million will have a five year term (commencing from the date of completion of the Acquisition), and will bear interest at a rate of 3% per annum and shall be payable interest only and monthly. The VTB is fully open for prepayment without penalty during the first year of the term.

The VTB constitutes a "related party transaction" under MI 61-101. Pursuant to MI 61-101, the REIT is required to obtain prior approval of the VTB by a majority of the Minority Unitholders at the Meeting to be held to consider the Acquisition. The Meeting is expected to be held on or about June 26, 2014. See "The Acquisition — Transaction Approvals — Unitholder Approval".

To the extent that realty taxes payable in respect to all of the Acquisition Properties exceed $4,158,114 for the period from June 27, 2014 to June 26, 2015 (the "**Base Year**"), the REIT shall be entitled to offset such excess amount against the indebtedness owing under the VTB at the end of the first quarter following the granting of such loan and thereafter on each subsequent quarter. The principal amount owing under the VTB shall be reduced quarterly thereafter by the amount by which realty taxes payable in respect of all of the Acquisition Properties exceed the Base Year plus a 2.0% increase per year. The realty taxes shall be based on $4,241,276 for June 27, 2015 to June 26, 2016; $4,326,102 for June 27, 2016 to June 26, 2017; $4,412,624 for June 27, 2017 to June 26, 2018; $4,500,876 for June 27, 2018 to June 26, 2019. The maximum set-off right to which the REIT is entitled is $750,000.

Capital Expenditure Commitment

Pursuant to the terms of the Acquisition Agreement, the Vendors have agreed to make additional payments on account of capital improvements at the Acquisition Properties in the aggregate amount of approximately $3.2 million over a period estimated to be 12 months, or less, from the closing date of the Acquisition.

Transaction Approvals

Unitholder Approval

The Acquisition and the VTB are transactions between, among others, the REIT and the Vendors. Each of the Vendors is controlled by Mr. Drimmer, the Chairman of the REIT, who currently holds an approximate 18.85% economic and voting interest in the REIT through the ownership of Units, Class B LP Units and Special Voting Units.

Accordingly, the Acquisition and VTB constitute "related party transactions" under MI 61-101. Pursuant to Section 5.4 of MI 61-101, the REIT was required to obtain, at its own expense, a formal valuation of the Acquisition Properties (see "The Acquisition — Independent Appraisals") by a qualified valuator who is independent of the REIT. The VTB is not subject to the formal valuation requirements of Section 5.4 of MI 61-101 as it is not a transaction described in paragraphs (a) through (g) of the definition of "related party transaction" in MI 61-101.

The REIT is also required, pursuant to Section 5.6 of MI 61-101, to obtain prior approval of the Acquisition and the VTB by a majority of the Minority Unitholders at the Meeting held to consider the Acquisition. The Meeting is expected to be held on or about June 26, 2014.

Further, majority approval by the Minority Unitholders at the Meeting is required in connection with the Acquisition and the issuance of Class B LP Units of the New Partnerships to the Vendors pursuant to the following sections of the TSX Company Manual: (a) section 611(b), as the number of securities to be issued to the Vendors in connection with the Acquisition exceeds 10% of those outstanding at the time of the Acquisition. The Vendors will be issued 8,890,466 Class B LP Units of the New Partnerships and accompanying Special Voting Units as partial consideration for the Acquisition, which represents approximately 38.1% of Voting Securities outstanding as at May 30, 2014 before giving effect to the Acquisition, on a non-diluted basis, and section 611(c), as the number of securities issuable as partial payment for the Acquisition exceeds 25% of the number of Voting Securities outstanding as at May 30, 2014, on a non-diluted basis; (b) section 604(a), as the effective interest in the REIT held by Mr. Drimmer and his Affiliates will increase from 4,404,474 Voting Units to 13,294,920 Voting Units, representing an increase from a 18.9% effective interest in the REIT before giving effect to the Acquisition to a 41.2% effective interest in the REIT after giving effect to the Acquisition, which may be considered to have a material effect on control of the REIT; and (c) section 501(c), as the aggregate consideration payable to the Vendors in respect of the Acquisition represents more than 10% of the market capitalization of the REIT.

See "Financing for the Acquisition — Issue of Class B LP Units of the New Partnerships and Special Voting Units" for further information regarding the securityholdings of Mr. Drimmer and his Affiliates.

The Special Committee, consisting of J. Michael Knowlton (Chair), Graham L. Rosenberg and Denim Smith, each of whom is an Independent Trustee, was established by the REIT for the purposes of supervising the process to be carried out by the REIT and its professional advisors in connection with the Acquisition and make recommendations to the Trustees in respect of matters that it considers relevant with respect to the Acquisition and ensure that the REIT completes such acquisition in compliance with the requirements of MI 61-101, the applicable policies of the TSX and applicable law. On May 28, 2014, the Special Committee unanimously recommended to the Trustees that they recommend that Unitholders vote for the Acquisition and VTB at the Meeting. The Trustees have unanimously resolved (with the exception of Mr. Drimmer, who declared his interest and recused himself from voting) to recommend that Unitholders vote for the Acquisition and VTB at the Meeting.

Holders of Debentures who do not own Voting Units are not Unitholders and the Debentures do not carry any voting rights, including, for greater certainty, the right to vote at the Meeting.

Lender Approvals

The REIT has commenced the process of obtaining formal approval from the lenders in respect of the Assumed Mortgages and the REIT expects to receive such approvals and assume such mortgages on terms that are substantially the same, in all material respects, as the existing terms of such mortgages. See "Debt Financing for the Acquisition — Assumed Mortgages".

Competition Act Approval

The Acquisition is conditional upon (i) the REIT receiving an advance ruling certificate under Section 102 of the *Competition Act* (Canada) in respect of the Acquisition or (ii) the applicable waiting period relating to pre-merger notification under Part IX of the *Competition Act* (Canada) shall have expired and the

Commissioner does not intend to oppose the Acquisition, or any part of the Acquisition and shall not have made or threatened to made application under Part VIII of the *Competition Act* (Canada) in respect of the Acquisition or any part of the Acquisition.

TSX Approval

The Acquisition is conditional upon the approval of the TSX. The REIT has commenced the application process and expects to receive the approval upon the satisfaction of the conditions of the TSX.

Independent Appraisals

The Acquisition constitutes a "related party transaction" under MI 61-101. Pursuant to MI 61-101, the REIT was required to obtain, at its own expense, formal valuations of the Acquisition Properties by a qualified valuator who is independent of the REIT.

Accordingly, the Special Committee retained CBRE to prepare the Independent Appraisals. The Independent Appraisals prepared by CBRE have been filed on SEDAR at www.sedar.com for the benefit of Unitholders. The following is a summary of the Independent Appraisals. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Independent Appraisals.

The Independent Appraisals state that they have been prepared in conformity with the Canadian Uniform Standards of Professional Appraisal Practice and the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice in Canada, each as adopted by the Appraisal Institute of Canada. The Appraisal Institute of Canada defines market value as "the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus". According to the Appraisal Institute of Canada, implicit in this definition of market value is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (i) buyer and seller are typically motivated; (ii) both parties are well informed or well advised, and acting in what they consider their best interests; (iii) a reasonable time is allowed for exposure in the open market; (iv) payment is made in terms of cash in Canadian dollars or in terms of financial arrangements comparable thereto; and (v) the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale (the foregoing collectively referred to as, the "**AIC Standards**").

Based on the Independent Appraisals, the estimated aggregate market value of the Acquisition Properties as at May 23, 2014 was approximately $294.3 million, excluding any portfolio premium. CBRE's letter to the Special Committee dated May 28, 2014 confirms that, assuming there is no material change in net operating income for the Acquisition Properties, CBRE would therefore expect the market values ascribed to the Acquisition Properties as of September 12, 2013 to remain unchanged as of May 23, 2014. The estimated market value of each of the Acquisition Properties was determined by CBRE using the income approach (direct capitalization method) and the direct comparison approach, which utilizes gross income multiplier and sale price per suite analyses. These valuation methods are used widely by investors when acquiring properties of this nature. The Independent Appraisals state that the appraisals and analyses were performed in accordance with AIC Standards. The Independent Appraisals are subject to a number of assumptions and limiting conditions. In particular, in appraising the Acquisition Properties, CBRE assumed that title to the properties was clear and marketable and did not carry out detailed inspections of the properties.

In determining the approximate market value of the Acquisition Properties, CBRE relied on operating and financial data provided by Starlight, including rent rolls, operating income and expense budgets, historical operating statements and projected net operating income statements. Specifically, for each of the properties for which they conducted an appraisal, CBRE discussed with management of Starlight the property's history, current tenant status and future prospects, and reviewed historical operating results and management revenue and expense estimates as set forth in the forecasted operating budgets for their reasonableness. Based on its review, and other relevant facts, CBRE considered such data to be reasonable and supportable.

Caution should be exercised in the evaluation and use of appraisal results. An appraisal is an estimate of market value. It is not a precise measure of value, but is based on a subjective comparison of related activity taking place in the real estate market. The Independent Appraisals are based on various assumptions of future expectations and while CBRE's internal forecasts of NOI for the Acquisition Properties are considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future. A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the aggregate underlying value of its real estate assets.

Prior Valuations

There are no "prior valuations" (as defined in MI 61-101) in respect of the Acquisition Properties that have been made in the 24 months before the date hereof and the existence of which is known, after reasonable inquiry, to the REIT or to any Trustee or senior officer of the REIT, other than the Original Appraisals.

The Original Appraisals were prepared in conformity with the Canadian Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Institute of Canada, and the appraisal standards referred to above under "Independent Appraisals".

The Original Appraisals were performed on the Acquisition Properties on dates ranging from June 25, 2012 to June 30, 2013, as these properties were not purchased as a single portfolio. The fact that the appraisals were conducted on different dates may affect the appraisal values. The following table shows the date(s) and market values estimated by each of the Original Appraisals:

Property	Date	Market Value
915 44th Street SE, Calgary, Alberta	May 7, 2013	$ 5,500,000
1 Rosemount Drive, Toronto, Ontario	November 15, 2012	$12,500,000
2292 Weston Road, Toronto, Ontario	August 15, 2012	$ 7,100,000
100 Rideau Street, Oshawa, Ontario	August 15, 2012	$26,500,000
33 Richmond Street West, Oshawa, Ontario	August 24, 2012	$ 6,610,000
740-758 Kipps Lane, London, Ontario	June 30, 2013	$51,900,000
155 Market Street, Hamilton, Ontario	August 22, 2012	$ 6,500,000
93-99 Westwood Drive, Kitchener, Ontario	August 1, 2012	$ 3,860,000
285 Erb Street West, Waterloo, Ontario	August 9, 2012	$10,800,000
7-11 Manhattan Court, Guelph, Ontario	May 7, 2013	$ 4,340,000
840 Water Street, Peterborough, Ontario	February 5, 2013	$ 3,640,000
10 Cartier Court, Brockville, Ontario	August 10, 2012	$ 1,760,000
2 Colborne Street West, Lindsay, Ontario	June 25, 2012	$13,630,000
25 Westwood Court, Lindsay, Ontario	September 13, 2012	$ 9,120,000

Recommendation of the Special Committee

As the Acquisition and the VTB constitute "related party transactions" under MI 61-101, the Special Committee was established by the REIT for the purposes of supervising the process to be carried out by the REIT and its professional advisors in connection with the Acquisition and the VTB, making recommendations to the Trustees in respect of matters that it considers relevant with respect to the Acquisition and VTB, and ensuring that the REIT completes such transactions in compliance with the requirements of MI 61-101, the Declaration of Trust, the applicable policies of the TSX and applicable law.

The Special Committee retained Origin to act as its financial advisor in connection with the Acquisition. Origin has provided the Special Committee with its Fairness Opinion. Origin concluded, in the Fairness Opinion, that the Acquisition is fair, from a financial point of view, to Unitholders, other than Mr. Drimmer and his Affiliates. The Fairness Opinion is subject to a number of assumptions and limitations and will be included in the materials to be provided to Unitholders in connection with the Meeting to approve the Acquisition. In addition, the Special Committee engaged CBRE, a leading real estate services firm, to prepare the Independent Appraisals.

The Special Committee also retained Origin to provide an independent opinion of the fair market value range of the Instalment Notes. Origin determined, as at May 26, 2014, that the value of the Instalment Notes on the Acquisition Closing Date, using the discounted cash flow analysis, was in the range of $1,456,057 to $1,513,532.

The Special Committee also met with senior management of the REIT as well as its legal and tax advisors in order to consider various aspects of the Acquisition and reviewed the Environmental Site Reconnaissance Letters and the Property Condition Assessments. In addition, the Special Committee and its advisors requested and reviewed a detailed financial model prepared by the REIT's asset manager, Starlight, relating to the Acquisition Properties. After giving consideration to, among other things, the Fairness Opinion, the Prior Appraisals, the Independent Appraisals, the valuation of the Instalment Notes, the Environmental Site Reconnaissance Letters, the Property Condition Assessments and other financial, market and detailed property related information deemed appropriate and sufficient for such purposes, the Special Committee unanimously recommended to the Trustees that they recommend that Unitholders vote for the Acquisition and VTB at the Meeting.

Recommendation of the Trustees

The Trustees (with Mr. Drimmer declaring his interest and refraining from voting) have unanimously resolved to recommend that Unitholders vote for the Acquisition and the VTB at the Meeting.

DESCRIPTION OF THE ACQUISITION PROPERTIES

The Acquisition Properties consist of 29 properties comprising an aggregate of approximately 2,824 residential suites in 11 High-Rise properties, four Mid-Rise properties, 13 Low-Rise properties and one townhouse complex, located in Ontario and Alberta.

Overview

The following table highlights certain information about the Acquisition Properties, including occupancy levels and average monthly rent per suite which is set out as at April 30, 2014:

	Rentable Suites								
	Total Suites	Bachelor	One Bedroom	Two Bedrooms	Three or more Bedrooms	Year Built	Asset Type	Occupancy Level	Average Monthly Rent/ Suite[1]
37 Berkeley Place West, Lethbridge, Alberta	111	1	56	51	3	1980	High-Rise	95%	$ 936
590 & 600 Columbia Boulevard West, Lethbridge, Alberta	70	—	54	16	—	1982	Mid-Rise	91%	$ 798
1304-1310 23rd Avenue North, Lethbridge, Alberta	105	—	17	88	—	1974	Mid-Rise	96%	$ 825
3210 & 3310 23rd Avenue South, Lethbridge, Alberta	59	—	26	33	—	1977	Low-Rise	92%	$ 901
1603-1615 Scenic Heights South, Lethbridge, Alberta	105	12	24	69	—	1971	Low-Rise	96%	$ 843
2201 32nd Street South, Lethbridge, Alberta	50	—	31	19	—	1972	High-Rise	96%	$ 917
175 Columbia Boulevard West, Lethbridge, Alberta	48	4	20	24	—	1970	Low-Rise	81%	$ 892
256 Mayor Magrath Drive North, Lethbridge, Alberta	25	1	7	17	—	1975	Low-Rise	96%	$ 844
2014 15th Avenue North, Lethbridge, Alberta	24	—	13	11	—	1975	Low-Rise	92%	$ 829
915 44th Street SE, Calgary, Alberta	35	—	35	—	—	1975	Low-Rise	97%	$ 982
1219 Centre Street, Brooks, Alberta	24	—	8	16	—	2003	Low-Rise	92%	$ 850
1 Rosemount Drive, Toronto, Ontario	110	8	75	27	—	1972	High-Rise	100%	$ 912
2292 Weston Road, Toronto, Ontario	65	2	41	22	—	1964	High-Rise	94%	$1,009
100 Rideau Street, Oshawa, Ontario	189	—	—	—	189	1979	Townhouse	98%	$1,109
33 Richmond Street West, Oshawa, Ontario	70	—	20	50	—	1973	High-Rise	99%	$1,014
740-758 Kipps Lane, London, Ontario	666	—	259	407	—	1971-78	High-Rise	98%	$ 742
135 Connaught Avenue & 543 Mornington Avenue, London, Ontario	58	—	—	58	—	1967-68	Low-Rise	97%	$ 773
155 Market Street, Hamilton, Ontario	116	—	86	30	—	1975	High-Rise	96%	$ 706
286 Chandler Drive, Kitchener, Ontario	79	—	2	77	—	1989	High-Rise	99%	$ 903
294 Chandler Drive, Kitchener, Ontario	162	16	69	47	30	1977	High-Rise	99%	$ 850
93-99 Westwood Drive, Kitchener, Ontario	48	4	26	18	—	1968	Low-Rise	98%	$ 750
285 Erb Street West, Waterloo, Ontario	100	—	23	44	33	1968	High-Rise	92%	$ 993
7-11 Manhattan Court, Guelph, Ontario	40	—	20	15	5	1968	Low-Rise	100%	$ 906
131 Maxwell Street, Sarnia, Ontario	112	8	60	44	—	1973	High-Rise	96%	$ 933
840 Water Street, Peterborough, Ontario	34	—	4	30	—	1985	Low-Rise	91%	$ 850
10 Cartier Court, Brockville, Ontario	24	—	1	23	—	1989	Low-Rise	92%	$ 769
36 Raglan Street and 252 Belleville Road, Napanee, Ontario	25	—	2	21	2	1970's	Low-Rise	96%	$ 841
2 Colborne Street West, Lindsay, Ontario	162	8	66	66	22	1976	Mid-Rise	98%	$ 902
25 Westwood Court, Lindsay, Ontario	108	2	44	62	—	1976	Mid-Rise	100%	$ 853
Total/Average	**2,824**	**66**	**1,089**	**1,385**	**284**			**97%**	**$ 861**

(1) Based on the monthly in-place rent of occupied suites.

Property Descriptions

ALBERTA

37 Berkeley Place West, Lethbridge, Alberta

37 Berkeley Place West is a High-Rise residential apartment building situated near the intersection of Whoop-Up Drive West and University Drive West in the City of Lethbridge. 37 Berkeley Place West is located in close proximity to public transportation and the University of Lethbridge. The 16-storey building is situated on approximately 2.0 acres of land and contains a total of 111 suites consisting of bachelor, one, two, three and four bedrooms. The building includes laundry facilities and 151 surface parking spaces. It was constructed in 1980 with a cast-in-place concrete foundation supporting cast-in-place concrete load bearing walls. The exterior walls were recently recoated in 2013.

590 & 600 Columbia Boulevard West, Lethbridge, Alberta

590 & 600 Columbia Boulevard West is a Mid-Rise residential apartment complex comprised of two buildings situated south of Whoop-Up Drive West and east of McMaster Boulevard West in the City of Lethbridge. The complex is located in close proximity to the University of Lethbridge. The four-storey walk-up buildings are situated on approximately 2.3 acres of land and contain a total of 70 suites consisting of one and two bedrooms. The buildings include laundry facilities, 88 surface parking spaces and were constructed in 1982 with cast-in-place concrete foundations and wood frame construction. Corridor refurbishments were completed in the buildings in 2013.

1304-1310 23rd Avenue North, Lethbridge, Alberta

1304-1310 23rd Avenue North is a Mid-Rise residential complex situated south of 26th Avenue North and east of 13th Street North in the City of Lethbridge. It is located in close proximity to industrial parks and local retail establishments. This group of four four-storey, walk-up apartment buildings is situated on approximately 3.3 acres of land and contains a total of 105 suites consisting of one and two bedrooms. The buildings include laundry facilities, 120 surface parking spaces and were constructed in 1974 with cast-in-place concrete foundations and wood frame construction. Corridor refurbishments were completed in the buildings in 2013.

3210 & 3310 23rd Avenue South, Lethbridge, Alberta

3210 & 3310 23rd Avenue South are Low-Rise residential apartment buildings situated north of 24th Avenue South and east of Mayor Magrath Drive in the City of Lethbridge. The two buildings are located in close proximity to the commercial core of the city, the local airport and public transportation. 3210 23rd Avenue South is a three-storey walk-up building situated on approximately 1.5 acres of land and contains a total of 30 suites consisting of one and two bedroom suites. 3310 23rd Avenue South is a 2.5-storey walk-up building situated on approximately 1.1 acres of land and contains a total of 29 suites consisting of one and two bedrooms. The buildings include laundry facilities and 71 surface parking spaces. 3210 23rd Avenue South and 3310 23rd Avenue South were constructed in 1977. Each was built with a cast-in-place concrete foundation and wood frame construction. Corridor refurbishments were completed in the buildings in 2013.

1603, 1607, 1611 & 1615 Scenic Heights South, Lethbridge, Alberta

1603-1615 Scenic Heights South is a Low-Rise residential apartment building complex comprised of four buildings situated south of Scenic Drive South and east of Botterill Bottom Park in the City of Lethbridge. The complex is located in the south end of the city in close proximity to Lethbridge College. The three-storey walk-up buildings are situated on approximately 3.9 acres of land and contain a total of 105 suites consisting of bachelor, one and two bedrooms. The buildings include laundry facilities and 120 surface parking spaces. The complex was constructed in 1971 with a cast-in-place concrete foundation and a wood frame construction.

2201 32nd Street South, Lethbridge, Alberta

2201 32nd Street South is a High-Rise residential apartment building situated east of Mayor Magrath Drive (Highway 5) and north of 24th Avenue South in the City of Lethbridge. 2201 32nd Street South is located in close proximity to a commercial strip providing the area with amenities for residents. The nine-storey building is situated on approximately 1.3 acres of land and contains a total of 50 suites consisting of one and two bedrooms. The building includes laundry facilities and 56 surface parking spaces. 2201 32^{nd} Street South was constructed in 1972 with a cast-in-place concrete foundation and concrete block masonry walls and concrete floor slabs. The building underwent exterior wall and corridor refurbishments in 2013.

175 Columbia Boulevard West, Lethbridge, Alberta

175 Columbia Boulevard West is a Low-Rise residential apartment complex comprised of two buildings situated west of University Drive West and south of Whoop-Up Drive West in the City of Lethbridge. It is located in close proximity to the University of Lethbridge. The three-storey walk-up buildings are situated on approximately 1.6 acres of land and contain a total of 48 suites consisting of bachelor, one and two bedrooms. The buildings include laundry facilities and 56 surface parking spaces. The buildings were constructed in 1970 with cast-in-place concrete foundations, brick exteriors and concrete block interior load bearing walls.

256 Mayor Magrath Drive North, Lethbridge, Alberta

256 Mayor Magrath Drive North is a Low-Rise residential apartment building situated south of Crowsnest Trail and west of Mayor Magrath Drive South in the City of Lethbridge. It is located in close proximity to local retail establishments. The three-storey walk-up building is situated on approximately 0.9 acres of land and contains a total of 25 suites consisting of bachelor, one and two bedrooms. The building includes laundry facilities and 29 surface parking spaces. It was constructed in 1975 with a cast-in-place concrete foundation and wood frame construction.

2014 15^{th} Avenue North, Lethbridge, Alberta

2014 15^{th} Avenue North is a Low-Rise residential apartment building situated south of 26th Avenue North and west of 23rd Street North in the City of Lethbridge. It is located in close proximity to local retail establishments, schools and Lethbridge's industrial parks. The three-storey walk-up building is situated on approximately 0.5 acres of land and contains a total of 24 suites consisting of one and two bedrooms. The building includes laundry facilities and 29 surface parking spaces. It was constructed in 1975 with a cast-in-place concrete foundation and wood frame construction.

915 44^{th} Street SE, Calgary, Alberta

915 44^{th} Street SE is a Low-Rise residential apartment building situated south of 8^{th} Avenue SE and west of 44^{th} Street SE in the City of Calgary. The building is located in close proximity to Marlborough Mall and a stop on the Northeast Line of the C-Train light rail system in Calgary. The surrounding neighbourhood is primarily residential. The three-storey walk-up building is situated on approximately 0.6 acres of land and contains a total of 35 one bedroom suites. The building includes laundry facilities and 31 surface parking spaces. It was constructed in 1975 with a cast-in-place concrete foundation and conventional wood frame construction. The exterior walls have been finished with wood siding and stucco.

1219 Centre Street, Brooks, Alberta

1219 Centre Street is a Low-Rise building located near the intersection of Centre Street and 2^{nd} Street West in Brooks, Alberta. The property is located in close proximity to the TransCanada Highway, parks, schools and several retailers. The three-storey building is situated on approximately 1.1 acres of land and contains a total of 24 residential rental suites, consisting of one and two bedrooms. The building includes laundry facilities and 40 surface parking spots. It was constructed in 2003 with a cast-in-place concrete foundation and wood frame construction.

ONTARIO

1 Rosemount Drive, Toronto, Ontario

1 Rosemount Drive is a High-Rise residential apartment building situated near the intersection of Eglinton Avenue East and Birchmount Road in the City of Toronto. It is located in close proximity to public transportation, parks and local retail establishments. The nine-storey building is situated on approximately 1.4 acres of land and contains a total of 110 suites consisting of bachelor, one and two bedrooms. The building includes laundry facilities and balconies as well as 15 surface and 112 indoor parking spaces. It was constructed in 1972, with cast-in-place concrete foundation walls and concrete superstructure with a brick veneer. The building balconies and exterior walls were upgraded in 2013.

2292 Weston Road, Toronto, Ontario

2292 Weston Road is a High-Rise residential apartment building situated near the intersection of Highway 401 and Weston Road in the City of Toronto. It is located in close proximity to public transportation, the Humber River and major transportation routes including Highways 401 and 400. The eight-storey building is situated on approximately 0.6 acres of land and contains a total of 65 suites consisting of bachelor, one and two bedrooms. The building includes laundry facilities and balconies as well as 17 surface and 52 indoor parking spaces. It was constructed in 1964 with cast-in-place concrete foundation walls and a reinforced concrete superstructure.

100 Rideau Street, Oshawa, Ontario

100 Rideau Street is a townhouse residential complex situated near the intersection of Park Road North and Bond Street West in the City of Oshawa. 100 Rideau Street is located in close proximity to public transportation, Kinsmen Valleyview Park, the Oshawa Golf Club and the Oshawa Centre, and has excellent access to Highway 401. The townhouse complex is situated on approximately 10.8 acres of land, includes 282 outdoor parking spaces and contains a total of 189 suites consisting of three and four bedrooms. Each suite includes an individual washer and dryer, a basement, a full kitchen with appliances and a private yard. The townhouses were constructed in 1979 with concrete foundations, wooden superstructure, brick exterior walls and asphalt shingled roofs.

33 Richmond Street West, Oshawa, Ontario

33 Richmond Street West is a High-Rise residential apartment building situated near the intersection of King Street and Simcoe Street in the City of Oshawa. It is located in close proximity to public transportation, parks and local retail establishments. The 13-storey building is situated on approximately 0.3 acres of land and contains a total of 70 suites consisting of one and two bedrooms. The building includes laundry facilities, balconies and 55 indoor parking spaces. It was constructed in 1973 with a cast-in-place concrete foundation, reinforced concrete superstructure and on exterior brick veneer. The exterior walls and balconies were refurbished in 2013.

740-758 Kipps Lane, London, Ontario

740-758 Kipps Lane is a High-Rise residential apartment comprised of six buildings located east of Adelaide Street North, between Huron Street and Windermere Road in the City of London. The buildings are located near riverside parks, schools and are transit accessible. Western University and Fanshawe College are also nearby. The ten-storey buildings are situated on approximately 12.3 acres of land and contain a total of 666 suites, consisting of one and two bedrooms. The buildings include laundry facilities and a playground as well as 515 indoor and 310 surface parking spots. The buildings were constructed between 1971-78 with cast in-place concrete foundations with concrete superstructures and brick veneer walls.

135 Connaught Avenue & 543 Mornington Avenue, London, Ontario

The 135 Connaught Avenue and 543 Mornington Avenue residential complex consists of two Low-Rise apartment buildings located on Mornington Avenue, south of Oxford Street between Highbury Avenue North and Québec Street in the City of London. The buildings are located near schools, two parks and employment areas with large multi-national companies. The complex is transit accessible and Western University and Fanshawe College are nearby. The three-storey buildings are situated on approximately 2.2 acres of land and contain a total of 58 two bedroom suites. The buildings include laundry facilities, a playground and 70 surface parking spots. The buildings were constructed between 1967-1968 and consist of a cast in place foundation and masonry block and steel superstructure with brick masonry walls.

155 Market Street, Hamilton, Ontario

155 Market Street is a High-Rise residential apartment building situated near the intersection of King Street and Queen Street in the City of Hamilton. It is located in close proximity to public transportation, schools, shopping and the Hamilton Harbour. The 14-storey building is situated on approximately 0.5 acres of land and contains a total of 116 suites consisting of one and two bedrooms. The building includes laundry facilities, balconies and seven surface and 89 indoor parking spaces. It was constructed in 1975 with cast-in-place concrete foundation walls, a cast in-place concrete support superstructure and exterior masonry walls. The building underwent corridor and lobby renovations and exterior renovations including building coating and new glass balconies in 2013.

286 Chandler Drive, Kitchener, Ontario

286 Chandler Drive is a High-Rise residential apartment building situated at the intersection of Westmount Road and Ottawa Street in the City of Kitchener. It is located in close proximity to public transportation, local retail establishments, schools, shopping and major transportation routes including Highways 7 and 8. The eight-storey building is situated on approximately 1.1 acres of land and contains a total of 79 suites consisting of one and two bedrooms. The building includes laundry facilities and 49 indoor and 47 surface parking spaces. It was constructed in 1989 with cast-in-place slab, columns and walls and a brick veneer finish on the outer walls. The balcony slabs and guard rails were recently refurbished in 2013.

294 Chandler Drive, Kitchener, Ontario

294 Chandler Drive is a High-Rise residential apartment building situated near the intersection of Westmount Road and Ottawa Street in the City of Kitchener. It is located in close proximity to public transportation, local retail establishments, schools, shopping and major transportation routes including Highways 7 and 8. The 16-storey building is situated on approximately 1.5 acres of land and contains a total of 162 suites consisting of bachelor, one, two and three bedrooms. The building includes laundry facilities, balconies, a playground, tenant courtyard and 47 surface and 149 indoor parking spaces. It was constructed in 1977 with cast-in-place concrete foundation walls and concrete superstructures. The building underwent exterior renovations including building coating and new glass balconies in 2013.

93-99 Westwood Drive, Kitchener, Ontario

93-99 Westwood Drive is a Low-Rise residential apartment complex comprised of two buildings situated near the intersection of Westmount Road West and Glasgow Street in the City of Kitchener. The complex is located in close proximity to parks, schools and public transportation. The three-storey buildings are situated on approximately 1.4 acres of land and contain a total of 48 suites consisting of bachelor, one and two bedrooms. The buildings include laundry facilities, balconies and 60 surface parking spaces and were constructed in 1968 with cast-in-place concrete foundations and concrete block masonry walls and a brick veneer exteriors.

285 Erb Street West, Waterloo, Ontario

285 Erb Street West is a High-Rise residential apartment building situated near the intersection of University Avenue West and Erb Street West in the City of Waterloo. It is located in close proximity to public transportation and the University of Waterloo. The eight-storey building is situated on approximately 5.7 acres of land and contains a total of 100 suites consisting of one, two and three bedrooms. The building includes laundry facilities, balconies and 135 surface parking spaces. It was constructed in 1968 with cast-in-place

concrete foundation walls, steel and concrete support structure with brick masonry and metal cladding finish on the exterior. The building underwent exterior wall, balcony and common area refurbishments in 2013.

7-11 Manhattan Court, Guelph, Ontario

7-11 Manhattan Court is a Low-Rise residential apartment complex situated near the intersection of Speedvale Avenue and Victoria Road in the City of Guelph. It is located in close proximity to public transportation and the Speedvale Plaza. The surrounding neighbourhood is generally residential. The five three-storey buildings are situated on approximately 1.5 acres of land, each building containing eight suites for a total of 40 suites consisting of one, two and three bedrooms. The buildings include laundry facilities and 51 surface parking spaces. The buildings were constructed in 1968 with concrete block foundation walls, reinforced concrete slab floors and concrete block superstructures with brick veneer exteriors.

131 Maxwell Street, Sarnia, Ontario

131 Maxwell Street is a High-Rise residential apartment building situated south of Highway 402 and east of the St. Clair River in the City of Sarnia, 300 metres from the United States border at Port Huron. The building is located in close proximity to parkland and Sarnia Transit's bus routes. The 13-storey apartment building is situated on approximately 1.6 acres of land and contains a total of 112 suites consisting of bachelor, one and two bedrooms. The building includes laundry facilities on the main floor and storage lockers on the second floor, as well as an open-air covered parking facility with spaces for 115 vehicles and an additional 24 surface parking spaces. The building was constructed in 1973 with a concrete foundation and load bearing masonry superstructure. The building underwent corridor and lobby renovations and exterior renovations including building coating and new glass balconies in 2013.

840 Water Street, Peterborough, Ontario

840 Water Street is Low-Rise residential apartment building situated near the intersection of Parkhill Road West and Water Street in the City of Peterborough. It is located in close proximity to parks and Highway 35. The three-storey building is situated on approximately 0.8 acres of land and contains a total of 34 suites consisting of one and two bedrooms. The building includes laundry facilities, balconies and 45 surface parking spaces. It was constructed in 1985 with cast-in-place concrete foundation walls while the superstructure consists of a mix of load bearing concrete block walls and steel support members with a brick veneer.

10 Cartier Court, Brockville, Ontario

10 Cartier Court is a Low-Rise residential apartment building situated near the intersection of Kensington Parkway and Cartier Court in the City of Brockville. The building is located in close proximity to a YMCA facility and has excellent access to Highway 401. The 2.5-storey building is situated on approximately 0.9 acres of land and contains a total of 24 suites consisting of one and two bedrooms. The building includes laundry facilities, balconies and 35 surface parking spaces. It was constructed in 1989 with cast-in-place concrete foundation walls and wood framed superstructure.

36 Raglan Street and 252 Belleville Road, Napanee, Ontario

36 Raglan Street and 252 Belleville Road is a Low-Rise residential apartment complex comprised of two buildings situated near the intersection of Dundas Street West and Belleville Road in the town of Greater Napanee. The complex is located in close proximity to parks and schools. 36 Raglan Street is a two-storey building situated on approximately 0.7 acres of land and contains 16 two bedroom suites. 252 Belleville Road is a three-storey building situated on approximately 0.3 acres of land and contains a total of nine suites consisting of one, two and three bedrooms. The buildings include laundry facilities and a total of 43 surface parking spaces. 36 Raglan Road was constructed in 1970 with a cast-in-place concrete foundation and through the wall brick exterior walls. 252 Belleville Road was constructed in 1976 with a cast-in-place concrete foundation and conventional wood framed superstructure.

2 Colborne Street West, Lindsay, Ontario

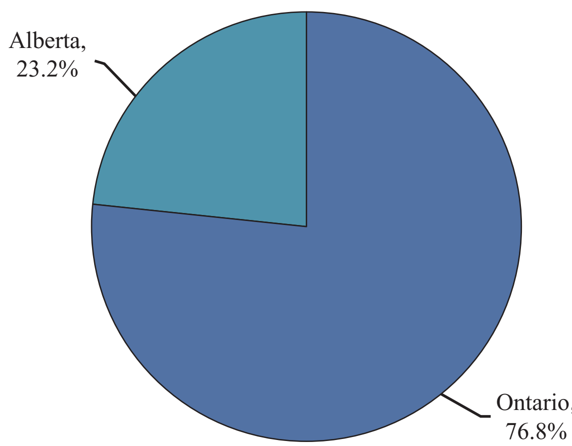
2 Colborne Street West is a three building Mid-Rise residential complex situated near the intersection of William Street North and Colborne Street West in the City of Lindsay. The complex is located in close proximity to schools and parks. The four-storey buildings are situated on approximately 6.4 acres of land and contain a total of 162 suites consisting of bachelor, one, two and three bedrooms. The building includes laundry facilities, balconies and 140 surface parking spaces. The buildings were constructed in 1976 with cast-in-place concrete foundation walls and load bearing masonry walls. The building exterior walls were recently refurbished in 2013.

25 Westwood Court, Lindsay, Ontario

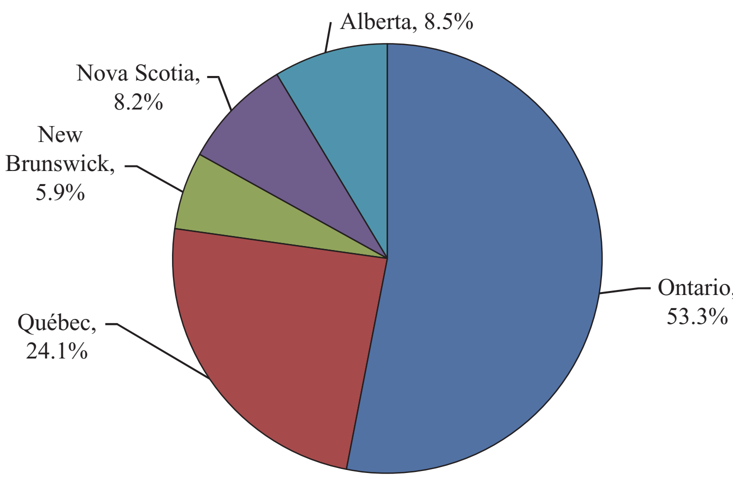
25 Westwood Court is a Mid-Rise residential apartment building situated near the intersection of Angeline Street North and Northlin Park Road in the City of Lindsay. It is located in close proximity to parks and Highways 35 and 7. The seven-storey building has two elevators, is situated on approximately 2.1 acres of land and contains a total of 108 suites consisting of bachelor, one and two bedroom suites. The building includes laundry facilities, balconies and provides 111 surface parking spaces. It was constructed in 1976 with cast-in-place concrete foundation walls, and reinforced concrete superstructure.

Geographic Distribution

The Acquisition Properties are diversified regionally as follows (shown by percentage of suites):

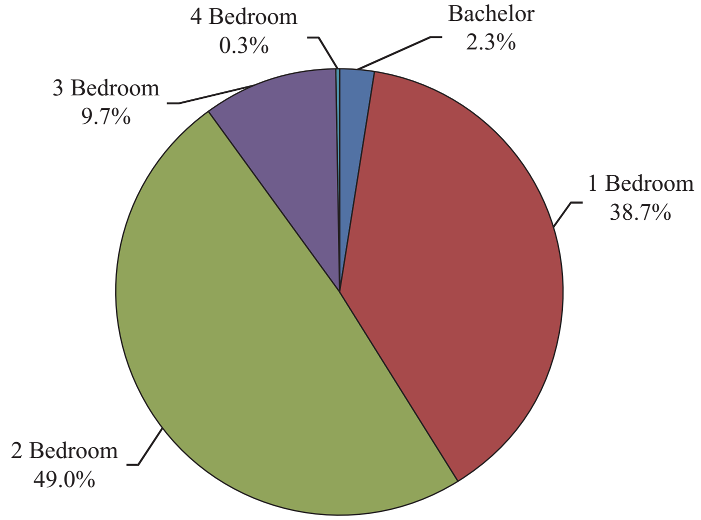


As at April 30, 2014, on a *pro forma* basis after giving effect to the Acquisition, the REIT's properties will be diversified regionally as follows (shown by percentage of suites):

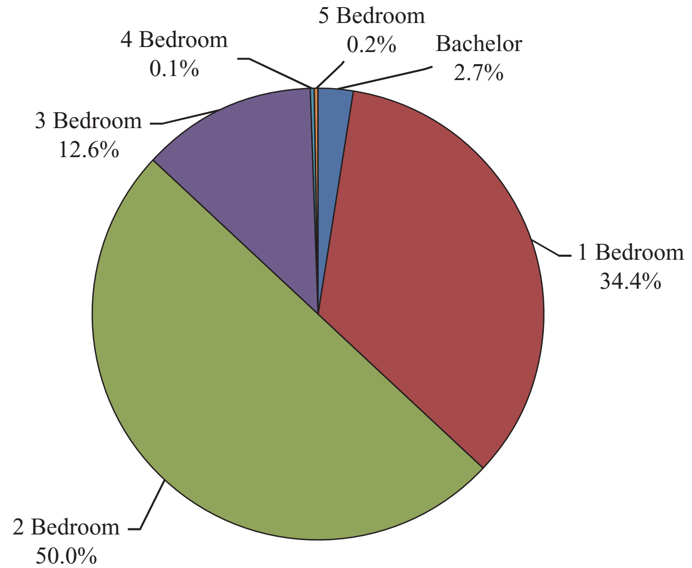


Mix of Size of Rental Suites

Approximately 59% of the suites in the Acquisition Properties contain two or more bedrooms. The residential suite distribution of the Acquisition Properties by size of residential suites is as follows:

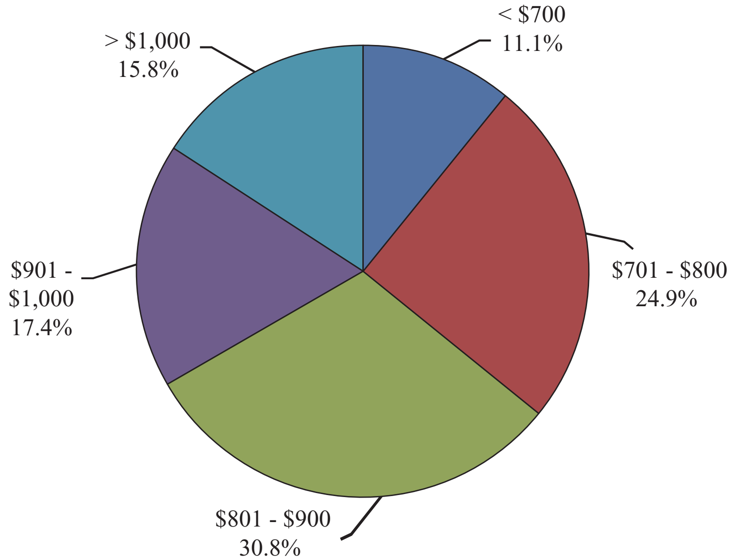


As at April 30, 2014, on a *pro forma* basis after giving effect to the Acquisition, the residential suite distribution of the REIT's properties by size of rental suites is as follows:

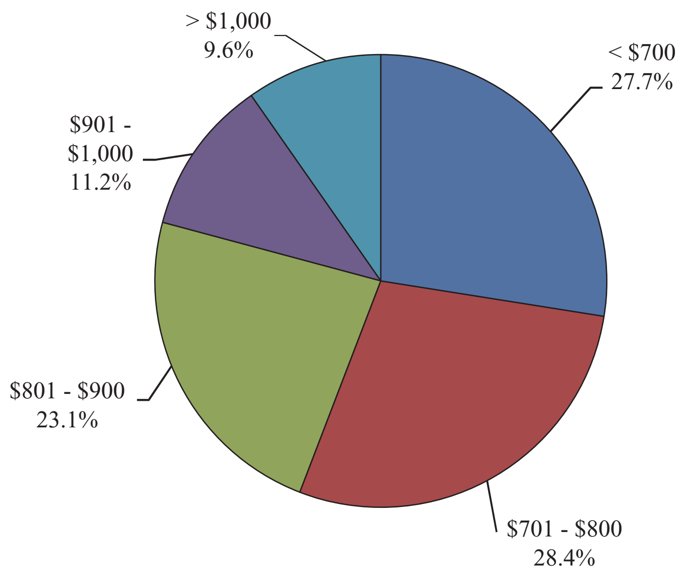


Distribution of Monthly Rent

Approximately 84% of the suites in the Acquisition Properties have rental rates that are not in excess of $1,000 per month. As at April 30, 2014, the residential suite distribution of the Acquisition Properties by monthly in place rent paid per residential suite was as follows:



As at April 30, 2014, on a *pro forma* basis after giving effect to the Acquisition, the residential suite distribution of the REIT's properties by monthly in place rent paid per occupied residential suite is as follows:



Environmental and Property Condition Assessment of Acquisition Properties:

The REIT engaged the Independent Property Consultant to prepare the Environmental Site Reconnaissance Letters and Property Condition Assessments.

Environmental Site Reconnaissance

The Independent Property Consultant conducted environmental site reconnaissance on the Acquisition Properties to determine if any changes had occurred at the site or surrounding land uses since the date of preparation of the most recent Phase I environmental site assessment report or Phase II environmental site assessment report, as applicable, and prepared the Environmental Site Reconnaissance Letters reporting their conclusions. The Environmental Site Reconnaissance Letters state in the aggregate that the Acquisition Properties had undergone typical apartment unit renovations due to tenant turnover, but that no major renovations or changes had taken place since the last assessment report by the Independent Property Consultant. Further, the Environmental Site Reconnaissance Letters state that surrounding land uses were consistent with those reported in the prior reports prepared by the Independent Property Consultant, consisting of residential and commercial land uses.

Management is not aware of any material non-compliance with environmental laws at any of the Acquisition Properties that management believes would have a material adverse effect on the REIT. Management is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of the Acquisition Properties that would materially affect the REIT. It is expected that the REIT will implement policies and procedures to assess, manage, and monitor environmental conditions at the Acquisition Properties and to manage exposure to liability. However, there can be no assurance that any environmental assessments performed have identified or will identify all material environmental conditions, that any prior owner of any facility did not create a material environmental condition not known to the REIT or that a material environmental condition does not or will not otherwise exist with respect to the Acquisition Properties.

Property Condition Assessments

The Independent Property Consultant prepared a Property Condition Assessment for each of the Acquisition Properties to determine and document the existing condition of each building. The assessments identified and quantified any major defects in materials or systems which might significantly affect the value of any of the Acquisition Properties or the continued operation thereof. In addition to required regular maintenance on the various components of the buildings, each of the Property Condition Assessments assessed both work required to be completed immediately (i.e., within 90 days of the assessment) and work recommended to be completed during the subsequent ten years in order to maintain the building in an appropriate condition.

Based on the Property Condition Assessments, each of the Acquisition Properties were determined to be in a satisfactory condition commensurate with their age and comparable to other similar properties in their respective markets.

The Property Condition Assessments identified immediate work of approximately $92,750, and ongoing capital expenditures for the Acquisition Properties in the amount of approximately $11.1 million over the next ten years. As part of the Acquisition, the Vendors have agreed to spend an additional $3.2 million in additional capital improvements to the Acquisition Properties. See “The Acquisition — Capital Expenditure Commitment”.

DEBT FINANCING FOR THE ACQUISITION

New Mortgages

The following table summarizes, for each of the Acquisition Properties subject to a New Mortgage, the expected outstanding principal amount of New Mortgages upon completion of the Acquisition, the expected interest rate applicable to such mortgages and the expected maturity date. As at the date hereof, the REIT has obtained CMHC certificates of insurance in respect of 66% of the expected amount of the New Mortgages.

Property	Principal Amount ($000's)	Interest Rate (%)	Maturity Date
First-Ranking New Mortgages			
2201 32nd Street South, Lethbridge, Alberta	3,074	2.50	June 30, 2019
175 Columbia Boulevard West, Lethbridge, Alberta	3,060	2.50	June 30, 2019
1219 Centre Street, Brooks, Alberta	1,380	2.50	June 30, 2019
100 Rideau Street, Oshawa, Ontario	16,895	2.50	June 30, 2019
33 Richmond Street West, Oshawa, Ontario	4,765	2.50	June 30, 2019
135 Connaught Avenue and 543 Mornington Avenue, London, Ontario	2,501	2.50	June 30, 2019
155 Market Street, Hamilton, Ontario	4,810	2.50	June 30, 2019
286 Chandler Drive, Kitchener, Ontario	3,486	2.50	June 30, 2019
294 Chandler Drive, Kitchener, Ontario	7,115	2.50	June 30, 2019
93-99 Westwood Drive, Kitchener, Ontario	2,507	2.50	June 30, 2019
285 Erb Street West, Waterloo, Ontario	6,664	2.50	June 30, 2019
7-11 Manhattan Court, Guelph, Ontario	2,552	2.50	June 30, 2019
131 Maxwell Street, Sarnia, Ontario	6,688	2.50	June 30, 2019
840 Water Street, Peterborough, Ontario	2,152	2.50	June 30, 2019
10 Cartier Court, Brockville, Ontario	1,139	2.50	June 30, 2019
36 Raglan Street and 252 Belleville Road, Napanee, Ontario	1,384	2.50	June 30, 2019
2 Colborne Street West, Lindsay, Ontario	9,055	2.50	June 30, 2019
25 Westwood Court, Lindsay, Ontario	5,576	2.50	June 30, 2019
Second-Ranking New Mortgages			
590 & 600 Columbia Boulevard West, Lethbridge, Alberta	375	2.75	June 30, 2015
1304-1310 23rd Avenue North, Lethbridge, Alberta	1,850	2.75	June 30, 2015
3210 & 3310 23rd Avenue South, Lethbridge, Alberta	1,300	2.75	June 30, 2015
1603-1615 Scenic Heights South, Lethbridge, Alberta	1,575	2.75	June 30, 2015
2201 32nd Street South, Lethbridge, Alberta	1,550	5.10	June 30, 2019
175 Columbia Boulevard West, Lethbridge, Alberta	1,016	5.10	June 30, 2019
256 Mayor Magrath Drive North, Lethbridge, Alberta	500	2.75	June 30, 2015
2014 15th Avenue North, Lethbridge, Alberta	435	2.75	June 30, 2015
1219 Centre Street, Brooks, Alberta	697	5.10	June 30, 2019
100 Rideau Street, Oshawa, Ontario	4,163	5.10	June 30, 2019
33 Richmond Street West, Oshawa, Ontario	1,711	5.10	June 30, 2019
135 Connaught Avenue and 543 Mornington Avenue, London, Ontario	909	5.10	June 30, 2019
155 Market Street, Hamilton, Ontario	1,442	5.10	June 30, 2019
286 Chandler Drive, Kitchener, Ontario	1,969	5.10	June 30, 2019
294 Chandler Drive, Kitchener, Ontario	4,150	5.10	June 30, 2019
93-99 Westwood Drive, Kitchener, Ontario	809	5.10	June 30, 2019
285 Erb Street West, Waterloo, Ontario	3,760	5.10	June 30, 2019
7-11 Manhattan Court, Guelph, Ontario	848	5.10	June 30, 2019
131 Maxwell Street, Sarnia, Ontario	3,945	5.10	June 30, 2019
840 Water Street, Peterborough, Ontario	791	5.10	June 30, 2019
10 Cartier Court, Brockville, Ontario	332	5.10	June 30, 2019
36 Raglan Street and 252 Belleville Road, Napanee, Ontario	416	5.10	June 30, 2019
2 Colborne Street West, Lindsay, Ontario	4,465	5.10	June 30, 2019
25 Westwood Court, Lindsay, Ontario	2,966	5.10	June 30, 2019
VTB	750	3.00	June 30, 2019
Total/Weighted Average	**$127,527**	**3.25%**	

Assumed Mortgages

The following table summarizes the expected outstanding principal amount of the Assumed Mortgages, as at June 26, 2014, of mortgages secured thereby to be assumed by the REIT upon completion of the Acquisition, the effective interest rate applicable to such mortgages and the maturity date of such mortgages.

Property	Principal Amount ($000's)	Interest Rate (%)	Maturity Date
37 Berkeley Place West, Lethbridge, Alberta(1)	11,073	2.50	October 1, 2018
590 & 600 Columbia Boulevard West, Lethbridge, Alberta	3,055	3.81	September 1, 2014
1304-1310 23rd Avenue North, Lethbridge, Alberta	4,377	3.81	September 1, 2014
3210 & 3310 23rd Avenue South, Lethbridge, Alberta	2,599	3.81	September 1, 2014
1603-1615 Scenic Heights South, Lethbridge, Alberta	4,784	3.81	September 1, 2014
256 Mayor Magrath Drive North, Lethbridge, Alberta	1,032	3.81	September 1, 2014
2014 15th Avenue North, Lethbridge, Alberta	995	3.81	September 1, 2014
915 44th Street SE, Calgary, Alberta(2)	2,670	2.50	February 1, 2021
740-758 Kipps Lane, London, Ontario(3)	35,000	2.50	June 30, 2017
Total/Weighted Average	65,585	2.84	

(1) Effective interest rate after taking into account 3.81% contractual interest rate and giving effect to the payments to be made by the Vendor thereof.

(2) Effective interest rate after taking into account 3.90% contractual interest rate and giving effect to the payments to be made by the Vendor thereof.

(3) Effective interest rate after taking into account 3.33% contractual interest rate and giving effect to the payments to be made by the Vendor thereof.

Unencumbered Acquisition Properties

Two of the Acquisition Properties, 1 Rosemount Drive, Toronto, Ontario and 2292 Weston Road, Toronto, Ontario, will be unencumbered following the completion of the Acquisition.

REIT DEBT MATURITIES

The following table sets out the expected principal instalments and maturity balances on the Assumed Mortgages and New Mortgages upon completion of the Acquisition, to be paid over each of the five calendar years following the completion of the Acquisition and thereafter:

Year:	Principal Payments ($000s)	Balance Due on Maturity ($000's)	Total Debt Repayments ($000s)	% of Total
2014 (remainder of year)	1,973	16,703	18,676	9.7
2015	3,681	5,850	9,531	4.9
2016	3,696	—	3,696	1.9
2017	3,813	35,000	38,813	20.1
2018	3,890	9,983	13,873	7.2
Thereafter	2,030	106,493	108,523	56.2
Total	**19,083**	**174,029**	**193,112**	**100.0**
Weighted average effective interest rate				3.1%
Weighted average term to maturity				4.1 years

Pro Forma Indebtedness to Gross Book Value Ratio

The Declaration of Trust provides that the REIT may not incur or assume any Indebtedness if, after incurring or assuming such Indebtedness, the total Indebtedness of the REIT would be greater than 75% of

Gross Book Value. After giving effect to the Offering and the Acquisition, but excluding any mark-to-market adjustments, management estimates that *pro forma* Indebtedness, as at March 31, 2014, will be approximately $522.0 million, representing approximately 63.2% of Gross Book Value.

RETAINED INTEREST

As at May 30, 2014, Mr. Drimmer (together with his Affiliates) holds an approximate 18.9% effective interest (both undiluted and fully diluted) in the REIT through the ownership of, or the control or direction over, 906,674 Units, 3,497,800 Class B LP Units, 3,497,800 Special Voting Units and 157,917 Options. Each Class B LP Unit is exchangeable at the option of the holder for one Unit (subject to customary anti-dilution adjustments) and entitles the holder thereof to receive distributions from the REIT equal to the distributions that such holder would have received if it was holding one Unit (subject to customary anti-dilution adjustments) instead of the Class B LP Unit.

In connection with the Acquisition, 8,890,466 Class B LP Units of the New Partnerships (to be issued at a price of $9.00 per unit) and an equal number of accompanying Special Voting Units of the REIT (which will provide the holder thereof with voting rights in respect of the REIT) will be issued to the Vendors, each of which is an Affiliate of Mr. Drimmer. Following the completion of the Acquisition and the Offering, it is expected that Mr. Drimmer (together with his Affiliates) will hold an approximate 41.2% effective interest (undiluted) and an approximate 41.1% effective interest (fully diluted) in the REIT through his ownership of, control or direction over 906,074 Units, 3,497,800 Class B LP Units, 8,890,466 Class B LP Units of the New Partnerships, 12,388,246 Special Voting Units and 157,917 Options. Pursuant to the terms of the Exchange Agreement, Class B LP Units of the New Partnerships will be exchangeable at the option of the holder for one Unit (subject to customary anti-dilution adjustments) and will entitle the holder thereof to receive distributions equal to the distributions that such holder would have received if it was holding one Unit (subject to customary anti-dilution adjustments) instead of the Class B LP Unit of the New Partnerships.

Pursuant to the Exchange Agreement, provided that Starlight holds at least 10% of the outstanding Units determined on a fully-diluted basis (including Units issuable upon the exchange of the Class B LP Units), Starlight is entitled to certain pre-emptive rights in order to maintain its *pro rata* ownership interest in the REIT and its Subsidiaries, certain "tag-along" rights to sell a proportionate number of its Units pursuant to a bona fide third-party offer to the REIT to purchase any of the securities of a partnership controlled by the REIT on the same terms and conditions set forth in the bona fide third-party offer. In the event that Starlight holds in the aggregate less than 10% of the outstanding Units determined on a fully-diluted basis and the REIT receives a third party offer for all of the securities of a partnership held by the REIT, the REIT would be entitled to "drag-along" all of the securities of such partnership held by Starlight on substantially the same terms and conditions contained in the third party offer. Starlight has waived its pre-emptive right in connection with the Offering, including in respect of securities to be issued in connection with exercise of the Over-Allotment Option.

USE OF PROCEEDS

The estimated total net proceeds to be received by the REIT from the Offering will be approximately $18.0 million, after deducting the Underwriters' Fee and the estimated expenses of the Offering.

Substantially all of the net proceeds from the sale of the Debentures will be used to satisfy the cash portion of the purchase price for the Acquisition Properties and the Instalment Notes (through the subscription for Class A LP Units of the New Partnerships) and the REIT's expenses of the Offering and the Acquisition. See "The Acquisition — Overview".

It is the REIT's current intention to use the net proceeds received by the REIT on the exercise of the Over-Allotment Option, if exercised, to repay Indebtedness, for future acquisitions and/or general trust purposes.

CONSOLIDATED CAPITALIZATION OF THE REIT

The following table sets forth the consolidated capitalization of the REIT as at March 31, 2014 and the *pro forma* consolidated capitalization of the REIT as at March 31, 2014 after giving effect to the Offering and the Acquisition, without giving effect to the exercise of the Over-Allotment Option. The table should be read in conjunction with the REIT's and the Acquisition Properties' financial statements and notes thereto attached hereto or incorporated by reference in this Prospectus.

(000's)	**As at March 31, 2014** (unaudited)	**As at March 31, 2014** (unaudited — *pro forma* after giving effect to the Offering and the Acquisition)
Indebtedness		
Mortgages (net of mortgage premium, unamortized financing costs and CMHC premium)	$294,490	$484,552
Debentures	—	20,000
Credit Facility	12,950	12,950
Class B LP Units	38,490	111,747
Unitholders' Equity		
Units (Authorized — unlimited)(1)	163,972	163,972
Special Voting Units (Authorized — unlimited)(2)	—	—
Total Capitalization	$509,902	$793,221

Notes:

(1) Issued (actual as at March 31, 2014) — 18,625,270; issued (*pro forma* as at March 31, 2014 after giving effect to the Offering and the Acquisition) — 18,625,270.

(2) Issued (actual as at March 31, 2014) — 4,671,132; issued (*pro forma* as at March 31, 2014 after giving effect to the Offering and the Acquisition) — 13,561,598.

DESCRIPTION OF THE DEBENTURES

The following is a summary of the material attributes and characteristics of the Debentures and the Indenture. This summary does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the terms of the Indenture, which will be filed with the Canadian securities regulatory authorities.

Overview

The Debentures will be issuable only in denominations of $1,000 and integral multiples thereof. At closing of the Offering, book-entry only certificates representing the Debentures will be issued in registered form to CDS or its nominee as registered global debentures and will be deposited with CDS. Holders of beneficial interests in the Debentures will not be entitled to receive physical certificates evidencing their ownership of Debentures except under certain circumstances described under "Description of the Debentures — Debenture Certificates".

The Debentures will bear interest from, and including, the date of closing of the Offering at 5.75% per annum, payable semi-annually in arrears on the Interest Payment Dates in each year, commencing on December 31, 2014 until the maturity date of the Debentures. The maturity date for the Debentures will initially be the Initial Maturity Date. If the completion of the Acquisition occurs prior to the occurrence of a Termination Event, the maturity date of the Debentures will be automatically extended from the Initial Maturity Date to the Final Maturity Date, and the first interest payment on December 31, 2014 will include accrued and unpaid interest for the period from, and including, the date of closing of the Offering to, but excluding, December 31, 2014. In the event that the completion of the Acquisition does not occur prior to the occurrence of a Termination Event, the Debentures will mature on the Initial Maturity Date and the REIT will repay the aggregate principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon.

The Debentures will be direct obligations of the REIT and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated as described under "Description of the Debentures — Subordination". The Indenture will not restrict the REIT from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its real or personal property or properties to secure any indebtedness.

The Debentures will be transferable, and may be presented for conversion by the registered holder thereof, at the principal office of the Debenture Trustee in Toronto, Ontario.

Conversion Privilege

Each Debenture will be convertible into Units at the option of the Debentureholder at any time after the Initial Maturity Date and prior to 5:00 p.m. (Toronto time) on the earlier of the Final Maturity Date and the business day immediately preceding the date specified by the REIT for redemption of the Debentures, at the Conversion Price, being a conversion rate of approximately 107.5 Units per $1,000 principal amount of the Debentures, subject to adjustment in certain events described below. No adjustment will be made for distributions on Units issuable upon conversion or for interest accrued on Debentures surrendered for conversion; however, Debentureholders converting their Debentures will be entitled to receive, in addition to the applicable number of Units, accrued and unpaid interest on such Debentures for the period from, and including, the last Interest Payment Date (or the date of closing of the Offering if no interest has yet been paid with respect to their Debentures) to and including the last record date set by the REIT, occurring prior to the date of conversion, for determining the holders of Units entitled to receive a distribution on the Units. In the event distributions have been suspended by the REIT or a public announcement has been made giving notice of the suspension of regular distributions to holders of Units prior to the applicable date of conversion, and such suspension is in effect on such date of conversion, such Debentureholder, in addition to the applicable number of Units to be received on conversion, will be entitled to receive accrued and unpaid interest for the period from, and including, the last Interest Payment Date prior to the date of conversion (or the date of closing of the Offering if no interest has yet been paid on the Debentures) to and including the date of conversion. Notwithstanding the foregoing, no Debenture may be converted during the five business days preceding June 30 and December 31 in each year, as the register of the Debenture Trustee will be closed during such periods.

Subject to the provisions thereof, the Indenture will provide for the adjustment of the Conversion Price in certain events, including: (i) the subdivision, redivision, reduction, combination or consolidation of the outstanding Units; (ii) the issuance of Units to holders of all or substantially all of the outstanding Units by way of distribution or otherwise (other than an issue of Units to holders of Units who have elected to receive distributions in the form of Units in lieu of receiving cash distributions paid in the ordinary course on the Units); (iii) the issuance of options, rights or warrants to holders of all or substantially all of the outstanding Units entitling such holders to acquire (a) Units at a price per Unit of less than 95% of the then Current Market Price of a Unit or (b) securities convertible or exchangeable into Units at a conversion or exchange price per Unit, as the case may be, of less than 95% of the then Current Market Price of a Unit; and (iv) the distribution to holders of all or substantially all of the outstanding Units of any securities or assets (other than cash distributions and equivalent distributions in securities paid in lieu of cash distributions in the ordinary course). There will be no adjustment of the Conversion Price in respect of any event described in (ii), (iii) or (iv) above if, subject to prior written consent of the exchange on which the Debentures are then listed, the Debentureholders are entitled to participate in such event as though they had converted their Debentures prior to the effective date or record date, as the case may be, of such event. The REIT will not be required to make adjustments of the Conversion Price unless such adjustment would require an increase or decrease of at least 1% in the Conversion Price then in effect; provided, however, that any adjustments that are, accordingly, not required to be made shall be carried forward and taken into account in any subsequent adjustment.

In the case of any reclassification of the Units or a capital reorganization of the REIT (other than a subdivision, redivision, reduction, combination or consolidation of the outstanding Units) or an amalgamation, arrangement or merger of the REIT or a similar transaction with or into any other person or other entity, or a sale or conveyance of the property and assets of the REIT as an entirety or substantially as an entirety to any other person or other entity or a liquidation, dissolution or winding-up or other similar transaction of the REIT, the terms of the conversion privilege shall be adjusted so that each Debenture shall, after such event, be convertible into the kind and amount of securities or assets of the REIT or of the person or other entity resulting from such event, as the case may be, which the Debentureholder thereof would have been entitled to receive as a result of such event if on the effective date or the record date, as the case may be, of such event the Debentureholder had been the registered holder of the number of Units into which the Debenture was convertible prior to the effective date or the record date, as the case may be, of such event.

No fractional Units will be issued on any conversion of the Debentures. In lieu thereof, the REIT shall satisfy such fractional interest by a cash payment equal to the Current Market Price of such fractional interest.

Redemption and Purchase

The Debentures will not be redeemable prior to June 30, 2017, except upon the satisfaction of certain conditions after a Change of Control has occurred (see "Description of the Debentures — Put Right Upon a Change of Control"). On and from June 30, 2017, and prior to June 30, 2018, the Debentures will be redeemable, in whole at any time, or in part from time to time, at the option of the REIT on not more than 60 days' and not less than 30 days' prior written notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest up to the date fixed for redemption, provided that the Current Market Price on the date on which notice of redemption is given is not less than 125% of the Conversion Price. On and from June 30, 2018, and prior to the Final Maturity Date, the Debentures will be redeemable, in whole at any time, or in part from time to time, at the option of the REIT on not more than 60 days' and not less than 30 days' prior written notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest up to the date fixed for redemption.

The REIT will have the right to purchase Debentures in the market, by tender or by private contract, at any price, subject to compliance with regulatory requirements; provided, however, that if an Event of Default has occurred and is continuing, the REIT will not have the right to purchase the Debentures by private contract.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a *pro rata* basis to the nearest multiple of $1,000 or by lot in such manner as the Debenture Trustee deems equitable, subject to the consent of the exchange on which the Debentures are then listed, if required.

Payment upon Redemption or Maturity

On redemption or on the Initial Maturity Date or Final Maturity Date, as applicable, the REIT will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon. The REIT may, at its option, on not more than 60 days' and not less than 30 days' prior written notice and subject to any required regulatory approvals, unless an Event of Default has occurred and is continuing, elect to satisfy its obligation to pay, in whole or in part, the principal amount of the Debentures which are to be redeemed or which have matured by issuing and delivering that number of fully paid, non-assessable and freely-tradeable Units to the Debentureholders obtained by dividing the principal amount of the Debentures being repaid by 95% of the Current Market Price on the date of redemption or maturity, as applicable. No fractional Units will be issued to Debentureholders. In lieu thereof, the REIT shall satisfy such fractional interests by cash payments equal to the Current Market Price of such fractional interests.

Interest Payment Election

Provided that the maturity date for the Debentures has been extended to the Final Maturity Date and no Event of Default has occurred and is continuing, and subject to applicable regulatory approval, the REIT may elect, from time to time, to satisfy its obligation to pay interest on the Debentures on the date interest is payable under the Indenture, by issuing and delivering fully paid, non-assessable and freely-tradeable Units to the Debenture Trustee to be sold by the Debenture Trustee for proceeds, which together with any cash payments to be made by the REIT in lieu of fractional Units, are sufficient to satisfy all of the REIT's obligations to pay interest on the Debentures in accordance with the Indenture. The Indenture will provide that, upon such election, the Debenture Trustee shall request bids to purchase Units in accordance with the Indenture and shall (i) accept delivery of Units from the REIT, (ii) accept bids with respect to, and facilitate settlement of sales of, such Units, each as the REIT shall direct in its absolute discretion, (iii) invest the proceeds of such sales in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments), (iv) deliver proceeds to Debentureholders sufficient to satisfy the REIT's interest payment obligations, and (v) perform any other action necessarily incidental thereto as directed by the REIT.

The amount received by a Debentureholder in respect of interest will not be affected by whether or not the REIT elects to use the Unit Interest Payment Election. Neither the REIT's making of the Unit Interest Payment Election nor the consummation of sales of Units in connection therewith will (i) result in the Debentureholders not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the interest payable on such Interest Payment Date, or (ii) entitle such Debentureholders to receive any Units in satisfaction of the interest payable on the applicable Interest Payment Date.

Cancellation

All Debentures converted, redeemed or purchased as aforesaid will be cancelled.

Subordination

The payment of the principal of, and interest on, the Debentures will be subordinated in right of payment, as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness.

Each debenture issued under the Indenture of the same series of debentures will rank *pari passu* with each other debenture of the same series (regardless of their actual date or terms of issue) and, subject to statutory preferred exceptions, with all other present and future subordinated and unsecured indebtedness of the REIT, except for sinking fund provisions (if any) applicable to different series of debentures or other similar types of obligations of the REIT. The Debentures will not limit the ability of the REIT to incur additional indebtedness, including indebtedness that ranks senior to the Debentures, or from mortgaging, pledging or charging its properties to secure any indebtedness.

The Indenture will provide that in the event of any dissolution, winding-up, liquidation, reorganization, bankruptcy, insolvency, receivership, creditor enforcement or realization or other similar proceedings relating to the REIT or any of its property (whether voluntary or involuntary, partial or complete) or any other marshalling of the assets and liabilities of the REIT or any sale of all or substantially all of the assets of the REIT, all Senior Indebtedness and trade creditors of the REIT will first be paid in full, or provision made for such payment, before any payment is made on account of the indebtedness, liabilities and obligations of the REIT under the Debentures (excluding the issuance of Units or other securities upon any conversion, redemption or at maturity).

The Indenture will also provide that the REIT will not make any payment, and the Debentureholders will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including, without limitation, by set-off, combination of accounts, realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Debentures (i) in a manner inconsistent with the terms (as they exist on the date of issue) of the Debentures or (ii) at any time when a default has occurred under the Senior Indebtedness and is continuing and which permits the holder of the Senior Indebtedness to demand payment or to accelerate the maturity thereof, and the notice of such event of default has been given by or on behalf of the holders of Senior Indebtedness to the REIT, unless the Senior Indebtedness has been cured, waived or repaid in full.

The Debentures will also be effectively subordinated to claims of creditors of the REIT's subsidiaries, except to the extent the REIT is a creditor of such subsidiaries ranking at least pari passu with such other creditors.

Put Right upon a Change of Control

Upon the occurrence of a Change of Control, each Debentureholder shall have the right (the "**Put Right**") to require the REIT to purchase, on the date (the "**Put Date**") which is not later than 30 days following the date upon which the Debenture Trustee provides notice of the Change of Control to the Debentureholders as set out below, all or any part of such holder's Debentures, in accordance with the requirement of applicable Canadian securities laws, in lawful money of Canada at a price equal to 101% of the principal amount thereof (the "**Put Price**") plus accrued and unpaid interest up to, but excluding, the Put Date.

If on the Put Date, 90% or more of the aggregate principal amount of the Debentures outstanding on the date the REIT provides notice of the Change of Control to the Debenture Trustee have been tendered for purchase pursuant to the Put Right, the REIT will have the right to redeem all the remaining Debentures on the Put Date at the Put Price, together with accrued and unpaid interest up to, but excluding, such date. Notice of such redemption must be given to the Debenture Trustee prior to the Put Date and promptly thereafter, by the Debenture Trustee to the holders of Debentures not tendered for purchase.

The Indenture will contain notification provisions to the following effect: (i) the REIT will, as soon as practicable, and in any event no later than two business days after the occurrence of a Change of Control, give written notice to the Debenture Trustee and the Debenture Trustee will, as soon as practicable thereafter, and in any event no later than two business days thereafter, deliver to the Debentureholders a notice of the Change of Control, which will include a description of the Change of Control, details of the Debentureholders' Put Right and a description of the rights of the REIT to redeem untendered Debentures; and (ii) a Debentureholder, to exercise the Put Right, must deliver to the Debenture Trustee, not less than five business days prior to the Put Date, written notice of the holder's exercise of such right.

Modification

The rights of the Debentureholders as well as any other series of debentures that may be issued under the Indenture may be modified in accordance with the terms of the Indenture. For that purpose, the Indenture will contain, among others, certain provisions that will make binding on all Debentureholders resolutions passed at meetings of the Debentureholders by votes cast thereat by holders of not less than 66⅔% of the principal amount of the then outstanding Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66⅔% of the principal amount of the then outstanding Debentures. In certain cases, the modification will, instead of or in addition to, require assent by the holders of the required percentage of debentures of each particularly affected series. Under the Indenture, the Debenture Trustee will have the right to make certain amendments to the Indenture in its discretion, without the consent of the Debentureholders.

Events of Default

The Indenture will provide that an event of default ("**Event of Default**") in respect of the Debentures will occur if certain events described in the Indenture occur, including if any one or more of the following events has occurred and is continuing with respect to the Debentures: (i) failure for 15 days to pay interest on the Debentures when due; (ii) failure to pay principal or premium, if any, on the Debentures, whether at the maturity date of the Debentures, upon redemption, by declaration or otherwise; (iii) default in the observance or performance of any material covenant or condition of the Indenture and continuance of such default for a period of 30 days after notice in writing has been given by the Debenture Trustee to the REIT specifying such default and requiring the REIT to rectify the same; or (iv) certain events of bankruptcy or insolvency of the REIT under bankruptcy or insolvency laws. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon receipt of a request in writing signed by the holders of not less than 25% of the principal amount of the Debentures then outstanding, declare the principal of (and premium, if any) and accrued interest on all outstanding Debentures to be immediately due and payable to the Debenture Trustee. In certain cases, the holders of more than 66⅔% of the principal amount of the Debentures then outstanding may, on behalf of all Debentureholders, waive any Event of Default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe.

Offers for Debentures

The Indenture will contain provisions to the effect that if an offer is made to acquire outstanding Debentures where, as of the date of the offer to acquire, the Debentures that are subject to the offer to acquire, together with the offeror's Debentures, constitute in the aggregate 20% or more of the outstanding principal amount of the Debentures, and, among other things, (i) within the time provided in the offer for its acceptance or within 60 days after the date the offer is made, whichever period is shorter, the offer is accepted by holders of Debentures representing at least 90% of the outstanding principal amount of the Debentures, other than Debentures beneficially owned, or over which control or direction is exercised, on the date of the offer by the offeror, any affiliate or associate of the offeror or any person acting jointly or in concert with the offeror and (ii) the offeror is bound to take up and pay for, or has taken up and paid for the Debentures of the Debentureholders who accepted the offer, the offeror will be entitled to acquire, for the same consideration per Debenture payable under the offer, the Debentures held by Debentureholders who did not accept the offer.

Contractual Rights of Rescission

Original purchasers of Debentures will have a non-assignable contractual right of rescission, exercisable against the REIT following the issuance of Units to such purchaser pursuant to the exercise of the Debenture conversion privilege, to receive the offering price of each such Debenture if this Prospectus (including the documents incorporated herein by reference) or any amendment thereto contains a misrepresentation (within the meaning of the *Securities Act* (Ontario)), provided such remedy for rescission is exercised within 180 days of the closing of the Offering, following which this contractual right of rescission will be null and void. This contractual right of rescission shall be subject to the defences, limitations and other provisions described under part XXIII of the *Securities Act* (Ontario), and is in addition to any other right or remedy available to original purchasers of Debentures under section 130 of the *Securities Act* (Ontario) or otherwise at law. For greater certainty, this contractual right of rescission is only in connection with a misrepresentation (within the meaning of the *Securities Act* (Ontario) and is not a right to withdraw from an agreement to purchase securities within two business days as provided in securities legislation in certain provinces of Canada.

Limitation on Non-Resident Ownership

In order for the REIT to maintain its status as a "mutual fund trust" under the Tax Act, the REIT must not be established or maintained primarily for the benefit of Non-Residents. See "Declaration of Trust and Description of Voting Units — Limitation on Non-Resident Ownership" in the AIF. The Trustees may require a registered holder of Debentures to provide the Trustees with a declaration as to the jurisdictions in which beneficial owners of the Debentures registered in the name of such Debentureholder are resident and as to whether such beneficial owners are Non-Residents (or in the case of a partnership, whether the partnership is a Non-Resident). If the Trustees become aware, as a result of acquiring such declarations as to beneficial ownership or as a result of any other investigations, that the beneficial owners of 49% of the Units (on a diluted basis assuming conversion for Units of all outstanding convertible debentures issued under the Indenture (for greater certainty, including the Debentures, collectively, the "**Subject Debentures**"), are, or may be, Non-Residents or that such a situation is imminent, the Trustees may make a public announcement thereof and shall not accept a subscription for Subject Debentures from or issue or register a transfer of Subject Debentures (including the issuance of Units on conversion of Subject Debentures) to a person unless the person or partnership, as the case may be, provides a declaration in form and content satisfactory to the Trustees that the person or partnership, as the case may be, is not a Non-Resident and does not hold such Subject Debentures for the benefit of Non-Residents. If, notwithstanding the foregoing, the Trustees determine that more than 49% of the Units (on a diluted basis assuming conversion of all outstanding Subject Debentures for Units) would be held by Non-Residents, the Trustees may send a notice to such Non-Resident holders of Subject Debentures chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustees may consider equitable and practicable, requiring such holders to sell their Subject Debentures or a portion thereof within a specified period of not more than 30 days. If holders of Subject Debentures receiving such notice have not sold the specified number of Subject Debentures or provided the Trustees with satisfactory evidence that they are not Non-Residents within such period, the Trustees may on behalf of such securityholders sell such Subject Debentures and, in the interim, shall suspend any voting, conversion and economic rights attached to such Subject Debentures (other than the right to receive the net proceeds from the sale). Upon such sale, the affected holders of Subject Debentures shall cease to be holders of the relevant Subject Debentures and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificates, if any, representing such Subject Debentures. The Trustees will have no liability for the amount received provided that they act in good faith. The REIT may direct the Debenture Trustee to assist the Trustees with respect to any of the foregoing. Notwithstanding the foregoing, the Trustees may determine not to take any of the actions described above if the Trustees have been advised by legal counsel to the REIT that the failure to take any of such actions would not adversely impact the status of the REIT as a "mutual fund trust" for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of the REIT as a "mutual fund trust" for purposes of the Tax Act.

Debenture Certificates

The Debentures will be represented in the form of one or more Global Debenture Certificates.

Each purchaser acquiring a beneficial interest in a Debenture represented by the Global Debenture Certificates will receive a customer confirmation of purchase from the Underwriter from whom the beneficial interest is purchased in accordance with the practices and procedures of the selling Underwriter. Registration of ownership and transfers of Debentures represented by the Global Debenture Certificates may be effected through the book-entry only system administered by CDS or its nominees (with respect to interests of participants of CDS) and on the records of participants of CDS (with respect to interests of persons other than participants of CDS). The ability of an owner of a beneficial interest in a Debenture represented by the Global Debenture Certificates to pledge such Debenture or otherwise take action with respect to such owner's interest in such Debenture (other than through a CDS participant) may be limited due to the lack of a physical certificate.

Neither the REIT nor the Underwriters nor the Debenture Trustee shall have any responsibility or liability for: (i) any aspect of the records relating to the beneficial ownership of the Debentures held by CDS or any payments relating thereto; (ii) maintaining, supervising or reviewing any records relating to the Debentures; or (iii) any advice or representation made by or with respect to CDS and contained in this Prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of a participant of CDS. The rules governing CDS provide that it acts as the agent and depository for the participants of CDS. As a result, participants of CDS must look solely to CDS and a purchaser acquiring a beneficial interest in the Debentures represented by a Global Debenture Certificate must look solely to participants of CDS for any payments relating to the Debentures paid by or on behalf of the REIT to CDS.

Debentures will be issued in fully registered form to holders or their nominees, other than CDS or its nominee, only if: (i) the REIT is required to do so by applicable law; (ii) the book-entry only system ceases to exist; (iii) the REIT or CDS advises the Debenture Trustee that CDS is unwilling or unable to continue as the depository with respect to the Debentures; (iv) CDS ceases to be eligible to be the depository with respect to the Debentures; (v) the REIT determines, in its sole discretion, to terminate the book-entry only system through CDS; or (vi) the Debenture Trustee has determined that an Event of Default has occurred and is continuing with respect to the Debentures, provided the Debenture Trustee has not waived the Event of Default in accordance with the terms of the Indenture.

See also "Declaration of Trust and Description of Voting Units — Transfer and Exchange of Units" in the AIF.

Defeasance

The Indenture will contain provisions requiring the Debenture Trustee to release the REIT from its obligations under the Indenture (including the Debentures) and any supplemental indenture relating to a particular series of debentures, provided that, among other things, the REIT satisfies the Debenture Trustee that it has deposited, or caused to be deposited, funds or property sufficient for, among other things, the payment of (i) the expenses of the Debenture Trustee under the Indenture and (ii) all principal, premium (if any), interest and other amounts due or to become due in respect of such series of debentures.

Reports to Holders

To the extent not publically available on SEDAR at www.sedar.com, the REIT will provide the Debenture Trustee with copies of continuous disclosure documents furnished to its Unitholders (including annual consolidated financial statements of the REIT and any reports of the REIT's auditors thereon) promptly upon the distribution thereof to its Unitholders.

Governing Law

Each of the Indenture and the Debentures will be governed by and construed in accordance with the laws of Ontario and the federal laws of Canada applicable therein and shall be treated in all respects as Ontario contracts.

DECLARATION OF TRUST AND DESCRIPTION OF UNITS, CLASS B LP UNITS OF THE NEW PARTNERSHIPS AND SPECIAL VOTING UNITS

Please refer to the "Declaration of Trust and Description of Voting Units" in the AIF for a summary of the material attributes and characteristics of the Declaration of Trust, the Units and the Special Voting Units. The full text of the Declaration of Trust is available electronically at www.sedar.com.

Each Class B LP Unit of the New Partnerships, when issued, will be exchangeable at the option of the holder for one Unit (subject to customary anti-dilution adjustments) and will entitle the holder thereof to receive distributions of cash from the New Partnerships equal to the cash distributions that such holder would have received if it was holding one Unit (subject to customary anti-dilution adjustments) instead of the Class B LP Unit of the New Partnerships. The Class B LP Units of the New Partnerships, when issued, will have substantially the same terms as the Class B LP Units which are described in the AIF under the heading "The Partnerships". The New Partnership LP Agreements, which will be amended and restated as at the closing of the Acquisition, will contain terms that are substantially similar to the True North LP Agreement and, following execution thereof, will be filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com.

EARNINGS COVERAGE RATIOS

The following earnings coverage ratios are calculated on a consolidated basis for the period from January 1, 2013 to December 31, 2013 and April 1, 2013 to March 31, 2014, and are derived from the audited consolidated financial statements of the REIT for the year ended December 31, 2013 and the unaudited condensed consolidated interim financial statements of REIT for the three months ended March 31, 2014, respectively. The earnings coverage ratios do not include any earnings that may be derived from the use of the net proceeds of the Offering or cash on hand or annualized earnings from properties acquired after December 31, 2013 or March 31, 2014, as applicable. The *pro forma* earnings coverage ratios are calculated on a consolidated basis for the period from January 1, 2013 to December 31, 2013 and January 1, 2014 to March 31, 2014, and have been prepared as at December 31, 2013 and March 31, 2014, as adjusted to give effect to the issuance of the Debentures and the completion of the Acquisition as if such issuance and such acquisition had occurred at the beginning of the respective calculation periods.

			***Pro forma* Acquisition**	
(in millions of Canadian Dollars)	**Twelve months ended December 31, 2013**	**Twelve months ended March 31, 2014**	**Twelve months ended December 31, 2013**	**Three months ended March 31, 2014**
Earnings before borrowing costs, under IFRS	$48.0	$42.0	$59.2	$11.1
Borrowing costs under IFRS				
Historical basis	$12.8	$13.4	n/a	n/a
After giving effect to the issuance of debentures	$16.0	$16.6	$29.2	$ 7.0
After giving effect to the issuance of debentures if the over-allotment is exercised in full	$16.2	$16.8	$29.4	$ 7.0
Earnings coverage under IFRS				
Earnings coverage — historical basis	3.74	3.12	n/a	n/a
Earnings coverage after giving effect to the issuance of debentures	3.01	2.53	2.03	1.60
Earnings coverage after giving effect to the issuance of debentures if the over-allotment is exercised in full	2.97	2.51	2.02	1.59

The aforementioned borrowing costs and *pro forma* borrowing costs of the REIT include the distributions of Class B LP Units and subscription receipts, which are classified as liabilities under IFRS, along with the amortization of mark-to-market mortgage premiums, CMHC premiums, and deferred financing costs. The table below excludes from borrowing costs, $3.09 million and $3.03 million, respectively, of the aforementioned distributions and amortization for the January 1, 2013 to December 31, 2013 and April 1, 2013 to March 31, 2014 periods, respectively, and $9.83 million and $2.43 million, respectively, for the *pro forma* periods of January 1, 2013 to December 31, 2013, and January 1, 2014 to March 31, 2014, respectively. The following table also adjusts for certain non-cash items that were previously included in earnings before borrowing costs, under IFRS.

			***Pro forma* Acquisition**	
(in millions of Canadian Dollars)	**Twelve months ended December 31, 2013**	**Twelve months ended March 31, 2014**	**Twelve months ended December 31, 2013**	**Three months ended March 31, 2014**
Earnings before borrowing costs, under IFRS	$ 48.0	$ 42.0	$ 59.2	$11.1
Adjustments for non-cash items	(23.3)	(16.2)	(23.3)	(2.6)
Adjustments earnings before borrowing costs	$ 24.7	$ 25.8	$ 35.9	$ 8.5
Borrowing costs adjusted for distributions and amortization				
Historical basis	$ 9.8	$ 10.4	n/a	n/a
After giving effect to the issuance of debentures	$ 12.9	$ 13.6	$ 19.4	$ 4.5
After giving effect to the issuance of debentures if the over-allotment is exercised in full	$ 13.1	$ 13.7	$ 19.5	$ 4.6
Earnings coverage under IFRS				
Earnings coverage — historical basis	2.54	2.47	n/a	n/a
Earnings coverage after giving effect to the issuance of debentures	1.92	1.90	1.86	1.90
Earnings coverage after giving effect to the issuance of debentures if the over-allotment is exercised in full	1.89	1.87	1.84	1.88

Under IFRS, the Debentures will be classified on the statement of financial position as a liability. The related finance costs of the Debentures will be capitalized on recognition and written off in the subsequent reporting period as the Debentures are adjusted to fair value.

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the REIT has agreed to sell and the Underwriters have severally agreed to purchase on closing of the Offering $20.0 million aggregate principal amount of Debentures payable in cash to the REIT against delivery of the Global Debenture Certificates. The closing of the Offering is expected to take place on or about June 16, 2014, or such later date as the REIT and the Underwriters may agree, but in any event not later than June 27, 2014. The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of (a) "disaster out"; (b) "material change out"; or (c) the occurrence of any material change in, or investigation or inquiry relating to Canadian federal tax law that has a material adverse effect on the market price or value of the Debentures or Units; and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, severally obligated to take up and pay for all of the Debentures that they have agreed to purchase if any of the Debentures are purchased under the Underwriting Agreement.

The terms of the Offering and the offering price of the Debentures has been determined by negotiation among the REIT and the Lead Underwriters with reference to the market price of the Units and other factors.

Pursuant to the Underwriting Agreement, the REIT has agreed to pay the Underwriters a fee equal to 5.0% of the gross proceeds from the sale of the Debentures, for an aggregate fee payable by the REIT of $1,000,000, subject to the following sentences, in consideration for their services in connection with this Offering. The Underwriters' Fee will be payable upon the closing of the Offering.

The REIT has granted to the Underwriters the Over-Allotment Option, exercisable in whole or in part and at any time not later than the earlier of: (i) the 30th day following the closing of the Offering and (ii) the occurrence of a Termination Event, to purchase up to an additional $3,000,000 aggregate principal amount of Debentures on the same terms as set forth above solely to cover over-allocations, if any, and for market stabilization purposes. This Prospectus also qualifies the grant of the Over-Allotment Option and the Debentures issuable upon the exercise of the Over-Allotment Option. A purchaser who acquires Debentures forming part of the Underwriters' over-allocation position acquires such Debentures under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Pursuant to the Underwriting Agreement, the REIT has agreed to pay the Underwriters a fee equal to 5.0% of the gross proceeds of the Debentures sold pursuant to the Over-Allotment Option, for an additional fee payable by the REIT of $50,000 if the Over-Allotment Option is exercised in full, subject to the following sentences. The Underwriters' Fee for the Over-Allotment Option will be payable upon the Closing of the Over-Allotment Option for Debentures.

Other than the Class B LP Units of the New Partnerships and Special Voting Units to be issued to an Affiliate of Mr. Drimmer in connection with the Acquisition and certain other exceptions, the REIT has agreed not to offer or issue, or enter into an agreement to offer or issue (or announce any intention to do so), Units or any securities convertible or exchangeable for Units for a period of 90 days subsequent to the closing of the Offering without the prior consent of the Lead Underwriters, on behalf of the Underwriters, which consent may not be unreasonably withheld.

The REIT has applied to list the Debentures and the Units issuable upon conversion of the Debentures. Listing is subject to the REIT fulfilling all of the requirements of the TSX.

The Underwriters propose to offer the Debentures at an Offering Price of $1,000 per $1,000 principal amount of Debentures. After the Underwriters have made a reasonable effort to sell the Debentures at the Offering Price, the Offering Price may be decreased and may be further changed from time to time to an amount not greater than the Offering Price, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Debentures is less than the gross proceeds paid by the Underwriters to the REIT.

The REIT has agreed, subject to certain exceptions, to indemnify the Underwriters and their directors, officers, employees and agents against certain liabilities, including, without restriction, civil liabilities under

Canadian securities legislation, and to contribute to any payments the Underwriters may be required to make in respect thereof.

In connection with the Offering, the Underwriters may over-allocate or effect transactions which stabilize or maintain the market price of the Debentures and/or Units at levels other than those which otherwise might prevail on the open market, including: stabilizing transactions; short sales; purchases to cover positions created by short sales; imposition of penalty bids; and syndicate covering transactions. Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Debentures and/or Units while the Offering is in progress. These transactions may also include making short sales of the Debentures, which involve the sale by the Underwriters of a greater number of Debentures than they are required to purchase in the Offering. Short sales of Debentures may be "covered short sales", which are short positions in an amount not greater than the amount of Debentures available under the Over-Allotment Option, or may be "naked short sales", which are short positions in excess of that amount. The Underwriters may close out any covered short position in Debentures either by exercising the Over-Allotment Option, in whole or in part, or by purchasing the applicable Debentures in the open market. In making this determination, the Underwriters will consider, among other things, the price of the applicable Debentures available for purchase in the open market compared with the price at which they may purchase the applicable Debentures through the Over-Allotment Option. If, following the closing of the Offering, the market price of the Debentures is less than the Offering Price, the short position created by the over-allocation position in the Debentures may be filled through purchases in the market, creating upward pressure on the price of the Debentures. If, following the closing of the Offering, the market price of the Debentures is more than the Offering Price, the over-allocation position in the Debentures may be filled through the exercise of the Over-Allotment Option. The Underwriters must close out any naked short position by purchasing the Debentures in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the Debentures in the open market that could adversely affect investors who purchase in the Offering. Any naked short sales will form part of the Underwriters' over-allocation position.

In addition, in accordance with rules and policy statements of certain Canadian securities regulators, the Underwriters may not, at any time during the period of distribution, bid for or purchase the Debentures. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in, or raising the price of, the Debentures. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the TSX, including the Universal Market Integrity Rules for Canadian Marketplaces, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

As a result of these activities, the price of the Debentures and/or Units may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time.

CIBC World Markets Inc. is an Affiliate of a Canadian chartered bank that has provided the Credit Facility to the REIT. The facility is secured by a pool of first and second ranking mortgages on eight properties. As at March 30, 2014, the security in place allowed the REIT to borrow approximately $20.7 million under the Credit Facility, of which approximately $13 million was drawn and the REIT is in compliance with the terms of the facility. TD Securities Inc. is an Affiliate of a Canadian chartered bank that has provided mortgage financing in respect of seven of the Acquisition Properties in the amount of approximately $8.7 million, and the REIT has been advised that the Vendor of such Acquisition Property is in compliance with the terms of the mortgage financing. The REIT may accordingly be considered a "connected issuer" of each of CIBC World Markets Inc. and TD Securities Inc. under applicable Canadian securities laws. The decision to issue the Debentures and the determination of the terms of the Offering were made through negotiation between the REIT and the Underwriters. The Canadian chartered banks of which such Underwriters are Affiliates did not have any involvement in such decision or determination. As a consequence of the Offering, each such Underwriter will receive its proportionate share of the Underwriters' Fee payable with respect to the Offering.

COMPLIANCE WITH SIGNIFICANT ACQUISITION AND SIGNIFICANT PROBABLE ACQUISITION RULES

Securities regulation in Canada requires that a public entity that files a prospectus and that is undertaking a significant proposed acquisition must include financial statements or other information about a proposed acquisition in such prospectus, if the inclusion of the financial statements is necessary for such prospectus to contain full, true and plain disclosure of all the material facts relating to the securities being distributed. If such financial statements or other information is required, such requirement must be satisfied by including either: (a) the financial statements or other information that will be required to be included in, or incorporated by reference into, a business acquisition report (a "**BAR**") filed under Part 8 of National Instrument 51-102 — *Continuous Disclosure Obligations*, or (b) satisfactory alternative financial statements or other information.

The Acquisition constitutes a significant proposed acquisition for the REIT. In respect of the Acquisition, the REIT satisfies the foregoing requirements by providing in this Prospectus:

(a) audited annual carve-out financial statements for the Acquisition Properties for the year ended December 31, 2013 (other than financial information with respect to the 2013 Acquisition Properties prior to the date of the Vendor's respective purchases thereof (the "**2013 Unavailable Financial Information**")), with unaudited comparative financial statements for the year ended December 31, 2012 for the Acquisition Properties (other than financial information with respect to the 2013 Acquisition Properties and the 2012 Acquisition Properties prior to the date of the Vendor's respective purchases thereof (collectively with the 2013 Unavailable Financial Information, the "**Unavailable Financial Information**"));

(b) the disclosure about the Acquisition set out under the headings "The Acquisition" and "Description of the Acquisition Properties";

(c) unaudited *pro forma* financial statements for the REIT as at and for the year ended December 31, 2013; and

(d) the summary of the Independent Appraisals.

In the view of management of the REIT, the financial statements that would have been required in a BAR for the Acquisition are not required to be included in this Prospectus for this Prospectus to contain full, true and plain disclosure of the REIT and the Debentures being distributed for the following reasons: (i) neither management of the REIT nor the Special Committee will have obtained or reviewed complete financial statements relating to the Acquisition Properties in order to come to the decision to recommend (in the case of management) or approve (in the case of the Special Committee) the Acquisition, and accordingly, in the view of management of the REIT, the Unavailable Financial Information is not material to the investment decision to be made by a potential investor; (ii) the information described under the headings "Acquisition" and "Description of the Properties", the financial statements described above and the information disclosed in the Independent Appraisals, the Environmental Site Reconnaissance Letters and the Property Condition Assessments represents the key information that management and the Special Committee have relied upon to make their decision and as a result, should be sufficient information for a potential investor to make an investment decision regarding the securities offered by the REIT; (iii) the Fairness Opinion provides an independent opinion that the Acquisition is fair, from a financial point of view, to the Unitholders (other than Daniel Dimmer and his Affiliates); and (iv) in the view of management of the REIT, investors in public real estate investment trusts have become accustomed to receiving the type of information set out above to evaluate similar investments in securities.

In addition, the REIT has applied to the applicable securities regulatory authorities for exemptive relief to permit the BAR for the Acquisition, when filed, to include the financial statements described above in lieu of those that would be otherwise required to be included in a BAR.

PRIOR SALES

In connection with the acquisition of the High-Rise building located at 50 Tripp Boulevard, Trenton, Ontario on October 1, 2013, the REIT issued to the vendor 333,334 Class B LP Units of True North LP at a price of $9.00 per Class B LP Unit.

From May 30, 2013 to May 30, 2014, 329,397 Units have been issued to eligible holders of Units pursuant to the DRIP.

From May 30, 2013 to May 30, 2014, 112,082 Units have been issued upon the exercise of options issued pursuant to the Option Plan.

Pursuant to the Unit Issuance Plan, up to 100% of the fees payable to each non-executive Trustee in a fiscal year of the REIT for serving on the Board or any committee of the Board, but excluding any expense reimbursement or retainer for serving as a member of any special committee constituted by the Board from time to time is payable (after deducting applicable withholding taxes, if any) in Units issued from the REIT's treasury. From the adoption of the Unit Issuance Plan on May 30, 2013 to May 30, 2014, 21,170 Units have been issued pursuant to the Unit Issuance Plan.

MARKET FOR SECURITIES

The Units commenced trading on the TSXV under the symbol "TN.UN" on June 11, 2012. On May 3, 2013, the Units were delisted from the TSXV and commenced trading on the TSX under the same symbol. The following table sets forth, for the periods indicated, the reported high and low prices and the aggregate volume of trading of the Units on the TSX:

	Price ($)		
Period	**High**	**Low**	**Trading Volume**
2013			
May 3-31	9.81	8.50	972,337
June	9.10	7.85	806,290
July	8.55	7.91	620,402
August	8.69	7.70	532,222
September	8.42	7.76	727,143
October	8.74	8.16	562,231
November	8.48	7.89	831,821
December	8.30	7.64	1,034,025
2014			
January	8.15	7.76	510,767
February	7.98	7.73	762,108
March	8.24	7.83	655,464
April	8.69	8.02	650,801
May	8.49	8.00	902,076

Source: TMX Market Data

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Cassels Brock & Blackwell LLP, counsel to the REIT, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, the following summary, as of the date hereof, fairly presents the principal Canadian federal income tax considerations generally applicable under the Tax Act to a holder who acquires Debentures as beneficial owner pursuant to the Offering. This summary is applicable to a holder of Debentures and Units acquired upon a conversion, redemption or repayment of Debentures (for the purposes of this summary, collectively, the "**Subject Securities**") who, for purposes of the Tax Act and at all relevant times, is resident or is deemed to be resident in Canada, deals at arm's length with the REIT and each of the Underwriters and is not affiliated with the REIT or with any of the Underwriters and holds the Subject Securities as capital property (a "**Holder**"). Generally, Subject Securities will be considered to be capital property to a Holder provided that the Holder does not hold them in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Holders who might not otherwise be considered to hold their Debentures and Units as capital property may, in certain circumstances, be entitled to make the irrevocable election permitted by subsection 39(4) of the Tax Act to have them, and all other "Canadian securities" (as defined in the Tax Act) owned by the Holder in the taxation year of the election and any subsequent taxation year deemed to be capital property. Such Holders should consult their own tax advisors regarding whether such election is available in their particular circumstances.

This summary is not applicable to a Holder (i) that is a "financial institution" for purposes of the "mark-to-market rules" in the Tax Act, (ii) that is a "specified financial institution", (iii) an interest in which is a "tax shelter investment", (iv) that has elected to report its "Canadian tax results" in a currency other than Canadian currency, or (v) that has entered or will enter into a "derivative forward agreement" with respect to any Subject Securities, as each of those terms is defined in the Tax Act. Such Holders should consult their own tax advisors.

This summary is based upon the facts set out in this Prospectus, a certificate of the REIT provided to counsel as to certain factual matters (the "**Officer's Certificate**"), the provisions of the Tax Act in force at the date hereof and counsel's understanding of the current administrative policies and assessing practices of the CRA made publicly available prior to the date hereof. This summary takes into account the Tax Proposals. This summary assumes that the Tax Proposals will be enacted as proposed but no assurances can be given that the Tax Proposals will be enacted in their current form or at all. This summary does not otherwise take into account or anticipate any changes in law or in the administrative policies and assessing practices of the CRA, whether by legislative, governmental or judicial decision or action, and does not take into account any provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed in this Prospectus. Modification or amendment of the Tax Act or the Tax Proposals could significantly alter the tax status of the REIT or the tax consequences of acquiring, holding or disposing of Subject Securities.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Subject Securities and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to make such an investment. Moreover, the income and other tax consequences of acquiring, holding or disposing of Subject Securities will vary depending on the Holder's particular circumstances, including the province(s) in which the Holder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be nor should it be construed to be legal or tax advice or representations to any prospective purchaser of Subject Securities. Prospective purchasers should consult their own tax advisors for advice with respect to the tax consequences to them of an investment in Subject Securities based on their particular circumstances.

For the purposes of this summary, a reference to the "REIT" is a reference to True North Apartment Real Estate Investment Trust only and is not a reference to any subsidiary entity.

Status of the REIT

Mutual Fund Trust

This summary assumes that the REIT qualifies and will continue to qualify at all times as a "mutual fund trust" within the meaning of the Tax Act. A trust resident in Canada will generally be a SIFT trust if "investments" in the trust are listed or traded on a stock exchange or other public market and the trust holds one or more "non-portfolio properties". In order to so qualify, the REIT must comply on a continuous basis with certain minimum distribution requirements relating to the Units. In addition, the REIT may not at any time reasonably be considered to be established or maintained primarily for the benefit of non-residents.

If the REIT were not to qualify as a mutual fund trust at any time, the income tax consequences described herein would in some respects be materially and adversely different.

SIFT Rules

The SIFT Rules apply to "SIFT trusts" and "SIFT partnerships" (each as defined in the Tax Act). If the REIT were to become subject to the SIFT Rules, the REIT would generally be taxed in a manner similar to corporations on income from business carried on in Canada by the REIT, and on income (other than taxable dividends) or capital gains from non-portfolio properties (as defined in the Tax Act), at a combined federal/provincial tax rate similar to that of a corporation. Allocations or distributions of income and capital gains that are subject to the SIFT Rules will be taxed as a dividend from a taxable Canadian corporation in the hands of the beneficiaries or partners of the SIFT trust or SIFT partnership.

REIT Exception

A trust that qualifies as a "real estate investment trust" (as defined in the Tax Act) for the year (the "**REIT Exception**") is excluded from the definition of a SIFT trust in the Tax Act and is therefore not subject to the SIFT Rules. The following five criteria must be met in order for a trust that is throughout the taxation year resident in Canada to qualify for the REIT Exception in a particular taxation year:

(a) at each time in the taxation year, the total fair market value at that time of all "non-portfolio properties" that are "qualified REIT properties" held by the trust must be at least 90% of the total fair market value at that time of all non-portfolio properties held by the trust;

(b) not less than 90% of the trust's "gross REIT revenue" for the taxation year must be from one or more of the following: "rent from real or immovable properties", interest, dispositions of "real or immovable properties" that are capital properties, dividends, royalties and dispositions of "eligible resale properties";

(c) not less than 75% of the trust's gross REIT revenue for the taxation year must be from one or more of the following: rent from real or immovable properties, interest from mortgages, or hypothecs, on real or immovable properties, and dispositions of real or immovable properties that are capital properties;

(d) at no time in the taxation year can the total fair market value of properties held by the trust comprised of real or immovable properties that are capital properties, eligible resale properties, cash, deposits (within the meaning of the Canada Deposit Insurance Corporation Act or with a branch in Canada of a bank or a credit union), indebtedness of Canadian corporations represented by banker's acceptances, and debt issued or guaranteed by the Canadian government or issued by a province, municipal government or certain other qualifying public institutions be less than 75% of the "equity value" of the trust at that time; and

(e) "investments" in the trust must be, at any time in the taxation year, listed or traded on a stock exchange or other public market (all as defined in the Tax Act).

The SIFT Rules contain a look-through rule under which a trust could qualify for the REIT Exception where it holds its real properties indirectly through intermediate entities, provided that each such entity, assuming it were a trust, would satisfy the REIT Exception.

Application to the REIT

The REIT Exception is applied on an annual basis. Accordingly, even if the REIT does not qualify for the REIT Exception in a particular year, it may be able to do so in a subsequent year. The REIT Exception in the SIFT Rules contains a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exception in any particular taxation year can only be made at the end of that taxation year. Based on representations as to certain factual matters made in the Officer's Certificate, management has advised counsel that management expects the REIT as currently structured qualifies and will continue to qualify for the REIT Exception throughout 2014 and each subsequent year and that each of the Partnerships qualify as an "excluded subsidiary entity" (as defined in the Tax Act). However, there is no assurance that subsequent investments or activities undertaken by the REIT will not result in the REIT failing to qualify for the REIT Exception and there is no assurance that each of the Partnerships will qualify as an excluded subsidiary entity. If the REIT or any of the Partnerships is subject to the tax imposed by the SIFT Rules, certain of the income tax considerations described below would, in some respects, be materially different.

To the extent that they are applicable to the REIT, the SIFT Rules may, depending on the nature of distributions from the REIT, including what portion of its distributions are income and what portion are returns of capital, have a material adverse effect on the after-tax returns of certain Holders. Generally, distributions that are characterized as returns of capital are not taxable to Holders but serve to reduce the adjusted cost base of a Holder's Units.

The likely effect of the SIFT Rules on the market for Units, and on the REIT's ability to finance future acquisitions through the issue of Units or other securities, is unclear. In the event that the SIFT Rules apply to the REIT, they may adversely affect the marketability of the Units, the amount of cash available for distributions and the after-tax returns of investors.

The remainder of this summary is subject to the SIFT Rules discussed above and assumes that the REIT is at all times eligible for the REIT Exception, and that each of the Partnerships is at all times an "excluded subsidiary entity", as discussed below under "Taxation of the Partnerships".

Taxation of the REIT

The taxation year of the REIT is the calendar year. In each taxation year, the REIT will be subject to tax under Part I of the Tax Act on its income for the year, including net realized taxable capital gains for that year and its allocated share of income from each of the Partnerships for its fiscal period ending on or before the year-end of the REIT, less the portion thereof that the REIT deducts in respect of the amounts paid or payable, or deemed to be paid or payable, in the year to Unitholders. An amount will be considered to be payable by the REIT to a Unitholder in a taxation year if it is paid to the Unitholder in the year or if the Unitholder is entitled in that year to enforce payment of the amount.

The REIT will generally not be subject to tax on any amounts received as distributions from a Partnership. Generally, distributions to the REIT by a Partnership in excess of the REIT's allocated share of the income of that Partnership for a fiscal year will result in a reduction of the adjusted cost base of the REIT's interest in the Partnership by the amount of such excess. If, as a result, the REIT's adjusted cost base of an interest in a Partnership at the end of a taxation year would otherwise be a negative amount, the REIT would be deemed to realize a capital gain in such amount for that year and the REIT's adjusted cost base of such interest in the Partnership at the beginning of the next taxation year would then be nil.

In computing its income for purposes of the Tax Act, the REIT may deduct reasonable administrative costs and expenses incurred by it for the purpose of earning income, generally including interest on borrowed funds. The REIT may also deduct from its income for the year a portion of any reasonable expenses incurred by the REIT in the course of an issuance of Units or Debentures. The portion of the issue expenses deductible by the REIT in a taxation year is 20% of the total issue expenses, pro-rated where the REIT's taxation year is less than 365 days. Any losses incurred by the REIT (including losses allocated to the REIT by a Partnership and capable of being deducted by the REIT) may not be allocated by the REIT to Unitholders, but may generally be carried forward and deducted in computing the taxable income of the REIT in future years in accordance with the detailed rules and limitations in the Tax Act.

The REIT will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the "**Capital Gains Refund**"). In certain circumstances, the Capital Gains Refund in a particular taxation year may not completely offset the REIT's tax liability for such taxation year. The Declaration of Trust provides that all or a portion of the income or capital gains realized by the REIT arising on or in connection with an in specie redemption of Units may, at the discretion of the Trustees, be paid or made payable to, and as applicable designated as a taxable capital gain of, the redeeming Unitholders. Any amount so paid or payable must be included in the income of the redeeming Unitholders and will be deductible by the REIT.

Pursuant to the REIT's distribution policy, the Trustees currently intend to make distributions in each year to Unitholders in an amount sufficient to ensure that the REIT will generally not be liable for non-refundable tax under Part I of the Tax Act in any year (after taking into account any losses or capital losses that may be carried forward from prior years). See "Declaration of Trust and Description of Units, Class B LP Units and Special Voting Units — Distribution Policy" in the AIF. Income of the REIT which is unavailable for cash distributions will be distributed to Unitholders in the form of additional Units. Income of the REIT payable to Unitholders, whether in cash, additional Units or otherwise, will generally be deductible by the REIT in computing its taxable income.

Taxation of the Partnerships

Each of the Partnerships is expected to qualify as an "excluded subsidiary entity" at all relevant times and, as a result, will not be subject to tax under the Tax Act (including under the SIFT Rules). Generally, each partner of a Partnership, including the REIT, is required to include in computing the partner's income, the partner's share of the income (or loss) of the Partnership for the Partnership's fiscal year ending in, or coincidentally with, the partner's taxation year, whether or not any such income is distributed by the Partnership to the partner in the taxation year. For this purpose, the income or loss of a Partnership will be computed for each fiscal year as if the Partnership were a separate person resident in Canada. In computing the income or loss of a Partnership, deductions may generally be claimed in respect of available capital cost allowance, its administrative and other expenses (including interest in respect of debt of the Partnership) incurred for the purpose of earning income from business or property to the extent permitted under the Tax Act. The income or loss of a Partnership for a fiscal year will be allocated to the partners of the Partnership, including the REIT, on the basis of their respective share of such income or loss as provided in the limited partnership agreement relating to each Partnership, subject to the detailed rules in the Tax Act. Generally, distributions to partners in excess of the income of a Partnership for a fiscal year will result in a reduction of the adjusted cost base of the partner's units in the Partnership by the amount of such excess. If, as a result, the REIT's adjusted cost base of its interest in a Partnership at the end of a fiscal period of the Partnership would otherwise be a negative amount, the REIT will be deemed to realize a capital gain in such amount for that year, and the REIT's adjusted cost base of such interest in the Partnership will then be nil. If a Partnership were to incur losses for purposes of the Tax Act, the REIT's ability to deduct such losses may be limited by certain rules under the Tax Act.

Taxation of Holders of Debentures

Interest on Debentures

A Holder that is a corporation, partnership, unit trust or trust of which a corporation or partnership is a beneficiary will be required to include in its income for a taxation year any interest on the Debenture that accrued or is deemed to have accrued to it to the end of the particular taxation year, or became receivable or was received by it before the end of that taxation year, including on a conversion, redemption or repayment on maturity, including on a conversion, redemption or repayment on maturity except to the extent that such interest was included in computing the Holder's income for a preceding taxation year.

Any other Holder, including an individual and a trust of which neither a corporation nor a partnership is a beneficiary, will be required to include in computing income for a taxation year any interest on a Debenture that is received or receivable by the Holder in that taxation year (depending upon the method regularly followed by the Holder in computing income), including on a conversion, redemption or repayment on maturity, except to the extent that the interest was included in the Holder's income for a preceding taxation year. In addition, if at any time a Debenture should become an "investment contract" (as defined in the Tax Act) in relation to a Holder, such Holder will be required to include in computing income for a taxation year any interest that accrues to the Holder on the Debenture up to the end of any "anniversary day" (as defined in the Tax Act) in that year to the extent such interest was not otherwise included in the Holder's income for that year or a preceding year.

Any amount paid by the REIT to a Holder as a premium because of the redemption of a Debenture before its maturity (other than a conversion) generally will be deemed to be interest received at that time by the Holder to the extent that such premium can reasonably be considered to relate to, and does not exceed the value at the time of the redemption or purchase for cancellation of, the interest that but for the redemption or purchase for cancellation would have been paid or payable by the REIT on the Debentures for a taxation year ending after the that time.

Exercise of Conversion Privilege

A Holder of Debentures that converts a Debenture into Units pursuant to the conversion privilege will be considered to have disposed of the Debenture for proceeds of disposition equal to the aggregate of the fair market value of the Units so acquired at the time of the conversion and the amount of any cash received in lieu of fractional Units. The Holder will realize a capital gain or capital loss computed as described below under "Taxation of Holders of Units — Capital Gains and Capital Losses".

The cost to the Holder of Debentures of any Units acquired on the conversion of Debentures into Units will be equal to the fair market value of the Units received at the time of acquisition and must be averaged with the adjusted cost base of other Units held as capital property by the Holder of Debentures immediately before that time for the purposes of calculating the adjusted cost base of such Units.

Upon such a conversion of a Debenture, interest accrued thereon to the date of conversion and not yet due will be included in computing the Holder's income, except to the extent such amount was otherwise included in the Holder's income, and will be excluded in computing the Holder's proceeds of disposition of the Debenture.

Redemption or Repayment of Debentures

If the REIT redeems a Debenture prior to maturity or repays a Debenture upon maturity and the Holder of Debenture does not exercise the conversion privilege prior to such redemption or repayment, the Holder will be considered to have disposed of the Debenture for proceeds of disposition equal to the amount received by the Holder (other than the amount received on account of interest) on such redemption or repayment. If the Holder receives Units on redemption or repayment, the Holder will be considered to have received proceeds of disposition equal to the aggregate of the fair market value of the Units so received and the amount of any cash received in lieu of fractional Units (adjusted as described above). The Holder may realize a capital gain or capital loss computed as described below under "Taxation of Holders of Units — Capital Gains and Capital Losses".

The cost to the Holder of the Units so received will be equal to their fair market value at the time of acquisition, and must be averaged with the adjusted cost base of all other Units held as capital property by the Holder immediately before that time for the purpose of calculating the adjusted cost base of such Units.

Other Dispositions of Debentures

A disposition or deemed disposition of a Debenture by a Holder of Debentures, will generally result in the Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition (adjusted as described below) are greater (or less) than the aggregate of the Holder's adjusted cost base thereof and any reasonable costs of disposition. Any such capital gain or capital loss will be treated in the same manner as capital gains and capital losses arising from a disposition of Units which is discussed below.

Upon such a disposition or deemed disposition of a Debenture, interest accrued thereon to the date of disposition and not yet due will be included in computing the Holder's income, except to the extent such amount was otherwise included in the Holder's income, and will be excluded in computing the Holder's proceeds of disposition of the Debenture.

Taxation of Holders of Units

Distributions

A Holder of Units will generally be required to include in income for a particular taxation year the portion of the net income of the REIT determined for purposes of the Tax Act for the taxation year ending on or before the particular taxation year-end of the Holder, including net realized taxable capital gains, that is paid or payable, or deemed to be paid or payable, to the Holder in the particular taxation year (and that the REIT deducts in computing its income), whether such portion is received in cash, additional Units or otherwise. Any loss of the REIT for purposes of the Tax Act cannot be allocated by the REIT, or treated as a loss of a Holder of Units.

The non-taxable portion of any net realized capital gains of the REIT, the taxable portion of which was designated by the REIT in respect of a Holder, that is paid or payable, or deemed to be paid or payable, to the

Holder in a taxation year will not be included in computing the Holder's income for the year and will not reduce the adjusted cost base of the Units to the Holder. Any other amount in excess of the net income and net taxable capital gains of the REIT that is paid or payable, or deemed to be paid or payable, by the REIT to a Holder in a taxation year will not generally be included in the Holder's income for the year. A Holder will be required to reduce the adjusted cost base of its Units by the portion of any amount (other than the non-taxable portion of net realized capital gains of the REIT for the year, the taxable portion of which was designated by the REIT in respect of the Holder) paid or payable to such Holder that was not included in computing the Holder's income. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Holder from the disposition of the Unit and will be added to the adjusted cost base of the Unit so that the adjusted cost base will be reset to zero. The composition of distributions paid by the REIT, portions of which may be fully or partially taxable or non-taxable, may change over time, affecting the after-tax return to Holders.

Provided that the appropriate designations are made by the REIT, such portion of net taxable capital gains of the REIT as is paid or payable to a Holder will effectively retain its character and be treated as such in the hands of the Holder for purposes of the Tax Act. See "Taxation of Holders of Units — Capital Gains and Losses".

Dispositions of Units

On a disposition or deemed disposition of a Unit (including a redemption), a Holder will generally realize a capital gain (or capital loss) equal to the amount by which the Holder's proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the REIT that is otherwise required to be included in the Holder's income (such as an amount designated as payable by the REIT to a redeeming Holder out of capital gains and/or income of the REIT as described below).

For the purpose of determining the adjusted cost base to a Holder, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Holder as capital property immediately before that acquisition. The adjusted cost base of a Unit to a Holder will include all amounts paid by the Holder for the Unit, with certain adjustments. The adjusted cost base of Units may be reduced by distributions made by the REIT to a Holder of Units as described above. The cost to a Holder of Units received in lieu of a cash distribution of income of the REIT will be equal to the amount of such distribution that is satisfied by the issuance of such Units.

When Units are redeemed and the redemption price is paid by the delivery of Subisidary Notes to the redeeming Holder, the proceeds of disposition to the Holder of the Units will generally be equal to the aggregate of the fair market value of the such Subsidiary Notes and the amount of any cash received, less any income or capital gain realized by the REIT in connection with the redemption of those Units. Holders exercising the right of redemption will consequently realize a capital gain, or sustain a capital loss, depending upon whether the proceeds of disposition received exceed, or are exceeded by, the adjusted cost base of the Units redeemed or any reasonable costs of disposition. Where income and/or a capital gain realized by the REIT in connection with the distribution of property in specie on the redemption of Units has been designated by the REIT to a redeeming Holder, the Holder will be required to include in income the income and/or taxable portion of the capital gain so designated to the Holder. The cost of any property distributed in specie by the REIT to a Holder upon redemption of Units will be equal to the fair market value of that property at the time of the distribution. The Holder will thereafter be required to include in income interest or other income derived from the property, in accordance with the provisions of the Tax Act.

The consolidation of Units of the REIT will not be considered to result in a disposition of Units by Holders. The aggregate adjusted cost base to a Holder of all of the Holder's Units will not change as a result of a consolidation of Units; however, the adjusted cost base per Unit will increase.

Capital Gains and Capital Losses

One-half of any capital gain (a "**taxable capital gain**") realized by a Holder on a disposition or deemed disposition of Units and the amount of any net taxable capital gains designated by the REIT in respect of a

Holder will be included in the Holder's income as a taxable capital gain. One-half of any capital loss (an "**allowable capital loss**") realized by a Holder on a disposition or deemed disposition of Units must generally only be deducted only from taxable capital gains of the Holder in the year of disposition. Any excess of allowable capital losses over taxable capital gains of the Holder for the year of disposition may generally be deducted against net taxable capital gains in the three preceding years or in any subsequent taxation years, subject to and in accordance with the provisions of the Tax Act.

Refundable Tax

A Holder that is a Canadian-controlled private corporation (as defined in the Tax Act) may be liable to pay an additional refundable tax in respect of certain types of income, including amounts in respect of interest income and taxable capital gains.

Alternative Minimum Tax

In general terms, the liability of a Holder who is an individual (other than certain trusts) for alternative minimum tax may be increased by an amount in respect of the net income of the REIT paid or payable to the Holder that is designated as net taxable capital gains, and capital gains realized by the Holder on a disposition or a deemed disposition of Subject Securities.

RISK FACTORS

An investment in the Debentures is subject to certain risks. Investors should carefully consider the risks described below, the risk factors described in the AIF, and other information elsewhere in this Prospectus and the documents incorporated by reference herein, prior to making an investment in the Debentures. If any of such or other risks occur, the REIT's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that case, the trading price of the Debentures and/or underlying Units could decline and investors could lose all or part of their investment. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the below described or other unforeseen risks.

Risks Related to the Offering

No Prior Public Market for the Debentures

Prior to the Offering, no public market existed for the Debentures. There can be no assurance that an active and liquid market for the Debentures will develop following the completion of the Offering, or if developed, that such a market will be sustained. If an active public market does not develop or is not maintained, investors may have difficulty selling their Debentures. The REIT has applied to list the Debentures and the Units issuable upon conversion of Debentures on the TSX. Listing is subject to the REIT fulfilling all of the requirements of the TSX.

Volatile Market Price for the Debentures

If the Debentures are traded after their initial issuance, they may trade at a discount from their respective offering prices. The prices at which the Debentures are offered hereunder were determined by negotiation among the REIT and the Underwriters and may not be indicative of the price at which the Debentures will trade following the completion of the Offering. The REIT cannot assure investors that the market price of the Debentures will not materially decline below the price at which they are offered hereunder.

The market price for the Debentures may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the REIT's control, including the following: (i) actual or anticipated fluctuations in the REIT's financial performance and future prospects; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to the REIT; (iv) addition or departure of the REIT's executive officers; (v) release or expiration of lock-up or other transfer restrictions on the REIT's outstanding securities; (vi) sales or perceived sales of additional Units or other securities of the REIT; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the REIT or its competitors; (viii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the REIT's industry or target markets; (ix) liquidity of the REIT's securities; (x) prevailing interest rates; (xi) the market price of other REIT securities; (xii) a decrease in the amount of distributions declared and paid by the REIT; and (xiii) general economic conditions.

Whether or not the Debentures will trade at lower prices depends on many factors, including liquidity of the Debentures, prevailing interest rates and the markets for similar securities, the market price of the Units, general economic conditions and the REIT's financial condition, historic financial performance and future prospects. In particular, prevailing interest rates will affect the market price or value of the Debentures. Assuming all other factors remain unchanged, the market price or value of the Debentures, which carry a fixed interest rate, will decline as prevailing interest rates for comparable debt instruments rise, and increase as prevailing interest rates for comparable debt instruments decline.

Financial markets have, in recent years, experienced significant price and volume fluctuations that have particularly affected the market prices of securities of issuers and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such issuers. Accordingly, the market price of the Debentures may decline even if the REIT's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the REIT's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the Debentures by those institutions, which could adversely affect the trading price of the Debentures. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil exist for a protracted period of time, the REIT's operations could be adversely impacted and the trading price of the Debentures and/or the underlying Units may be adversely affected.

Credit Risk in Respect of the Debentures, Prior Ranking Indebtedness and Absence of Covenant Protection

The likelihood that purchasers of the Debentures will receive payments owing to them under the terms of the Debentures will depend on the financial health of the REIT and its creditworthiness. In addition, the Debentures are unsecured obligations of the REIT and are subordinate in right of payment to all the REIT's existing and future Senior Indebtedness. Therefore, if the REIT becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, the REIT's assets will be available to pay its obligations with respect to the Debentures only after it has paid all of its Senior Indebtedness and secured indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the Debentures then outstanding.

The Debentures are also effectively subordinate to claims of creditors (including trade creditors) of the REIT's subsidiaries except to the extent the REIT is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. The Indenture does not prohibit or limit the ability of the REIT or its subsidiaries to incur additional debt or liabilities (including Senior Indebtedness) or to make distributions, except, in respect of distributions, where an Event of Default has occurred and such default has not been cured or waived. The Indenture does not contain any provision specifically intended to protect Debentureholders in the event of a future leveraged transaction involving the REIT.

Structural Subordination of Debentures

Liabilities of a parent entity with assets held by various subsidiaries may result in the structural subordination of the lenders of the parent entity. The parent entity is entitled only to the residual equity of its subsidiaries after all debt obligations of its subsidiaries are discharged. In the event of a bankruptcy, liquidation or reorganization of the REIT, holders of indebtedness of the REIT (including Debentureholders) may become subordinate to lenders to the subsidiaries of the REIT.

Conversion of Debentures Following Certain Transactions

In the case of certain transactions, each Debenture will become convertible into the kind and amount of securities, cash or property receivable by a holder of Units in respect of each Unit. This change could substantially lessen or eliminate the value of the conversion privilege associated with the Debentures in the future. For example, if the REIT were acquired in a cash merger, each Debenture would become convertible solely into cash and would no longer be convertible into securities whose value would vary depending on the REIT's future prospects and other factors. See "Description of the Debentures — Conversion Privilege".

Value of Conversion Privilege

Upon the occurrence of a Change of Control of the REIT, Debentureholders will have the right to require the REIT to redeem the Debentures in an amount equal to 101% of the principal amount of the Debentures, plus accrued and unpaid interest until the date of redemption. In the event that Debentureholders holding 90% or more of the Debentures exercise their right to require the REIT to redeem the Debentures, the REIT may acquire the remaining Debentures on the same terms. In such event, the conversion privilege associated with the Debentures would be eliminated, which may adversely affect some or all of the Debentureholders. See "Description of the Debentures — Put Right Upon a Change of Control".

Redemption Prior to Maturity

The Debentures may be redeemed, at the option of the REIT, in whole at any time or in part from time to time after June 30, 2017, subject to certain conditions for redemptions prior to the Final Maturity Date, at a price equal to the principal amount thereof plus accrued and unpaid interest (see "Description of the Debentures — Redemption and Purchase"). Debentureholders should assume that this redemption option will be exercised if the REIT is able to refinance at a lower interest rate or if it is otherwise in the interest of the REIT to redeem the Debentures. Debentureholders whose Debentures are redeemed would not be entitled to participate in any growth in the trading price of the Debentures or underlying Units and may not be able to reinvest their redemption proceeds in securities providing a comparable expected rate of return as the Debentures for a comparable level of risk.

Inability of the REIT to Purchase Debentures on a Change of Control

The REIT may be required to purchase all outstanding Debentures upon the occurrence of a Change of Control. However, it is possible that following a Change of Control, the REIT will not have sufficient funds at that time to make any required purchase of outstanding Debentures or that restrictions contained in other present or future indebtedness or agreements will restrict those purchases. The REIT's failure to purchase the Debentures would constitute an Event of Default under the Indenture, which may also constitute a default under the terms of the REIT's other indebtedness at that time. See "Description of the Debentures — Put Right Upon a Change of Control".

Dilution

While the net proceeds of the Offering are expected to be applied towards the uses specified in "Use of Proceeds" in this Prospectus, to the extent that any of the net proceeds of the Offering remain uninvested pending their use or are used to pay down indebtedness with a low interest rate, the Offering may result in dilution, on a per Unit basis, to the REIT's net income, FFO, AFFO and other financial measures used by the REIT.

The REIT may determine to redeem outstanding Debentures or to repay outstanding principal amounts thereunder at maturity of the Debentures, in each case, by issuing additional Units. Accordingly, holders of Units may suffer dilution. See "Description of the Debentures — Payment Upon Redemption or Maturity".

Withholding Tax

Effective January 1, 2008, the Tax Act was amended to generally eliminate withholding tax on interest paid or credited to non-residents of Canada with whom the payor deals at arm's length. However, Canadian withholding tax continues to apply to payments of "participating debt interest". For purposes of the Tax Act, participating debt interest is generally interest that is paid on an obligation where all or any portion of such interest is contingent or dependent on the use of or production from property in Canada or is computed by reference to revenue, profit, cash flow, commodity price or any similar criterion.

Under the Tax Act, when a debenture or other debt obligation issued by a person resident in Canada is assigned or otherwise transferred by a non-resident person to a person resident in Canada (which would include a conversion of the obligation or payment on maturity), the amount, if any, by which the price for which the obligation was assigned or transferred exceeds the price for which the obligation was issued is deemed to be a payment of interest on that obligation made by the person resident in Canada to the non-resident (an "**excess**"). The deeming rule does not apply in respect of certain "excluded obligations", although it is not clear whether a particular convertible debenture would qualify as an "excluded obligation". If a convertible debenture is not an "excluded obligation", issues that arise are whether any excess would be considered to exist, whether any such excess which is deemed to be interest is "participating debt interest", and if the excess is participating debt interest, whether that results in all interest on the obligation being considered to be participating debt interest.

The CRA has stated that no excess, and therefore no participating debt interest, would in general arise on the conversion of a "traditional convertible debenture" and therefore there would be no withholding tax in such circumstances (provided that the payor and payee deal at arm's length for purposes of the Tax Act). The CRA has published guidance on what it believes to be the criteria of a "traditional convertible debenture" for these purposes. The Debentures do not meet at least one of the criteria set forth in the CRA's published guidance. Accordingly, there is a risk that amounts paid or payable by the REIT to a non-resident holder of Debentures on account of interest or any excess amount may be subject to Canadian withholding tax at a rate of 25% (subject to any reduction in accordance with any applicable income tax treaty or convention).

The Indenture does not contain a requirement for us to increase the amount of interest or other payments to holders of Debentures should the REIT be required to withhold amounts in respect of income or similar taxes on payments of interest or other amounts.

Prospective investors who are Non-Residents should consult with their own tax advisors as to the possible application of non-resident withholding tax to amount paid or credited (or deemed to be paid or credited) under the Debentures, including on conversion thereof into Units.

Risks Related to the Units Issuable upon Conversion of the Debentures

See "Risk Factors — Risks Related to the Units" in the AIF.

Risks Related to the Acquisition

Possible Failure to Complete the Acquisition

Completion of the Acquisition is subject to the satisfaction of certain closing conditions, including the receipt of Unitholder, lender, TSX and *Competition Act* (Canada) approval. Accordingly, there is no assurance that the Acquisition will be completed or, if completed, will be on terms that are the same as those disclosed in this Prospectus. If the Acquisition is not completed on or before the Deadline, the maturity date of the Debentures will be the Initial Maturity Date. Accordingly, holders of the Debentures would be restricted from using the funds devoted to the acquisition of the Debentures for any other investment opportunities until such funds are returned to the holder. In addition, if completion of the Acquisition does not occur as contemplated, the REIT will not realize the benefits described in this Prospectus and could suffer adverse consequences, including loss of investor confidence.

Possible Failure to Obtain New Mortgages

While the terms of the New Mortgages have been negotiated and/or finalized, the lenders thereunder, in certain cases, have not committed to provide any financing pursuant to such mortgages. As such, there is no assurance that all of the New Mortgages will be obtained or, if obtained, will be on terms that are exactly the same as disclosed in this Prospectus. Obtaining the New Mortgages on terms less favourable to the REIT could adversely impact the REIT's financial condition and decrease the amount of cash available for distribution. Further, failure to obtain the New Mortgages would require the REIT to obtain other sources of financing for the Acquisition and could result in the Acquisition not being completed or being completed only in part.

Possible Failure to Realize Expected Returns on the Acquisition

Acquisitions involve risks that could materially and adversely affect the REIT's business plan, including the failure of the Acquisition to realize the results the REIT expects. While the Trustees, based on analysis provided by management (as well as other information deemed appropriate and sufficient for such purposes), consider the Acquisition not to be dilutive to the REIT's FFO or AFFO, such determination should not be regarded as a guarantee of future performance or results. If the Acquisition fails to realize the results that the REIT expects, the Acquisition could materially and adversely affect the REIT's business plan and could have a material adverse effect on the REIT and its financial results.

Historical Financial Information and Pro Forma Financial Information

The historical financial information relating to the Acquisition Properties included in this Prospectus has been derived from third parties' historical accounting records. The REIT believes that the assumptions underlying the combined and consolidated financial statements are reasonable.

The combined financial statements, however, may not reflect what the REIT's financial position, results of operations or cash flows would have been had the REIT been a standalone entity owning the Acquisition Properties during the historical periods presented or what the REIT's financial position, results of operations or cash flows will be in the future.

In preparing the *pro forma* financial information in this Prospectus, the REIT has given effect to, among other items, the Offering and the completion of the Acquisition. The estimates used in the *pro forma* financial information may not be similar to the REIT's actual performance going forward.

Use of Property Appraisals

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

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets.

Use of Fairness Opinions

The Fairness Opinion is directed only to the fairness, from a financial point of view, of the Acquisition to Unitholders (other than Mr. Drimmer and his Affiliates). The Fairness Opinion does not address the relative merits of the Acquisition as compared to other business strategies or transactions that might be available to the REIT or the underlying business decision of the REIT to effect the Acquisition. The Fairness Opinion does not constitute a recommendation by Origin to any Unitholder as to how such Unitholder should vote or act with respect to any matters relating to the Acquisition.

Assumption of Liabilities

The REIT will assume liabilities arising out of or related to the Acquisition Properties, and will agree to indemnify the vendors of the Acquisition Properties for, among other matters, such liabilities.

Potential Undisclosed Liabilities Associated with the Acquisition

The REIT is continuing to conduct its due diligence review of the Acquisition Properties. There may be liabilities, including under applicable environmental laws, that the REIT fails to discover or is unable to quantify in the due diligence review prior to the closing of the Acquisition and the REIT may not be indemnified for some or all of these liabilities under the Acquisition Agreement. The subsequent discovery or quantification of any material liabilities could have a material adverse effect on the REIT's business, financial condition or future prospects, which may include diminution in the value of the affected properties or the inability to finance or dispose of the affected properties on acceptable terms.

Additional Risks Related to the REIT and its Business

Taxation Matters

There can be no assurance that the Debentures or Units will continue to be qualified investments under the Tax Act for Plans. The Tax Act imposes tax consequences for the acquisition or holding of non-qualified investments for Plans.

Canadian federal income tax laws may be changed in a manner that may adversely affect the amount of cash available to be distributed to Unitholders. There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the Unitholders or holders of Debentures. If the REIT ceases to qualify as a "mutual fund trust" under the Tax Act, the income tax considerations described under "Certain Canadian Federal Income Tax Considerations" would, in some respects, be materially and adversely different.

No assurance can be given that Canadian federal income tax laws respecting the taxation of income trusts and other flow-through entities will not be further changed in a manner that adversely affects the REIT and the Unitholders or holders of Debentures.

Based on a review of its assets and revenues, management has advised counsel that its current intention is to qualify for the REIT Exception at all times. However, there can be no assurance that Canadian federal income tax laws will not change or that subsequent investments or activities undertaken by the REIT will not result in the REIT failing to qualify for the REIT Exception and being subject to the SIFT Rules. If the REIT is subject to the SIFT Rules, certain of the income tax considerations described under "Certain Canadian Federal Income Tax Considerations" would, in some respects, be materially and adversely different.

Certain properties have been acquired by the Partnerships on a tax deferred basis, whereby the tax cost of these properties is less than their fair market value. Accordingly, for the purposes of claiming capital cost allowance, the undepreciated capital cost of such property acquired by a Partnership may be less than the fair market value of the property at the time of acquisition. In addition, if one or more of such properties are disposed of, the gain recognized by such Partnership for income tax purposes will be in excess of that which it would have realized if it had acquired the properties at a tax cost equal to fair market value.

The CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in an income trust (including a real estate investment trust such as the REIT) may be reduced on a *pro rata* basis in respect of distributions from the income trust that are a return of capital and that are not reinvested for an income earning purpose. If the CRA view were to apply to a Unitholder who borrowed money to invest in Units of the REIT, part of the interest payable by such Unitholder in connection with money borrowed to acquire such Units could be non-deductible.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

In the ordinary course of business, the REIT and its properties may, from time to time, be subject to various pending and threatened lawsuits in which claims for monetary damages and other relief are asserted. Except as disclosed in this Prospectus, including the documents incorporated by reference herein, the REIT is not aware of any existing or contemplated material legal proceedings to which it or its Subsidiaries is or was a party to, or to which any of the Currently Owned Properties or the Acquisition Properties is or was the subject.

The REIT is not aware of any penalties or sanctions imposed by a court or securities regulatory authority or other regulatory body against the REIT, nor has the REIT entered into any settlement agreements before a court or with a securities regulatory authority.

LEGAL MATTERS

The matters referred to under "Eligibility for Investment" and "Certain Canadian Federal Income Tax Considerations", as well as certain other legal matters relating to the issue and sale of the Debentures and the Acquisition will be passed upon on behalf of the REIT by Cassels Brock & Blackwell LLP and on behalf of the Underwriters by Blake, Cassels & Graydon LLP. As at the date of this Prospectus, the partners and associates of Cassels Brock & Blackwell LLP beneficially own, directly and indirectly, less than **[1]**% of the securities or other property of the REIT, its associates or its Affiliates. As at the date of this Prospectus, the partners and associates of Blake, Cassels & Graydon LLP beneficially own, directly and indirectly, less than **[1]**% of the securities or other property of the REIT, its associates or its Affiliates.

PROMOTER

Starlight has taken the initiative in organizing the business and affairs of the REIT and, accordingly, may be considered to be a promoter of the REIT within the meaning of applicable securities legislation. Starlight does not beneficially own, directly or indirectly, or exercise control over, any securities of the REIT.

INTEREST OF EXPERTS

Origin is named herein, and in certain documents incorporated by reference herein, as providing the Fairness Opinion regarding the Acquisition and an independent opinion of the fair market value of the Instalment Notes. As at the date of this Prospectus, the "designated professionals" of Origin beneficially own, directly and indirectly, less than 1% of the securities or other property of the REIT, its associates or its Affiliates.

The auditors of the REIT, KPMG LLP, have confirmed that they are independent of the REIT within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations. Deloitte LLP have advised that they are independent of the Acquisition Properties within the meaning of the rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

CBRE is named herein as providing the Original Appraisals and the Independent Appraisals in respect of the Acquisition Properties. As at the date of this Prospectus the "designated professionals" of CBRE beneficially own, directly and indirectly, less than 1% of the securities or other properties of the REIT, its associates or its Affiliates.

AUDITORS, TRANSFER AGENT AND REGISTRAR, AND DEBENTURE TRUSTEE

The auditors of the REIT are KPMG LLP, Chartered Professional Accountants, located in Toronto, Ontario. The transfer agent and registrar for the Units is Equity Financial Trust Company at its principal office in Toronto, Ontario. The Debenture Trustee will be Equity Financial Trust Company at its principal office in Toronto, Ontario.

EXEMPTIONS FROM NATIONAL INSTRUMENT 44-101

The REIT has applied for exemptive relief from the requirement to file expert reports referred to in a prospectus on SEDAR so that it could file redacted copies of the Independent Appraisals and the Original Appraisals. The relief is being granted based on the REIT's representations and submissions that disclosure of the redacted information would be seriously prejudicial to the interests of the REIT and that the redacted information is not material to an investor's understanding of the appraisals or necessary for an investor to make an investment decision regarding the REIT. Pursuant to Part 8 of National Instrument 44-101, the relief from this requirement will be evidenced by the issuance of a final receipt for this Prospectus.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

Original purchasers of Debentures will have a non-assignable contractual right of rescission, exercisable against the REIT following the issuance of Units to such purchaser pursuant to the exercise of the Debenture conversion privilege, to receive the offering price of each such Debenture if this Prospectus (including the documents incorporated herein by reference) or any amendment thereto contains a misrepresentation (within the meaning of the *Securities Act* (Ontario)), provided such remedy for rescission is exercised within 180 days of the closing of the Offering, following which this contractual right of rescission will be null and void. This contractual right of rescission shall be subject to the defences, limitations and other provisions described under part XXIII of the *Securities Act* (Ontario), and is in addition to any other right or remedy available to original purchasers of Debentures under section 130 of the *Securities Act* (Ontario) or otherwise at law. For greater certainty, this contractual right of rescission is only in connection with a misrepresentation (within the meaning of the *Securities Act* (Ontario)) and is not a right to withdraw from an agreement to purchase securities within two business days as provided in securities legislation in certain provinces of Canada.

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Combined Financial Statements of
(In Canadian dollars)

PRIVATE PORTFOLIO II

As at and for the years ended December 31, 2013 and 2012 and for the interim periods ended March 31, 2014 and 2013

Independent Auditor's Report

To the Owners of Private Portfolio II

We have audited the accompanying combined financial statements of Private Portfolio II, which comprise the combined statement of financial position as at December 31, 2013, and the combined statement of income and comprehensive income, combined statement of changes in divisional equity and combined statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Combined Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements present fairly, in all material respects, the financial position of Private Portfolio II as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Comparative Information

The combined statement of financial position of Private Portfolio II as at December 31, 2012 and March 31, 2014 and the combined statement of income and comprehensive income, combined statement of changes in divisional equity and combined statement of cash flows for the year ended December 31, 2012 and the three month periods ended March 31, 2014 and 2013 are unaudited.

(To be signed Deloitte LLP)

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

● , 2014

Toronto, Canada

PRIVATE PORTFOLIO II

COMBINED STATEMENTS OF FINANCIAL POSITION

(In thousands of Canadian dollars)

	March 31, 2014	December 31, 2013	December 31, 2012
	(Unaudited)		(Unaudited)
Assets			
Investment properties (note 4)	$294,305	$294,305	$202,697
Deposits	327	329	168
Tenant and other receivables (note 5)	256	308	219
Prepaid expenses and other assets	731	359	303
Restricted cash (note 6)	728	681	369
Cash and cash equivalents	1,950	1,809	1,047
Total assets	$298,297	$297,791	$204,803
Liabilities and Divisional Equity			
Mortgages payable (note 7)	$231,446	$224,505	$152,558
Tenant rental deposits	2,538	2,404	1,416
Accounts payable and accrued liabilities	4,817	7,303	2,904
Finance costs payable	969	985	904
Total liabilities	239,770	235,197	157,782
Divisional equity	58,527	62,594	47,021
Total liabilities and divisional equity	$298,297	$297,791	$204,803

See accompanying notes to combined financial statements.

PRIVATE PORTFOLIO II

COMBINED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(In thousands of Canadian dollars)

	Three months ended March 31, 2014	Three months ended March 31, 2013	Year ended December 31, 2013	Year ended December 31, 2012
	(unaudited)	(unaudited)		(unaudited)
Revenue:				
Revenue from property operations	$ 7,277	$ 4,952	$23,130	$ 9,895
Expenses:				
Property operating costs	2,963	2,009	8,924	3,807
Realty taxes	1,014	753	3,427	1,585
Fair value adjustment of investment properties (note 4)	1,365	1,643	(3,015)	(5,613)
Finance costs (note 9)	3,354	2,948	13,428	5,453
Extinguishment of mortgages payable (note 9)	—	123	156	1,139
Total expenses	8,696	7,476	22,920	6,371
Net (loss) income and comprehensive (loss) income	$(1,419)	$(2,524)	$ 210	$ 3,524

See accompanying notes to combined financial statements.

PRIVATE PORTFOLIO II

COMBINED STATEMENTS OF CHANGES IN DIVISIONAL EQUITY

(In thousands of Canadian dollars)

	Year ended December 31, 2013	Year ended December 31, 2012
		(unaudited)
Divisional equity, beginning of year	$47,021	$ 9,503
Net income and comprehensive income	210	3,524
Net contributions	15,363	33,994
Divisional equity, end of year	$62,594	$47,021

	Three-months ended March 31, 2014	Three-months ended March 31, 2013
	(unaudited)	(unaudited)
Divisional equity, beginning of period	$62,594	$47,021
Net loss and comprehensive loss	(1,419)	(2,524)
Net (distributions) contributions	(2,648)	5,008
Divisional equity, end of period	$58,527	$49,505

See accompanying notes to combined financial statements.

PRIVATE PORTFOLIO II

COMBINED STATEMENTS OF CASH FLOWS

(In thousands of Canadian dollars)

	Three months ended March 31, 2014	Three months ended March 31, 2013	Year ended December 31, 2013	Year ended December 31, 2012
	(unaudited)	(unaudited)		(unaudited)
Cash flows from (used in) operating activities:				
Net (loss) income	$(1,419)	$ (2,524)	$ 210	$ 3,524
Adjustments for item not involving cash:				
Fair value adjustment of investment properties	1,365	1,643	(3,015)	(5,613)
Adjust for financing activities included in net income:				
Finance costs	258	110	810	533
Change in non-cash operating items:				
Change in non-cash operating working capital (note 10)	(2,670)	(206)	3,727	2,671
	(2,466)	(977)	1,732	1,115
Cash flows used in investing activities:				
Improvements to investment properties (note 4)	(1,365)	(707)	(11,030)	(2,901)
Acquisition of investment properties (note 3)	—	(12,923)	(76,210)	(160,446)
Change in restricted cash	(47)	10	(312)	(337)
	(1,412)	(13,620)	(87,552)	(163,684)
Cash flows from (used in) financing activities:				
Mortgages payable:				
Proceeds	7,246	11,998	158,140	178,178
Principal payments	(502)	(1,067)	(8,271)	(1,139)
Discharge of mortgages	—	(1,228)	(77,369)	(47,334)
Finance costs paid	(77)	(12)	(1,281)	(297)
Net (distributions of) contributions to divisional equity	(2,648)	5,008	15,363	33,994
	4,019	14,699	86,582	163,402
Increase in cash and cash equivalents	141	102	762	833
Cash and cash equivalents, beginning of period	1,809	1,047	1,047	214
Cash and cash equivalents, end of period	$ 1,950	$ 1,149	$ 1,809	$ 1,047

See accompanying notes to combined financial statements.

Private Portfolio II, as presented in these combined financial statements, is not a legal entity. These combined financial statements represent the combination of certain multi-residential revenue-producing properties (the "Portfolio") located in Canada. This Portfolio and its related assets and liabilities are owned or co-owned and managed by Starlight Investment Ltd. and certain of its affiliates (individually and collectively "Starlight").

These combined financial statements have been prepared for the purpose of reporting on the financial position, financial performance, changes in divisional equity and cash flows of the Portfolio in the prospectus relating to the public offering of units by True North Apartment Real Estate Investment Trust.

These combined financial statements have been prepared on a carve-out basis from the financial statements of the entities which collectively own the Portfolio, and present the financial position, financial performance, changes in divisional equity and cash flows of the Portfolio for the periods presented, as if the Portfolio has been accounted for on a stand-alone basis.

Because these properties are part of a corporate group, these combined financial statements depict the divisional equity in net assets, representing the amount associated with these properties. Management's estimates, when necessary, have been used to prepare such allocations.

These combined financial statements are not necessarily indicative of the results that would have been attained if the Portfolio had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results.

The registered office of Starlight is 401 The West Mall, Suite 1100, Toronto, Ontario M9C 5J5.

1. BASIS OF PREPARATION:

(a) Basis of presentation and statement of compliance:

The combined financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

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

The combined financial statements are presented in Canadian dollars, which is the functional currency of the Portfolio, and rounded to the nearest thousand except as otherwise stated.

(b) Basis of presentation:

The Portfolio holds its interest in investment properties and other assets and liabilities related to these properties in different entities which are owned or co-owned and managed by Starlight. All intercompany transactions and balances between properties within the Portfolio have been eliminated upon consolidation.

(c) Critical judgments and estimates:

The preparation of combined financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

(i) Critical judgments in applying accounting policies:

The following is the critical judgement that management has made in the process of applying accounting policies that has the most significant effect on the amounts recognized in the combined 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 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 Portfolio

1. BASIS OF PREPARATION: (Continued)

obtains control of the business. All of the Portfolio's acquisitions have been accounted for as an asset acquisition as no core processes were acquired by the Portfolio.

(ii) Significant estimates:

The following are the significant estimates concerning the preparation of the financial statements:

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 using 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 disclosed in note 4.

2. 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 rental income or for capital appreciation, or both. Investment property is initially measured at the purchase price, including directly attributable costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in fair value are recognized in the combined statement 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 and commercial 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 of the lease agreement.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, unrestricted cash and short-term investments. Short-term investments, comprising money market instruments, have an initial maturity of 90 days or less at their date of purchase and are stated at cost, which approximates net realizable value. The Portfolio has no cash equivalents at the reporting date.

(d) Income taxes:

A provision has not been made for income taxes as the Portfolio is not a legal entity and the properties contained within the Portfolio are owned by partnerships which are not taxable entities. Income taxes, if any, are liabilities of the partners.

(e) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit or loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in the combined statement of income and comprehensive income. Financial instruments classified as held-to-maturity, loans and

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized in the other comprehensive income.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or is designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IAS 39, Financial Instruments — Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as FVTPL.

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

	Classification	Measurement
Financial assets:		
Tenant receivables, net	Loans and receivables	Amortized cost
Other receivables	Loans and receivables	Amortized cost
Deposits	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Financial liabilities:		
Mortgages payable	Other liabilities	Amortized cost
Tenant rental deposits	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Finance costs payable	Other liabilities	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities, other than financial assets and financial liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception.

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

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

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

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

(f) New standards and interpretations adopted:

IFRIC 21, Levies ("IFRIC 21"):

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment occurs, as identified by the relevant legislation. In the event that activity happens over a period of time, the liability to pay the levy is recognised progressively, over that period of time. Additionally, an entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period.

The Portfolio assessed the implications of IFRIC 21 upon its adoption on January 1, 2014, and determined that the adoption of IFRC 21 did not result in any material changes to the Portfolio's financial statements or disclosures.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Future accounting changes:

The following new standard and amendment to existing standards issued by the International Accounting Standards Board may be relevant to the Portfolio in preparing its combined financial statements in future periods:

Standards	Effective date
IFRS 9, Financial Statements (2010)	Annual period beginning on or after January 1, 2018

The Portfolio intends to adopt this standard on its respective effective date. The extent of the impact of adoption of this standard on the Portfolio has not yet been determined.

(g) Approval of combined financial statements

The financial statements were approved by the Owners of Private Portfolio II and authorized for issue on • , 2014.

(In thousands of Canadian dollars)

3. ACQUISITIONS:

(a) The following acquisitions were completed during the year ended December 31, 2013. These acquisitions have all been accounted for as asset acquisitions.

The fair value of consideration has been allocated to the identifiable assets acquired and liabilities assumed based on their fair values at the date of acquisition, as follows:

	915 44th Street	1 Rosemount Drive	840 Water Street	7-11 Manhattan Court	740-758 Kipps Lane	Total
Net assets acquired:						
Investment properties	$ 5,022	$ 12,923	$ 3,742	$ 3,992	$ 51,884	$77,563
Cash (received) paid for working capital:						
Prepaid expenses and other assets	8	—	1	14	85	108
Tenant rental deposits	(36)	(101)	(41)	(61)	(867)	(1,106)
Accounts payable and accrued liabilities	(4)	(339)	(1)	—	(11)	(355)
	$ 4,990	$ 12,483	$ 3,701	$ 3,945	$ 51,091	$76,210
Consideration paid, funded by:						
New financing obtained	$ 3,219	$ 10,625	$ 3,094	$ 3,374	$ 43,529	$63,841
Divisional equity	1,771	1,858	607	571	7,562	12,369
	$ 4,990	$ 12,483	$ 3,701	$ 3,945	$ 51,091	$76,210
Acquisition date	Oct-15-13	Feb-01-13	Apr-08-13	Jul-04-13	Sept-04-13	

(In thousands of Canadian dollars)

3. ACQUISITIONS (Continued):

(b) The following acquisitions were completed during the year ended December 31, 2012. These acquisitions have all been accounted for as asset acquisitions.

The fair value of consideration has been allocated to the identifiable assets acquired and liabilities assumed based on their fair values at the date of acquisition, as follows:

(unaudited)	TGA REIT Privatization Portfolio	2 Colborne Street	285 Erb Street West	155 Market Street	10 Cartier Court	33 Richmond Street	25 Westwood Court	Total
Net assets acquired:								
Investment properties	$ 112,274	$ 13,870	$ 10,956	$ 6,417	$ 1,612	$ 6,631	$ 9,312	$161,072
Cash (received) paid for working capital:								
Prepaid expenses and other assets	402	31	41	41	6	26	169	716
Tenant rental deposits	(697)	(161)	(124)	(97)	(26)	(108)	(129)	(1,342)
	$ 111,979	$ 13,740	$ 10,873	$ 6,361	$ 1,592	$ 6,549	$ 9,352	$160,446
Consideration paid, funded by:								
New financing obtained	$ 41,788	$ 11,585	$ 9,351	$ 5,525	$ 1,343	$ 5,525	$ 7,734	$ 82,851
Divisional equity	70,191	2,155	1,522	836	249	1,024	1,618	77,595
	$ 111,979	$ 13,740	$ 10,873	$ 6,361	$ 1,592	$ 6,549	$ 9,352	$160,446
Acquisition date	Jun-29-12	Aug-15-12	Oct-17-12	Oct-17-12	Oct-17-12	Oct-17-12	Oct-17-12	

(In thousands of Canadian dollars)

4. INVESTMENT PROPERTIES:

The following table summarizes the changes in the investment properties for the three months ended March 31, 2014 and years ended December 31, 2013 and December 31, 2012:

	Three months ended March 31, 2014	Year ended December 31, 2013	Year ended December 31, 2012
	(unaudited)		(unaudited)
Balance, beginning of period	$294,305	$202,697	$ 33,111
Acquisition of investment properties	—	77,563	161,072
Additions — capital expenditures	1,365	11,030	2,901
Fair value adjustment	(1,365)	3,015	5,613
Balance, end of period	$294,305	$294,305	$202,697

The following table reconciles the cost base of investment properties to their fair value:

	March 31, 2014	December 31, 2013	December 31, 2012
	(unaudited)		(unaudited)
Cost	$283,333	$281,968	$193,375
Cumulative fair value adjustments	10,972	12,337	9,322
Fair Value	$294,305	$294,305	202,697

The key valuation assumptions for the Portfolio are set out in the following table:

	March 31, 2014	December 31, 2013	December 31, 2012
	(unaudited)		(unaudited)
Capitalization rates	4.40% – 6.00%	4.40% – 6.00%	4.75% – 6.00%

The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The fair values of the Portfolio's investment properties are sensitive to changes in the key valuation assumptions. A 10-basis-points increase (decrease) in the weighted average capitalization rates would result in the following changes in the fair value of the portfolio's investment properties.

Key assumptions	Change	March 31, 2014	December 31, 2013	December 31, 2012
		(unaudited)		(unaudited)
Weighted average capitalization rate	10-basis-points increase	$(5,275)	$(5,275)	$(3,598)
Weighted average capitalization rate	10-basis-points decrease	5,471	5,471	3,730
Stabilized future cash flows	increase of $100	1,825	1,825	1,807
Stabilized future cash flows	decrease of $100	(1,825)	(1,825)	(1,807)

(In thousands of Canadian dollars)

5. TENANT AND OTHER RECEIVABLES:

	March 31, 2014	December 31, 2013	December 31, 2012
	(unaudited)		(unaudited)
Tenant receivables, net	$189	$252	$168
Other receivables	67	56	51
	$256	$308	$219

As at the dates specified, all tenant receivables that were past due but not impaired were outstanding for 90 days or less. All other tenant receivables have been provided for.

The Portfolio holds no collateral in respect of tenant and other receivables.

6. RESTRICTED CASH:

	March 31, 2014	December 31, 2013	December 31, 2012
	(unaudited)		(unaudited)
Real estate taxes	$140	$ 86	$—
Restricted rental deposits	588	595	369
	$728	$681	$369

7. MORTGAGES PAYABLE:

	March 31, 2014	December 31, 2013	December 31, 2012
	(unaudited)		(unaudited)
Mortgages payable	$232,438	$225,695	$153,195
Unamortized financing fees	(992)	(1,190)	(637)
	$231,446	$224,505	$152,558

There are first and second charges on investment properties as security for the Portfolio's mortgages payable. Certain investment properties are pledged as security for mortgages advanced for properties included in the Portfolio, as well as properties not included in the Portfolio but owned by parties related to Starlight. The related mortgage agreements also contain cross default provisions. Mortgages on certain properties are cross collateralized.

As at March 31, 2014, the mortgages carry a weighted average coupon interest rate of 5.89% (December 31, 2013 — 5.81%, December 31, 2012 — 6.22%). The mortgages as at March 31, 2014 carry a weighted average term to maturity of 1.24 years (December 31, 2013 — 1.50 years, December 31, 2012 — 1.72 years).

(In thousands of Canadian dollars)

7. MORTGAGES PAYABLE: (Continued)

Future principal repayments as at March 31, 2014 and December 31, 2013 are as follows:

	March 31, 2014	December 31, 2013
	(unaudited)	
2014	$ 55,155	$ 55,841
2015	129,010	121,581
2016	35,329	35,329
2017	342	342
2018	10,293	10,293
Thereafter	2,309	2,309
Face value	232,438	225,695
Unamortized financing fees	(992)	(1,190)
Carrying amount	$231,446	$224,505

8. SEGMENTED DISCLOSURE:

All of the Portfolio's assets and liabilities are in, and its revenue derived from, multi-suite residential Canadian real estate. The Portfolio's investment properties are, therefore, considered by management to have similar economic characteristics. No single tenant accounts for 10% or more of the Portfolio's rental revenue.

9. FINANCE COSTS:

	Three months ended March 31, 2014	Three months ended March 31, 2013	Year ended December 31, 2013	Year ended December 31, 2012
	(unaudited)	(unaudited)		(unaudited)
Mortgage interest	$3,096	$2,838	$12,618	$4,920
Amortization of mortgage financing fees	258	110	810	533
Finance costs	3,354	2,948	13,428	5,453
Extinguishment of mortgages payable	—	123	156	1,139
	$3,354	$3,071	$13,584	$6,592

10. CHANGE IN NON-CASH OPERATING WORKING CAPITAL:

	Three months ended March 31, 2014	Three months ended March 31, 2013	December 31, 2013	December 31, 2012
	(unaudited)	(unaudited)		(unaudited)
Deposits	$ 2	$ (69)	$ (161)	$ (164)
Tenant and other receivables	52	(135)	(89)	(50)
Prepaid expenses and other assets	(372)	(62)	51	414
Tenant rental deposits	134	92	(118)	(140)
Accounts payable and accrued liabilities	(2,486)	(32)	4,044	2,611
	$(2,670)	$ (206)	$ 3,727	$2,671

11. COMMITMENTS AND CONTINGENCIES:

At the combined statement of financial position dates, the Portfolio had no commitments for future minimum lease payments under non-cancellable operating leases.

12. Capital management:

The Portfolio is free to determine the appropriate level of capital in context with its cash flow requirements, overall business risks and potential business opportunities. As a result of this, the Portfolio will make adjustments to its capital based on its investment strategies and changes to economic conditions.

The Portfolio's primary objectives when managing capital are to maximize value through the ongoing active management of the Portfolio's assets and the acquisition of additional investment properties, which are leased to creditworthy tenants, as opportunities arise.

The Portfolio's strategy is also driven by requirements from certain lenders.

The Portfolio was in compliance with all financial covenants as at March 31, 2014, December 31, 2013 and December 31, 2012.

13. 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 rates, will affect the Portfolio's financial instruments.

The Portfolio is subject to the risks associated with debt financing, including the risk that the interest rate on floating debt may rise before long-term fixed rate debt is arranged and that the mortgages payable and credit facility will not be able to be refinanced on terms similar to those of the existing indebtedness. The Portfolio's objective of managing interest rate risk is to minimize the volatility of earnings.

The Portfolio is not exposed to any other form of market risk.

(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 is exposed to credit risk on all financial assets and its exposure is generally limited to the carrying amount on the combined statement of financial position. The Portfolio monitors its risk exposure regarding obligations with counterparties (Canadian chartered banks) through the regular assessment of counterparties' credit positions.

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 combined statement 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. To mitigate the risk associated with the refinancing of maturing debt, Starlight staggers the maturity dates of its mortgage portfolio over a number of years. In addition, Starlight manages its overall liquidity risk by maintaining sufficient available credit facilities to fund its on-going operational and capital commitments, distributions and provide future growth in its business. Management expects to refinance all the principal debt maturing in 2014.

14. FAIR VALUE MEASUREMENT:

The fair value of the Portfolio's mortgages payable at March 31, 2014 is approximately $236,000 (December 31, 2013 — $230,000, December 31, 2012 — $160,000).

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

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

The following summarizes the significant methods and assumptions used in estimating fair values of the Portfolio's financial instruments and investment properties:

(a) Investment properties:

The fair value of each investment property was determined using the valuation methodology and key assumptions and Level 3 inputs described in notes 2(a) and 4.

(b) Mortgages payable:

The fair value of mortgages payable is estimated based on the present value of future payments, discounted at the yield on a Government of Canada bond with the nearest maturity date to the underlying mortgage, plus an estimated credit spread at the reporting date for a comparable mortgage (Level 2). The spread rates used as at March 31, 2014 ranged from 2.00% to 2.53% (December 31, 2013 — 2.22% to 2.73%, December 31, 2012 — 2.57% to 2.76%) dependent on the nature and terms of the respective mortgages.

(c) Other financial assets and financial liabilities:

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

15. SUBSEQUENT EVENT

On May 29, 2014 the owners of the Portfolio entered into an agreement of purchase and sale with True North Apartment Real Estate Investment Trust (the "REIT") and a wholly-owned subsidiary of the REIT, pursuant to which the REIT will indirectly acquire the Portfolio (the "Acquisition"). The Acquisition is conditional upon the satisfaction of certain conditions including lender consents, completion of an offering of $20 million aggregate principal amount of extendible convertible unsecured subordinated debentures by the REIT, approval from the unitholders of the REIT, and certain other conditions and third party approvals. Completion of the Acquisition is expected to occur on or about June 27, 2014.

Combined Financial Statements
(In Canadian dollars)

TC2 PORTFOLIO

Period from January 1, 2013 to October 14, 2013

Independent Auditors' Report

To the Owners of TC2 Portfolio

We have audited the accompanying combined financial statements of TC2 Portfolio, which comprise the combined statement of financial position as at October 14, 2013, the combined statements of income and comprehensive income, changes in co-owners' equity and cash flows for the period from January 1, 2013 to October 14, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Combined Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements present fairly, in all material respects, the combined financial position of TC2 Portfolio as at October 14, 2013 and its combined financial performance and its combined cash flows for the period from January 1, 2013 to October 14, 2013 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 1 to the combined financial statements which describes the basis of preparation used in these combined financial statements. The combined financial statements are prepared for inclusion in the short-form prospectus relating to the public offering of extendible convertible unsecured subordinated debentures by True North Apartment Real Estate Investment Trust.

Comparative Information

The combined financial statements of TC2 Portfolio as at December 31, 2012 and for the period from June 29, 2012 to December 31, 2012 are unaudited. Accordingly, we express no opinion on these combined financial statements.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 9, 2014

Toronto, Canada

TC2 PORTFOLIO

COMBINED STATEMENT OF FINANCIAL POSITION

(In Canadian dollars)

October 14, 2013, with comparative information for December 31, 2012

	2013	2012
		(Unaudited)
Assets		
Investment properties (note 5)	$5,000,000	$60,230,000
Tenant receivables	11,726	119,786
Prepaid expenses and other assets	7,660	100,178
Due from owner	839,589	195,953
Cash	—	184,608
	$5,858,975	$60,830,525
Liabilities and Co-owners' Equity		
Liabilities:		
Mortgages payable (note 6)	$2,711,093	$38,997,593
Tenant rental deposits and prepaid rents	16,865	527,184
Accounts payable and accrued liabilities	161,583	534,366
	2,889,541	40,059,143
Co-owners' equity	2,969,434	20,771,382
Commitments and contingencies (note 10)		
Subsequent event (note 13)		
	$5,858,975	$60,830,525

See accompanying notes to combined financial statements.

TC2 PORTFOLIO

COMBINED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

(In Canadian dollars)

Period from January 1, 2013 to October 14, 2013, with comparative information for the period from June 29, 2012 to December 31, 2012

	2013	2012 (Unaudited)
Revenue from property operations	$ 4,185,244	$ 3,190,048
Expenses:		
Property taxes	555,525	392,110
Property operating costs	2,230,661	1,281,520
Finance costs (note 9)	949,580	746,259
Fair value adjustment of investment properties (note 5)	2,316,250	4,499,942
Loss from write-off of financing costs and other items on disposition of investment properties	372,489	—
	6,424,505	6,919,831
Loss for the period and comprehensive loss	$(2,239,261)	$(3,729,783)

See accompanying notes to combined financial statements.

TC2 PORTFOLIO

COMBINED STATEMENT OF CHANGES IN CO-OWNERS' EQUITY

(In Canadian dollars)

Period from January 1, 2013 to October 14, 2013, with comparative information for the period from June 29, 2012 to December 31, 2012

	2013	2012 (Unaudited)
Co-owners' equity, beginning of period	$ 20,771,382	$ —
Loss for the period and comprehensive loss	(2,239,261)	(3,729,783)
Contributions	3,018,533	24,946,465
Distributions	(18,581,220)	(445,300)
Co-owners' equity, end of period	$ 2,969,434	$20,771,382

See accompanying notes to combined financial statements.

TC2 PORTFOLIO

COMBINED STATEMENT OF CASH FLOWS

(In Canadian dollars)

Period from January 1, 2013 to October 14, 2013, with comparative information for the period from June 29, 2012 to December 31, 2012

	2013	2012 (Unaudited)
Cash flows from (used in) operating activities:		
Loss for the period and comprehensive loss	$ (2,239,261)	$ (3,729,783)
Adjustments for:		
Fair value adjustment of investment properties (note 5)	2,316,250	4,499,942
Finance costs (note 9)	949,580	746,259
Loss from write-off of financing costs and other items on disposition of properties	372,489	—
Change in non-cash operating working capital:		
Tenant receivables	108,060	(119,786)
Prepaid expenses and other	92,518	(17,350)
Accounts payable and accrued liabilities	(670,112)	388,965
Tenant rental deposits and prepaid rent	(510,319)	75,075
	419,205	1,843,322
Cash flows from (used in) financing activities:		
Mortgage principal repayments	(3,547,161)	(266,415)
Mortgage proceeds	—	3,060,000
Due from owner	(643,636)	(195,953)
Financing costs paid	(1,186,398)	(903,228)
Co-owners' contributions	3,018,533	24,946,465
Co-owners' distributions	(18,581,220)	(445,300)
	(20,939,882)	26,195,569
Cash flows from (used in) investing activities:		
Disposition of investments properties, net of debt assumed (note 4)	22,710,319	—
Acquisition of investment properties, net of debt assumed (note 3)	—	(27,267,903)
Capital improvements to investment properties	(2,374,250)	(586,380)
	20,336,069	(27,854,283)
Increase (decrease) in cash	(184,608)	184,608
Cash, beginning of period	184,608	—
Cash, end of period	$ —	$ 184,608

See accompanying notes to combined financial statements.

The TC2 Portfolio (the "Portfolio") as presented in these combined financial statements is not a legal entity and represents the combination of three investment properties located in Canada. The Portfolio consists of the following properties: 7-11 Manhattan Court, 740-758 Kipps Lane and 915 44th Street SE. These investment properties and their related assets and liabilities were subject to a Co-ownership Agreement and are owned by Mustang Equities Inc. and TC Core LP (collectively, the "Co-ownership") for the periods presented. Timbercreek Asset Management Inc. ("TAMI"), as manager of the Co-ownership (the "Manager"), is responsible for the day to day operations, property management and asset management. The registered office of the Co-ownership is 1000 Yonge Street, Suite 500, Toronto, Ontario M4W 2K2.

These combined financial statements have been prepared for the specific purpose of reporting on the assets, liabilities, revenue, expenses, co-owners' equity and cash flows of the Portfolio included in, and for inclusion in, the prospectus relating to the public offering of extendible convertible unsecured subordinated debentures by True North Apartment Real Estate Investment Trust.

These combined financial statements have been prepared on a carve-out basis from the financial statements of the Co-ownership and present the financial position, financial performance and cash flows of the Portfolio, by the Co-ownership, as if the Portfolio has been accounted for on a stand-alone basis and include the properties' share of assets, liabilities, revenue and expenses. Balances and transactions, and any unrealized income and expenses arising from the intra-group transactions, are eliminated in preparing these combined financial statements.

The following significant adjustment and assumptions have been made in the preparation of these combined financial statements:

- As at December 31, 2012, a mortgage payable with carrying value of $3,060,000 was allocated to these combined financial statements based on the relative fair value of the specific investment property to which it is secured by in relation to the overall fair value of the investment properties secured by the mortgage payable at the Co-ownership. During 2013, the mortgage payable was removed upon disposition of the investment property (note 4(a)).
- General and administrative expenses related to the Co-ownership have not been allocated to the Portfolio.

Because this Portfolio was part of a Co-ownership, these combined financial statements depict the Co-owners' equity, representing the amount associated specifically with this Portfolio. Management's estimates, when necessary, have been used to prepare such allocations.

These combined financial statements are not necessarily indicative of the results that would have been attained if the Portfolio had been operated as a separate legal entity during the period presented and, therefore, are not necessarily indicative of future operating results.

1. BASIS OF PREPARATION:

Basis of presentation and statement of compliance:

The combined financial statements of the Portfolio have been prepared by management in accordance with International Financial Reporting Standards ("IFRS").

The combined financial statements have been prepared on a historical cost basis, except for investment properties and certain financial instruments which are stated at their fair values.

The combined financial statements are presented in Canadian dollars, which is the functional currency of the Portfolio.

The combined financial statements were approved and authorized for issue by TAMI on May 9, 2014.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Investment properties:

The Co-ownership 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 measured at fair value.

The fair values of investment properties are determined by external appraisers on a semi-annual basis. The Co-ownership 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.

The Manager has established a Valuation Committee that has overall responsibility for overseeing the fair value measurement and reports directly to the Board of Directors of the Manager. The Valuation Committee regularly reviews significant unobservable

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

inputs and valuation adjustments but will use market observable data when available. Where third party information such as appraisal services are used to measure fair values, the Valuation Committee assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which valuations should be classified.

Subsequent capital expenditures are charged to investment properties only when it is probable that future economic benefits of the expenditure will flow to the Company 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 combined statement of income and comprehensive income in the year of disposal.

(b) Revenue recognition:

Revenue from property operations includes rent, parking and other sundry revenue. Residential tenant leases are normally one year leases and are accounted for as operating leases with the related revenue recognized on a monthly basis as services are provided to tenants.

Parking and other sundry revenue is recognized at the time the service is provided.

(c) Financial instruments:

The following summarizes the Co-ownership's classification and measurement of financial assets and liabilities:

	Classification	Measurement
Financial assets:		
Tenant receivables	Loans and receivables	Amortized cost
Due from owner	Loans receivable	Amortized cost
Financial liabilities:		
Mortgages payable	Other financial liabilities	Amortized cost
Tenant rental deposits and prepaid rent	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

The Co-ownership has neither available-for-sale nor held-to-maturity instruments.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities 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 fair value through profit or loss, 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 Co-ownership to its counterparties; the credit risk of the Co-ownership's counterparties relative to the Co-ownership; the estimated future cash flows; and discount rates.

(d) Fair value:

The Co-ownership measures financial instruments such as derivatives and non-financial instruments such as investment properties, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Co-ownership.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interests. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Co-ownership uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the combined financial statements on a recurring basis, the Co-ownership determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Co-ownership has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(e) Income taxes:

A provision has not been made for income taxes as the Portfolio is not a legal entity and each Co-owner is responsible for income taxes on its share of income or loss from the Portfolio.

(f) Critical judgments and estimates:

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

In making estimates and judgments, management relies on external information and market observable conditions where possible, supplemented by internal analysis as required. The estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these combined financial statements. The significant estimates and judgments used in determining the recorded amounts for assets and liabilities in the combined financial statements include the following:

(i) Investment properties:

The critical estimates and assumptions underlying the valuation of investment properties are described in (a). In applying this policy, judgment 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:

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

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(g) Changes in accounting policies:

Except for the changes below, the Co-ownership has consistently applied the accounting policies set out to all periods presented in these combined financial statements.

The Co-ownership has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of January 1, 2013.

(i) IFRS 10, Consolidated Financial Statements (2011)

(ii) IFRS 11, Joint Arrangements

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

(iv) IFRS 13, Fair Value Measurement ("IFRS 13")

(v) Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)

(vi) IAS 19, Employee Benefits (2011)

With the exception of IFRS 13 there were no material effects upon adoption of these new standards and amendments to standards.

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7, Financial Instruments — Disclosures. As a result, the Co-ownership has included additional disclosures in this regard (refer to (a) and (f)).

In accordance with the transition provisions of IFRS 13, the Portfolio has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Portfolio's assets and liabilities.

(h) Future changes in accounting policies:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2014 and have not been applied in preparing these combined financial statements. Those which may be relevant to the Portfolio are set out below. The Co-ownership does not plan to adopt these standards prior to their mandatory adoption date.

(i) IFRS 9, Financial Instruments ("IFRS 9"):

IFRS 9 which replaces International Accounting Standard ("IAS") 39, Financial Instruments: Recognition and Measurement ("IAS 39"), addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 replaces the four categories of financial assets as required by IAS 39 and replaces them with two measurement categories as follows: (i) those measured at fair value; and (ii) those measured at amortized cost. Changes in fair value will be recorded in net earnings under IFRS 9 instead of through other comprehensive income (loss) under IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in the Co-ownership's credit risk are presented in other comprehensive income (loss) instead of through net earnings unless this would create an accounting mismatch. An accounting mismatch may occur when financial liabilities that are measured at fair value are managed with assets that are measured at fair value through profit or loss. A mismatch could arise because the entire change in the fair value of the financial assets would be presented in net earnings (loss) but a portion of the change in the fair value of the related financial liabilities would not. In February 2014, the IASB tentatively selected January 1, 2018 as the effective date for mandatory association of IFRS 9, with early adoption being permitted. The Co-ownership is currently assessing the potential impact of this standard.

(ii) IFRIC 21, Levies ("IFRIC 21"):

In May 2013, the IASB issued IFRIC 21. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014 and is to be applied retrospectively.

IFRIC 21 provides guidance on accounting for levies in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in

(In Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

accordance with legislation. It also notes that levies do not arise from executor contracts or other contractual arrangements. The interpretation also confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The Co-Ownership is currently assessing the potential impact of this interpretation.

3. ACQUISITIONS:

The investment properties have been recorded as asset acquisitions and recognized initially at fair value plus transaction costs with financial performance included in these combined financial statements from the date of acquisition.

On June 29, 2012, the Co-owners acquired a number of multi-suite residential investment properties from a third party which included the Portfolio properties. The net consideration of $28,006,465 represents the allocated fair value of the Portfolio acquired out of the total value of all the multi-suite residential investment properties acquired by the Co-owners. A summary of the purchase of these properties is as follows:

Investment properties	$64,143,562
Other assets and liabilities, net	369,281
Total purchase price allocation	$64,512,843
Mortgages assumed	$36,049,922
Mortgage premium (mark-to-market adjustment)	456,456
New financing obtained and used for acquisitions	3,060,000
Co-owners' contribution	24,946,465
	$64,512,843

4. DISPOSITIONS:

(a) On July 4, 2013, the Portfolio disposed of 100% interest in one investment property totaling 40 units located in Ontario, to a third party at a selling price of $3,908,000. The transaction was settled through cash of $3,908,000 before working capital adjustments.

(b) On September 4, 2013, the Portfolio disposed of 100% interest in one investment property totaling 666 units located in Ontario, to a third party at a selling price of $51,380,000. The transaction was settled through the assumption of its mortgages of $32,577,681 and cash of $18,802,319 before working capital adjustments.

5. INVESTMENT PROPERTIES:

	2013	2012 (Unaudited)
Balance, beginning of period	$ 60,230,000	$ —
Acquisition of investment properties	—	64,143,562
Additions — capital expenditures	2,374,250	586,380
Dispositions of investment properties	(55,288,000)	—
Fair value adjustment	(2,316,250)	(4,499,942)
Balance, end of period	$ 5,000,000	$60,230,000

As at October 14, 2013, the fair value of the Portfolio was determined based on the Agreement of Purchase and Sale (note 13) agreed to by the Co-owners and a third party.

(In Canadian dollars)

6. MORTGAGES PAYABLE:

	2013	2012
Mortgages payable	$2,718,665	$38,843,507
Mark-to-market adjustment	—	310,892
Unamortized financing costs	(7,572)	(156,806)
	$2,711,093	$38,997,593

As at October 14, 2013, the contractual principal payments outstanding on mortgages payable amounted to $2,718,665. The mortgage payable carries an interest rate of 3.90% and a term to maturity of eight years. The debt is secured by first charge on specific investment properties and is repayable as follows:

	Regular principal payments	Balance due on maturity	Total	Scheduled interest payments
2013 — remainder of year	$ 11,960	$ —	$ 11,960	$ 17,559
2014	73,700	—	73,700	103,413
2015	76,602	—	76,602	100,510
2016	79,341	—	79,341	97,771
2017	82,744	—	82,744	94,369
2018	86,002	—	86,002	91,111
Thereafter	197,629	2,110,687	2,308,316	192,379
Face value	$607,978	$2,110,687	$2,718,665	$697,112

7. SEGMENTED DISCLOSURE:

All of the Portfolio's assets and liabilities are in, and its revenue derived from, multi-family residential Canadian real estate. The Portfolio's investment properties are, therefore, considered by management to have similar economic characteristics. No single tenant accounts for 10% or more of the Portfolio's rental revenue.

8. PERSONNEL COSTS:

	2013	2012 (Unaudited)
Short-term employee benefits	$308,055	$166,045

Short-term employee benefits include salary, bonus and other short-term benefits and are included within property operating costs.

9. FINANCE COSTS:

The following table presents the finance costs incurred for the period from June 29, 2012 to December 31, 2012 and for the period from January 1, 2013 to October 14, 2013:

	2013	2012 (Unaudited)
Interest on mortgages payable	$1,052,434	$ 815,265
Amortization of mark-to-market adjustment of mortgages payable	(215,900)	(145,564)
Amortization of financing costs	113,046	76,558
	$ 949,580	$ 746,259

10. COMMITMENTS AND CONTINGENCIES:

(a) 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.

(b) Property and asset and corporate management agreements:

The Portfolio is subject to property and asset and corporate management agreements with the Manager. The Manager is responsible for property leasing, acquisition, disposition, financing, operation and redevelopment of the investment properties.

11. CAPITAL RISK MANAGEMENT:

The 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 Portfolio's assets, which are leased to creditworthy tenants, as opportunities arise.

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

As part of the management of its mortgages payable, the Portfolio is required to meet certain financial covenants, as defined in the respective loan agreements. As at October 14, 2013, there were no externally imposed financial requirements.

12. RISK MANAGEMENT AND FAIR VALUES:

In the normal course of operations, the Portfolio 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 Portfolio.

(a) Financial risk management:

(i) Market risk:

Market risk is the risk that changes in market prices, such as interest rate, will affect the Portfolio's financial instruments.

(ii) Interest rate risk:

Management regularly reviews upcoming mortgage renewals for opportunities to convert existing debt into more favourable terms and rates. Generally, the Portfolio seeks to fix the term of long-term debt within a range from 5 to 10 years.

The Portfolio is not exposed to any other significant form of market risk.

(iii) 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 is exposed to credit risk on all financial assets and its exposure is generally limited to the carrying amount on the combined statement of financial position. The Portfolio monitors its risk exposure regarding obligations with counterparties (Canadian chartered banks) through the regular assessment of counterparties' credit positions.

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 combined statement of income and comprehensive income.

(iv) 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

12. RISK MANAGEMENT AND FAIR VALUES: (Continued)

assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities. To mitigate the risk associated with the refinancing of maturing debt, the Portfolio staggers the maturity dates of its mortgage portfolio over a number of years. In addition, the Portfolio manages its overall liquidity risk by maintaining sufficient available credit facilities to fund its ongoing operational and capital commitments, distributions and provide future growth in its business.

(b) Fair values of financial instruments:

The fair values of the Portfolio's financial assets and liabilities, which include tenant receivables, cash, prepaid expenses and other assets, accounts payable and other liabilities, and tenant deposits and prepaid rent approximate their carrying values at October 14, 2013 due to their short-term nature.

As at October 14, 2013, the estimated fair market value (Level 3) of the mortgages payable was $2,629,865 (2012 — $39,320,712). The fair market value of the mortgages payable has been determined by discounting the cash flows of these mortgages using estimated market rates determined by the yield on a Government of Canada bond with the nearest maturity date to the underlying mortgage, plus an estimated risk premium at the reporting date.

13. SUBSEQUENT EVENT:

On October 7, 2013, the Co-owners entered into an Agreement of Purchase and Sale with Starlight Investments Ltd., in trust, to dispose of the Portfolio for a gross purchase price of $5,000,000. The sale closed on October 15, 2013.

Combined Financial Statements
(In Canadian dollars)

TGA3 REIT PORTFOLIO

Period from January 1, 2012 to June 29, 2012
(date of REIT privatization) and year ended
December 31, 2011

TGA3 REIT PORTFOLIO

COMBINED STATEMENTS OF FINANCIAL POSITION

(In thousands of Canadian dollars)
(Unaudited)

	June 29, 2012 (date of REIT privatization)	December 31, 2011
Assets		
Investment properties (note 4)	$166,625	$136,762
Instalment notes receivable (note 5)	1,570	1,986
Deposits	306	311
Tenant and other receivables (note 6)	151	177
Prepaid expenses and other assets	550	385
Restricted cash (note 7)	379	354
Cash	872	879
Total assets	$170,453	$140,854
Liabilities and Divisional Equity		
Mortgages payable (note 8)	$ 82,398	$ 83,982
Tenant rental deposits	1,204	1,179
Accounts payable and accrued liabilities	601	1,184
Finance costs payable	325	333
Total liabilities	84,528	86,678
Divisional equity	85,925	54,176
Total liabilities and divisional equity	$170,453	$140,854

These combined financial statements were approved and authorized for issue by the Owners of the TGA3 REIT Portfolio on May 9, 2014.

See accompanying notes to combined financial statements.

TGA3 REIT PORTFOLIO

COMBINED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(In thousands of Canadian dollars)
(Unaudited)

	Period from January 1, 2012 to June 29, 2012 (date of REIT privatization)	Year ended December 31, 2011
Revenue from property operations	$ 8,237	$ 12,101
Property operating costs	(3,097)	(4,136)
Realty taxes	(1,050)	(1,548)
Fair value adjustment of investment properties (note 4)	27,909	(10,811)
Finance income	36	46
Finance costs (note 12)	(1,393)	(2,100)
Net income (loss) and comprehensive income (loss)	$30,642	$ (6,448)

See accompanying notes to combined financial statements.

TGA3 REIT PORTFOLIO

COMBINED STATEMENTS OF CHANGES IN DIVISIONAL EQUITY

(In thousands of Canadian dollars)
(Unaudited)

Divisional equity, December 31, 2010	$45,859
Net loss and comprehensive loss	(6,448)
Net contributions	14,765
Divisional equity, December 31, 2011	54,176
Net income and comprehensive income	30,642
Net contributions	1,107
Divisional equity, June 29, 2012	$85,925

See accompanying notes to combined financial statements.

TGA3 REIT PORTFOLIO

COMBINED STATEMENTS OF CASH FLOWS

(In thousands of Canadian dollars)
(Unaudited)

	Period from January 1, 2012 to June 29, 2012 (date of REIT privatization)	Year ended December 31, 2011
Cash provided by (used in):		
Operating activities:		
Net income (loss)	$ 30,642	$ (6,448)
Adjustments for financing activities included in net income:		
Finance income	(36)	(46)
Finance costs (note 12)	1,393	2,100
Adjustments for items not involving cash:		
Fair value adjustment of investment properties (note 4)	(27,909)	10,811
Change in non-cash operating working capital (note 14)	(692)	681
Cash provided by operating activities	3,398	7,098
Financing activities:		
Mortgages payable:		
Proceeds	2,835	4,008
Discharge of mortgages	(2,956)	(7,026)
Principal payments	(783)	(1,169)
Financing costs paid	(2,081)	(2,632)
Instalment notes receivable:		
Principal receipts	416	332
Interest receipts	36	46
Net divisional contributions	1,107	14,765
Cash provided by (used in) financing activities	(1,426)	8,324
Investing activities:		
Acquisitions of investment properties (note 3)		(13,636)
Additions to investment properties	(1,954)	(1,908)
Change in restricted cash	(25)	2
Cash used in investing activities	(1,979)	(15,542)
Decrease in cash	(7)	(120)
Cash, beginning of period	879	999
Cash, end of period	$ 872	$ 879

See accompanying notes to combined financial statements.

TGA3 REIT Portfolio (the "Portfolio"), as presented in these combined financial statements, is not a legal entity and represents the combination of 18 investment properties located in Canada. For the periods presented, these investment properties and their related assets and liabilities were owned and managed by TransGlobe Apartment Real Estate Investment Trust (the "REIT"), having acquired these investment properties from TransGlobe Investment Management Ltd. and certain of its affiliates ("DrimmerCo") and certain third party co-owners. The registered office of the REIT was: 5935 Airport Road, Suite 600, Mississauga, Ontario, Canada, L4V 1W5.

These combined financial statements have been prepared for the specific purpose of reporting on the assets, liabilities, revenue, expenses, divisional equity and cash flows of the Portfolio included in, and for inclusion in, the prospectus relating to the public offering of extendible convertible unsecured subordinated debentures by True North Apartment Real Estate Investment Trust.

These combined financial statements have been prepared on a carve-out basis from the financial statements of the REIT and present the financial position, financial performance and cash flows of the Portfolio, by the REIT, as if the Portfolio has been accounted for on a stand-alone basis and include the properties' share of assets, liabilities, revenue and expenses. Balances and transactions and any unrealized income and expenses arising from the intra-group transactions are eliminated in preparing these combined financial statements.

The following significant adjustments and assumptions have been made in the preparation of these combined financial statements:

(a) at June 29, 2012 and December 31, 2011, $55,859 and $59,293 of mortgages payable have been allocated to the Portfolio based on the fair value of the properties secured by the original mortgage payable;

(b) at June 29, 2012 and December 31, 2011, $1,570 and $1,986, respectively, of instalment notes receivables have been allocated to the Portfolio, based on the relative fair value of the properties acquired to which the instalment notes relate;

(c) the Portfolio does not maintain individual cash and restricted cash accounts. As at June 29, 2012 and December 31, 2011, an adjustment was made to the cash balances in order to approximate the sum of the tenant rental deposits liability balance, net of restricted rental deposits already held in restricted cash relating to the Portfolio;

(d) a property management fee of 3% of revenue from property operations has been assumed for all periods; and

(e) trust expense relating to the REIT have not been allocated to the Portfolio.

Because these properties were part of a corporate group, these combined financial statements depict the divisional equity in net assets, representing the amount associated specifically with these properties. Management's estimates, when necessary, have been used to prepare such allocations.

These combined financial statements are not necessarily indicative of the results that would have been attained if the Portfolio had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results.

1. BASIS OF PREPARATION:

(a) Basis of presentation and statement of compliance:

These combined financial statements of the Portfolio have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). These are the Portfolio's first combined financial statements prepared in accordance with IFRS and the Portfolio adopted IFRS in accordance with IFRS 1, First-Time Adoption of International Financial Reporting Standards. The date of transition to IFRS is January 1, 2011. A reconciliation of how the transition to IFRS has affected the Portfolio's financial position, performance and cash flows has not been presented as the Portfolio has not presented financial statements in previous periods.

The combined financial statements have been prepared on a historical cost basis, except for investment properties and certain financial instruments which are stated at their fair values.

The combined financial statements are presented in Canadian dollars, which is the functional currency of the Portfolio, and rounded to the nearest thousand, except as otherwise stated.

(b) Critical judgments and estimates:

The preparation of combined financial statements in conformity with IFRS requires management to make 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.

1. BASIS OF PREPARATION: (Continued)

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 combined 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 REIT 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.

(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:

(a) 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 4.

(b) 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 17.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Investment properties:

The Portfolio selected the fair value method to account for real estate classified as investment properties. 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 directly attributable 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 combined statements of income (loss) and comprehensive income (loss) during the period in which they arise. Fair values are primarily determined by using the capitalized net operating income method which applies a capitalization rate to the future stabilized cash flows of the 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.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenue from investment properties includes all rental income earned from the investment properties, including residential and commercial 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 of the lease agreement.

(c) Income taxes:

Provision has not been made for income taxes as the Portfolio is not a legal entity and the investment properties contained within the Portfolio are owned by partnerships which are not taxable entities. Income taxes, if any, are liabilities of the partners.

(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 directly attributable costs. Subsequent to initial measurement, investment properties are carried at fair value.

(e) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit or loss ("FVTPL"), (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale, or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in the combined statements of income (loss) and comprehensive income (loss). Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized in other comprehensive income (loss).

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or is designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and International Accounting Standard ("IAS") 39, Financial Instruments — Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as FVTPL.

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

	Classification	Measurement
Financial assets:		
Instalment notes receivable	Loans and receivables	Amortized cost
Deposits	Loans and receivables	Amortized cost
Tenant and other receivables	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost
Financial liabilities:		
Mortgages payable	Other liabilities	Amortized cost
Tenant rental deposits	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Finance costs payable	Other liabilities	Amortized cost

(In thousands of Canadian dollars, except per unit amounts, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities, other than financial assets and financial liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception.

Transaction costs on financial assets and financial liabilities classified as FVTPL are expensed in the period incurred.

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

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

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

(f) Future accounting changes:

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

Standards	Effective date
lAS 1, Presentation of Financial Statements (amendments)	Annual period beginning on or after July 1, 2012
IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements and IFRS 12, Disclosure of Interest in Other Entities	Annual period beginning on or after January 1, 2013
IFRS 13, Fair Value Measurement	Annual period beginning on or after January 1, 2013
lAS 32, Financial Instruments — Presentation (amendments)	Annual period beginning on or after January 1, 2014
IFRIC 21, Levies	Annual period beginning on or after January 1, 2014
IFRS 9, Financial Statements (2010)	Annual period beginning on or after January 1, 2015

The Portfolio intends to adopt these standards on their respective effective dates. The adoption of these standards is not expected to have a significant impact on the Portfolio's assets, liabilities, reserves and expenses.

(In thousands of Canadian dollars, except per unit amounts, unless otherwise stated)

3. ACQUISITIONS:

On September 1, 2011, the REIT acquired a portfolio of multi-suite residential rental properties (the "September 2011 Acquisition") from DrimmerCo, a related party, for net consideration of $13,636. This acquisition has been accounted for as an asset acquisition.

The fair value of consideration has been allocated to the identifiable assets acquired and liabilities assumed, based on their fair values at the date of acquisition, as follows:

Net assets acquired:	
Investment properties	$ 51,889
Present value of instalment note payments due from DrimmerCo	1,626
Assumed mortgages, including mark-to-market adjustment of $2,250	(39,612)
Cash paid for working capital	(267)
	$ 13,636
Consideration paid, funded by:	
Contribution to divisional equity	$ 13,636

Cash paid for working capital assumed on the September 2011 Acquisition included tenant rental deposits of $418, net of prepaid expenses and other assets of $151.

4. INVESTMENT PROPERTIES:

The following table summarizes the changes in the investment properties for the period from January 1, 2012 to June 29, 2012 (date of REIT privatization) and the year ended December 31, 2011:

Balance, December 31, 2010	$ 93,776
Acquisitions of investment properties (note 3)	51,889
Additions — capital expenditures	1,908
Fair value adjustment	(10,811)
Balance, December 31, 2011	136,762
Additions — capital expenditures	1,954
Fair value adjustment	27,909
Balance, June 29, 2012	$166,625

The following table reconciles the cost base of investment properties to their fair value. The components of the reconciliation are included within their relevant combined statements of financial position headings:

	June 29, 2012 (date of REIT privatization)	December 31, 2011
Cost base	$149,455	$147,501
Cumulative fair value adjustment	17,170	(10,739)
Fair value	$166,625	$136,762

(In thousands of Canadian dollars, except per unit amounts, unless otherwise stated)

4. INVESTMENT PROPERTIES: (Continued)

The key valuation assumptions for the Portfolio's properties are set out in the following table:

	June 29, 2012 (date of REIT privatization)	December 31, 2011
Capitalization rates — range	5.25%-6.00%	6.00%-6.75%
Capitalization rate — weighted average	5.76%	6.44%
Market occupancy rate — weighted average	95.55%	94.84%
Market rental rates — average (in actual dollars)	$821	$799

The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The fair values of the Portfolio's investment properties are sensitive to changes in the key valuation assumptions. Changes in the weighted average capitalization rates, market rental rates, and occupancy would result in a change to the fair value of the Portfolio's investment properties as set out in the following table:

Key assumptions	Change	June 29, 2012 (date of REIT privatization)	December 31, 2011
Weighted average — capitalization rate	25-basis-points increase	$(6,946)	$(5,114)
Weighted average — capitalization rate	25-basis-points decrease	7,599	5,531
Occupancy rate	1.00% increase	3,036	2,643
Occupancy rate	1.00% decrease	(3,019)	(2,642)
Market rental rates — average	1.00% increase	2,903	2,505
Market rental rates — average	1.00% decrease	(2,886)	(2,507)

5. INSTALMENT NOTES RECEIVABLE:

Pursuant to the terms of the September 2011 Acquisition, as discussed in note 3, the Portfolio received certain demand, non-interest bearing instalment notes from DrimmerCo with a present value of $1,626.

The following table summarizes the instalment notes receivable and receipts on instalment notes receivable:

Balance, January 1, 2011	$ 692
Present value of notes receivable — September 2011 Acquisition	1,626
Receipts on instalment notes receivable	(332)
Balance, December 31, 2011	1,986
Receipts on instalment notes receivable	(416)
Balance, June 29, 2012	$1,570

The monthly instalment payments provide the Portfolio with an effective interest rate of 3.49% on certain assumed mortgages. For the period from January 1, 2012 to June 29, 2012 (date of REIT privatization) and the year ended December 31, 2011, the Portfolio received principal instalment payments of $332 and $416, respectively. These instalment notes mature on September 1, 2015.

(In thousands of Canadian dollars, except per unit amounts, unless otherwise stated)

5. INSTALMENT NOTES RECEIVABLE: (Continued)

The scheduled principal instalment receipts at June 29, 2012 are as follows:

	Principal receipts	Interest receipts
2012 — remainder of period	$ 414	$ 33
2013	806	58
2014	266	14
2015	84	6
	$1,570	$111

6. TENANT AND OTHER RECEIVABLES:

The following table presents details of the tenant and other receivables balances:

	June 29, 2012 (date of REIT privatization)	December 31, 2011
Tenant receivables, net	$ 78	$ 78
Other receivables	73	99
	$151	$177

As at the dates specified, all tenant receivables that were past due but not impaired were outstanding for 90 days or less. All other tenant receivables have been provided for.

The Portfolio holds no collateral in respect of tenant and other receivables.

7. RESTRICTED CASH:

The following table presents details of the restricted cash balances:

	June 29, 2012 (date of REIT privatization)	December 31, 2011
Restricted rental deposits	$332	$300
Escrow realty taxes	47	54
	$379	$354

8. MORTGAGES PAYABLE:

As at June 29, 2012, the Portfolio had $80,548 (December 31, 2011 — $81,452) of principal balance of mortgages payable. The mortgages carry a weighted average interest rate of 3.64% (December 31, 2011 — 3.64%) after giving effect to the instalment note payments and a weighted average term to maturity of 2.24 years (December 31, 2011 — 2.42 years). All interest rates are fixed for the

(In thousands of Canadian dollars, except per unit amounts, unless otherwise stated)

8. MORTGAGES PAYABLE: (Continued)

term of the respective mortgages. The mortgages are secured by first or second charges on specific investment properties and are repayable as follows:

	Scheduled principal payments	Debt maturing during the period	Total mortgages payable
2012 — remainder of period	$ 741	$11,522	$12,263
2013	1,451	1,939	3,390
2014	788	50,389	51,177
2015	286	7,113	7,399
2016	141		141
Thereafter	681	5,497	6,178
Face value	$4,088	$76,460	80,548
Mortgage premium (December 31, 2011 — $2,559)			1,914
Unamortized financing costs (December 31, 2011 — $29)			(64)
			$82,398

9. SEGMENT DISCLOSURE:

All of the Portfolio's assets and liabilities are in, and its revenue derived from, multi-suite residential Canadian real estate. The Portfolio's investment properties are, therefore, considered by management to have similar economic characteristics. No single tenant accounts for 10% or more of the Portfolio's rental revenue.

10. TRANSACTIONS WITH RELATED PARTIES:

Except as disclosed elsewhere in the combined financial statements, the following are the related party transactions:

DrimmerCo is considered a related party due to the significance of the level of ownership interest in and arrangements with the Portfolio.

Arrangements with DrimmerCo:

On September 1, 2011, the REIT entered into an Internalization and Separation Agreement with DrimmerCo. As a result of this agreement, administration of the day-to-day property operations and strategic management and administration responsibilities were internalized and the REIT took over management of all its investment properties previously managed by DrimmerCo. Therefore, no amounts were paid in respect of these services after September 1, 2011.

Prior to September 1, 2011, DrimmerCo administered the day-to-day property operations of certain investment properties in the Portfolio for which it received partnership distributions equal to 3% of the gross property revenue from the investment properties, payable monthly.

For the year ended December 31, 2011, property management fees relating to the administration of the day-to-day property operations paid to DrimmerCo amounted to $196 and are included in property operating costs.

(In thousands of Canadian dollars, except per unit amounts, unless otherwise stated)

11. PERSONNEL COSTS:

	Period from January 1, 2012 to June 29, 2012 (date of REIT privatization)	Year ended December 31, 2011
Short-term employee benefits	$443	$508

Short-term employee benefits include salary, bonus and other short-term benefits.

12. FINANCE COSTS:

The following table presents the finance costs incurred for the period from January 1, 2012 to June 29, 2012 (date of REIT privatization) and the year ended December 31, 2011:

	Period from January 1, 2012 to June 29, 2012 (date of REIT privatization)	Year ended December 31, 2011
Mortgages payable	$2,022	$2,762
Interest on tenant rental deposits	12	2
Amortization of premium on mortgages payable	(645)	(666)
Amortization of financing costs	4	2
	$1,393	$2,100

13. COMMITMENTS AND CONTINGENCIES:

At the combined statements of financial position dates, the Portfolio had no commitments for future minimum lease payments under non-cancellable 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.

14. CHANGE IN NON-CASH OPERATING WORKING CAPITAL:

The change in non-cash operating working capital for the period from January 1, 2012 to June 29, 2012 (date of REIT privatization) and the year ended December 31, 2011 is as follows:

	Period from January 1, 2012 to June 29, 2012 (date of REIT privatization)	Year ended December 31, 2011
Deposits	$ 5	$(172)
Tenant and other receivables	26	(67)
Prepaid expenses and other assets	(165)	122
Tenant rental deposits	25	68
Accounts payable and accrued liabilities	(583)	730
	$(692)	$ 681

(In thousands of Canadian dollars, except per unit amounts, unless otherwise stated)

15. CAPITAL MANAGEMENT:

The REIT is free to determine the appropriate level of capital in context with its cash flow requirements, overall business risks and potential business opportunities. As a result of this, the REIT will make adjustments to its capital based on its investment strategies and changes to economic conditions.

The REIT's primary objectives when managing capital are to maximize value through the ongoing active management of the Portfolio's assets, which are leased to creditworthy tenants, as opportunities arise.

The Portfolio was in compliance with all financial covenants as at June 29, 2012 and December 31, 2011.

16. 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 subject to the risks associated with debt financing, including the risk that the interest rate on floating debt may rise before long-term fixed rate debt is arranged and that the mortgages payable will not be able to be refinanced on terms similar to those of the existing indebtedness.

The Portfolio's objective of managing interest rate risk is to minimize the volatility of earnings. At June 29, 2012 and December 31, 2011, none of the Portfolio's mortgages payable bore interest at floating rates.

The Portfolio is not exposed to any other form of market risk.

(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 is exposed to credit risk on all financial assets and its exposure is generally limited to the carrying amount on the combined statements of financial position. The Portfolio monitors its risk exposure regarding obligations with counterparties (Canadian chartered banks) through the regular assessment of counterparties' credit positions.

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 combined statements of income (loss) and comprehensive income (loss).

(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. To mitigate the risk associated with the refinancing of maturing debt, the Portfolio staggers the maturity dates of its mortgage portfolio over a number of years.

17. FAIR VALUE MEASUREMENT:

The tables below present the fair value of the Portfolio's assets and liabilities, reflecting the significance of inputs used when determining the fair value as at June 29, 2012 and December 31, 2011:

2012	Level 1	Level 2	Level 3	Total
Assets				
Investment properties	$	$	$166,625	$166,625
Instalment notes receivable		1,271		1,271
	$	$ 1,271	$166,625	$167,896
Liabilities				
Mortgages payable	$	$83,682	$	$ 83,682
	$	$83,682	$	$ 83,682

(In thousands of Canadian dollars, except per unit amounts, unless otherwise stated)

17. FAIR VALUE MEASUREMENT: (Continued)

2011	Level 1	Level 2	Level 3	Total
Assets				
Investment properties	$	$	$136,762	$136,762
Instalment notes receivable		1,667		1,667
	$	$ 1,667	$136,762	$138,429
Liabilities				
Mortgages payable	$	$85,005	$	$ 85,005
	$	$85,005	$	$ 85,005

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

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

The following summarizes the significant methods and assumptions used in estimating fair values of the Portfolio's financial instruments:

(a) Mortgages payable:

The fair value of mortgages payable is estimated based on the present value of future payments, discounted at the yield on a Government of Canada bond with the nearest maturity date to the underlying mortgage, plus an estimated credit spread at the reporting date for a comparable mortgage (Level 2). The spread rates used as at June 29, 2012 ranged from 1.12% to 2.02% (December 31, 2011 — 1.44% to 2.07%), depending on the nature and terms of the respective mortgages.

(b) Instalment notes receivable:

The fair value of instalment notes receivable is estimated based on the present value of future receipts, discounted at the yield on a Government of Canada bond with the nearest maturity date to the underlying instalment note, plus an estimated credit spread at the reporting date for a comparable instalment note (Level 2). The spread rates used as at June 29, 2012 was 2.02% (December 31, 2011 — 2.07%).

(c) Other financial assets and financial liabilities:

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

18. SUBSEQUENT EVENT:

On June 29, 2012, the unitholders of the REIT approved the privatization of the REIT pursuant to the acquisition agreement with a third party.

Pro Forma Consolidated Financial Statements
(In Canadian dollars)

TRUE NORTH APARTMENT REAL ESTATE INVESTMENT TRUST

As at and for the three months ended March 31, 2014
and the year ended December 31, 2013
(Unaudited)

TRUE NORTH APARTMENT REAL ESTATE INVESTMENT TRUST

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands of Canadian dollars)
March 31, 2014
(Unaudited)

	True North Apartment REIT	Private Portfolio II	Notes	Pro forma adjustments	Total
Assets					
Investment properties	$530,467	$294,305	3(b)	$(15,539)	$809,233
Instalment notes receivable	1,139	—	3(b)(d)	1,500	2,639
Deposits	542	327	3(b)	(327)	542
Tenant and other receivables	2,104	256	3(b)	(256)	2,104
Prepaid expenses and other assets	1,354	731	3(b)	(731)	1,354
Restricted cash	1,545	728	3(b)	(728)	1,545
Cash and cash equivalents	108	1,950	3(b)	(1,950)	
			3(f)	3,599	3,707
	$537,259	$298,297		$(14,432)	$821,124
Liabilities and Unitholders' Equity					
Liabilities:					
Mortgages payable	$294,490	$231,446	3(c)	$(40,076)	
			3(c)	331	
			3(b)(c)	(2,276)	
			3(b)(c)	637	$484,552
Convertible unsecured debentures	—	—	3(a)	20,000	20,000
Class B LP Units	38,490	—	3(e)	73,257	111,747
Revolving credit facility	12,950	—		—	12,950
Tenant rental deposits	2,779	2,538	3(b)	—	5,317
Accounts payable and accrued liabilities	8,092	4,817	3(b)	(4,817)	8,092
Finance costs payable	1,056	969	3(b)	(969)	1,056
Distributions payable	1,096	—		—	1,096
	358,953	239,770		46,087	644,810
Unitholders' equity	178,306	58,527		(60,519)	176,314
Total liabilities and unitholders' equity	$537,259	$298,297		$(14,432)	$821,124

See accompanying notes to pro forma consolidated financial statements.

TRUE NORTH APARTMENT REAL ESTATE INVESTMENT TRUST

PRO FORMA CONSOLIDATED STATEMENT OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(In thousands of Canadian dollars)
Three months ended March 31, 2014
(Unaudited)

	True North Apartment REIT	Private Portfolio II	Notes	Pro forma adjustments	Total
Revenue	$13,593	$ 7,277		$ —	$20,870
Expenses:					
Property operating costs	5,512	2,963		—	8,475
Realty taxes	1,651	1,014		—	2,665
Trust expenses	864	—	3(h)	293	1,157
Fair value adjustment of investment properties	(2,553)	1,365		(1,365)	(2,553)
	5,474	5,342		(1,072)	9,744
Income (loss) before finance income and finance costs	8,119	1,935		1,072	11,126
Finance income	4	—	3(d)	4	8
Finance costs	(2,693)	(3,354)	3(i)(i)	1,485	
			3(i)(i)	(6)	
			3(i)(ii)	200	
			3(i)(iii)	(288)	(4,656)
Finance costs — distributions on Class B LP Units	(816)	—	3(i)(iv)	(1,556)	(2,372)
Finance costs — fair value adjustment of Class B LP Units	(1,121)	—		—	(1,121)
Net income (loss) and comprehensive income (loss)	$ 3,493	$(1,419)		$ 911	$ 2,985

See accompanying notes to pro forma consolidated financial statements.

TRUE NORTH APARTMENT REAL ESTATE INVESTMENT TRUST

PRO FORMA CONSOLIDATED STATEMENT OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

Year ended December 31, 2013
(In thousands of Canadian dollars)
(Unaudited)

	True North Apartment REIT	Private Portfolio II	TC2 Portfolio	Portfolios subtotal	Notes	Pro forma adjustments	Total
Revenue	$ 50,282	$ 23,130	$ 4,185	$ 27,315		$ —	$ 77,597
Expenses:							
Property operating costs	16,781	8,924	2,231	11,155	3(g)	(161)	27,775
Realty taxes	5,877	3,427	555	3,982		—	9,859
Trust expenses	2,895	—	—	—	3(h)	1,170	4,065
Fair value adjustment of investment properties	(23,260)	(3,015)	2,316	(699)	3(b)	699	
						—	(23,260)
	2,293	9,336	5,102	14,438		1,708	18,439
Income (loss) before finance income and finance costs	47,989	13,794	(917)	12,877		(1,708)	59,158
Finance income	51	—	—	—	3(d)	16	67
Finance costs	(9,454)	(13,428)	(950)	(14,378)	3(i)(i)	7,226	
					3(i)(i)	(23)	
					3(i)(ii)	476	
					3(i)(iii)	(1,150)	(17,303)
Finance costs — distributions on Class B LP Units	(3,008)	—	—	—	3(i)(iv)	(6,223)	(9,231)
Finance costs — fair value adjustment of Class B LP Units	8,289	—	—	—		—	8,289
Finance costs — fair value adjustment of convertible unsecured debentures	—	—	—	—	3(a)	(1,992)	(1,992)
Finance costs — distributions on subscription receipts	(372)	—	—	—		—	(372)
Finance costs — gain on extinguishment of subscription receipts	2,552	—	—	—		—	2,552
Finance costs — gain (loss) on extinguishment of mortgages payable	77	(156)	(372)	(528)	3(i)(v)	528	77
Net income (loss) and comprehensive income (loss)	$ 46,124	$ 210	$(2,239)	$ (2,029)		$(2,850)	$ 41,245

See accompanying notes to pro forma consolidated financial statements.

1. BASIS OF PRESENTATION:

(a) True North Apartment Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust established under, and governed by the laws of the Province of Ontario pursuant to the Declaration of Trust dated May 1, 2012, as amended and restated as of September 28, 2012. The REIT incorporated True North General Partner Corp. ("TNGP") on May 3, 2012, and together with TNGP formed True North Limited Partnership ("TNLP") on May 3, 2012. The REIT invests primarily in multi-suite residential properties. The registered office of the REIT is 401 The West Mall, Suite 1100, Toronto, Ontario, Canada, M9C 5J5.

On May 3, 2013, the REIT commenced trading on the Toronto Stock Exchange under the symbol TN.UN, at which time the Units were delisted from, and ceased trading on, the TSX Venture Exchange. Contemporaneously, with the listing on the Toronto Stock Exchange, the Units and the Class B LP Units were consolidated on the basis of one (1) post-consolidated Unit and Class B LP Unit for two and one half (2.5) pre-consolidated Unit and Class B LP Unit ("Unit Consolidation").

(b) The unaudited pro forma consolidated financial statements of the REIT have been prepared from the following financial statements:

- Unaudited condensed consolidated interim financial statements of the REIT as at and for the three months ended March 31, 2014;
- Audited consolidated financial statements of the REIT as at and for the year ended December 31, 2013;
- Unaudited combined financial statements of the Private Portfolio II as at and for the three months ended March 31, 2014;
- Audited combined financial statements of the Private Portfolio II as at and for the year ended December 31, 2013;
- Audited combined financial statements of TC2 Portfolio for the period from January 1, 2013 to October 14, 2013.

The Private Portfolio II financial statements referred to above reflect the financial position and results of operations for the 29 properties contemplated to be acquired by the REIT (the "Acquisition Portfolio") for the three months ended March 31, 2014. The audited combined financial statements of the Private Portfolio II include the properties of the TC2 Portfolio from the dates they were acquired by the Private Portfolio II during the year ended December 31, 2013.

The accompanying pro forma consolidated financial statements give effect to: (i) the offering of five year extendible unsecured convertible debentures ("the Debentures") by the REIT (the "Offering"); and (ii) the acquisition of 29 properties that the REIT will acquire through the indirect acquisition of TN 4 LP, TN 5 LP and TN 6 LP (collectively "Acquisition LPs") from Starlight Investments Inc. ("Starlight" or the "Vendor") and its general partner (the "Acquisition").

The unaudited pro forma consolidated statement of financial position gives effect to the transactions in note 3 as if they had occurred on March 31, 2014. The unaudited pro forma consolidated statements of income (loss) and comprehensive income (loss) give effect to the transactions in note 3 as if they had occurred on January 1, 2013.

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

2. SIGNIFICANT ACCOUNTING POLICIES:

Except as specified below, these pro forma consolidated financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRS") and incorporate the principal accounting policies used to prepare the REIT and Acquisition Properties financial statements.

The Debentures are convertible into Units of the REIT. As the Units are redeemable at the option of the holder and are considered puttable instruments in accordance with International Accounting Standard ("IAS") 32, Financial Instruments: Presentation — Offsetting Financial Assets and Liabilities ("IAS 32"), the convertible debentures are considered to be a financial liability containing liability-classified embedded derivatives. The REIT has elected to reflect the full outstanding amount of the convertible debentures at their fair value with the changes in the fair value being recognized as finance costs in the unaudited pro forma consolidated statement of income (loss) and comprehensive income (loss).

These pro forma consolidated financial statements are presented in Canadian dollars, which is the functional currency of the REIT.

(In thousands of Canadian dollars, except per Unit amounts)

3. PRO FORMA ADJUSTMENTS:

The pro forma adjustments to the unaudited pro forma financial statements have been prepared using the following assumptions to reflect the public offering and the acquisition:

(a) Public Offering:

The unaudited pro forma financial statements assume that the REIT will raise gross proceeds of approximately $20,000 through the Offering of the Debentures. The Debentures have a coupon rate of 5.75% and mature on June 30, 2019, interest is payable semi-annually on June 30 and December 31 of each year. The conversion price is $9.30 per Unit. The Debentures are convertible at the debenture holder's option into Units of the REIT. Costs related to the Debentures, including the underwriter's commission, legal and filing fees, are estimated to be $1,992 and are charged directly to the unaudited pro forma consolidated statement of income (loss) and comprehensive income (loss).

(b) Acquisition:

The REIT will acquire the Acquisition Portfolio and instalment note for a purchase price of $285,999. On acquisition, the REIT will assume existing mortgage loans with a fair value of $65,601 (including a mark to market adjustment of $331 and net of financing costs of $315).

As consideration, the REIT will assume a vendor take-back mortgage of $637 (including a mark to market adjustment of $113), which has been reflected as a reduction in the purchase price.

The REIT will also issue 8,890,466 Class B LP Units of the Acquisition LPs at a price of $9.00 per Unit for a total of $80,014. This represents an estimated $0.76 premium per Unit over the fair value of the Class B LP Units of $8.24 per unit as at March 31, 2014, resulting in a total premium of $6,757, which has been reflected as a reduction in the purchase price. The remaining consideration was paid in cash.

The acquisitions of investment properties in the Private Portfolio II have been accounted for as asset acquisitions and, therefore, acquisition costs of $806 are capitalized on acquisition. Pursuant to the terms of the Acquisition, no acquisition fees were paid to Starlight.

The impact of acquiring the net assets of the Acquisition Portfolio is as follows:

	Acquisition Portfolio
Net assets acquired:	
Investment properties (including acquisition costs of $806, adjustment for Class B LP Units premium of $6,757 and a net mark-to-market adjustment of $218)	$278,766
Present value of instalment note	1,500
Mortgages payable (including mark-to-market adjustment of $331 and net of financing costs of $315)	(65,601)
Tenant rental deposits	(2,538)
	$212,127
Consideration paid:	
Vendor take-back mortgage (including mark-to-market adjustment of $113)	$ 637
Class B LP Units of the Acquisition LPs issued (net of adjustment for premium of $6,757)	73,257
Cash paid	138,233
	$212,127

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

Deposits, tenant and other receivables, prepaid expenses and other assets, restricted cash, cash and cash equivalents, accounts payable and accrued liabilities, finance costs payable and unamortized deferred financing cost will not be assumed on acquisition of

(In thousands of Canadian dollars, except per Unit amounts)

3. PRO FORMA ADJUSTMENTS: (Continued)

the Private Portfolio II. Tenant rental deposits will be transferred upon completion of the acquisition of the Acquisition Portfolio (the "Closing").

(c) Debt:

On Closing, the REIT will assume existing mortgages on the Private Portfolio II in the amount of $65,585, and will record a mark-to-market adjustment of $331. The remaining existing mortgages amounting to $166,853 will be discharged by Private Portfolio II prior to Closing, net of $992 in associated financing costs. The REIT will incur additional financing costs of $315 in connection with the assumption of mortgages. The mortgages are secured by first charges on the investment properties and have maturity dates ranging from September 1, 2014 to February 1, 2021.

The REIT will obtain new financing by way of 42 new mortgages in the amount of $126,777, of which 36 of the mortgages will have a 5 year term and the remaining 6 mortgages will have a 1 year term and are secured by a first or second charge on certain properties and bear interest ranging from 100 basis points to 360 basis points over the relevant Government of Canada bond yield. The REIT will incur additional financing costs of $738 and a Canada Mortgage and Housing Corporation ("CMHC") premium of $2,215 in connection with these new mortgages.

The REIT will obtain a $750 vendor take-back mortgage payable which has a maturity date of five years from the date of Closing and bearing interest at an annual rate of 3%, payable monthly in arrears. This mortgage will be secured by a second charge on one of the REIT's properties. The vendor take-back mortgage shall be fully open for prepayment without penalty during the first year of the term.

(d) Instalment note receivable and interest income:

As described in note 3(c) above, on acquisition, Starlight will issue to the REIT an instalment note. Starlight will make monthly instalment payments to the REIT under an instalment note receivable to compensate the REIT for assuming mortgages at above prevailing market interest rates. The instalment note has a present value of $1,500, is non-interest bearing, and matures on various dates between June 2017 and February 2021. Interest income of $4 and $16 for the three months ended March 31, 2014 and the year ended December 31, 2013, respectively, at an imputed interest rate of 2.50%, has been included in the pro forma consolidated statement of income (loss) and comprehensive income (loss). The receipt of the principal portion of the instalment payments will be recorded as a reduction of the instalment note receivable and is, therefore, not recorded as revenue.

(e) Class B LP Units:

On Closing, the Acquisition LPs will issue 8,890,466 Class B LP Units of the Acquisition LPs to the Vendor at $9.00 per Unit for gross proceeds of $80,014, which reflects a premium of $6,757 over the closing price of $8.24 per unit as at March 31, 2014, which has been reflected as a reduction in the purchase price.

(f) Sources and uses of cash:

The REIT's sources and uses of cash after the completion of the contemplated acquisition are as follows:

	Acquisition Portfolio
Sources:	
New mortgage financing obtained, net of financing costs	$ 123,824
Debentures, net of issue costs	18,008
Uses:	
Purchase of the properties	(138,233)
Cash	$ 3,599

3. PRO FORMA ADJUSTMENTS: (Continued)

(g) Property operating costs:

The REIT will enter into an external property management agreement for the Acquisition Portfolio on Closing. The net impact of this change on operating expenses for the Private Portfolio II and the TC2 Portfolio is a decrease of $161 for the year ended December 31, 2013.

(h) Trust expenses:

(i) Trust expenses have been adjusted to reflect management's best estimate of additional general and administrative expenses for the REIT in the amount of $43 and $169 for the three months ended March 31, 2014 and the year ended December 31, 2013, respectively. Trust expenses include legal fees, audit fees, trustee fees, annual report costs, transfer agents fees and other miscellaneous costs.

Included in the REIT's trust expenses for the year ended December 31, 2013 are one-time listing and professional fees of $244 incurred in connection with the graduation to the Toronto Stock Exchange.

(ii) Pursuant to the Asset Management Agreement, Starlight provides asset management services to the REIT. Starlight is entitled to an asset management fee of 0.35% of the purchase price of the properties. Trust expenses have also been increased by asset management fees in the amount of $250 and $1,001 for the three months ended March 31, 2014 and the year ended December 31, 2013, respectively.

(i) Finance costs have been adjusted for:

(i) Debt:

For the Private Portfolio II, finance costs have been decreased by $1,485 and $7,226 for the three months ended March 31, 2014 and the year ended December 31, 2013, respectively, reflecting interest expense on the $126,777 of new mortgage financing to be obtained, the discharge of mortgages in the amount of $166,853 and change in interest on the $65,585 of mortgages assumed.

Finance costs have also been increased by $6 and $23 for the three months ended March 31, 2014 and the year ended December 31, 2013, respectively, reflecting interest expense on the vendor take-back mortgages at 3.00% per annum.

(ii) Amortization of mark-to-market premium and deferred financing costs:

Finance costs have been decreased by $200 and $476 for the three months ended March 31, 2014 and the year ended December 31, 2013, respectively, to reflect the amortization of mark-to-market premium on mortgages assumed and amortization of deferred financing costs and CMHC premium related to the Acquisition.

(iii) Debentures:

Finance costs have also been increased by $288 and $1,150 for the three months ended March 31, 2014 and the year ended December 31, 2013, respectively, to reflect the finance costs on the Debentures. The Debentures have a coupon rate of 5.75% and mature on June 30, 2019.

(iv) Class B LP Units:

Finance costs have been increased to reflect distributions on the Class B LP Units of $1,556 and $6,223 for the three months ended March 31, 2014 and the year ended December 31, 2013, respectively, based on an anticipated annual distribution of $0.70 per Unit.

(v) Gain on extinguishment of mortgages payable:

Finance costs have been decreased by $528 for the year ended December 31, 2013 to remove the impact of the extinguishment of mortgages payable included in the Private Portfolio II and TC2 Portfolio.

(j) Income taxes:

The REIT is a mutual fund trust and a real estate investment trust pursuant to the Income Tax Act (Canada). Under current tax legislation, a real estate investment trust is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to unitholders. The REIT intends to continue to qualify as a real estate investment trust and to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes. Accordingly, no current or deferred income taxes have been recorded in these pro forma consolidated financial statements.

CERTIFICATE OF THE REIT AND THE PROMOTER

Dated: June 2, 2014

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada.

TRUE NORTH APARTMENT REAL ESTATE INVESTMENT TRUST

(Signed) LESLIE VEINER
President and Chief Executive Officer

(Signed) MARTIN LIDDELL
Chief Financial Officer

On behalf of the Trustees

(Signed) GRAHAM L. ROSENBERG
Trustee

(Signed) ROBERT MCKEE
Trustee

STARLIGHT INVESTMENTS LTD.
(as Promoter)

(Signed) DANIEL DRIMMER
President and Chief Executive Officer

CERTIFICATE OF THE UNDERWRITERS

Dated: June 2, 2014

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada.

CIBC WORLD MARKETS INC.

By: (Signed) JEFF APPLEBY

RAYMOND JAMES LTD.

By: (Signed) LUCAS ATKINS

NATIONAL BANK FINANCIAL INC.

By: (Signed) GLEN HIRSH

TD SECURITIES INC.

By: (Signed) DAVID BARNES

BMO NESBITT BURNS INC.

By: (Signed) ONORIO LUCCHESE

SCOTIA CAPITAL INC.

By: (Signed) STEPHEN SENDER

DUNDEE SECURITIES LTD.

By: (Signed) BRAD CUTSEY

GMP SECURITIES L.P.

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