Delavaco Residential Properties Corp.

Management Discussion and Analysis

For the Quarter Ended March 31, 2014

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1/ Forward-Looking Statements

This Management Discussion and Analysis (MD&A) contains forward-looking statements with respect to expected financial performance, strategy and business conditions. The words "believe", "anticipate", "estimate", "plan", "expect", "intend", "may", "project", "will", "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks and uncertainties. Many factors could cause actual results, performance or achievement to be materially different from any future forward-looking statements. Factors that may cause such differences include, but are not limited to, general economic and market conditions, investment performance, financial markets, legislative and regulatory changes, technological developments, catastrophic events and other business risks. These forward-looking statements are as of the date of this MD&A and the Company and management assume no obligation to update or revise them to reflect new events or circumstances except as required by securities laws. The Company and management caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made.

1.1/ Introduction

This MD&A is dated as of May 23, 2014, the date it was approved by the Board of Directors of the Company, and reflects all material events up to that date. It should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2013, including the notes thereof, of Delavaco Residential Properties Corp. ("Delavaco" or the "Company") and the current period financial statements for the three month periods ended March 31, 2014, and 2013. All amounts have been expressed in United States dollars ("USD"), unless otherwise noted. Additional information relating to the Company is available on SEDAR at www.sedar.com.

1.2/ Key Performance Measures (Including Non-IFRS Financial Measures)

Certain financial information presented in this Management Discussion & Analysis reflects certain non-International Financial Reporting Standards ("**IFRS**") financial measures, which include NOI, FFO and AFFO (each as defined below). These measures are commonly used by real estate investment companies as useful metrics for measuring performance, however, they do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other real estate investment companies. Delavaco believes that FFO and AFFO are important measures of operating performance, while NOI is

an important measure of economic performance. The IFRS measurement most directly comparable to AFFO is net income.

Occupancy Rate

Occupancy rate represents the total number of units leased, as a percentage of the total number of units owned. Leased properties consist solely of those units which are occupied by a tenant at the given date.

Net Operating Income

Net operating income, or NOI, is a term used by industry analysts, investors and management to measure operating performance of Canadian real estate investment companies. NOI represents rental revenue from properties less repairs & maintenance, insurance, utilities, property management, property taxes, bad debt, and other property operating costs. NOI excludes certain expenses included in the determination of net income such as interest, amortization and corporate overhead.

Funds From Operations

Funds from operations, or FFO, is a term used as an industry standard to define the cash flows from operations. FFO evaluates operating performance, but is not indicative of funds available to meet the Resulting Issuer's cash requirements. FFO is computed by Delavaco in accordance with the current definitions of the Real Property Association of Canada (''REALpac''). FFO is defined as, in respect of IFRS, net income before fair value gains/losses on real estate properties, gains/losses on the disposition of real estate properties, deferred income taxes and certain other non-cash adjustments.

Adjusted Funds From Operations

Adjusted funds from operations, or AFFO, is a term used as a non-IFRS financial measure by most Canadian real estate investment companies, but should not be considered as an alternative to net income, cash flow from operations or any other measure prescribed under IFRS. The directors of Delavaco consider AFFO to be a useful measure of cash available for distributions. AFFO should not be interpreted as an indicator of cash generated from operating activities as it does not consider changes in working capital. AFFO is defined as FFO adjusted by (i) adding amortization of deferred financing costs in place at closing (ii) deducting for capital expenditures incurred, and (iii) making such other adjustments as may be determined by the directors of Delavaco in their discretion.

NOI, FFO and AFFO should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS. Management's method of calculating NOI, FFO and AFFO may differ from other issuers' methods of calculating NOI, FFO and AFFO, and accordingly, may not be comparable to the NOI, FFO or AFFO reported by other issuers.

2/ Business Overview

Delavaco aims to invest in residential properties located in select markets in the United States, primarily in the southern United States to date, that were hard-hit by the residential housing market downturn and that exhibit favourable demographics, positive economic growth and solid rental demand. In May, 2014, Delavaco expanded into New Jersey, as it determined there was a strong buying opportunity based on Delavaco's acquisition criteria. Delavaco generally invests in single-family properties at prices below replacement costs. Delavaco also has a multi-family portfolio located in Florida and Texas, acquiring such properties at attractive capitalization rates

Delavaco's primary objectives are to enhance the value of its assets through active strategic management and grow the business through accretive acquisitions and capital gains. Management believes that by building a cash flow generating asset base while property prices are below replacement costs with respect to single-family homes, and selectively acquiring multi-family properties at attractive capitalization rates, the residential rental business becomes a long-term business opportunity that is sustainable through economic cycles. Management believes that stabilizing occupancy rates above 90% for the single-family homes is a priority that will help to ensure that Delavaco's objectives are met. The multi-family properties portfolio has consistently delivered an occupancy rate above 90%. Management hopes to achieve such results in respect of the single-family home portfolio in 2014.

As the housing market recovers and the cost of residential real estate increases, the underlying value of Delavaco's assets is expected to increase. Delavaco believes that rental rates will increase in this housing recovery due to the correlation between home prices and rents. As a result, management believes the timing is opportune to build a stable portfolio of single-family and multi-family properties in anticipation of a long-term housing market recovery.

2.1/ Business Strategy

Acquisitions

Delavaco's ultimate objective is to own a geographically diverse portfolio of single-family homes and multi- family properties. When Delavaco considers expanding into a new geographic area, management first considers the overall state of the real estate market including long-term and recent movements in real estate prices, trends in market rents and residential tenancy rights. Management also considers various economic and demographic factors such as population growth, GDP growth and changes in unemployment rates. If management believes that a geographic area deserves further scrutiny, they will visit the area to tour potential

neighbourhoods, meet local real estate professionals and investigate property management solutions.

To date, Delavaco has identified Florida, Georgia and New Jersey as exhibiting the demographic, economic growth and rental demand to sustain a portfolio of single-family homes and similarly identified specific multi-family acquisition opportunities in Florida and Texas. Delavaco will continue to assess expansion opportunities in additional states.

Property Management

Delavaco previously used an internalized property management structure for its single-family homes in the state of Florida and relied on external property managers for both its Georgia single-family homes and its multi-family properties in both Texas and Florida. In August 2013, a decision was taken to outsource the property-level management functions in connection with Delavaco's Florida single-family homes in order to reduce Delavaco's operating expenses and to allow Management to focus on executing Delavaco's acquisition and growth strategies. The change to an outsourced property management model was fully implemented on or around October 1, 2013.

Delavaco's internal management team supervises the external managers, who manage the individual homes and buildings in Delavaco's portfolio, develop and implement strategies to maximize occupancy and monthly rent and efficiently manages Delavaco's operating costs. Delavaco will continue to assess and execute on its acquisition and growth strategies. Management intends to capture the economic upside potential in each property through strategic capital improvements and increasing rents as the market will bear.

Divestitures

From time to time Delavaco may opportunistically sell income-producing properties to redirect capital into properties with a better potential return on capital.

2.2/ Financing Strategy

To date, acquisitions and working capital needs have been funded through a mix of equity capital, debt financings, mortgage financings and cash generated from operations. In addition to continuing to grow the portfolio with equity capital, Delavaco will seek traditional and non-traditional debt financing to acquire additional homes at a lower cost of capital.

3/ Highlights

Corporate

- On December 30, 2013, Delavaco completed a reverse takeover transaction with Sereno Capital. The Company began trading on the TSX-V under the symbol DVO.U on January 3, 2014.

Portfolio

- Fair value of investment properties and assets held for sale as at March 31, 2014, was $101,929,277, an increase of $1,912,167 or 2% quarter over quarter.
- Realized a fair value gain on investment properties of $414,956.
- As at March 31, 2014, Delavaco owned 837 single-family units and 311 multi-family units and managed a 316 unit multi-family building, bringing the total owned and operated unit count to 1,464.
- Occupancy and adjusted occupancy of the aggregate owned and operated portfolio as at March 31, 2014, was 80% and 82% respectively.

Operational and Financial Performance

- Revenue for the three months ended March 31, 2014, increased $623,377 or 35% quarter over quarter to $2,419,860.
- NOI for the three months ended March 31, 2014, increased $302,721 or 63% year over year to $785,914.

3.1/ Subsequent Events

- On April 10, 2014, Delavaco began trading on the OTCQX under the ticker symbol DELAF.
- On May 5, 2014, Delavaco purchased 96 single-family style units within 19 multi-family buildings in Paterson, New Jersey, for an aggregate purchase price of $6,250,000. Half of the purchase price was paid through the issuance of 3,120,000 common shares at $1.00 per share, and the remainder through two promissory notes secured by a first ranking lien on the properties. The promissory notes bear interest of 5.5% per annum and have a maturity date of November 1, 2014.

- In May, 2014, Delavaco sold properties in St. Petersburg, Florida, for approximately $1,475,000. The properties were sold at the fair value previously recognized in the assets held for sale, hence did not recognize a gain or loss on the disposition. Delavaco decided to relocate the capital in other regions where it believes it can obtain more optimal capitalization rates.
- On May 22, 2014, Delavaco granted 3,150,000 stock options effective May 12, 2014, to certain directors, officers and employees of the Company pursuant to the Company's stock option plan. The options are exercisable at a price of $1.10 USD per share. The options will expire five years following the date of grant.

4/ Properties

Occupancy

The following table provides a leasing performance summary of our owned and operated portfolio as at March 31, 2014:

Region	Number of Units	Units Leased	Units Vacant	Occupancy	Adjusted Occupancy[1]	Average Monthly Rent
Florida single-family[2]	525	311	214	59.2%	62.2%	$ 1,032
Georgia single-family	312	263	49	84.3%	90.7%	846
Florida multi-family	153	147	6	96.1%	96.1%	1,049
Texas multi-family	158	150	8	94.9%	94.9%	817
Total - owned properties	1,148	871	277	75.9%	79.1%	$ 941
Properties managed (not owned)	316	297	19	94.0%	94.0%	
Total - owned and operated	1,464	1,168	296	79.8%	82.4%	

(1) Excludes units under renovation

(2) Includes assets held for sale. As at March 31, 2014, 116 units in Florida were held for sale.

Overall occupancy fell 3% quarter over quarter as a result of an initiative to implement more stringent tenant selection criteria. The criteria initially decided upon was found to be too strict and thus the Company was unable to find suitable tenants at a rate that would surpass tenant turnover. The selection criteria has since been revised and the Company has resumed moving towards a stabilized portfolio of 90%+ occupancy.

Single-Family Properties

The following table provides a summary of our single-family portfolio and as at March 31, 2014:

Region	Number of Units	Aggregate Cost[1]	Average Cost per Unit	Fair Value	Fair Value per Unit	Average Square Footage
Florida[2][3]	525	$ 32,195,091	$ 61,324	$ 43,294,334	$ 82,465	1,084
Georgia[4]	312	17,932,643	57,476	25,854,684	82,868	1,165
Total	837	$ 50,127,734	$ 59,890	$ 69,149,019	$ 82,615	1,114

(1) Aggregate cost includes acquisition costs and any additional costs incurred for the renovation and stabilization of the properties.

(2) Florida region currently consists of Broward, Miami-Dade, Palm Beach, Pinellas and Hillsborough counties.

(3) Includes assets held for sale.

(4) Georgia region currently consists of Fulton, DeKalb, Decatur and Clayton counties.

Multi-Family Properties

The following table provides a summary of our multi-family portfolio as at March 31, 2014:

Region	Number of Units	Aggregate Cost[1]	Average Cost per Unit	Fair Value	Fair Value per Unit	Average Square Footage
Florida[2]	153	$ 17,408,199	$ 113,779	$ 17,500,000	$ 114,379	1,078
Texas[3]	158	15,113,345	95,654	15,280,259	96,710	549
Total	311	$ 32,521,544	$ 104,571	$ 32,780,259	$ 105,403	809

(1) Aggregate cost includes acquisition costs and any additional costs incurred for the renovation and stabilization of the properties.

(2) Florida region currently consists of one multi-family property located in Ft. Lauderdale.

(3) Texas region currently consists of two multi-family properties located in Austin.

The Company currently manages a 316 unit multi-family building located in Hollywood, FL that has an occupancy of 94% on behalf of the owner, who is a director and officer of the Company, which it is currently in the process of acquiring.

5/ Financial Review

The following is a review of selected financial information of the Company.

5.1/ Summary Quarterly Results

Summary of Properties

Quarter Total	2014 Q1	2013 Q4	2013 Q3	2013 Q2
Single-Family Doors: Florida[1]	525	525	525	526
Single-Family Doors: Georgia	312	298	257	171
Multi-Family Units: Florida	153	153	-	-
Multi-Family Units: Texas	158	158	-	-
Total Units	1,148	1,134	782	697
Fair Value of Properties[2]	$101,929,277	$ 99,960,201	$ 62,545,842	$ 55,631,572
Average Fair Value per Unit	$ 88,789	$ 88,148	$ 79,982	$ 79,816

Quarter Total	2013 Q1	2012 Q4	2012 Q3	2012 Q2
Single-Family Doors: Florida[1]	525	525	509	327
Single-Family Doors: Georgia	153	89	-	-
Multi-Family Units: Florida	-	-	-	-
Multi-Family Units: Texas	-	-	-	-
Total Units	678	614	509	327
Fair Value of Properties[2]	$ 52,885,525	$ 50,585,000	$ 36,296,073	$ 24,109,592
Average Fair Value per Unit	$ 78,002	$ 82,386	$ 71,309	$ 73,730

(1) Number of doors does not include the multi-unit complex located at 999 W. Prospect Road and 1007 W. Prospect Road which was disposed of in Q2, 2013, as it was a transitional living complex.

(2) Includes assets held for sale

Summary of Quarterly Results

The following tables contain quarterly financial information derived from financial statements that have been prepared in accordance with IFRS:

For the Three Months Ended	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013
Rental revenue	$ 2,419,860	$ 1,796,483	$ 1,606,311	$ 1,463,895
Property operating expenses	1,633,946	1,725,584	964,676	830,216
Net operating income	785,914	70,899	641,635	633,679
General and administrative	627,730	586,183	780,049	850,074
Professional fees	288,879	170,590	129,924	105,798
Finance costs	1,242,527	2,126,847	1,583,042	1,025,735
Amortization	7,295	10,185	30,526	30,226
Transaction costs	290,814	2,202,981	907,835	885,096
Fair value (gain) on investment properties	(414,956)	(1,929,148)	(1,460,136)	(1,292,060)
Other	(714,012)	506,464	(661,960)	1,053,535
Net earnings (loss)	(542,363)	(3,603,203)	(667,645)	(2,024,726)
Net earnings (loss) per share	(0.01)	(0.14)	(0.03)	(0.08)
Investment properties[(1)]	101,929,277	99,960,201	62,545,842	55,631,572
Working capital[(2)]	(655,821)	1,844,145	(4,485,207)	(8,373,584)
Total assets	110,173,907	111,589,667	71,348,140	60,070,811
Total long-term liabilities	56,805,256	56,797,752	34,629,393	24,019,793
Dividends	$ -	$ -	$ -	$ -

For the Three Months Ended	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
Rental revenue	$ 1,255,152	$ 1,102,007	$ 854,871	$ 619,313
Property operating expenses	771,959	760,144	504,602	419,728
Net operating income	483,193	341,863	350,269	199,585
General and administrative	729,296	1,085,425	640,016	553,124
Professional fees	184,698	232,728	173,633	88,343
Finance costs	1,721,450	745,129	627,515	247,960
Amortization	29,459	29,314	27,980	20,230
Transaction costs	669,760	-	-	-
Fair value (gain) on investment properties	(1,255,523)	(4,199,221)	(2,830,472)	(2,054,880)
Other	252,026	482,128	996,336	175,241
Net earnings (loss)	(1,847,974)	1,966,360	715,261	1,169,567
Net earnings (loss) per share	(0.08)	0.08	0.03	0.05
Investment properties[(1)]	52,885,525	50,585,000	36,296,073	24,109,592
Working capital[(2)]	(4,448,991)	(391,966)	11,299,054	21,709,224
Total assets	60,142,963	60,943,500	49,205,158	46,796,140
Total long-term liabilities	24,230,348	24,415,470	23,690,005	23,260,237
Dividends	$ -	$ -	$ -	$ -

(1) Includes assets held for sale
(2) Excludes assets held for sale

Review of Results

Revenues:

For the three months ended March 31, 2014, Delavaco's revenue increased by $1,255,152 (93%) year over year and $623,377 (35%) quarter over quarter. Delavaco's revenue has continued to increase as result of the acquisition of additional properties. Delavaco increased its portfolio by 33 single-family and 311 multi-family units since December 30, 2013, resulting in the increased revenue quarter over quarter. The year over year increase is a result of increased portfolio size and improved occupancy rates. In 2013, Delavaco revised its acquisition strategy to focus on acquiring occupied units in contrast with an earlier strategy of purchasing vacant properties at higher potential capitalization rates and longer turn over time from acquisition to lease up date. Reaching a stabilized long term occupancy remains a key focus for Delavaco.

***Property Operating Expenses*:**

Property operating expenses include repairs and maintenance, insurance, utilities, property management fees, property taxes, bad debts and other costs directly attributable to the portfolio of single-family and multi-family homes. Property operating costs for the three months ended March 31, 2014, were $1,633,946, an increase of $861,987 (112%) year over year. The year over year increase is reflective of a larger property portfolio and costs of transition phase for outsourcing of property management functions to an external third party. Property insurance on the single-family portfolio was $81,521 for the three months ended March 31, 2014, of which $30,387 (37%) was for hurricane insurance on the Florida single-family homes.

Corporate Expenses:

Corporate expenses include finance costs, general and administrative expenses, professional fees, transaction costs, depreciation and amortization, and all costs that are not directly attributable to the property portfolio. Total corporate expenses for the three months ended March 31, 2014 were $1,743,233, a decrease of $1,843,456 (51%) year over year and $3,860,017 (69%) quarter over quarter. Significant areas of corporate expenses are as follows:

(i) <u>Finance Costs</u>

Finance costs for the three months ended March 31, 2014, were $1,242,527, a decrease of $478,923 (28%) year over year and $884,320 (42%) quarter over quarter. Decreases in accretion costs of $754,316 year over year and $712,691 quarter over quarter are primarily responsible for the decrease in finance costs. In December 2012, Delavaco issued $10,000,000 unsecured convertible debentures that initially bore interest at 7.5% (increasing to 9.0% six months after issuance) to

continue the acquisition of properties. On December 30, 2013, the $10,000,000 debenture converted into common shares. The conversion of this issuance into common shares resulted in the decrease in accretion costs. Finances costs also decreased as approximately $75,000 of interest revenue was netted against finance costs during the current period.

(ii) General and Administrative Expenses

General and administrative expenses consist largely of salaries and wages, travel and the costs of rent and office operations. For the three months ended March 31, 2014, general and administrative expenses decreased by $101,566 (14%) year over year and increased $41,547 (7%) quarter over quarter. The year over year decrease is due largely in part to a reduction in overhead costs, a direct result of a transition to fully outsourced property management during 2013. The quarter over quarter increase is attributable to increased costs associated with the acquisition of 33 single-family and 311 multi-family units since December 30, 2013.

(iii) Professional Fees

Professional fees increased by $104,181 (56%) year over year and $118,289 (69%) quarter over quarter. Professional fees increased during the first quarter of 2014 due to third party valuation costs of approximately $111,000. These costs will only be incurred once a year and will decrease next year as valuations will only need to be performed as at a single date, December 31, 2014.

(iv) Transaction Costs

Transaction costs for the three months ended March 31, 2014, were $290,814, a decrease of $1,912,167 (87%) year over year and $378,946 (57%) quarter over quarter. The decrease is a result of Delavaco actively pursuing a going public transaction throughout 2013, incurring significant costs which have been classified as transaction costs. The transaction costs incurred during the period related to the New Jersey acquisition and additional post-closing costs related to the going public transaction.

Investment Properties and Fair Value Gain:

As at March 31, 2014, the Company's portfolio consisted of 837 single-family homes and 311 multi-family units, for a combined fair value of $101,929,277. As at March 31, 2014, the Company had 116 single-family homes in Florida classified as held for sale.

The fair value gain on the portfolio for the three months ended March 31, 2014, was $414,956, compared to a fair value gain of $1,255,523 for the three months ended March 31, 2013 and a fair value gain of $1,929,148 for the three months ended December 31, 2013. These gains are in line with prevailing market trends, observed as the recovery in housing price continues.

Each quarter Delavaco determines the fair value of its single-family and multi-family portfolio using an internally managed valuation model. This model calculates the increase/decrease in fair value of the underlying homes based on indices for specific regions and property classes. Properties purchased during the quarter being valued are given a value equal to the acquisition cost and any capital expenditures pertaining to such property. Annually, the Company has the portfolio reviewed by an independent valuator.

5.2/ Performance Measures

Net Operating Income

The following is a reconciliation of the Company's NOI to net loss for the three months ended March 31, 2014 and 2013:

For the Three Months Ended	March 31, 2014	March 31, 2013
Net income (loss)	$ (542,363)	$ (1,847,974)
Income tax (recovery) expense	(280,350)	(346,051)
Share-based compensation	-	49,691
Fair value (gain) on derivative financial instruments	(456,720)	-
Fair value (gain) on investment properties	(414,956)	(1,255,523)
Foreign exchange loss	23,058	548,386
Transaction costs	290,814	669,760
Amortization	7,295	29,459
Finance costs	1,242,527	1,721,450
Professional fees	288,879	184,698
General and administrative	627,730	729,296
Net operating income	$ 785,914	$ 483,193

NOI for the three months ended March 31, 2014, was $785,914, an increase of $302,721 or 63% year over year. The NOI growth is largely attributable to the overall increase in portfolio size. The Company's NOI margin, calculated as NOI divided by rental revenue, was 32% and 38% for the three months ended March 31, 2014 and 2013, respectively. Management believes the NOI margin will increase in 2014 as the portfolio stabilizes and as property operating expenses, such as repairs and maintenance, are normalized.

Unadjusted and Adjusted Funds From Operations

Management believes that FFO and AFFO are key measures for real estate investment companies. The calculations are as follows:

For the Three Months Ended	March 31, 2014	March 31, 2013
Net earnings (loss)	$ (542,363)	$ (1,847,974)
Add (deduct):		
Deferred income tax (recovery)	(280,350)	(346,051)
Fair value (gain) on derivative financial instruments	(456,720)	-
Fair value (gain) on investment properties	(414,956)	(1,255,523)
Foreign exchange loss	23,058	548,386
Amortization	7,295	29,459
Funds From Operations (FFO)	(1,664,036)	(2,871,702)
Add (deduct):		
Amortization of deferred financing costs	319,873	1,081,383
Share-based compensation	-	49,691
Transaction costs	290,814	669,760
Capital expenditures	(674,300)	(836,474)
Adjusted Funds From Operations (AFFO)	$ (1,727,649)	$ (1,907,342)
FFO per unit - basic	$ (0.03)	$ (0.12)
AFFO per unit - basic	$ (0.03)	$ (0.08)

6/ Financings, Liquidity & Capital Resources

The following table summarizes Delavaco's current debt facilities:

Principal Outstanding	Interest Rate	Type	Security	Maturity
$ 3,120,000	5.50%	Notes	Secured	November 1 ,2014
$ 25,000,000	7.50%	Notes	Secured	June 3, 2017
$ 21,600,000	7.00%	Convertible Debentures	Unsecured	July 31, 2018[1]
$ 7,900,000	3.80%	Mortgage	Secured	October 1, 2022
$ 4,340,000	4.22%	Mortgage	Secured	June 1, 2023
$ 2,985,351	4.12%	Mortgage	Secured	June 1, 2023

(1) Convertible debentures are convertible at $1.15 per common share at the option of the holder. If the Company has a closing price of $2.00 or greater for a period of ten consecutive trading days, the debentures will automatically convert at the $1.15 conversion price

6.1/ Share Capital and Stock Options

Issued and outstanding as at May 23, 2014:

Principal Outstanding	Interest Rate	Type	Security	Maturity
$ 3,120,000	5.50%	Notes	Secured	November 1, 2014
$ 25,000,000	7.50%	Notes	Secured	June 3, 2017
$ 21,600,000	7.00%	Convertible Debentures	Unsecured	July 31, 2018[1]
$ 7,900,000	3.80%	Mortgage	Secured	October 1, 2022
$ 4,340,000	4.22%	Mortgage	Secured	June 1, 2023
$ 2,985,351	4.12%	Mortgage	Secured	June 1, 2023

7/ Related Party Transactions

During the three month periods ended March 31, 2014, and 2013, the Company entered into the following transactions with related parties:

- On July 1, 2012, the Company signed an agreement related to identification, investigation and acquisition of investment properties with a company controlled by a director whereby the Company is required to pay $900 to the company for every unit acquired. Based on this agreement, the Company paid $Nil during the three months ended March 31, 2014 (2012 - $21,600). On January 31, 2013, this agreement was terminated.
- On December 30, 2013, the Company acquired the LP's from a company controlled by a senior officer and director of the Company (note 8).
- On December 30, 2013, the Company was still pending approval for the transfer of a mortgage associated with a fourth multifamily property. The transaction to acquire the multifamily property is with a senior officer and director of the Company. The Company had paid $4,303,248 as a deposit on the acquisition of the property. As there is no certainty as to the date the transfer of the mortgage will be completed, a promissory note receivable was signed which bears interest at 7% payable quarterly and matures on December 30, 2015. This has been presented as a promissory note receivable on the consolidated statement of financial position. The Company also has outstanding to the director a non interest bearing note for an amount equal to $789,709 (2013 - $688,000) in respect to the same property to fulfill the mortgagers' liquidity account requirements, which has been recorded as other assets (note 7).
- On December 30, 2013, the Company signed an advisory services agreement with a company controlled by a senior officer and director of the Company, where services will be provided related to the multifamily properties that were acquired, including acting as a required guarantor on the mortgages payable.

Under the terms of the agreement, the Company must pay $23,500 per month. During the three months ended March 31, 2014, the Company incurred advisory costs of $70,500 (2013 - $Nil) in accordance with the advisory agreement.

- During the three months ended March 31, 2014, the Company charged interest of $75,307 (2013 - $Nil), related to the promissory note in the amount of $4,303,248, which was recorded as part of net finance costs.
- As at March 31, 2014, the Company owes $45,500 to the CEO of the Company, which is recorded as part of accounts payable and accrued liabilities.
- During the three month period ended March 31, 2014, the Company charged $12,456, netted against general and administrative expenses, to a Company controlled by the CEO related to staff sharing to assist with the management of a multi-unit building. The $12,456 is equal to 1% of the multi-unit buildings revenue. The Company is in the process of acquiring the building.

8/ Accounting Processes and Policies

8.1/ Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management conducted an evaluation of the effectiveness of the design and operation of their disclosure controls and procedures as of March 31, 2014. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that Delavaco's disclosure controls and procedures are effective to ensure that information required to be disclosed in reports that they file or submit under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules and forms.

It should be noted that while Delavaco's Chief Executive Officer and Chief Financial Officer believe that Delavaco's disclosure controls and procedures will provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and frauds. A control system, no matter how well designed or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

8.2/ Critical Accounting Policies and Estimates

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The critical areas of estimation and judgments include the following:

Allowance for doubtful accounts receivable and impairment of receivables

Assessment is made of the collectability of accounts receivable based on several factors including the credit risk of the counterparty and the age of the receivable. The allowance is assessed annually against the actual experience of unrecoverable accounts and assumptions are adjusted, if appropriate.

Investment properties

Investment properties are re-measured at fair value at each reporting date. The values are determined annually by a third party valuator sampling a portion of the Company's portfolio and extrapolating the value throughout the portfolio based on a distribution between regions. Each multifamily building received an individual valuation by a third party valuator. For other period ends, the Company uses an internal valuation model. To value the investment properties, significant estimates are used in the calculations such as capitalization rates, inflation rates, vacancy rates, and net operating income

Convertible debentures and valuation of derivative financial instruments

The Company has issued convertible debentures which have an embedded derivative feature relating to the forced conversion upon the Company completing a going public transaction while meeting certain financing requirements. The derivative financial instrument is valued at the estimated additional equity value to be received above the par value of the convertible debentures upon conversion. The Company was required to estimate the period of time until the convertible debentures will be converted as well as the value of the forced conversion option.

Share-based compensation

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted if the fair value of the goods or services received by the Company cannot be reliably estimated. Estimating fair value for share-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including expected life of the share-based payment, volatility and dividend yield and making assumptions about them.

Deferred income taxes

Tax interpretations and regulations in the jurisdictions of operations are subject to change, and as such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable income. Judgment is required in determining the manner in which the carrying amounts will be recovered.

8.4/ Future Accounting Standards

Future accounting policy changes

IFRS 9 Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and revised October 2010, and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

9/ Risk Factors

Risks Related to the Operations

Geographic Concentration

The properties are all located in the State of Florida, DeKalb and Fulton Counties, Georgia and Austin, Texas. Accordingly, the market value of the properties and the income to be generated by the Company's performance are particularly sensitive to changes in the economic conditions and regulatory environments of Florida, Georgia and Texas. Adverse changes in the economic condition or regulatory environment of Florida or Georgia may have a material adverse effect on the Company's business, cash flows, financial condition and results of operations.

Acquisition Risk

The Company may be subject to significant operating risks associated with its expanded operations. The Company's business strategy includes growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and effectively operating and leasing such properties. If the Company is unable to manage its growth effectively, it could have a material adverse effect on the Company's business, cash flows, financial condition and results of operations. There can be no assurance as to the pace of growth through property acquisitions or that the Company will be able to acquire assets on an accretive basis. The Company intends to acquire additional properties selectively. The acquisition of additional properties entails risks that investments will fail to perform in accordance with expectations. In undertaking such acquisitions, the Company will incur certain risks, including the expenditure of funds, including non-refundable deposits, due diligence costs and inspection fees, and the devotion of management's time to transactions that may not come to fruition. Additional risks inherent in acquisitions include risks that the properties will not achieve anticipated occupancy levels and that estimates of the costs and benefits of the renovation and repositioning program intended for that property may prove inaccurate or may not have the intended results.

Purchase Agreements

Additional properties may be sold to the Company in an ''as is'' condition, and upon acquisition of properties, the Company may have limited recourse with respect to conditions affecting the purchased properties. The costs of unexpected repair and remediation work could be material and may therefore have an adverse effect on the Company's financial condition and results of operations. Further, representations and warranties made by the seller in a purchase agreement, if any, may survive only for a limited period of time after closing. If claims arising as a result of a breach of a representation or warranty are discovered after this period, the Company may not be able to seek indemnification from the seller and would therefore suffer the financial consequences of such a breach, which could be material. Further, even if the Company was entitled to indemnification from the seller, no assurance can be given that the seller would have sufficient funds to satisfy any such indemnification claims.

Non-refundable Deposits

Property acquisition transactions may require deposits by the Company and costs to be incurred by the Company which may be non-refundable. If such transactions fail to close, these funds may be unrecoverable in whole or in part, thereby reducing funds otherwise available to the Company.

Operational Risks

Operational risk is the risk that a direct or indirect loss may result from an inadequate or failed infrastructure, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal and regulatory proceedings. The Company endeavors to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls are constantly reviewed and if deemed necessary improvements are implemented.

Risk of Natural Disasters

The single-family homes that are located in Florida may have sustained significant storm damage in the past and may sustain significant storm damage in the future. While the Company will take insurance to cover a substantial portion of the cost of such events, the Company's insurance is likely to include deductible amounts and excluded claims and certain items may not be covered by insurance. Future hurricanes, floods or other natural disasters may significantly affect the Company's operations and some or all of the properties, and more specifically, may cause the Company to experience reduced rental revenue (including from increased vacancy), incur clean-up costs, administration and collection costs or otherwise incur costs in connection with such events. Any of these events may have a material adverse effect on the Company's business, cash flows, financial condition and results of operations and ability to declare and pay dividends, if any, to Company

Shareholders. As well, if the Company were unable to obtain adequate insurance, and the properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on the Company's business, cash flows, financial condition.

Risk of Loss Not Covered By Insurance

The Company will maintain insurance policies related to its business, including casualty, general liability and other policies covering the Company's business operations, employees and assets. However, the Company will be required to bear all losses that are not adequately covered by insurance, as well as any insurance deductibles. In the event of a substantial property loss, the existing insurance coverage may be insufficient to pay the full current market value or current replacement cost of such property loss. In the event of an uninsured loss, the Company could lose some or all of its capital investment, cash flow and anticipated profits related to one or more properties. Although the Company believes that its insurance programs are adequate, assurance cannot be provided that the Company will not incur losses in excess of insurance coverage or that insurance can be obtained in the future at acceptable levels and reasonable cost.

Risk Related to Insurance Renewals

Certain events could make it more difficult and expensive to obtain property and casualty insurance, including coverage for catastrophic risks. When the Company's current insurance policies expire, the Company may encounter difficulty in obtaining or renewing property or casualty insurance on the properties at the same levels of coverage and under similar terms. Such insurance may be more limited and, for catastrophic risks (e.g., earthquake, hurricane, flood and terrorism), may not be generally available to fully cover potential losses. Even if the Company is able to renew policies at levels and with limitations consistent with current policies, the Company cannot be sure that it will be able to obtain such insurance at premiums that are reasonable. If the Company is unable to obtain adequate insurance on the properties for certain risks, it could cause the Company to be in default under specific covenants on certain of its indebtedness or other contractual commitments that it has which require the Company to maintain adequate insurance on the properties to protect against the risk of loss. If this were to occur, or if the Company were unable to obtain adequate insurance, and the properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on the Company's business, cash flows, financial condition and results of operations.

Access to Capital

The real estate industry is highly capital intensive. The Company will require access to capital to maintain the properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There can be no assurance that the Company will have access to sufficient capital or access to capital on terms favourable to the Company for future property acquisitions, financing or refinancing of the properties, funding operating expenses or other purposes.

In addition, global financial markets have experienced a sharp increase in volatility during recent years. This has been, in part, the result of the re-valuation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the companies who borrow from them. While central banks as well as governments continue attempts to restore liquidity to the global economy, no assurance can be given that the combined impact of the significant re-valuations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world in the near to medium term. These market conditions and unexpected volatility or illiquidity in financial markets may inhibit the Company's access to long-term financing in the Canadian capital markets. As a result, it is possible that financing which the Company may require in order to grow and expand its operations, upon the expiry of the term of financing, on refinancing any particular property owned by the Company or otherwise, may not be available or, if it is available, may not be available on favourable terms to the Company. Failure by the Company to access required capital could have a material adverse effect on the Company's business, cash flows, financial condition and results of operations and ability to declare and pay dividends, if any, to Company Shareholders.

Financing Risk

A portion of the cash flow generated by the properties will be devoted to servicing indebtedness, and there can be no assurance that the Company will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the Company is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the Company to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could have a material adverse effect on the Company's business, cash flows, financial condition and results of operations.

The Company will be subject to the risks associated with debt financing, including the risk that the Secured Notes, mortgages and banking facilities secured by the properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness. If the

Company decides to utilize variable rate debt, such debt will result in fluctuations in the Company's cost of borrowing as interest rates change. To the extent that interest rates rise following completion of the Business Combination, there may be a material adverse effect on the Company's business, cash flows, financial condition and results of operations.

The Company will seek to manage its financing risk by maintaining a balanced maturity profile with no significant amounts coming due in one particular period. Given the increased credit quality of such debt, the probability of the Company being unable to renew the maturing debt or transfer the debt to another accredited lending institution is significantly reduced. However, there can be no assurance that the renewal of debt will be on as favourable terms as existing indebtedness.

The Company's credit facilities may also contain covenants that require it to maintain certain financial ratios on a consolidated basis. If the Company does not maintain such ratios, its ability to issue declare and pay dividends, if any, will be limited.

Degree of Leverage

The Company's degree of leverage could have important consequences to Company Shareholders. For example, the degree of leverage could affect the Company's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general purposes, making the Company more vulnerable to a downturn in business or the economy in general.

As interest rates fluctuate in the lending market, generally so too do capitalization rates which affect the underlying value of real estate. As such, when interest rates rise, generally capitalization rates should be expected to rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates.

Litigation Risks

In the normal course of the Company's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the Company and as a result, could have a material adverse effect on the Company's assets, liabilities, business, financial condition and results of operations. Even if the Company prevails in any such legal proceeding, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the Company's business operations, which could have a material adverse effect on the Company's business, cash flows, financial condition and results of operations.

Laws Benefitting Disabled Persons

Laws benefiting disabled persons may result in unanticipated expenses being incurred by the Company. Under the *Americans with Disabilities Act* of 1990 (the ''**ADA**''), all places intended to be used by the public are required to meet certain federal requirements related to access and use by disabled persons. The *Fair Housing Amendments Act* of 1988 (the ''**FHAA**'') requires apartment properties first occupied after March 13, 1991 to comply with design and construction requirements for disabled access. For those projects receiving federal funds, the *Rehabilitation Act* of 1973 also has requirements regarding disabled access. These and other federal, state and local laws may require modifications to the Company properties, or affect renovations of the properties. Non-compliance with these laws could result in the imposition of fines or an award of damages to private litigants and also could result in an order to correct any non-complying feature, which could result in substantial capital expenditures. Although the Company believes that the properties are substantially in compliance with present requirements, the Company may incur unanticipated expenses to comply with the ADA, the FHAA and the *Rehabilitation Act* of 1973 in connection with the ongoing operation or redevelopment of the properties.

Potential Conflicts of Interest with Directors

There are potential conflicts of interest to which some of the directors, officers, insiders and promoters of the Company will be subject in connection with the operations of the Company. All of the directors, officers, insiders and promoters are engaged in and will continue to be engaged in corporations or businesses which may be in competition with the business of the Company. Accordingly, situations may arise where some or all of the directors, officers, insiders and Promoters will be in direct competition with the Company. Conflicts, if any, will be subject to the procedures and remedies as provided under the OBCA.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the shares.

U.S. Market Factors

The properties are located in the U.S. market and economic conditions since the beginning of 2008 have been challenging with recession in the North American economy. U.S. markets are currently experiencing increased levels of volatility due to a combination of many factors, including high unemployment, decreasing home prices, the highest level of home foreclosures since the recession began in 2008, limited access to credit markets, higher fuel prices, less consumer spending and the slow rate of recovery. Although the recession technically ended in June 2009, the U.S. economy has not returned to operating at normal capacity and the effects of the current market dislocation may persist as governments wind down fiscal stimulus programs. At this time, although national and local economies are slowly recovering from a severe recession, other factors, such as an impending European debt crisis, could serve to prevent such recovery from continuing, or perhaps even cause the economy to weaken, perhaps substantially. Concern about the stability of the markets generally and the strength of the economic recovery may lead lenders to reduce or cease to provide funding to businesses and consumers, and force financial institutions to continue to take the necessary steps to restructure their business and capital structures, and, in a worst case scenario, this could result in a complete loss

of properties if a lender was to foreclose. As a result, this economic downturn has reduced demand for space and removed support for rents and property values. Although a recovery in the real estate market is in its early stages, the Company cannot predict when the real estate markets will return to their pre-downturn levels. The value of the properties may decline if current market conditions persist or worsen.

Florida, Georgia and Texas Weather

Florida, Georgia and Texas historically have experienced periods of severe weather, including periods of strong thunderstorms and/or tornadoes which have resulted in wind and rain damage. Severe weather, including hurricanes and/or tornadoes, can have a negative impact upon the Company's operating results and financial condition, including damage to property and equipment, increasing material costs, increasing labour costs, increasing insurance premiums, increased time to completion of renovation due to the foregoing factors, and increase in government regulations with respect to setbacks, drainage and engineering of seawalls and other protective features.

Contingent Liabilities on Disposition of Investments

In connection with the disposition of a real estate investment, the Company may be required to make representations about such property. The Company may also be required to indemnify purchasers of such properties to the extent that any such representations are inaccurate. These arrangements may result in the occurrence of contingent liabilities for which reserves or escrow accounts may be required. Such actions could result in losses to the Company and investors and/or delay the receipt of any dividends, if any, to Company Shareholders.

Reliance on Assumptions

The Company's investment objectives and strategy have been formulated based on the its analysis and expectations regarding recent economic developments in the U.S., the future recovery of U.S. real estate markets generally, and the U.S. to Canadian dollar exchange rate. Such analysis may be incorrect and such expectations may not be realized.

Risks Related to the Real Estate Industry

General Real Estate Ownership Risks

All real property investments are subject to risks generally incident to the ownership, remodeling, operation and sale of real estate, including: (a) changes in general economic or local conditions; (b) changes in supply of or demand for similar or competing properties in a particular geographic area; (c) bankruptcies, financial difficulties or defaults by vendors, contractors, tenants and others; (d) increases in operating costs, such as taxes and insurance; (e) the inability to achieve occupancy at rental rates adequate to produce desired financial returns; (f) periods of high interest rates and tight money supply; (g) excess supply of rental properties in the market area; (h) liability for uninsured losses resulting from natural disasters or other perils; (i) liability for environmental hazards; (j) changes in tax, real estate or environmental laws or regulations, and (k) changes in availability of financing. For these and other reasons, no assurance can be given that the investment will be profitable or that it will achieve its financial objectives.

Certain significant expenditures, including property taxes, maintenance costs, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. Real property investments tend to be relatively illiquid. This illiquidity will tend to limit the ability of the Company to respond to changing economic or investment conditions. If the Company were to be required to liquidate assets quickly, there is a risk the proceeds realized from such sale would be less than the book value of the assets or less than what could be expected to be realized under normal circumstances. By specializing in a particular type of real estate, the Company is exposed to adverse effects on that segment of the real estate market and does not benefit from a broader diversification of its portfolio by property class.

All real property investments are subject to elements of risk. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of the properties. The properties generate revenue through rental payments made by the tenants thereof. The ability to rent un-leased suites in properties will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors. The ability to declare and pay dividends, if any, will be adversely affected if a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the properties becomes vacant and cannot be leased on economically favourable lease terms. If properties do not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures, this could have a material adverse effect on the Company's

business, cash flows, financial condition and results of operations and ability to declare and pay dividends, if any, to Company Shareholders.

Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the properties or revenues to be derived therefrom. Reported estimates of market rent can be seasonal and the significance of any variations from quarter to quarter would materially affect the Company's annualized estimated gain-to-lease amount. There can be no assurance that upon the expiration or termination of existing leases that the average occupancy rates and revenues will be higher than historical occupancy rates and revenues and it may take a significant amount of time for market rents to be recognized by the Company due to internal and external limitations on its ability to charge these new market based rents in the short term.

The short-term nature of residential tenant leases exposes the Company to the effects of declining market rent, which could materially adversely affect the Company's results from operations and ability to declare and pay dividends, if any. Most of the Company's residential tenant leases will be for a term of one year or less. Because the Company's residential tenant leases generally permit residents to leave at the end of their lease term without any penalty, the Company's rental revenue may be materially adversely affected by declines in market rents more quickly than if such leases were for longer terms.

Substitutions for Residential Rental Units

Demand for the properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing transactions. With the recent global economic crisis and its impact on the U.S. credit markets, interest rates offered by financial institutions for financing home ownership have been at historically low levels. If the interest rates offered by financial institutions for home ownership financing remain low, demand for rental properties may be adversely affected. Additionally, the southeastern United States continues to experience historically high levels of foreclosures on single-family homes, which has increased the supply of single-family homes available for purchase, and may adversely affect demand for such properties. A reduction in the demand for rental properties may have a material adverse effect on the Company's ability to lease suites in the properties and on the rents charged. This, in turn, may have a material adverse effect on the Company's business, cash flows, financial condition and results of operations and ability to declare and pay any dividends, if any, to Company Shareholders.

Competition

The single-family housing and multi-family property sectors are highly competitive. The Company faces competition from many sources, including individuals, corporations or other entities engaged in real estate investment activities, many of whom have greater financial resources than the Company. There is also competition from other rental properties in the immediate vicinity of the various properties and the broader geographic areas where the properties are and will be located. Furthermore, the properties that the Company owns or may acquire compete with numerous housing alternatives in attracting tenants, including home ownership. The relative demand for such alternatives may be increased by declining mortgage interest rates, government programs which promote home ownership, or other events or initiatives which increase the affordability of such alternatives to the properties and could materially adversely affect the Company's ability to retain tenants and increase or maintain rental rates. Such competition may reduce occupancy rates and rental revenues of the Company, and could have a material adverse effect on the Company's business, cash flows, financial condition and results of operations and ability to declare and pay any dividends, if any, to Company Shareholders.

The competition for the properties available for sale may significantly increase the cost of acquiring such assets, and may result in such assets being acquired by the Company at prices, or on terms, which are comparatively less favourable to the Company or may result in such assets being acquired by competitors of the Company. In addition, the number of entities seeking to acquire single-family homes, multi-family properties and/or the amount of funds competing for such acquisitions may increase. Increases in the cost to the Company of acquiring properties may materially adversely affect the ability of the Company to acquire such properties on favourable terms, and may otherwise have a material adverse effect on the Company's business, cash flows, financial condition and results of operations and ability to declare and pay any dividends, to Company Shareholders.

In addition, over-building in the multi-family sector in the United States may increase the supply of total multi-family properties, further increasing the level of competition in those markets.

Government Regulation

The Company's single-family home operations utilize the U.S. Government's Section 8 Housing Choice Voucher Program. The Company's operations must comply with the Section 8 Program's existing qualifications process to qualify newly-renovated homes in order for eligible participants to participate in the Section 8 Program. The Company has no assurances that the existing rules and regulations under such program will not adversely affect the Company's growth strategy, the timing or cost of renting any current or future properties, or that any

additional Section 8 Program rules, regulations or standards will not be adopted or any existing Section 8 Program rules, regulations or standards will not be modified, changed or discontinued as they apply to the ''tenant-based'' or ''project-based'' voucher systems currently in place, and any such changes could have a material adverse effect on the Company's business, financial condition and results of operation. The Company also conducts its operations in adherence to determinations made by applicable local public housing governmental authorities. Such authorities make determinations on which individuals and properties qualify for Section 8 Program funding and the Company cannot ensure that such public housing governmental authorities will qualify or continue to qualify properties under the Section 8 Program.

Changes in Applicable Laws

The Company's operations must comply with numerous federal, state and local laws and regulations, some of which may conflict with one another or be subject to limited judicial or regulatory interpretations. These laws and regulations may include zoning laws, building codes, landlord tenant laws and other laws generally applicable to business operations. Non-compliance with laws could expose the Company to liability.

Lower revenue growth or significant unanticipated expenditures may result from the Company's need to comply with changes in Applicable Laws, including (i) laws imposing environmental remedial requirements and the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions, (ii) rent control or rent stabilization laws or other residential landlord/tenant laws, or (iii) other governmental rules and regulations or enforcement policies affecting the development, use and operation of the properties, including changes to building codes and fire and life-safety codes.

Environmental Matters

Under various environmental and ecological laws, the Company and/or its subsidiaries could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in one or more of the properties or disposed of at other locations. The failure to deal effectively with such substances may adversely affect the Company's ability to sell such property, and could potentially also result in claims against the Company by third parties.

The Costs of Securing Possession and Control of Newly Acquired Properties May Exceed Expectations

Upon acquiring a new property, the Company may have to evict residents who are in unlawful possession before the Company can secure possession and control of the property. The holdover occupants may be the former owners or tenants of a property, or they may be squatters or others who are illegally in possession. Securing control and possession from these occupants can be both costly and time-consuming. If these costs and delays exceed our expectations in a large proportion of newly acquired properties, the Company's financial performance may suffer because of the increased expenses incurred or the unexpected delays in turning the properties into revenue-producing assets.

The Costs Arising From Renovation of Properties

The Company expects that many of the properties will require some level of renovation immediately upon their acquisition or in the future following expiration of a lease or otherwise. The Company may acquire properties that it plans to extensively renovate. The Company may also acquire properties that it expects to be in good condition only to discover unforeseen defects and problems that require extensive renovation and capital expenditures. In addition, the Company will be required to make ongoing capital improvements and replacements and may need to perform significant renovations from time to time to reposition properties in the rental market. The Company's homes will have infrastructure and appliances of varying ages and conditions. Consequently, the Company expects that its management will routinely retain independent contractors and trade professionals to perform physical repair work and will be exposed to all of the risks inherent in property renovation, including potential cost overruns, increases in labour and materials costs, delays by contractors in completing work, delays in the timing of receiving necessary work permits, certificates of occupancy and poor workmanship. Although the Company does not expect that renovation difficulties on any individual property will be significant to its overall results, if the assumptions regarding the costs or timing of renovation across the Company's portfolio prove to be materially inaccurate, the Company's earnings and distributable cash may be adversely affected.

Fixed Costs and Increased Expenses

The failure to maintain stable or increasing average monthly rental rates combined with acceptable occupancy levels would likely have a material adverse effect on the Company's business, cash flows, financial condition and results of operations and ability to declare and pay dividends, if any. Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If the Company is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

The Company is also subject to utility and property tax risk relating to increased costs that the Company may experience as a result of higher resource prices as well as its exposure to significant increases in property taxes. There is a risk that property taxes may be raised as a result of re-valuations of properties and their adherent tax rates. In some instances, enhancements to properties may result in significant increases in property assessments following a re-valuation. Additionally, utility expenses, mainly consisting of natural gas, water and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that the Company cannot charge back to the tenant may have a material adverse effect on the Company's business, cash flows, financial condition and results of operations and ability to make declare and pay any dividends. Unlike commercial leases, which generally are ''net'' leases and allow a landlord to recover expenditures from tenants, residential leases are generally ''gross'' leases and the landlord is not able to pass on costs to its tenants. Generally the Company's leases with tenants require the tenant to pay directly for their own utilities. The timing and amount of capital expenditures by the Company will affect the amount of any dividends available to Company Shareholders.

Interest Rate Risk

Interest rate risk is the combined risk that the Company would experience a loss as a result of its exposure to a higher interest rate environment (interest rate risk) and the possibility that at the end of a mortgage term the Company would be unable to renew the maturing debt either with the existing lender or a new lender (renewal risk).

The Company will seek to manage its interest rate risk by negotiating, where possible, fixed interest rates on all of its debt.

Assumptions May Prove Inaccurate

In determining whether a particular property meets its investment criteria, the Company makes a number of assumptions, including assumptions related to estimated time of possession and estimated renovation costs and time frames, annual operating costs, market rental rates and potential rent amounts, time from purchase to leasing and tenant default rates. These assumptions may prove inaccurate, causing the Company to pay too much for properties it acquires, to overvalue properties or that properties do not perform as expected, and adjustments to the assumptions made in evaluating potential purchases may result in fewer properties qualifying under the Company's investment criteria. Improvements in the market prices for single-family homes in the Company's target markets or decreases in the available inventory could also reduce the supply of properties that meet the Company's investment criteria. Reductions in the supply of properties that meet the Company's investment criteria may adversely affect the Company's operating results and ability to implement its business plan.

Furthermore, the properties are likely to vary materially in terms of time to possession, renovation, quality and type of construction, location and hazards. The Company's success will depend on its ability to acquire properties that can be quickly possessed, renovated, repaired, upgraded and rented with minimal expenses and maintained in rentable condition. The Company's ability to identify and acquire such properties will be fundamental to its success.

In addition, the recent market and regulatory environments relating to single-family homes and multi-family properties have been changing rapidly, making future trends difficult to forecast.

10/ Corporate Information

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Romeo DeGasperis	*Member of Audit Committee*

Officers

Andy DeFrancesco	*Chief Executive Officer*
Michael Galloro	*Chief Financial Officer*

Stock Exchange Listing

TSX Venture Exchange	*Stock Symbol – DVO.U*
OTCQX	*Stock Symbol – DELAF*

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