

No securities regulatory authority or regulator has assessed the merits of the Trust Units or this offering or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. You could lose all the money you invest. See **Item 8 - Risk Factors**. This offering memorandum does not constitute an offer to sell or the solicitation of an offer to buy securities within the United States or by residents of the United States. There shall be no sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. This offering memorandum is for the confidential use of only those persons to whom it is transmitted in connection with the Offering for the purpose of evaluating the securities offered hereby. Prospective Investors should only rely on the information in this offering memorandum. No person has been authorized to give any information or make any representation in respect of the Fund or the securities offered herein and any such information or representation must not be relied upon. Any such information or representation that is given or received must not be relied upon. By accepting this offering memorandum, recipients agree that they will not transmit, reproduce or make available to anyone, other than their professional advisors, this offering memorandum or any information contained herein.

Private Placement of Securities

August 14, 2015

CONFIDENTIAL OFFERING MEMORANDUM

Clear Sky Capital Strategic Asset Fund – Series II

Suite 1900, 520 – 3rd Avenue SW, Calgary, Alberta T2P 0R3

Phone: 877.643.1257 Fax: 602.325.0129

Email: info16@clearskycapitalinc.com

Currently listed or quoted: No. These securities do not trade on any exchange or market.
Reporting Issuer: No.
SEDAR filer: No.

THE OFFERING

Securities Offered: Trust Units, which are class A trust units of the Fund.
Price Per Security: CD\$9 per Trust Unit until October 7, 2015 or at any time if subscribing for more than \$50,000.
CD\$10 per Trust Unit after October 7, 2015.
Maximum Offering: CD\$10,000,000 (a maximum of 1,111,111 Trust Units). The Fund may, without notice to Investors, increase the Maximum Offering. The Fund has realized no Offering proceeds as of the date of this offering memorandum.
Minimum Offering: **There is no minimum offering. You may be the only Investor. Funds available under the Offering may not be sufficient to accomplish our proposed objectives.** This is a "blind pool" offering. See **Item 1.4 – Working Capital Deficiency** and **Item 8 - Risk Factors**.
Minimum Subscription: CD\$5,000. See **Item 5.3 - Subscription Procedure**.
Payment Terms: Investors must pay the subscription price in full by certified cheque, bank draft or such other manner as may be accepted by the Fund at the time of delivering fully completed and signed Subscription Agreements. See **Item 5.3 - Subscription Procedure**.
Closing Dates: Closings may be held from time to time in the Trustees' discretion until the Maximum Offering is reached.
Resale Restrictions: You will be restricted from selling your Trust Units for an indefinite period. See **Item 10 - Resale Restrictions**.
Tax Consequences: There are important tax consequences relating to the ownership of these securities. See **Item 6 - Income Tax Consequences**.
Selling Agents: Yes. The Fund may, from time to time, appoint agents or sub-agents that are (i) exempt market dealers registered under applicable securities laws in Canada, (ii) members of the Investment Industry Regulatory Organization of Canada, or (iii) otherwise exempt from registration requirements under applicable securities laws in Canada, to offer the Trust Units for sale under the Offering. Where Trust Units are distributed through a registered exempt market dealer, the registered exempt market dealer will retain a 1% administrative fee out of the applicable Selling Commissions at Closing prior to any further participation in the balance of the Selling Commissions by the registered exempt market dealer, any dealing representative(s) or any other sub-agent(s) of the registered exempt market dealer. See **Item 7 - Compensation Paid to Sellers and Finders**. The Fund has paid or committed to pay no Selling Commissions to date.

RESALE RESTRICTIONS

You will be restricted from selling your securities for an indefinite period. You will not be able to sell these securities except in very limited circumstances. You may never be able to resell these securities. See **Item 10 - Resale Restrictions**.

INVESTORS' RIGHTS

You have two business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this offering memorandum, you have the right to sue either for damages or to cancel the agreement. See **Item 11 - Investors' Rights**.

With respect to residents in Ontario, the distribution of Trust Units is being made pursuant to section 2.3 (the "**Accredited Investor Exemption**") or pursuant to section 2.10 (the "**Minimum Amount Exemption**") of National Instrument 45-106 - *Prospectus Exemptions* of the Canadian Securities Administrators based on the applicable election made by the Investor in the Subscription Agreement. Accordingly, the distribution is exempt from the requirement to prepare and file a prospectus under applicable legislation.

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EXECUTIVE SUMMARY

- This offering has been created to provide an opportunity for investors, by way of a tiered partnership structure, to invest indirectly in United States real estate properties without creating any obligation on behalf of the investors (except US Persons) to file United States income tax returns. This offering is open to Canadian and non-Canadian investors. A person or entity that is a US Person (as defined in **Item 6.2.1** of this offering memorandum) may not subscribe for or purchase Trust Units.
- The Fund is an open-ended, unincorporated investment trust formed and existing under the laws of Alberta. The Trustees are Marcus Kurschat, Elroy Gust and Kevin Wheeler, who will manage the affairs of the Fund. The Fund is governed by the Declaration of Trust.
- The Fund does not and will not carry on active business, directly. Rather, the Fund owns interests in subsidiary entities, which carry on the business of investing in multi-family rental properties in Sunbelt States such as California, Arizona, Texas, Florida and New Mexico. **It is the intention of the Fund and its affiliates to acquire a controlling interest in each Property or to be actively involved in the management of each Property.** The Fund is the sole voting limited partner of Clear Sky LP XVI, holding Class A voting limited partnership units of, and a 99.99% economic interest in, Clear Sky LP XVI. Clear Sky LP XVI is to be the sole limited partner of, and hold a 99.99% economic interest in, the US Limited Partnership. The Fund will use Available Funds from the Offering for capital contributions as a limited partner in, or to lend funds to, Clear Sky LP XVI. Clear Sky LP XVI will, in turn, use the funds available to it (including proceeds from the issue and sale of Bridge Financing LP Units) for capital contributions as a limited partner in, or to lend funds to, the US Limited Partnership. The US Limited Partnership will, in turn, use the funds available to it for capital contributions as a limited partner in, or to lend funds to, one or more Property LPs. Each Property LP will, in turn, use those funds along with amounts that may be borrowed from third-party lenders (if any) to acquire or invest in a Property and for any related costs. A separate Property LP will be used for the acquisition of or investment in each Property. It is the intention of the Fund and its affiliates that the partners of each Property LP will be, the US Limited Partnership (limited partner holding an 75% economic interest) and at least two entities organized in the United States (general partners holding economic interests totalling up to 25%) subject to a partnership/economic interest in one or more Property LPs being held as a limited partner or a general partner, directly or indirectly, by any bridge equity investor(s) in Bridge Financing Units of Clear Sky LP XVI that may be issued and sold from time to time in connection with the acquisition of or investment in Properties. This will allow the Fund, indirectly through its subsidiary entities, to earn income derived from the Properties. See and **Item 1.1 – Funds, Item 1.2 – Use of Available Funds and Item 2.1.1 – Organizational Chart.**
- An affiliate Marcus Kurschat, Trustee and President of the Fund, has entered into the VHT Acquisition Agreement on behalf of VHT Apartments LP (as buyer) with a seller (who is at arm's length to the Fund, VHT Apartments LP and their affiliates) to acquire the VHT Apartments for an aggregate purchase price of US\$10,950,000 (subject to adjustment pursuant to the VHT Acquisition Agreement), which purchase and sale agreement is to be assigned to VHT Apartments LP, as buyer, in connection with completion of the acquisition. The buyer paid an initial earnest money deposit of US\$150,000 in connection with the commencement of its inspection period, expiring September 8, 2015, for title review and due diligence purposes, following which an additional earnest money deposit of US\$150,000 is to be paid. The VHT Acquisition Agreement does not have a condition in favour of the buyer that satisfactory financing to complete the acquisition is available. The VHT Apartments acquisition closing is scheduled for October 8, 2015. The buyer may extend the VHT Apartments acquisition closing to November 7, 2015 upon written notice and payment of US\$100,000 as a non-refundable closing extension deposit. VHT Apartments LP, as buyer, anticipates completing the acquisition of the VHT Apartments (if at all) once satisfactory arrangements for financing are in place and intends to obtain new mortgage financing from an arm's length lender for the majority of the purchase price. However, as of the date of this offering memorandum, VHT Apartments LP has not received a written loan proposal from an arm's length lender in connection with completing the acquisition of the VHT Apartments. It is intention of the Fund and its affiliates (including VHT Apartments LP) to fund the balance of the purchase price (or cash-to-close the acquisition) using Offering Proceeds. If satisfactory financing is not available or the purchase price is not otherwise satisfied, the VHT Acquisition Agreement will terminate, all the buyer's earnest money deposits and closing extension deposit (if any) will not be returned, and the parties will have no further obligation under the VHT Acquisition Agreement. The earnest money deposits and the closing extension deposit (if any) will be applied to the purchase price for the VHT Apartments if the acquisition is completed. Unless the VHT Acquisition Agreement is properly terminated or the seller defaults under the agreement, all the initial earnest money deposit and all other pre-closing deposits (including any closing extension deposit) are non-refundable if the VHT Apartments acquisition is not completed. The Fund anticipates raising gross Offering Proceeds of approximately US\$5,692,000 (approximately CD\$7,444,000 based on currency exchange rates as of the date of this offering memorandum. See the **Currency Table** in this offering memorandum) in connection with completing the proposed VHT Apartments acquisition in order to provide Available Funds sufficient to complete the acquisition and associated expenses, including payment of fees of approximately US\$109,500 in connection with new mortgage financing on the VHT Apartments, which is non-refundable in the event that the VHT Apartments acquisition is not completed. The Fund anticipates raising gross Offering Proceeds of approximately

US\$400,000 in order to provide Available Funds sufficient to incur anticipated Renovation Costs on the VHT Apartments. See **Item 2.3.1.1 – Acquisition of the VHT Apartments**, **Item 2.5 – Short-term Objectives** and **Item 2.7.8 – VHT Acquisition Agreement**.

- A Trust Unitholder will not be required to file United States federal income tax returns solely by reason of holding Trust Units, provided that: (a) the Trust Unitholder is not a citizen or resident of the United States or an entity organized under United States law; (b) the Trust Unitholder is not engaged (or deemed to be engaged) in trade or business within the United States; and (b) Clear Sky LP XVI elects to be treated as a corporation for US federal tax purposes. Canadian investors may, however, be asked to complete certain United States tax forms designed to address certain United States tax rules, including the rules pertaining to United States tax withholding.
- Clear Sky LP XVI has elected or will elect to be treated as a corporation for United States federal income tax purposes. As a result of such election, Clear Sky LP XVI will be subject to United States federal income tax, United States branch profits taxes and state and local tax that is imposed by the jurisdictions in which the US Limited Partnership has a presence. The Fund will pay or make such income payable to the Trust Unitholders and make the necessary designations under the Tax Act so that the Trust Unitholders should be treated as earning such United States income for purposes of the Tax Act. See **Item 6.1 - Certain Canadian Federal Income Tax Considerations**.
- The Fund intends to distribute all or any part of the Net Available Cash of the Fund (if any) that the Trustees prudently determine as being available for distributions, to Trust Unitholders of record on the last day of each calendar year. The Fund may also distribute cash (if any) that the Trustees prudently determine as being available for distributions to Trust Unitholders for other distribution periods, as the Trustees determine, in their discretion, from time to time. It is expected that no cash will be distributed to Trust Unitholders until cash flows are sufficiently stabilized. Once cash flows are stabilized, the Fund intends to distribute cash quarterly to Trust Unitholders, provided that the Fund may distribute cash (if any) that the Trustees prudently determine as being available for distributions (if any), to Trust Unitholders for other distribution periods, as the Trustees determine, in their discretion, from time to time, whether or not quarterly distributions are declared and paid. Where a distribution of distributable cash is declared by the Fund, such distribution will be made on a day within 30 days of the declaration period in respect of which such distribution has been declared. See **Item 5.2 - Cash Distributions to Trust Unitholders**. The ability of the Fund to make cash distributions and the actual amount distributed depends on the operations of Properties acquired by Property LPs, and will be subject to various factors including those referenced in **Item 8 - Risk Factors**. The Fund and its affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, for any purpose other than the redemption of Bridge Financing LP Units that may be created and issued in connection with the acquisition/investment. Among other things, such restrictions might be imposed on Clear Sky LP XVI in the provisions of any such Bridge Financing LP Units. See **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 - Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the applicable Property LP (including VHT Apartments LP) nor the US Limited Partnership may be in a position to pay cash distributions to its partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the applicable Property LP (including VHT Apartments LP) to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees and taxes.

INVESTMENT NOT LIQUID

There is no market through which Trust Units can be sold and Investors will be unable to sell Trust Units purchased under the Offering. As at the date of this offering memorandum, none of the Trust Units or any other securities of the Fund has been listed or quoted, and the Fund has not applied to list or quote any of its securities. The Fund does not currently intend to apply to list or quote any of its securities, on any stock exchange, quotation system or marketplace. Further, the Trust Units will be subject to a number of resale restrictions, including a statutory restriction on trading. Until the statutory restriction on trading expires, if ever, a Trust Unitholder will be unable to trade Trust Units unless it complies with very limited exemptions from the prospectus and registration requirements under applicable securities legislation. Since the Fund has no current intention of becoming a reporting issuer (or the equivalent) in any jurisdiction in Canada, these statutory trading restrictions may never expire. Further, the Declaration of Trust contains restrictions on transfer of the Trust Units, whereby no transfer is permitted without the consent of the Trustees. Consequently, Trust Unitholders will be unable to liquidate their investment in Trust Units in a timely manner, if at all, or pledge their Trust Units as collateral for loans. See **Item 10 - Resale Restrictions**.

ELIGIBILITY FOR INVESTMENT

Based on representations made by the Fund to counsel, subject to completion of the Eligibility Distribution and provided that the Fund has satisfied and continues to satisfy the requirements under the Tax Act in order for it to qualify as a "mutual fund trust" thereunder and makes certain elections in connection therewith, and, based on the provisions of the Tax Act in force as of the date hereof and the proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, the Trust Units if issued on the date hereof, would be "qualified investments" under the Tax Act for Exempt Plans. Notwithstanding that the Trust Units may be a qualified investment for a TFSA, RRSP or RRIF, the holder of a TFSA or the annuitant under a RRSP or RRIF, as the case may be, will be subject to a penalty tax on the Trust Units held in the TFSA, RRSP or RRIF, if such Trust Units are a "prohibited investment" for the purposes of section 207.01 of the Tax Act. The Trust Units will generally be a "prohibited investment" if the holder of the TFSA or the annuitant under a RRSP or RRIF does not deal at arm's length with the Fund for the purposes of the Tax Act or has a "significant interest" in the Fund. A person will have a significant interest in the Fund if the person, together with non-arm's length persons, holds 10% or more of the fair market value of the Trust Units. See **Item 6.1.1 - Certain Canadian Federal Income Tax Considerations - Eligibility for Investment**.

In order for the Fund to qualify as a mutual fund trust, and hence be a qualified investment for Exempt Plans, it must have at least 150 Trust Unitholders, each holding at least \$500 worth of Trust Units. As of the date of this offering memorandum, the Fund has only one Trust Unitholder, holding one Trust Unit. Provided the Fund has at least 150 Trust Unitholders, each holding at least \$500 worth of Trust Units, which would be achieved by completing the Eligibility Distribution by March 31, 2016, and the Fund otherwise satisfies the requirements under the Tax Act in order for it to qualify as a "mutual fund trust" thereunder at that time, the Fund will be eligible to elect under subsection 132(6.1) of the Tax Act to be deemed to be a mutual fund trust from inception.

There can be no assurance that the Fund will have at least 150 Trust Unitholders, each holding at least \$500 of worth of Trust Units, by March 31, 2016 or ever.

See **Item 6.1.1 - Certain Canadian Federal Income Tax Considerations – Eligibility for Investment**.

This offering is open to Canadian and certain non-Canadian investors. A person or entity that is a US Person (as defined in **Item 6.2.1** of this offering memorandum) may not subscribe for or purchase Trust Units. See **Item 6.2.1 - Certain United States Federal Income Tax Consequences - General**.

CERTAIN ASPECTS OF THE OFFERING

The Offering is a "blind pool" offering. Other than as described in **Item 2.3.1 – Investment in Properties**, the specific Properties in which the Fund's subsidiaries will be invested have not been identified as of the date of this offering memorandum. See **Item 8 - Risk Factors**. For information concerning the Property investment strategy of the Fund's subsidiaries, see **Item 2.2.1 - Business and Growth Strategies**. See **Item 2 - Business of the Fund** for a description of the Fund and its subsidiaries and see **Item 1 - Use of Available Funds** for a description of the anticipated use of the Offering Proceeds.

An investment in the Trust Units must be considered speculative as the securities are subject to certain risk factors as set out under Item 8 - Risk Factors. An investment in Trust Units is appropriate only for Investors who have the capacity to absorb a loss of some or all of their investment.

The return on an investment in the Trust Units is not comparable to the return on an investment in fixed-income securities. Cash distributions to Trust Unitholders are not guaranteed and are not fixed obligations of the Fund; any receipt of cash distributions by a Trust Unitholder is at any time subject to the terms of the Declaration of Trust. Any anticipated return on investment is based upon many performance assumptions. Although the Fund intends to distribute its available cash to Trust

Unitholders, cash distributions may be reduced or suspended at any time and from time to time. The ability of the Fund to make cash distributions and the actual amount distributed depends on the operations of the Properties acquired by the Property LPs, and will be subject to various factors including those referenced in **Item 8 - Risk Factors**. Set out in **Item 5.2.2 - Funds Flow from the Properties** is a summary of the distribution of funds from the Fund's subsidiaries to the Fund. The value of the Trust Units may decline if the Fund is unable to meet its cash distribution targets, if any, in the future and that decline may be significant.

It is important for Investors to note that the Fund and its affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of source, for any purpose other than the redemption of Bridge Financing LP Units that may be created and issued in connection with the acquisition/investment, so long as any of the Bridge Financing LP Units remains outstanding. Among other things, such restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. The material characteristics of the Bridge Financing LP Units are described in **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 - Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the Property LPs (including VHT Apartments LP) nor the US Limited Partnership may be in a position to pay cash distributions to its partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the applicable Property LP (including VHT Apartments LP) to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees and taxes.

It is important for Investors to consider the particular risk factors that may affect the real estate market, generally, and therefore the stability of the distributions to Trust Unitholders. Refer to Item 8 - Risk Factors for a more complete discussion of these risks and their potential consequences.

CURRENCY TABLE

The following table shows certain information concerning the noon exchange rates between the US dollar and the Canadian dollar, expressed in Canadian dollars for one US dollar, in effect during the periods noted: the average rate of exchange for such periods; and the high and low rates of exchange during such periods; in each case based on rates quoted by the Bank of Canada.

| Time Period | Canadian Dollars (CD\$) per United States Dollar (US\$1.00) | | |
|--|---|--------|--------|
| | Average | High | Low |
| Year ended December 31, 2008 | 1.0660 | 1.2969 | 0.9719 |
| Year ended December 31, 2009 | 1.1420 | 1.3000 | 1.0292 |
| Year ended December 31, 2010 | 1.0299 | 1.0778 | 0.9946 |
| Year ended December 31, 2011 | 0.9891 | 1.0604 | 0.9449 |
| Year ended December 31, 2012 | 0.9996 | 1.0418 | 0.9770 |
| Year ended December 31, 2013 | 1.0697 | 1.0299 | 0.9839 |
| Year ended December 31, 2014 | 1.1045 | 1.1643 | 1.0614 |
| Period from January 1, 2015 to August 13, 2015 | 1.2465 | 1.1728 | 1.3183 |

On August 14, 2015, the Bank of Canada noon day exchange rate was CD\$1.3078 = US\$1.00.

FORWARD-LOOKING INFORMATION

This offering memorandum contains certain statements or disclosures that may constitute forward-looking information under applicable securities laws. All statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that the Fund anticipates or expects may or will occur in the future (in whole or in part) should be considered forward-looking information. In some cases, forward-looking information can be identified by terms such as "future", "may", "will", "intend", "expect", "anticipate", "believe", "potential", "enable", "plan", "continue", "contemplate" or other comparable terminology. Forward-looking information presented in this offering memorandum includes the following:

- the Fund's intentions or expectations about its ability to raise capital under the Offering (including the issue and sale of Trust Units) or otherwise, including the ability of the Fund to complete the Maximum Offering or its ability to raise capital through the issue and sale of Bridge Financing LP Units;
- intentions or expectations about the Property LPs' purchasing (or otherwise investing in), renovating, upgrading, and repositioning of Properties including the proposed VHT Apartments acquisition;
- the nature of the operations and business outlook of any Properties and the applicable Property LPs, including intentions and strategies for purchasing (or otherwise investing in), renovating, upgrading, and repositioning of Properties, the Property LPs' ongoing rental and management of the Properties portfolio, sources of funds, forecasts of capital expenditures, including the proposed management and investment strategy for the VHT Apartments;
- the Fund's intentions regarding payment of Selling Commissions, Offering costs, and ongoing general and administrative expenses, including the fees and expenses described in **Item 1.5 - Fees and Expenses**;
- intentions and expectations regarding the Property LPs' payment of general, administrative and operational costs and expenses associated or incurred in connection with, or related to renting Properties and managing the Properties portfolio, including Renovation Costs;
- forecast business results and anticipated financial performance;
- long-term or short-term plans and objectives of the Fund for future operations or refinancing of any Properties, forecast business results and anticipated financial performance;
- intentions and expectations regarding Clear Sky LP XVI's redemption, purchase or other acquisition of Bridge Financing LP Units, if any, or the funding for any such redemption, purchase or other acquisition; and
- the Fund's intentions or expectations about its ability to distribute Net Available Cash (if any) to Trust Unitholders.

Various assumptions are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking information. Those assumptions are based on information currently available to the Fund, including information obtained by the Fund from third-party industry analysts and other arm's length sources. In some instances, material assumptions are presented or discussed elsewhere in this offering memorandum in connection with the forward-looking information. We caution you that the following list of material assumptions is not exhaustive. The assumptions include, but are not limited to:

- expectations about general economic conditions and conditions in the real estate markets where Properties may be located or in which the Property LPs may operate and the ability to deploy capital in those markets and generate a profit therefrom;
- expectations about the recent global financial crisis and that the economies and real estate and financial markets where the Properties are located or in which the Property LPs may operate will recover within a three-to-ten year period and will not suffer a prolonged downturn;
- expectations about the availability of capital, including expectations about the successful completion of the Maximum Offering;
- expectations about the Fund's ability to raise sufficient Offering Proceeds to complete its business objectives, including the advance of Available Funds to the Property LPs, facilitate any Property LP purchasing (or otherwise investing in),

renovating, upgrading and repositioning of a Property, raise investment capital through the issue and sale of Bridge Financing LP Units, or of fund any redemption, purchase or other acquisition of any Bridge Financing LP Units;

- intentions or expectations about the Property LPs' management and operation of Properties, including the ability or opportunity to stabilize cash flows from the Properties through renovating, upgrading, and repositioning, including tenant changes, improved vacancy rates or otherwise;
- intentions or expectations about any Property LP's ability or opportunity to dispose of or refinance any Property;
- expectations about policies of the municipal and local governments in respect to renovating, upgrading, repositioning and use of the Properties;
- a stable competitive environment; and
- no significant event occurring outside the ordinary course of business such as a natural disaster or other calamity.

The forward-looking information in this offering memorandum is based (in whole or in part) upon factors which may cause actual results, performance or achievements of the Property LPs, and, consequently, those of the Fund, to differ materially from those contemplated (whether expressly or by implication) in the forward-looking information. Those factors are based on information currently available to the Fund including information obtained from third-party industry analysts and other third party sources. Actual results or outcomes may differ materially from those predicted by such forward-looking information. While we do not know what impact any of those differences may have, the Property LPs' business, results of operations, financial condition and credit stability, and, consequently, those of the Fund, may be materially adversely affected. Factors that could cause actual results, performance, achievements or outcomes to differ materially from the results expressed or implied by forward-looking information include, among other things:

- risks associated with general economic conditions and any Property LP's ability to successfully purchase (or otherwise investing in), renovate, upgrade, reposition, rent, use, sell or generate a profit from its Property, including the VHT Apartment;
- risks associated with mortgage financing encumbering one or more of the Properties and the ability to satisfactorily meet or discharge the obligations under such mortgage financing;
- risks associated with the recent global financial crisis and its effect on the supply and demand of real estate, consumer confidence and capital markets;
- risks associated with currency exchange;
- risks associated with the Fund's financing efforts, including the risk that the Fund does not reach the Maximum Offering or otherwise arrange sufficient, cost-effective financing to fund capital expenditures, Trust Unit redemptions, ongoing general, administrative and operating costs and expenses associated or incurred in connection with, or related to renting Properties and managing the Properties portfolio and other obligations;
- risks associated with the Fund and its affiliates having agreed to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, for any purpose other than the redemption of Bridge Financing LP Units, so long as any Bridge Financing LP Units remains outstanding and other similar restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units (see **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**);
- tax risks, as more particularly described under **Item 6 - Income Tax Consequences** and **Item 8 - Risk Factors**, which might affect the tax consequences to acquiring, holding and disposing of Trust Units; and
- legislative and regulatory developments that may affect costs, revenues, the speed and degree of competition entering the market, global capital markets activity, timing and extent of changes in prevailing interest rates, changes in counterparty risk.

We caution you that the above list of risk factors is not exhaustive. Other factors which could cause actual results, performance, achievements or outcomes of the Fund to differ materially from those contemplated (whether expressly or by implication) in the forward-looking information are disclosed under **Item 8 - Risk Factors**.

We are not obligated to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable laws. Because of the risks, uncertainties and assumptions contained herein, prospective Investors should not place undue reliance on forward-looking information. The foregoing statements expressly qualify any forward-looking information contained in this offering memorandum.

GLOSSARY

In this offering memorandum (including in the face pages hereof), unless the context otherwise requires, the following words and terms have the indicated meanings and grammatical variations of such words and terms have corresponding meanings:

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| "ABCA" | <i>Business Corporations Act</i> (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder |
| "Acquisition Fee" | <p>The fee payable by Clear Sky LP XVI, the US Limited Partnership or the applicable Property LP, or a combination thereof, to Marcus Kurschat (or an entity controlled by him) and Kevin Wheeler (or an entity controlled by him), collectively, upon the deployment of capital by the applicable Property LP for acquisition of or investment in a Property by the Property LP in an amount equal to 2.5% of the enterprise value for such Property.</p> <p>In connection with the acquisition of or investment in any Property, the enterprise value for the Property is to be determined in the discretion of the US General Partner or the general partner of the applicable Property LP with reference to either:</p> <ul style="list-style-type: none">(a) an independent appraisal of the fair market value of the Property as of a date that is acceptably close, in the opinion of the US General Partner or the general partner of the applicable Property LP, acting reasonably, to the effective date of the acquisition (or investment), as the case may be; or(b) the price paid by the Fund affiliate(s) (<i>e.g.</i>, the applicable Property LP) for its ownership interest, direct or indirect, in the Property plus the imputed value of all other ownership interests in the Property, if any (as extrapolated from the price paid by the Fund's affiliates), plus the debt secured by the Property, <p>and, in each instance, such determination is made without regard to the proportionate ownership of the applicable Fund affiliate(s) in the Property. See Item 1.5.1 - Fees and Expenses – Fees Payable on Acquisitions and Dispositions and Item 3.1 - Compensation and Securities Held</p> |
| "affiliate" | <p>Has the meaning given in National Instrument 45-106 – <i>Prospectus Exemptions</i>. Without limiting that definition, an issuer is an affiliate of another issuer if:</p> <ul style="list-style-type: none">(a) one issuer is controlled, directly or indirectly, by the other issuer; or(b) each of the issuers is controlled, directly or indirectly, by the same other person(s) or issuers, <p>and in respect of such relationship, a person or issuer (first person) is considered to "control" another issuer (second person) if:</p> <ul style="list-style-type: none">(c) the first person, directly or indirectly, beneficially owns or exercises direction or control over securities of the second person carrying votes which, if exercised, entitle the first person to elect a majority of the directors (or other similar fiduciaries) of the second person, unless the first person holds the voting securities only to secure an obligation; or(d) the second person is a partnership (other than a limited partnership) and the first person holds more than 50% of the interests of the partnership; or(e) the second person is a limited partnership, whose general partner is the first person |
| "associate" | <p>Has the meaning given in National Instrument 45-106 – <i>Prospectus Exemptions</i>, where used to indicate a relationship with any person. Without limiting that definition, when used to indicate a relation involving a person (first person), another person (second person) is an associate of or associated with the first person if:</p> <ul style="list-style-type: none">(a) the second person beneficially owns or controls, directly or indirectly, voting securities of the first person carrying more than 10% of the voting rights attached to the outstanding voting securities of the first person;(b) the second person is a partner of the first person acting on behalf of the partnership of |

which they are partners;

- (c) the second person is a trust or estate in which the first person has a substantial beneficial interest or in respect of which the first person serves as a trustee or executor or in a similar capacity; or
- (d) where the first person is an individual, the second person is a relative of the first person, including:
 - (i) a spouse of the first person; or
 - (ii) a relative of the first person's individual's spouse,

if the relative has the same home as the first person individual

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| "Available Funds" | The Offering Proceeds less the aggregate of the Offering costs and Selling Commissions. See also Item 1.1 - Funds |
| "Bridge Equity Investor" | An investor at arm's length to the Fund, Clear Sky LP XVI and affiliates thereof that subscribes for and purchases Bridge Financing LP Units that may be created, issued and sold from time to time in connection with the acquisition of or investment in one or more Properties. See Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI |
| "Bridge Financing LP Units" | A series of Class B LP Units of Clear Sky LP XVI that may be created and issued from time to time in connection with the acquisition of a Property, which series of Class B LP Units has the designation, limitations, rights, privileges, restrictions and conditions attached thereto as determined by the Clear Sky GP before the issuance thereof in accordance with the Clear Sky LP XVI Agreement. See Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI |
| "CRA " | Canada Revenue Agency |
| "Canada T-Bill Rate" | The rate (expressed as a percentage) equal to the average of the mid-market yields to maturity calculated from the applicable redemption date, of a Government of Canada treasury bill with a term to maturity that is approximately 10 years from the first issuance of Trust Units, as determined by a major Canadian investment dealer selected by the Trustee on the business day preceding the day on which the notice of redemption of a Trust Unit is given |
| "Canadian Staffing and Administrative Services Agreement" | The staffing and administrative services agreement to be entered by the parties on or before the first Closing Date, with effect as of October 3, 2014, as subsequently amended or restated from time to time, between the Clear Sky LP XVI and Clear Sky Capital BC pursuant to which Clear Sky Capital BC will provide management and administrative services to the Clear Sky LP XVI, including the services of Kevin Wheeler, Vice President, Investor Relations of the Fund), as more particularly described under Item 2.7.7 – Canadian Staffing and Administrative Services Agreement |
| "CAP Rate" | The capitalization rate of a property. Investors, lenders and real estate appraisers use the CAP Rate to estimate the purchase price for different types of income producing properties. A given market's CAP Rate is determined by evaluating the financial data of similar properties which have recently sold in such market. The CAP Rate calculation incorporates a property's selling price, gross rents, non-rental income, vacancy levels and operating expenses. CAP Rates are typically low during times of high demand for purchasing multi-family properties and, typically, high during times of low demand. CAP Rates often fluctuate with perceived shifts in the attractiveness of real estate investing in a particular geographic area |
| "Class A LP Units" | The Class A voting limited partnership units of Clear Sky LP XVI, as more particularly described in Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI |
| "Class B LP Units" | The Class B limited partnership units of Clear Sky LP XVI, issuable in series, as more particularly described in Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI |
| "Class B Trust Units" | Class B trust units of the Fund, which may be issued from time to time in one or more series |

having the designation, limitations, rights, privileges, restrictions and conditions attaching to each series, as determined by the Trustees before the issuance thereof, as more particularly described under **Item 2.7.1 - Declaration of Trust - Class B Trust Units**

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| "Class B Trust Unitholders" | A registered holder of Class B Trust Units at any time and from time to time, as shown on the register maintained by or on behalf of the Fund for outstanding Class B Trust Units |
| "Clear Sky Capital Arizona" | Clear Sky Capital Inc., an Arizona corporation incorporated pursuant to the <i>Arizona Business Corporation Act</i> , which is beneficially owned or controlled, directly or indirectly, by Marcus Kurschat |
| "Clear Sky Capital BC" | Clear Sky Capital Inc., a British Columbia corporation, which is beneficially owned or controlled, directly or indirectly, by Marcus Kurschat, Trustee and President of the Fund |
| "Clear Sky GP" | Clear Sky Capital & Associates XVI Inc., an Alberta corporation established under the ABCA, which is the general partner of Clear Sky LP XVI and which is beneficially owned or controlled, directly or indirectly, by Marcus Kurschat |
| "Clear Sky LP XVI" | Clear Sky Capital Real Estate Solutions XVI Limited Partnership, an Alberta limited partnership governed by the Clear Sky LP XVI Agreement, whose partners are, as of the date of this offering memorandum, Clear Sky GP (general partner holding a 0.01% economic interest therein) and the Fund (voting limited partner holding Class A LP Units and a 99.99% economic interest therein), subject to Clear Sky LP XVI creating, issuing and selling Bridge Financing LP Units in connection with the acquisition of or investment in a Property. See also Item 2.1.3 - Clear Sky LP XVI and Clear Sky GP |
| "Clear Sky LP XVI Agreement" | The limited partnership agreement governing Clear Sky LP XVI to be entered by the parties as of the first Closing Date, with effect from July 9, 2015 and as may otherwise be amended or restated from time to time, between Clear Sky GP, as general partner, and Clear Sky LP XVI, as limited partner, subject to Clear Sky LP XVI creating, issuing and selling Bridge Financing LP Units in connection with the acquisition of or investment in a Property. See also Item 2.7.2 - Clear Sky LP XVI Agreement |
| "Closing" | The completion of the issue and sale to Investors of Trust Units under the Offering |
| "Closing Date" | The date of a Closing. Closings may be held (as determined by the Fund in its sole discretion) from time to time until the Maximum Offering is achieved or the Offering is terminated |
| "Code" | The United States Internal Revenue Code of 1986, as amended |
| "Cost Sharing & Support Agreement" | The cost sharing and support agreement to be dated as of October 3, 2014, and as may otherwise be amended or restated from time to time, between Clear Sky Capital BC and Clear Sky Capital Arizona, on one hand, and the Fund and its affiliates, on the other hand, whereby Clear Sky Capital BC and Clear Sky Capital Arizona will agree to pay (subject to a specified maximum amount and the ability of Clear Sky Capital BC and Clear Sky Capital Arizona to terminate their funding obligations in certain circumstances) the costs of the Fund and its subsidiaries, including Offering costs and ongoing general and administrative expenses, which the Fund is unable to finance from its Working Capital (as may be funded, in whole or in part, with Offering Proceeds). See also Item 2.7.5 – Cost Sharing & Support Agreement |
| "Declaration of Trust" | The declaration of trust dated as of January 2, 2015, as subsequently amended or restated from time to time, between the Trustees, as trustees, and the Trust Unitholders, as beneficiaries, governing the Fund, as more particularly described under Item 2.7.1 - Declaration of Trust |
| "Disposition Fee" | The fee payable by Clear Sky LP XVI, the US Limited Partnership or the applicable Property LP, or a combination thereof, to Marcus Kurschat (or an entity controlled by him) and Kevin Wheeler (or an entity controlled by him), collectively, upon the receipt by the applicable Fund affiliate(s) (<i>i.e.</i> , Clear Sky LP XVI, the US Limited Partnership or the applicable Property LP) of its share of the proceeds of sale or other disposition of a Property, in an amount equal to 1.5% of the enterprise value for such Property. |

The enterprise value for any Property in connection with the sale or other disposition of the Property is to be determined in the discretion of the US General Partner or the general partner of the applicable Property with reference to either:

- (a) an independent appraisal of the fair market value of the Property as of a date that is acceptably close, in the opinion of the US General Partner or the general partner of the applicable Property, acting reasonably, to the effective date of sale or other disposition; or
- (b) the value of the consideration received by the Fund affiliate(s) (*e.g.*, the applicable Property LP) for its ownership interest, direct or indirect, in the Property plus the value of the consideration received by the other owners, if any, for their ownership interests in the Property (or, if any ownership interest is not sold at the time of such disposition, the imputed value of any such owner's interest in the Property as extrapolated from the consideration received by the Fund affiliate) plus the debt secured by the Property,

and, in each instance, such determination is made without regard to the proportionate ownership of the Fund affiliate(s) (*e.g.*, the applicable Property LP) in the Property. See **Item 1.5.1 - Fees and Expenses – Fees Payable on Acquisitions and Dispositions** and **Item 3.1 - Compensation and Securities Held**

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| "dissolution" | The liquidation, dissolution or winding up of the Fund or Clear Sky LP XVI (as the context requires), whether voluntary or otherwise, or other distribution of assets or property of the Fund or Clear Sky LP XVI (as the context requires) or repayment of capital among the securityholders of the Fund or Clear Sky LP XVI (as the context requires) for the purpose of liquidation, dissolution or winding up its affairs |
| "DPSP" | A trust governed by a deferred profit sharing plan |
| "Eligibility Distribution" | The issue and sale of a sufficient number of Trust Units under the Offering or otherwise to permit the Fund's ongoing qualification under the Tax Act as a "mutual fund trust", which is deemed to have been achieved when (assuming the Fund has made certain elections under the Tax Act in a timely fashion and has satisfied and continues to satisfy certain other requirements under the Tax Act in a timely fashion) the Fund has at least 150 Trust Unitholders, each holding at least \$500 worth of Trust Units |
| "Exchangeable Securities" | Securities of a direct or indirect subsidiary of the Fund that are convertible into or exchangeable for Trust Units |
| "Exempt Plans" | A RRSP, a RESP, a RRIF, a DPSP, a TFSA or a RDSP |
| "Fund" | Clear Sky Capital Strategic Asset Fund – Series II, a trust formed under the laws of Alberta pursuant to the Declaration of Trust. See also Item 2.1.2 - The Fund |
| "GAAP" | At any time, the accounting principles generally accepted in Canada, determined with reference to the Handbook of the Canadian Institute of Chartered Accountants, as amended from time to time |
| "IFRS" | At any time, the standards and interpretations adopted by the International Accounting Standards Board, as amended from time to time |
| "Investor" | A person subscribing for and purchasing Trust Units pursuant to the Offering |
| "Maximum Offering" | Offering Proceeds of up to CD\$10,000,000, to be achieved through the issue and sale of up to 1,111,111 Trust Units under the Offering |
| "Net Asset Value per Trust Unit" | Has the meaning given thereto in Item 2.7.1 – Declaration of Trust – Redemption of Trust Units |
| "Net Available Cash" | For the Fund and each of its subsidiary entities, the cash available to it for discretionary distribution (if any), which is generally based on the entity's gross receipts derived from any |

source, less amounts estimated for expenses, taxes, contingencies, or other obligations. More particularly:

- (a) Net Available Cash for any Property LP is to be the cash available for distribution (if any) determined from time to time by the applicable general partner(s) pursuant to the Property LP Agreement governing the Property LP, which generally consists of the Property LP's gross cash receipts derived from (i) operating proceeds in the ordinary course of business of such Property LP, (ii) refinancing the Property, (iii) the sale or other disposition of its Property, and (iv) any other source whatsoever, excluding capital contributions, which cash receipts are, in all cases, are to be reduced by the portion thereof used to pay or establish reasonable reserves for expenses, debt payments and accrued interest, taxes, contingencies, and proposed acquisitions, as determined by the general partner(s) of the Property LP;
- (b) Net Available Cash for the US Limited Partnership is to be the cash available for distribution (if any) determined from time to time by the US General Partner pursuant to the US LP Agreement, which generally consists of the US Limited Partnership's gross cash receipts derived from (i) operating proceeds of any Property LP in the ordinary course of business of such Property LP, (ii) refinancing by any Property LP of its Property, (iii) sales or other dispositions by any Property LP of its Property, (iv) sales or dispositions of interests in any Property LP, and (v) any other source whatsoever, excluding capital contributions, which cash receipts are, in all cases, are to be reduced by the portion thereof used to pay or establish reasonable reserves for expenses, debt payments and accrued interest, taxes, contingencies, and proposed acquisitions, as determined by the US General Partner;
- (c) Net Available Cash for Clear Sky LP XVI is to be the cash available for distribution (if any) determined from time to time by the Clear Sky GP pursuant to the Clear Sky LP XVI Agreement which generally consists of Clear Sky LP XVI's gross cash receipts derived from any other source whatsoever, other than capital contributions, including amounts (i) borrowed by Clear Sky GP on behalf of Clear Sky LP XVI, (ii) received by the Partnership as cash distributions from the US Limited Partnership, of any nature whatsoever, including distributions (if any) of the US Limited Partnership's gross cash receipts (if any), in whole or in part, derived from (A) operating proceeds of any Property LP in the ordinary course of business of such Property LP, (B) refinancing by any Property LP of its Property, (C) sales or other dispositions by any Property LP of its Property, (D) sales or dispositions of interests in any Property LP, and (E) any other source whatsoever, excluding capital contributions, which cash receipts are, in all cases, are to be reduced by the portion thereof used to pay or establish reasonable reserves for expenses, debt payments and accrued interest, taxes, contingencies, and proposed acquisitions, as determined by the general partner of the US Limited Partnership; and
- (d) Net Available Cash for the Fund is to be the cash available for distribution (if any) determined from time to time by the Trustees pursuant to the Declaration of Trust,

provided that, in no case, whether in determining or calculating Net Available Cash of the Fund or any of its subsidiary entities, is such Net Available Cash to be reduced by depreciation, amortization, cost recovery deductions, or similar allowances

"Non-Resident"

Persons that are not resident in Canada or that are not deemed to be resident in Canada for the purposes of the Tax Act

"Offering"

The Fund's offering, issue and sale of Trust Units at the applicable Subscription Price(s) per Trust Unit, on a private placement basis, as more particularly described in this offering memorandum

"offering memorandum"

This confidential offering memorandum pertaining to the Offering, including any amendment, restatement or update to this offering memorandum

"Offering Proceeds"

At any time, the aggregate gross proceeds realized by the Fund from the issue and sale of Trust Units under the Offering

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| "Participating Trust Units" | <p>Trust Units or Class B Trust Units of any series, carrying or accompanied by a right pertaining to allocations and distributions to Trust Unitholders, to share or participate in, or receive:</p> <ul style="list-style-type: none"> (a) advances or distributions of cash (including Net Available Cash) and any other distributions of a similar nature to the holders thereof as provided in the Declaration of Trust; (b) allocations or distributions of the Income of the Fund or net realizable capital gains as provided in the Declaration of Trust; or (c) the remaining property of the Fund on dissolution or winding-up in accordance with the terms of the Declaration of Trust |
| "Performance Fee" | <p>An Acquisition Fee or Disposition Fee, as the context requires; "Performance Fees" means, collectively, all Acquisition Fees and Disposition Fees</p> |
| "Permitted Investments" | <p>As defined in the Declaration of Trust, permitted investments for the use of Trust monies, including Offering Proceeds, which are:</p> <ul style="list-style-type: none"> a) obligations issued or guaranteed by the Government of Canada or any province of Canada or any agency or instrumentality thereof; b) commercial paper or other short-term obligations of a person whose commercial paper or other short-term obligations have an approved rating of R-2 (or higher) by DBRS Limited or A-3 (or higher) by Standard and Poor's Rating Services, or an equivalent approved rating (as defined under applicable securities laws) by an approved credit rating organization (as defined under applicable securities laws); c) interest-bearing accounts, term deposits, guaranteed investment certificates, certificates of deposit or bankers' acceptances of or guaranteed or accepted by any Canadian chartered bank or other financial institution, the long term debt or deposits of which have an approved rating (within the meaning attributed thereto under applicable securities laws) of BBB (or higher) by DBRS Limited or BBB (or higher) by Standard and Poor's Rating Services, or an equivalent approved rating (as defined under applicable securities laws) by an approved credit rating organization (as defined under applicable securities laws); or d) any combination thereof. <p>For the purpose of, "short term" means having a date of maturity or call for payment that is one year or less from the date on which the investment is made.</p> |
| "person" | <p>Any individual, general partnership, limited partnership, joint venture, syndicate, sole proprietorship, company, corporation or other body corporate with or without share capital, joint stock company, association, trust, trust company, bank, pension fund, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority, department or political subdivision thereof, or other organization or entity, whether or not a legal entity, however designated or constituted</p> |
| "Property" | <p>A multi-unit residential apartment complex acquired or invested in, directly or indirectly, by a Property LP (including land, rights or interest in land leaseholds, air rights and rights in condominiums, but excluding mortgages) and any buildings, structures, improvements and fixtures located thereon; "Properties" means, collectively, the Property of each Property LP</p> |
| "Property LP" | <p>A limited partnership formed under the laws of the State of Arizona (or elsewhere as reasonably determined by the US Limited Partnership) for the purposes of acquiring a Property. Each Property LP will be governed by a separate Property LP Agreement, with the US Limited Partnership being the sole limited partner of each Property LP (subject to the partnership or economic interest held, directly or indirectly, by any Bridge Equity Investor), and with one or more separate entities organized in the United States beneficially owned or controlled, directly</p> |

or indirectly, by Marcus Kurschat and Kevin Wheeler as the general partners of each Property LP

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| "Property LP Agreement" | The limited partnership agreement of a Property LP entered into between the US Limited Partnership (as a limited partner of such Property LP), one or more separate entities organized in the United States (as the general partner(s) of such Property LP) that are beneficially owned or controlled, directly or indirectly, by Marcus Kurschat and Kevin Wheeler, respectively, and, if applicable, any Bridge Equity Investor |
| "Redemption Date" | Has the meaning given thereto in Item 2.7.1 – Declaration of Trust – Redemption of Trust Units |
| "Redemption Notes" | Debt securities of the Fund or any subsidiary of the Fund that may be created and issued from time to time, that are subordinated and unsecured, have a maturity of 10 years or less, are pre-payable at any time at the option of the issuer prior to maturity, without notice, bonus or penalty and pay an annual rate of interest equal to the Canada T-Bill Rate, which interest is payable quarterly in arrears |
| "Redemption Price" | Has the meaning given thereto in Item 2.7.1 – Declaration of Trust – Redemption of Trust Units |
| "Renovation Costs" | Costs and expenses associated or incurred in connection with, or related to, renovating, repairing, maintaining, upgrading or otherwise making rent-ready (to the extent desired or considered necessary by the US General Partner or the general partners of the applicable Property LP) any of the Properties (including the VHT Apartments, if acquired) or otherwise making any Property rent-ready (to the extent desired or considered necessary by the US General Partner or the general partner of the applicable Property LP) |
| "RDSP" | A trust governed by a registered disability savings plan |
| "RESP" | A trust governed by a registered education savings plan |
| "RRIF" | A trust governed by a registered retirement income fund |
| "RRSP" | A trust governed by a registered retirement savings plan |
| "Selling Commissions" | The commissions, fees and other compensation payable to agents or sub-agents who sell or assist in selling Trust Units under the Offering and who are not precluded from receiving such commissions, fees or other compensation under applicable securities law. See Item 7 - Compensation Paid to Sellers and Finders |
| "SIFT Rules" | Has the meaning given thereto in Item 6.1.2 - Status of the Fund |
| "SIFT Trust" | Has the meaning given thereto in Item 6.1.2 - Status of the Fund |
| "Special Resolution" | <p>(a) a resolution proposed to be passed as a special resolution at a meeting of Trust Unitholders (including an adjourned meeting) duly convened for that purpose and held in accordance with the Declaration of Trust and passed by more than 66⅔% of the votes cast on such resolution by Voting Unitholders present or represented by proxy at the meeting; or</p> <p>(b) notwithstanding any other provision of the Declaration of Trust, a resolution in writing executed by Voting Unitholders holding more than 66⅔% votes attached to outstanding Voting Units at any time</p> |
| "Special Voting Units" | Special voting units of the Fund, which enable the Fund to provide voting rights to holders of Exchangeable Securities, as more particularly described under Item 2.7.1 - Declaration of Trust - Special Voting Units |

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| "Special Voting Unitholder" | A registered holder of Special Voting Units at any time and from time to time, as shown on the register maintained by or on behalf of the Fund for outstanding Special Voting Units |
| "Subscription Agreement" | A subscription agreement to be executed by each Investor providing for the purchase of Trust Units in the form provided by the Fund. The current form of Subscription Agreement for Trust Units is attached as Schedule A to this offering memorandum |
| "Subscription Price" | <p>The subscription price to be paid by each Investor for Trust Units purchased pursuant to the Investor's duly completed and signed Subscription Agreement, which price is to be:</p> <ul style="list-style-type: none"> (a) CD\$9 per Trust Unit, if the subscription for such Trust Units is completed on or before October 7, 2015 or at any time if the Aggregate Subscription Price (defined in the Subscription Agreement) for such Trust Units is \$50,000 or more; or (b) CD\$10 per Trust Unit, if the subscription for such Trust Units is completed after on or before October 7, 2015 |
| "subsidiary" | <p>Has the meaning given in National Instrument 45-106 - <i>Prospectus Exemptions</i>. Without limiting that definition, an issuer is a subsidiary of another issuer if it is controlled, directly or indirectly, by that other issuer, and in respect of such relationship, a person or issuer (first person) is considered to "control" another issuer (second person) if:</p> <ul style="list-style-type: none"> (a) the first person, directly or indirectly, beneficially owns or exercises direction or control over securities of the issuers carrying votes which, if exercised, entitle the first person to elect a majority of the directors (or other similar fiduciaries) of the issuer, unless the first person holds the voting securities only to secure an obligation; or (b) the issuer is a partnership (other than a limited partnership) and the first person holds more than 50% of the interests of the partnership; or (c) the issuer is a limited partnership, whose general partner is the first person |
| "Tax Act" | The <i>Income Tax Act</i> (Canada) and the regulations thereunder, as amended from time to time |
| "TFSA" | A trust governed by a tax-free savings account |
| "Trustees" | At any time, the trustees of the Fund, who are, currently, Marcus Kurschat, Elroy Gust and Kevin Wheeler. See Item 3 - Interests of Trustees, Management, Promoters and Principal Holders |
| "Trust Unit" | A Class A trust unit of the Fund, as more particularly described under Item 5.1 - Trust Units |
| "Trust Unitholder" | A registered holder of Trust Units at any time and from time to time, as shown on the register maintained by or on behalf of the Fund for outstanding Trust Units |
| "US Accountholder" | A "specified United States Person," as that term is defined in Section 1473(3) of the Code, or a "United States owned foreign entity," as that term is defined in Section 1471(d)(3) of the Code |
| "US General Partner" | An Arizona corporation incorporated on July 7, 2015 pursuant to the <i>Arizona Business Corporation Act</i> , as "Clear Sky Capital and Associates XVI, Inc.", which is the general partner of the US Limited Partnership and is beneficially owned or controlled, directly or indirectly, by Marcus Kurschat. See also Item 2.1.4 - The US Limited Partnership and US General Partner |
| "US Limited Partnership" | An Arizona limited partnership formed on July 13, 2015 as "Clear Sky Capital Real Estate Solutions XVI LP" pursuant to the <i>Arizona Revised Uniform Limited Partnership Act</i> and governed by the US LP Agreement, whose partners are to be the US General Partner (general partner) and Clear Sky LP XVI (sole limited partner). See also Item 2.1.4 - The US Limited Partnership and US General Partner |
| "US LP Agreement" | The limited partnership agreement entered by the parties on August 11, 2015, with effect from date of formation of the US Limited Partnership, and as may otherwise be amended or restated from time to time, between the US General Partner (as general partner) and Clear Sky LP XVI (as limited partner), which agreement governs the US Limited Partnership. See also Item 2.7.3 - |

US LP Agreement

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| "US Person" | Has the meaning given thereto in Item 6.2.1 – Certain United States Federal Income Tax Consequences – General |
| "US Staffing and Administrative Services Agreement" | The staffing and administrative services agreement to be entered by the parties on or before the first Closing Date, with effect as of October 3, 2014, and as may be subsequently amended or restated from time to time, between the US Limited Partnership and Clear Sky Capital Arizona pursuant to which Clear Sky Capital Arizona will provide management and administrative services to the US Limited Partnership, including the executive management services of Marcus Kurschat, as more particularly described under Item 2.7.6 – US Staffing and Administrative Services Agreement |
| "VHT Acquisition Agreement" | The purchase and sale agreement dated June 25, 2015, as amended on July 6, 2015 and July 31, 2015, and as may be subsequently amended from time to time, between an affiliate of Marcus Kurschat on behalf of VHT Apartments LP, as buyer, and an arm's length seller, whereby VHT Apartments LP acquired the VHT Apartments, all as more particularly described under Item 2.3.1.1 – Acquisition of the VHT Apartments and Item 2.7.8 – VHT Acquisition Agreement |
| "VHT Apartments" | <p>The improved real property known as the "Villas at Helen of Troy" apartments located at 1325 Northwestern Drive, El Paso, Texas, USA, which includes:</p> <ul style="list-style-type: none">• the parcel of land (approximately 4.6291 acres, more or less) described as Lots 4 and 5, Block 1 El Paso West Unit Two, Replat "A", an addition to the City of El Paso County, Texas, according to the Plat thereof recorded in Volume 65, Page 19, Plat Records of El Paso County, Texas and a portion of Lot 3, Block 1 El Paso West Unit Two, Replat "A", an addition to the City of El Paso County, Texas, according to the Plat thereof recorded in Volume 60, Page 7, Plat Records of El Paso County, Texas and as more particularly described by metes and bounds in such municipal records;• all improvement located on such real property and all rights and privileges appurtenant to the real property;• all the seller's right, title and interest in and to any trade names, trademarks, general intangibles and other identifying material, including all right, title and interest in and to the name "Villas at Helen of Troy", and any and all derivations thereof, used in connection with the property;• all the seller's right, title and interest in and to all management, service, operations, maintenance and supply contracts relating to the property;• all the seller's right, title and interest in and to any warranties, permits and guarantees, express or implied, inuring to the benefit of the seller and relating to the property;• all the seller's right, title and interest in and to all leases and rental agreements, and all amendment thereto, with respect to any occupancy or use of the property, existing as of the closing of the VHT Apartments acquisition;• all intangible property owned by seller and pertaining to the land, the improvements, or the Personal Property including transferable utility contracts, transferable telephone exchange numbers, warranties, plans and specifications, trade names, including the name "VHT Apartments" (to the extent owned by seller), the web address, domain name, engineering plans and studies, permits and licenses, floor plans and landscape plans, promotional photographs, ad layouts and artwork, brochures, Facebook, Twitter and all other social media accounts and addresses;• the buildings (including 108 apartments in nine 3-storey buildings; 108,252 total rentable square feet) parking areas (112 covered spaces; 96 uncovered spaces), improvements, and fixtures now situated on the land including all the seller's right, title and interest, if any, in and to any servitudes across, adjacent to or benefiting the land, existing or abandoned; |

- all furniture, personal property, machinery, apparatus and equipment owned by the seller and currently used in the operation, repair and maintenance of the land and improvements and situated thereon; and
- all the seller's interest in and to existing warranties, guarantees, insurance policies or certificates of insurance, certificates of occupancy, contracts, agreement, licenses and permits relating to the property.

See also **Item 2.3.1.1 – VHT Apartments**

"VHT Apartments LP"

Clear Sky Capital VHT Apartments LP, an Arizona limited partnership formed on July 13, 2015 pursuant to the *Arizona Revised Uniform Limited Partnership Act* and governed by a Property LP Agreement between the VHT GPs (general partners holding, collectively, economic interests totalling 25%), and the US Limited Partnership (limited partner holding an 75% economic interest). See also **Item 2.1.1 – Organizational Chart** and **Item 2.1.5.1 – VHT Apartments LP and the VHT GPs**

"VHT GPs"

The general partners of VHT Apartments LP, being:

- "Clear Sky Capital VHT LLC", an Arizona limited liability corporation incorporated on July 7., 2015 pursuant to the *Arizona Limited Liability Company Act*, which is a general partner of VHT Apartments LP and beneficially owned or controlled, directly or indirectly, by Marcus Kurschat, a Trustee and President of the Fund; and
- "Wheelerco GP III, Ltd.", an Arizona corporation incorporated on July 8, 2015 pursuant to the *Arizona Business Corporation Act*, which is a general partner of the US Limited Partnership and beneficially owned or controlled, directly or indirectly, by Kevin Wheeler, a Trustee and Vice President, Investor Relations of the Fund.

See also **Item 2.1.5.1 – VHT Apartments LP and the VHT GPs**

"Voting Units"

Collectively, Trust Units, Class B Trust Units which carry a right to vote equivalent to the voting rights of the Trust Units (if any), and any Special Voting Units carrying a right to vote to the extent of its voting entitlement in relation to the associated Exchangeable Securities

"Voting Unitholder"

A holder of Voting Units

"Working Capital"

The current assets of the Fund less the current liabilities of the Fund, determined under GAAP or IFRS, as the case may be

In this offering memorandum, unless the context otherwise requires, grammatical variations of the words and terms in this Glossary have meanings corresponding to the meanings given in this Glossary. Without limiting the generality of the foregoing, words and terms in the Glossary that give the singular number only include the plural and vice versa, and words and terms importing the masculine, feminine or neuter gender include the other genders.

In this offering memorandum, references to "Canadian dollars" and "CD\$" are to the currency of Canada and references to "US dollars" and "US\$" are to the currency of the United States, unless otherwise indicated.

In this offering memorandum, unless the context otherwise requires, terms such as "**we**", "**us**" and "**our**" are meant to refer to the Fund and its subsidiary entities; "**you**" is meant to refer to Investors who purchase Trust Units under the Offering, thereupon becoming Trust Unitholders.

In this offering memorandum, unless expressly modified by the words "only" or "solely", the words "**include**", "**includes**" or "**including**", when following any general term or statement, are not to be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters but rather are to be construed as meaning "include(s) without limitation" or "including without limitation" (as the context requires) and permitting such general term or statement to refer to all other items or matters that could reasonably fall within its broadest possible scope.

ITEM 1 - USE OF AVAILABLE FUNDS

1.1 Funds

The table below represents the estimated Available Funds under the Offering (being Offering Proceeds less Selling Commissions and estimated Offering costs):

| | | Assuming Maximum Offering |
|---|---|---------------------------|
| A | Total amount to be raised by the Offering ⁽¹⁾⁽²⁾⁽³⁾⁽⁶⁾ | CD\$10,000,000 |
| B | Selling Commissions ⁽²⁾⁽⁴⁾ | CD\$1,000,000 |
| C | Estimated Offering costs ⁽⁵⁾⁽⁷⁾ | CD\$325,000 |
| D | Available Funds: D = A – (B + C)⁽⁶⁾ | CD\$8,675,000 |
| E | Additional sources of funding required | CD\$9,210,500 |
| F | Working capital deficiency ⁽⁷⁾⁽⁸⁾ | CD\$15,910,000 |
| G | Total: G = (D+E)-F | CD\$1,975,500 |

Notes:

- (1) To date, the Fund has issued and sold no Trust Units under the Offering. The Fund may complete the issue and sale of Trust Units at any time and from time to time at one or more Closings until the Maximum Offering is reached or the Offering is otherwise terminated. Under the Maximum Offering, the Fund will issue and sell the Trust Units for aggregate Offering Proceeds of up to CD\$10,000,000. The Fund may, without notice to Investors, change the Maximum Offering. There is no assurance that the Maximum Offering will be completed. The Fund has not set a minimum offering level and intends to issue and sell Trust Units from time to time prior to reaching the Maximum Offering. You could be the only Trust Unitholder or one of only several Trust Unitholders. As of the date of this offering memorandum, one Trust Unit has been issued and sold for CD\$10. See **Item 4.3 – Prior Sales**. There is no assurance that the Fund will realize sufficient funding under the Offering to permit it to acquire (through its subsidiaries) any Property (including the VHT Apartments) or otherwise advance the business of the Fund and its subsidiaries. See **Item 1.2 – Use of Available Funds** and **Item 2.2 – Our Business**. This is a risky investment. You could lose all the money you invest. See **Item 8 – Risk Factors**.
- (2) The Fund determined the pricing under the Offering for the Trust Units. At any time, the offering price for Trust Units issued and sold under the Offering may be changed, in the Trustee's discretion, without notice to Trust Unitholders.
- (3) On or before March 31, 2016, the Fund must complete the Eligibility Distribution to a sufficient number of Trust Unitholders so that the Trust Units can continue being held in Exempt Plans. As of the date of this offering memorandum, the Fund only has one Trust Unitholder, holding one Trust Unit. If the Fund does not complete the Eligibility Distribution by March 31, 2016, then:
 - a) the Trust Units will not be qualified investments for Exempt Plans; and
 - b) the annuitant under an RRSP or RRIF or the holder of a TFSA will be liable for a tax equal to 50% of the fair market value of the Trust Units owned by the Exempt Plan (which tax may be refunded in certain circumstances).

See **Item 6.1.1 – Eligibility for Investment**.

There is no indemnity from the Fund for any non-refunded tax in this scenario.

- (4) Assumes 10% of the gross proceeds of the Offering will be paid as Selling Commissions. Where Trust Units are distributed through a registered exempt market dealer, the registered exempt market dealer will retain a 1% administrative fee out of the applicable Selling Commissions at Closing prior to any further participation in the balance of the Selling Commissions by the registered exempt market dealer, any dealing representative(s) or any other sub-agent(s) of the registered exempt market dealer. See **Item 7 – Compensation Paid to Sellers and Finders**. As of the date of this offering memorandum, the Fund has paid or committed to pay no Selling Commissions in connection with the Offering.
- (5) Costs associated with the Offering include legal, consulting, accounting and audit, advertising and marketing costs, and costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership and US General Partner, Property LPs and general partners thereof, and their affiliates or subsidiaries.
- (6) **Available Funds may not be sufficient to accomplish the Fund's objectives.** The Fund intends to raise sufficient funds through debt or equity financing to fund the business of its subsidiaries. There is no assurance that the Fund will realize sufficient funding under the Offering to advance the business of the Fund and its subsidiaries, including the redemption of Bridge Financing LP Units.

The Fund anticipates that, in connection with the proposed acquisition of the VHT Apartments, affiliates of the Fund will borrow approximately CD\$9,210,500 through new/replacement mortgage financing on the VHT Apartments from an arm's length lender. See **Item 2.3.1.1 – Acquisition of the VHT Apartments** and **Item 2.7.8 – VHT Acquisition Agreement**.

The Fund or its subsidiaries may, to the extent available on acceptable terms, obtain institutional financing or other arm's length, third party financing. There is no assurance that alternative financing will be available on acceptable terms or at all. There is no assurance

that the Fund will have adequate working capital to meet the anticipated requirements described in this offering memorandum, including the redemption of Bridge Financing LP Units, if any. See **Item 8 - Risk Factors**.

In connection with completing any Property acquisition, Clear Sky LP XVI may create, issue and sell one or more series of Bridge Financing LP Units to one or more investors wholly at arm's length to the Fund and its affiliates. Such a Bridge Equity Investor may also hold a partnership/economic interest in the applicable Property LP, as a limited or general partner. See **Item 2.1.1 – Organizational Chart**. As well, the Property LP may borrow additional funds from an arm's length lender in connection with completing any Property acquisition.

Available Funds may be used, from time to time, to fund Clear Sky LP XVI's redemption or other acquisition of Bridge Financing LP Units, or for the Property LP's debt service obligations under any mortgage financing on the applicable Property, which funds could be realized (in whole or in part) from the issue and sale of additional Trust Units under the Offering.

However, the Fund and its affiliates may agree, in connection with the acquisition of or investment in any Property, to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, for any purpose other than the redemption of Bridge Financing LP Units that may be created and issued in connection with the acquisition/investment, so long as any of the Bridge Financing LP Units remains outstanding. Among other things, such restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, might be imposed on Clear Sky LP XVI through the provisions of the Bridge Financing LP Units. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 – Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the Property LPs nor the US Limited Partnership may be in a position to pay cash distributions to its partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the Property LPs to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including any Renovation Costs and Performance Fees.

- (7) In assessing its Working Capital position and ongoing needs, the Fund has estimated costs to be incurred in association with the Offering and various start-up and operational costs, including legal, consulting, accounting and audit, advertising and marketing costs, office and site costs, and costs in connection with establishing and organizing the Fund, Clear Sky LP XVI, the US Limited Partnership, the US General Partner, Property LPs and their general partners, and their subsidiaries and the acquisition of or investment in Properties. The Fund estimates a Working Capital deficiency, as of July 31, 2015, of approximately CD\$15,910,000, which deficiency includes, among other things, known and contingent liabilities in connection with the proposed acquisition of the VHT Apartments. See **Item 2.3.1.1 – Acquisition of the VHT Apartments**, **Item 2.7.8 – VHT Apartments Acquisition Agreement** See **Item 1.4 – Working Capital Deficiency** and **Item 12 – Financial Statements**.
- (8) The Fund anticipates funding its Working Capital requirements through a combination of Available Funds, revenues (if any) from Properties, and future financing efforts of it and its affiliates. As Trust Units are issued and sold and Offering Proceeds are realized, the Fund may designate amounts from the Offering Proceeds to be used to pay various expenses, in whole or in part, in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates.

There is no assurance that the Fund will have adequate Working Capital to meet the anticipated requirements described in this offering memorandum. See **Item 1.4 - Working Capital Deficiency**. As Trust Units are issued and sold over time, the Fund intends to continue using Offering Proceeds to pay Selling Commissions and may use Available Funds to establish, in whole or in part, a Working Capital reserve account (in the maximum amount equal to 10% off the gross Offering Proceeds at any time) to provide capital for the Fund and its affiliates to meet ongoing obligations as anticipated or by paying such obligations separately from such reserve account. Without limitation, the Fund or any of its subsidiary entities might, but none is obligated to, establish such a Working Capital reserve account for payment, in whole or in part, of expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates (including Renovation Costs, Performance Fees, or portions thereof payable by the Fund or the applicable subsidiary), debt payments and accrued interest, taxes, contingencies (including redemptions or other purchases of Trust Units), and proposed acquisitions, as determined by the Trustees, Clear Sky GP, the US General Partner or the general partner of the Property LP, in their discretion. In addition, any such Working Capital reserve might be funded, in whole or in part, by proceeds from the ordinary operations of the Property LPs.

To the extent that net Offering Proceeds are used to establish, in whole or in part, such a Working Capital reserve, the balance of such Available Funds will be thereafter available to the Fund and its affiliates for other uses contemplated in this offering memorandum.

In executing its business strategy, other than possibly establishing and maintaining such a Working Capital reserve, the Fund does not intend to retain any other substantial cash or near-cash assets because it intends to maximize net Offering Proceeds from the Offering that it advances to Clear Sky LP XVI through capital contributions as a limited partner or as a loan. However, to the extent that any monies or other property, including Offering Proceeds, received by the Fund are not to be immediately used by the Trustees for the

purpose of making capital contributions or lending funds to Clear Sky LP XVI, or for making distributions, the Fund intends, where prudent to do so, to invest such monies in Permitted Investments.

The Fund does not carry on an active business and, prior to the acquisition of a Property, will be unable to rely on funds from operations to fund, in whole or in part, the Working Capital requirements of the Fund and its subsidiaries. However, the Fund anticipates business operations being conducted by its subsidiaries as described in **Item 2.1 – Structure** and **Item 2.2 – Our Business**. The Fund anticipates that, following the acquisition of a Property, Clear Sky LP XVI, the US Limited Partnership or one or more of the Property LPs will pay the ongoing expenses in connection with the Offering, start-up and operational costs, costs associated with the acquisition and operation of the Property(ies), and the general and administrative, marketing and operating expenses of the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners, including, costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees, and taxes.

The Fund may also use funds received from its subsidiary entities for expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability and any reserves established by the Trustees, in their sole discretion. The Fund is the sole limited partner of Clear Sky LP XVI. Clear Sky LP XVI is the sole limited partner of the US Limited Partnership. The US Limited Partnership will be the sole limited partner of each Property LP. This structure allows the Fund to, indirectly through its subsidiary entities, earn income derived from the investment in the Properties, if any. The Fund is reliant, to a significant degree, on receiving funds from its subsidiary entities which may be applied to payment, in whole or in part, of expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, payments of Performance Fees, and funding any reserves established by the Trustees, in their sole discretion. Set out in **Item 5.2.2 – Funds Flow from the Properties** is a summary of the distribution of funds from the Fund's subsidiaries to the Fund.

However, the Fund and its affiliates may agree, in connection with the acquisition of or investment in any Property, to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, for any purpose other than the redemption of Bridge Financing LP Units that may be created and issued in connection with the acquisition/investment, so long as any of the Bridge Financing LP Units remains outstanding. Among other things, such restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, might be imposed on Clear Sky LP XVI through the provisions of the Bridge Financing LP Units. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 – Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the Property LPs nor the US Limited Partnership may be in a position to pay cash distributions to its partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the Property LPs to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including any Renovation Costs and Performance Fees.

To the extent unpaid by the Fund and its subsidiaries, Clear Sky Capital BC and Clear Sky Capital Arizona, companies, beneficially owned or controlled, directly or indirectly, by Marcus Kurschat, have agreed to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including any Renovation Costs and Performance Fees. See **Item 2.7.5 – Cost Sharing & Support Agreement**. In connection with the first Closing of the Offering but with effect from October 3, 2014, Clear Sky Capital BC and Clear Sky Capital Arizona, on one hand, will enter into the Cost Sharing & Support Agreement with the Fund and its affiliates, on the other hand, whereby Clear Sky Capital BC and Clear Sky Capital Arizona will agree to pay (subject to a specified maximum amount and the ability of Clear Sky Capital BC to terminate its funding obligations in certain circumstances) such costs of the Fund and its subsidiaries, which the Fund is unable to finance from its Working Capital (as may be funded, in whole or in part, with Offering Proceeds).

1.2 Use of Available Funds

The table below represents the estimated use of the Available Funds by the Fund and its subsidiary entities, based on its present plans and present business conditions.

| Description of intended use of Available Funds listed in order of priority | Assuming Maximum Offering |
|--|---------------------------|
| To purchase (or otherwise invest in), renovate, upgrade, and reposition Properties ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁵⁾ | CD\$8,250,000 |
| For Working Capital purposes (including payment of applicable Performance Fees) ⁽²⁾⁽³⁾⁽⁴⁾ | CD\$400,000 |
| TOTAL | CD\$8,675,000 |

Notes:

- (1) **The Offering is a "blind pool" offering.** Other than described in **Item 2.3.1 – Investment in Properties**, the specific Properties in which the Fund's subsidiaries will be invested have not been identified as of the date of this offering memorandum. See **Item 8 - Risk Factors**. For information concerning the Property investment strategy of the Fund's subsidiaries, see **Item 2.2.1 – Business and Growth Strategies**.
- (2) This allocation assumes that one or more Property LPs acquire or otherwise invest in Properties, in addition to the VHT Apartments, using aggregate Offering Proceeds of CD\$8,250,000. See **Item 2.3.1.1 – Acquisition of the VHT Apartments**. The Fund anticipates funding its Working Capital requirements, including payments of Performance Fees, in whole or in part, through a combination of Available Funds, revenues from Properties (if any), and future fundraising efforts of the Fund and its affiliates. See **Item 1.4 – Working Capital Deficiency**.
- (3) The Fund anticipates funding its Working Capital requirements, including payments of Performance Fees, in whole or in part, through a combination of Available Funds, revenues from Properties (if any), and future fundraising efforts of the Fund and its affiliates. See **Item 1.4 - Working Capital Deficiency**. However, the Fund and its affiliates may, in connection with the acquisition of any Property, agree to material restrictions regarding their use of funds that would otherwise be available for distribution for any purpose other than the redemption of Bridge Financing LP Units, which restrictions might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 – Flow of Funds from the Properties**. The Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the Property LPs nor the US Limited Partnership may be in a position to pay cash distributions to its partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI and the US Limited Partnership to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including any Renovation Costs and Performance Fees.
- (4) In order to capitalize its subsidiary entities, the Fund will use the Available Funds from the Offering to make capital contributions as a limited partner in, or to lend funds to, Clear Sky LP XVI. Clear Sky LP XVI will, in turn, use the funds available to it to make capital contributions for limited partnership in, or to lend funds to, the US Limited Partnership. Alternatively, where at any time and from time to time Clear Sky LP XVI has outstanding Class B LP Units that were issued and sold to provide funds for capital contributions for limited partnership interests in, or loan of funds to, the US Limited Partnership (*e.g.*, Bridge Financing LP Units), Available Funds received from the Fund may be used to fund, in whole or in part, redemptions or other acquisitions of such outstanding Class B LP Units. See **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**. The US Limited Partnership will, in turn, use the funds available to it to make capital contributions as a limited partner in, or to lend funds to, one or more Property LPs. See **Item 2.2 – Our Business**.

Upon the deployment of capital for acquisition of or investment in a Property by a Property LP, an Acquisition Fee will be paid by either Clear Sky LP XVI, the US Limited Partnership or the applicable Property LP (or a combination thereof) to Marcus Kurschat (or an entity controlled by him) and Kevin Wheeler (or an entity controlled by him). See **Item 1.5.1 – Fees Payable on Acquisitions and Dispositions**. To the extent that any Acquisition Fee remains unpaid, such amount will be considered to be owed to Messrs. Kurschat and Wheeler (or entities controlled by each) on a non-interest bearing basis with no fixed payment terms, other than being payable on demand. If the VHT Apartments is acquired, an Acquisition Fee of approximately US\$273,750 (subject to adjustment of the purchase price under the VHT Acquisition Agreement) is payable to, collectively, Messrs. Kurschat and Wheeler (or entities controlled by each).

Upon the receipt by the US Limited Partnership or the applicable Property LP of its share of the proceeds of disposition of any Property, a Disposition Fee will be paid by either Clear Sky LP XVI, the US Limited Partnership or the applicable Property LP (or a combination thereof) to Marcus Kurschat (or an entity controlled by him) and Kevin Wheeler (or an entity controlled by him). See **Item 1.5.1 – Fees Payable on Acquisitions and Dispositions**. To the extent any Disposition Fee remains unpaid, such amount will be considered to be owed to Messrs. Kurschat and Wheeler (or entities controlled by each) on a non-interest bearing basis with no fixed payment terms, other than being payable on demand.
- (5) Pending the acquisition of or investment in any Property, the Fund, Clear Sky LP XVI or the US Limited Partnership intends to invest such funds, in whole or in part, in Permitted Investments, subject to use in connection with the redemption of Bridge Financing LP Units.

The foregoing represents the Fund's best estimate of the allocations of the Available Funds based on its present plans and business conditions. However, there is no assurance that unforeseen events or changes in business conditions will not result in the application of Available Funds in a manner other than is described in this offering memorandum. Any such reallocation of the Available Funds would be substantially limited to the categories set forth above. Pending such uses, the Fund intends to invest such funds in Permitted Investments pursuant to the Declaration of Trust.

1.3 Reallocation

The Fund will spend the Available Funds as stated. The Fund will reallocate the funds only for sound business reasons. Unforeseen events or changes in business conditions may result in the application of Available Funds in a different manner than is described in this offering memorandum. There may be circumstances where for sound business reasons, a reallocation of funds is necessary in order for the Fund to achieve its stated business objectives.

1.4 Working Capital Deficiency

In assessing its Working Capital position and ongoing needs, the Fund has estimated its position through July 31, 2015 plus an additional deficit in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including any Renovation Costs and Performance Fees. The Fund and its affiliates estimate a Working Capital deficiency of CD\$15,910,000, which includes a deficiency as of July 31, 2015, of approximately CD\$285,000, plus an expected additional deficiency of CD\$15,625,000 based on contingent liabilities in connection with the acquisition of the VHT property. The contingent deficiency includes, among other things, approximately US\$10,950,000 (approximately CD\$14,320,410) for the base purchase price of VHT Apartments, CD\$10,000 paid to one or more registered investment dealers for due diligence expenses in connection with the Offering, US\$273,750 (approximately CD\$358,010) in Performance fees, US\$400,000 (approximately CD\$523,120) in Renovation costs, US\$35,000 (approximately CD\$45,773) in start up costs for the VHT apartments, and fees of US\$160,428 (approximately CD\$209,808) expected in connection with new/replacement mortgage financing for the proposed acquisition of the VHT Apartments.

The Fund does not carry on an active business and, prior to the acquisition of a Property, will be unable to rely on funds from operations to meet, in whole or in part, the Working Capital requirements of the Fund and its subsidiaries. The Fund was established to conduct the Offering (including the issue and sale of Trust Units) and, once Trust Units have been issued and sold, manage its position as a limited partner or creditor of Clear Sky LP XVI. The Fund anticipates that, prior to the acquisition of a Property, it will have moderate Working Capital requirements, being those in connection with (1) ongoing expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Property(ies), and the general and administrative, marketing and operating expenses of the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, including, costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees and taxes, offering, start-up and operational costs, costs associated with the acquisition and operation of the Properties, the general and administrative, marketing and operating expenses of the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners, (2) payment of salaries, and (3) costs related to any retirement, repayment, retraction or other redemption of Trust Units. As Trust Units are issued and sold, the Fund may designate amounts from the Offering Proceeds to be used to meet Working Capital obligations, including the payment of such expenses, in whole or in part.

There is no assurance that the Fund will have adequate Working Capital to meet the anticipated requirements described in this offering memorandum. As Trust Units are issued and sold over time, the Fund intends to continue using Offering Proceeds to pay Selling Commissions and may use Available Funds to establish, in whole or in part, a Working Capital reserve account (in the maximum amount equal to 10% off the gross Offering Proceeds at any time) to provide capital for the Fund and its affiliates to meet ongoing obligations as anticipated or by paying such obligations separately from such reserve account. Without limitation, the Fund or any of its subsidiary entities might, but none is obligated to, establish such a Working Capital reserve account for expenses (including Renovation Costs, Performance Fees, or portions thereof payable by the Fund or the applicable subsidiary), debt payments and accrued interest, taxes, contingencies (including redemptions or other purchases of Trust Units), and proposed acquisitions, as determined by the Trustees, Clear Sky GP, the US General Partner or the general partners of the applicable Property LPs, in their discretion. In addition, any such Working Capital reserve might be funded, in whole or in part, by proceeds from the ordinary operations of the Property LPs.

To the extent that net Offering Proceeds are used to establish, in whole or in part, such a Working Capital reserve, the balance of such Available Funds will be thereafter available to the Fund and its affiliates for other uses contemplated in this offering memorandum.

In executing its business strategy, other than possibly establishing and maintaining such a Working Capital reserve, the Fund does not intend to retain any other substantial cash or near-cash assets because it intends to maximize net Offering Proceeds from the Offering that it advances to Clear Sky LP XVI through capital contributions as a limited partner or as a loan. However, to the

extent that any monies or other property, including Offering Proceeds, received by the Fund are not to be immediately used by the Trustees for the purpose of making capital contributions or lending funds to Clear Sky LP XVI, or for making distributions, the Fund intends, where prudent to do so, to invest such monies in Permitted Investments.

However, the Fund anticipates business operations being conducted by its subsidiaries as described in **Item 2.1 – Structure** and **Item 2.2 – Our Business**. The Fund anticipates that, following the acquisition of a Property, Clear Sky LP XVI, the US Limited Partnership or one or more of the Property LPs will pay the ongoing expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Property(ies), and the general and administrative, marketing and operating expenses of the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and the general partners of each Property LP, including (1) costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees, and taxes, (2) Renovation Costs and other costs related to renovating, upgrading, and repositioning such Property(ies), (3) salaries and benefits, and (4) costs related to any retirement, repayment, retraction or other redemption of Trust Units.

The Fund may also use funds received from its subsidiary entities for expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability and any reserves established by the Trustees, in their sole discretion. The Fund is the sole voting limited partner of Clear Sky LP XVI holding Class A LP Units. Clear Sky LP XVI may create and issue one or more series of Bridge Financing LP Units, in connection with the acquisition of or investment in any Property. Available Funds may be used, from time to time, to fund Clear Sky LP XVI's redemption or other acquisition of Bridge Financing LP Units.

Clear Sky LP XVI is to be the sole limited partner of the US Limited Partnership. The partners of each Property LP will be the US Limited Partnership (limited partner holding a 75% economic interest) and one or more entities organized in the United States (general partners holding economic interests totalling up to 25%), subject to a partnership/economic interest in such Property LP being held, directly or indirectly, by any Bridge Equity Investor(s). Any such partnership/economic interest held by a Bridge Equity Investor will reduce the economic interest of the general partner(s) of the applicable Property LP; the US Limited Partnership's economic interest will not be reduced. This structure allows the Fund to, indirectly through its subsidiary entities, earn income derived from the investment in the Properties, if any. The Fund is reliant, to a significant degree, on receiving funds from its subsidiary entities which may be applied to payment, in whole or in part, of expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, payments of Performance Fees, and funding any reserves established by the Trustees, in their sole discretion. Set out in **Item 5.2.2 – Funds Flow from the Properties** is a summary of the distribution of funds from the Fund's subsidiaries to the Fund.

The Fund and its affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of source, for any purpose other than the redemption of Bridge Financing LP Units that are created and issued in connection with the acquisition/investment, so long as any of such Bridge Financing LP Units remains outstanding. Among other things, such restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. The material characteristics of the Bridge Financing LP Units are described in **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 - Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the Property LPs (including VHT Apartments LP) nor the US Limited Partnership may be in a position to pay cash distributions to its partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the applicable Property LP (including VHT Apartments LP) to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees and taxes

To the extent unpaid by the Fund and its subsidiaries, Clear Sky Capital BC and Clear Sky Capital Arizona, companies beneficially owned or controlled, directly or indirectly, by Marcus Kurschat, have agreed to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including any Renovation Costs and Performance Fees. As of the first Closing of the Offering but with effect as of October 3, 2014, Clear Sky Capital BC and Clear Sky Capital Arizona, on one hand, will enter into the Cost Sharing & Support Agreement with the Fund and its affiliates, on the other hand, whereby Clear Sky Capital BC and Clear Sky Capital Arizona will agree to pay (subject to a specified maximum amount and the ability of each of Clear Sky Capital BC and Clear Sky Capital Arizona to terminate its funding obligations in certain circumstances) such costs of the Fund and its subsidiaries, which the Fund is unable to finance from its Working Capital (as may be funded, in whole or in part, with Offering Proceeds). See **Item 2.7.5 – Cost Sharing & Support Agreement**.

1.5 Fees and Expenses

1.5.1 Fees Payable on Acquisitions and Dispositions

1.5.1.1 Acquisition Fees

Clear Sky LP XVI, the US Limited Partnership or the applicable Property LP, or a combination thereof, will pay or cause to be paid to Marcus Kurschat (or an entity controlled by Mr. Kurschat) and Kevin Wheeler (or an entity controlled by Mr. Wheeler), collectively, an Acquisition Fee upon the deployment of capital to acquire or investment in a Property.

The Acquisition Fee is to be paid in an amount equal to 2.5% of the enterprise value of the Property at the time of the acquisition or investment. In such case, the enterprise value of the Property is to be determined, in the discretion of the US General Partner or the general partner(s) of the applicable Property LP and without regard to the proportionate ownership interest (direct or indirect) of the applicable Property LP or other Fund affiliate in such Property, with reference to either:

- an independent appraisal of the fair market value of the Property as of a date that is acceptably close, in the opinion of the US General Partner or the general partner(s) of the applicable Property LP, acting reasonably, to the effective date of the acquisition of (or investment in) such Property; or
- the price paid by a Property LP (for example) for its ownership interest in the Property plus the imputed value of all other ownership interests in such Property, if any (as extrapolated from the price paid by the Fund's affiliate(s)) plus the debt secured by the Property.

Mr. Kurschat is a Trustee and officer (President) of the Fund, a director, officer and the sole beneficial shareholder (directly or indirectly) of Clear Sky GP, and anticipates being a director, officer and beneficial shareholder (directly or indirectly) of the US General Partner and at least one of the general partners of each Property LP. Mr. Wheeler is a Trustee and officer (Vice-President, Investor Relations) of the Fund, a director and officer of Clear Sky LP XVI, and anticipates being a director, officer and beneficial shareholder (directly or indirectly) of at least one of the general partners of each Property LP. See **Item 3 - Interests of Trustees, Management, Promoters and Principal Holders**. As of the date of this offering memorandum, the Fund has not paid and has not become obligated to pay any amount of Acquisition Fees to Messrs. Kurschat or Wheeler (or entities controlled by either of them). However, an Acquisition Fee of approximately US\$273,750 (subject to adjustment of the purchase price under the VHT Acquisition Agreement) is payable as to approximately US\$182,500 to Mr. Kurschat (or an entity beneficially owned or controlled by him) and as to approximately US\$91,250 to Mr. Wheeler (or an entity beneficially owned or controlled by him), as a result of completing the VHT Apartments acquisition.

Offering Proceeds may be used to fund, in whole or in part, directly or indirectly, payment of Performance Fees to Messrs. Kurschat or Wheeler (or entities controlled by each), which proceeds would be realized from time to time by the issue and sale of additional Trust Units under the Offering.

The Fund anticipates funding its Working Capital requirements, including any payments of Acquisition Fees to Messrs. Kurschat and Wheeler (or entities beneficially owned or controlled by each), collectively, through a combination of Available Funds, revenues from Properties (if any), and future financing efforts of it and its affiliates. To the extent that any Acquisition Fee remains unpaid, such amount will be considered to be owed to Messrs. Kurschat and Wheeler (or entities beneficially owned or controlled by each), collectively, on a non-interest bearing basis with no fixed payment terms, other than being payable on demand. However, the Fund and its affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of source, for any purpose other than the redemption of Bridge Financing LP Units that may be created and issued in connection with the acquisition/investment, so long as any of the Bridge Financing LP Units remains outstanding. Among other

things, such restrictions might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. See **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**.

A description of the flow of funds, including the payment of Acquisition Fees, is set out under **Item 5.2.2 – Funds Flow from the Properties**.

1.5.1.2 Disposition Fees

Clear Sky LP XVI, the US Limited Partnership or the applicable Property LP will pay or cause to be paid to Marcus Kurschat (or an entity controlled by Mr. Kurschat) and Kevin Wheeler (or an entity controlled by Mr. Wheeler), collectively, a Disposition Fee upon the receipt of proceeds from the sale or other disposition of a Property.

The Disposition Fee is to be paid in an amount equal to 1.5% of the enterprise value of the Property at the time of the sale or other disposition. In such case, the enterprise value of the Property is to be determined, in the discretion of the US General Partner or the general partner of the applicable Property LP and without regard to the proportionate ownership interest (direct or indirect) of the applicable Property LP or any other Fund affiliate in such Property, with reference to either:

- an independent appraisal of the fair market value of the Property as of a date that is acceptably close, in the opinion of the US General Partner or the general partner(s) of the applicable Property LP, acting reasonably, to the effective date of the sale or other disposition, as the case may be; or
- the value of the consideration received by the applicable Property LP (for example) for its ownership interest in the Property plus the value of the consideration received by the other owners, if any, for their ownership interests in the Property (or, if any ownership interest is not sold at the time of such disposition, the imputed value of any such owner's interest in the Property as extrapolated from the consideration received by the Fund affiliate(s)) plus the debt secured by the Property.

Mr. Kurschat is a Trustee and officer (President) of the Fund, a director, officer and sole beneficial shareholder (directly or indirectly) of Clear Sky GP, and anticipates being a director, officer and beneficial shareholder (directly or indirectly) of the US General Partner and at least one of the general partners of each Property LP. Mr. Wheeler is a Trustee and officer (Vice-President, Investor Relations) of the Fund and a director and officer of Clear Sky LP XVI, and anticipates being a director, officer and beneficial shareholder (directly or indirectly) of at least one of the general partners of each Property LP. See **Item 3 - Interests of Trustees, Management, Promoters and Principal Holders**.

The Fund anticipates funding its Working Capital requirements, including any payments of Disposition Fees to Messrs. Kurschat and Wheeler (or entities controlled by each), collectively, through a combination of Available Funds, revenues from Properties (if any), and future financing efforts of it and its affiliates. To the extent that any Disposition Fee remains unpaid, such amount will be considered to be owed to Messrs. Kurschat and Wheeler (or entities controlled by each), collectively, on a non-interest bearing basis with no fixed payment terms, other than being payable on demand. However, the Fund and its affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of source, for any purpose other than the redemption of Bridge Financing LP Units that may be created and issued in connection with the acquisition/investment, so long as any of the Bridge Financing LP Units remains outstanding. Among other things, such restrictions might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. See **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**.

A description of the flow of funds, including the payment of Disposition Fees, upon the sale or other disposition of a Property is set out under **Item 5.2.2 - Funds Flow from the Properties**.

1.5.2 Compensation through ownership of general partners

Mr. Kurschat is a Trustee and officer (President) of the Fund, a director, officer and sole beneficial shareholder (directly or indirectly) of Clear Sky GP, and anticipates being a director, officer and beneficial shareholder (directly or indirectly) of the US General Partner and at least one of the general partners of each Property LP. Mr. Wheeler is a Trustee and officer (Vice-President, Investor Relations) of the Fund and a director and officer of Clear Sky LP XVI, and anticipates being a director, officer and beneficial shareholder (directly or indirectly) of at least one of the general partners of each Property LP. Mr. Kurschat and Kevin Wheeler will beneficially own or control, directly or indirectly, all of the general partners of each Property LP, including the VHT GPs. Consequently, Messrs. Kurschat and Wheeler will share (indirectly) in distributions, if any, resulting from their beneficial ownership of the applicable entities. See **Item 3.1 - Compensation and Securities Held** and **Item 5.2.2 - Funds Flow from the Properties**. As of the date of this offering memorandum, the Fund has formed one Property LP, being VHT Apartments LP, which

will hold the VHT Apartments in El Paso, Texas if such acquisition is completed. See **Item 2.1.5.1 – VHT Apartments LP and the VHT GPs** and **Item 2.3.1.1 – Acquisition of the VHT Apartments**.

The US LP Agreement and the Property LP Agreements will include provisions that allow accelerated depreciation to be specially allocated to the US General Partner or general partners of the applicable Property LP, in certain circumstances. Any such allocation could increase the amount of US tax payable by Clear Sky LP XVI. This increase in tax payable by Clear Sky LP XVI could reduce the amount of cash available for distribution to the Fund and, in turn, to the Trust Unitholders. Mr. Kurschat and Mr. Wheeler will share (indirectly) in any allocations of income, gain, loss, or deduction associated with the US General Partner's economic interests in the US Limited Partnership, or their economic interests in the general partners of the applicable Property LP, including any special allocations of accelerated depreciation deductions from the US Limited Partnership or a Property LP that are made to the US General Partner or the general partners of the applicable Property LP instead of to the limited partners, as a result of their beneficial ownership of those entities. See **Item 5.2.2 – Flow of Funds from the Properties**.

1.5.3 Compensation Paid to Sellers and Finders

Any agent or sub-agent that is (i) an exempt market dealer registered under applicable securities laws in Canada, (ii) a member of the Investment Industry Regulatory Organization of Canada, or (iii) otherwise exempt from registration requirements under applicable securities laws in Canada, and has been appointed by the Fund to offer Trust Units for sale under the Offering, will be entitled to Selling Commissions of 10% of the Offering Proceeds from Trust Units that it sells, except where the payment of such commissions is prohibited.

Selling Commissions of 10% of the Offering Proceeds from an Investor's subscription for Trust Units issued and sold at the applicable Closing, are payable immediately as of the Closing Date. Where the Trust Units are distributed through a registered exempt market dealer, the registered exempt market dealer will retain a 1% administrative fee out of the applicable 10% Selling Commission at Closing prior to any further participation in the balance of the Selling Commission by the registered exempt market dealer, any dealing representative(s) or any other sub-agent(s) of the registered exempt market dealer:

Accordingly, the maximum amount of Selling Commissions payable is CD\$1,000,000 under the Offering (unless the Fund increases the Maximum Offering).

To date, the Trust has paid or committed to pay no Selling Commissions in connection with the Offering. See **Item 7 - Compensation paid to Sellers and Finders** for additional details.

1.5.4 Compensation Paid to Trustees and Officers

Marcus Kurschat, President, Trustee and a promoter of the Fund, beneficially owns or controls all of the outstanding shares of, and is employed as President of, Clear Sky Capital Arizona. Pursuant to the US Staffing and Management Services Agreement effective as of October 3, 2014, between Clear Sky Capital Arizona and the US Limited Partnership, Clear Sky Capital Arizona will provide executive management, staffing and other administrative services to the US Limited Partnership, including the services of Mr. Kurschat as President of the US Limited Partnership. In exchange for such services, the US Limited Partnership will pay Clear Sky Capital Arizona, in the aggregate, (i) a monthly administration fee of US\$500, (ii) an annual fee of US\$60,000 attributable to Mr. Kurschat's executive management services, plus additional amounts equal to governmental remittances to be paid by Mr. Kurschat's employer in connection with paying him such amount of salary, and (iii) a fee based on Clear Sky Capital Arizona's compensation and benefits costs for its employees (including Mr. Kurschat) who provide services to the US Limited Partnership (prorated based on the amount of time spent by such employees in providing such services to the US Limited Partnership), plus 3% on the foregoing. The US\$60,000 (plus benefits) paid annually to Clear Sky Capital Arizona for Marcus Kurschat's services to the US Limited Partnership (and its affiliates) will in turn be paid by Clear Sky Capital Arizona as employment compensation to Mr. Kurschat for an initial term of five years, subject to the prior sale or other disposition of the Fund's Property(ies), in which case the payments to Clear Sky Capital Arizona for Mr. Kurschat's services will terminate three months after such sale or disposition. See **Item 2.7.6 – US Staffing and Administrative Services Agreement**.

Pursuant to the Canadian Staffing and Management Services Agreement, effective as of October 3, 2014, between Clear Sky LP XVI and Clear Sky Capital BC, Clear Sky Capital BC will provide executive management, staffing and other administrative services to the Clear Sky LP XVI, including the services of Kevin Wheeler as Vice President, Investor Relations of the Fund. In exchange for such services, Clear Sky LP XVI will pay Clear Sky Capital BC, in the aggregate, (i) a monthly administration fee of \$500, (ii) a annual fee of CD\$60,000 attributable to the services of Mr. Wheeler, and (iii) a fee based on Clear Sky Capital BC's compensation and benefits costs for its employees (including Mr. Wheeler) who provide services to Clear Sky LP XVI (prorated based on the amount of time spent by such employees in providing such services to Clear Sky LP XVI) plus 3% on the foregoing. The CD\$60,000 per year (plus benefits) paid to Clear Sky Capital BC for the services of Mr. Wheeler to Clear Sky LP XVI (and its affiliates) will in turn be paid by Clear Sky Capital BC as employment compensation to Kevin Wheeler (CD\$60,000 per year plus benefits), as Vice President, Investor Relations of the Fund. Mr. Wheeler's salary (and the corresponding fee paid to Clear Sky

Capital BC) is set to expire after one year. However, Mr. Wheeler's salary may resume on a monthly basis, at any time and from time to time, for periods during which the Fund is raising investment capital under the Offering or otherwise. See **Item 2.7.7 – Canadian Staffing and Administrative Services Agreement**. In addition, Mr. Wheeler's spouse is employed by Clear Sky Capital BC to provide administrative services to various entities, including the Fund and its affiliates.

Elroy Gust will receive a retainer of CD\$1,000 per month for acting as a Trustee.

See also **Item 3.1 - Compensation and Securities Held**.

1.5.5 Expenses

The Fund, Clear Sky LP XVI, the US Limited Partnership or one or more of the Property LPs will pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Property(ies) (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates including, costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees, and taxes.

Clear Sky LP XVI, the US Limited Partnership or one or more of the Property LPs will reimburse Marcus Kurschat, Elroy Gust, and Kevin Wheeler and their affiliates for any expenses paid or incurred on behalf of the Fund, Clear Sky LP XVI, the US Limited Partnership or one or more of the Property LPs. Clear Sky LP XVI, the US Limited Partnership or one or more of the Property LPs will also reimburse the Trustees and officers of the Fund, and the directors and officers of Clear Sky GP, the US General Partner and the general partners of the Property LPs, for all reasonable travel, promotional and other business expenses incurred by them in the performance of their duties.

The Fund and its affiliates may, in connection with the acquisition of or investment in any Property, agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of source, for any purpose other than the redemption of Bridge Financing LP Units that may be created and issued in connection with the acquisition/investment, so long as any of the Bridge Financing LP Units remains outstanding. Among other things, such restrictions might be imposed on Clear Sky LP XVI through the provisions of the Bridge Financing LP Units. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 – Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the applicable Property LP nor the US Limited Partnership may be in a position to pay cash distributions to its partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the Property LPs to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including any Renovation Costs and Performance Fees.

As Trust Units are issued and sold over time, the Fund intends to continue using Offering Proceeds to pay Selling Commissions and may use Available Funds to establish, in whole or in part, a Working Capital reserve account (in the maximum amount equal to 10% off the gross Offering Proceeds at any time) to provide capital for the Fund and its affiliates to meet ongoing obligations as anticipated or by paying such obligations separately from such reserve account. Without limitation, the Fund or any of its subsidiary entities might, but none is obligated to, establish such a Working Capital reserve account for expenses (including Renovation Costs, Performance Fees, or portions thereof payable by the Fund or the applicable subsidiary), debt payments and accrued interest, taxes, contingencies (including redemptions or other purchases of Trust Units), and proposed acquisitions, as determined by the Trustees, Clear Sky GP, the US General Partner or the general partners of the Property LP, in their discretion. In addition, any such Working Capital reserve might be funded, in whole or in part, by proceeds from the ordinary operations of the Property LPs.

To the extent that net Offering Proceeds are used to establish, in whole or in part, such a Working Capital reserve, the balance of such Available Funds will be thereafter available to the Fund and its affiliates for other uses contemplated in this offering memorandum.

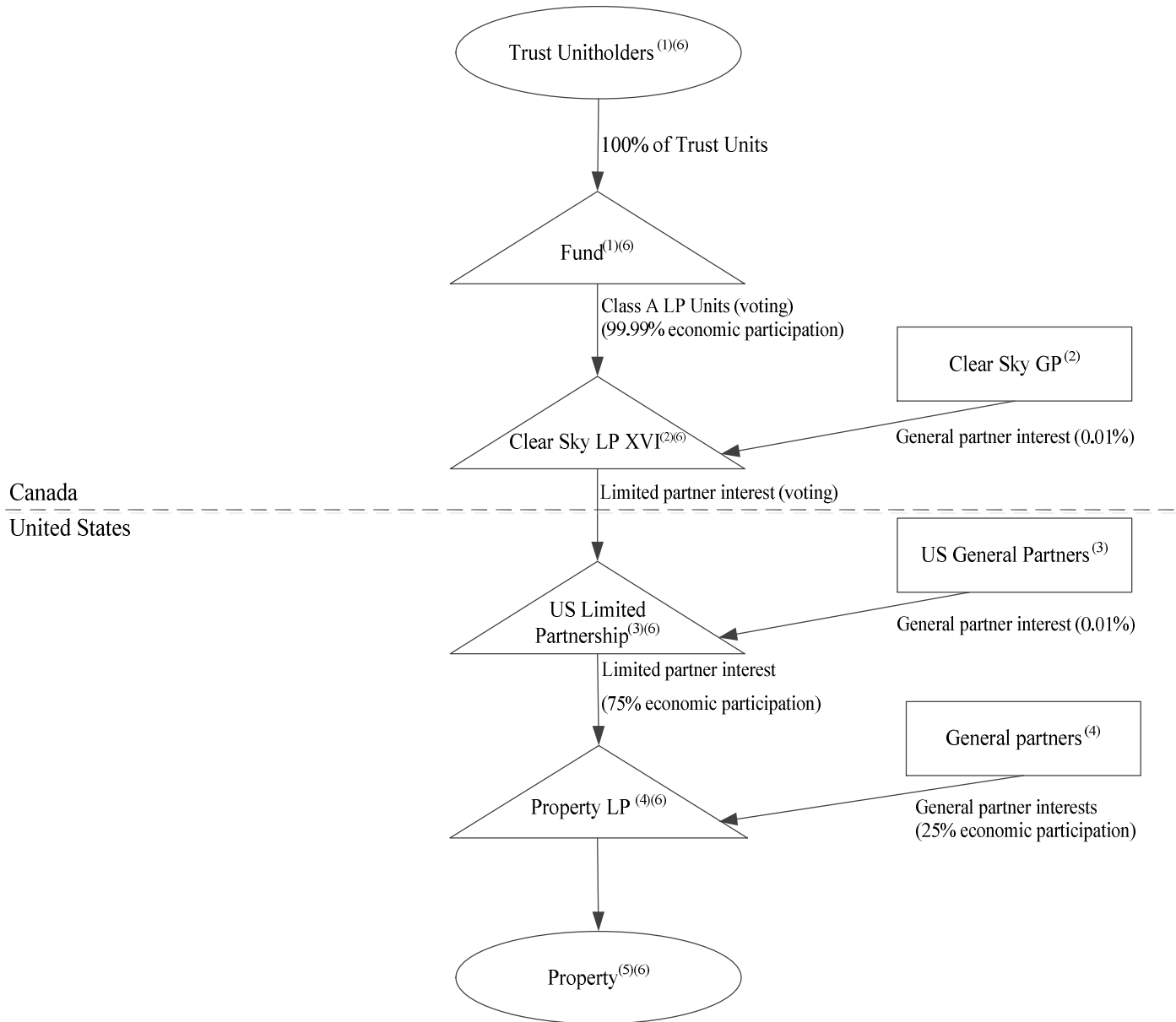
To the extent unpaid by the Fund and its subsidiaries, Clear Sky Capital BC and Clear Sky Capital Arizona, companies beneficially owned or controlled, directly or indirectly, by Marcus Kurschat, have agreed to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including any Renovation Costs and Performance Fees. As of the first Closing of the Offering but with effect as of October 3, 2014, Clear Sky Capital BC and Clear Sky Capital Arizona, on one hand, will enter into the Cost Sharing & Support Agreement with the Fund and its affiliates, on the other hand, whereby Clear Sky Capital BC and Clear Sky Capital Arizona will agree to pay (subject to a specified maximum amount and the ability of each of Clear Sky Capital BC and Clear Sky Capital Arizona to terminate its funding obligations in certain circumstances) such costs of the Fund and its subsidiaries, which the Fund is unable to finance from its Working Capital (as may be funded, in whole or in part, with Offering Proceeds). See **Item 2.7.5 – Cost Sharing & Support Agreement**.

ITEM 2 - BUSINESS OF THE FUND

2.1 Structure

2.1.1 Organizational Chart

The structure of the Fund and its subsidiary entities that are or may be involved in the Offering and use of the Offering Proceeds is outlined below.



Notes:

- (1) Trust Unitholders hold Trust Units, each of which represents a holder's proportionate undivided beneficial interest in the Fund. See **Item 2.1.2 - The Fund**.
- (2) The partners of Clear Sky LP XVI are Clear Sky GP (general partner), the Fund (sole voting limited partner holding Class A LP Units), subject to Clear Sky LP XVI creating, issuing and selling Bridge Financing LP Units for bridge financing in connection with the acquisition of or investment in any Property(ies). All of the outstanding shares of Clear Sky GP are held by Clear Sky Capital BC, a company beneficially owned or controlled, directly or indirectly, by Marcus Kurschat, Trustee and President of the Fund.

The material characteristics of the Bridge Financing LP Units, are described in **Item 2.7.2 - Clear Sky LP XVI Agreement - Capital of Clear Sky LP XVI**.

See also Note 6.

- (3) The partners of the US Limited Partnership are the US General Partner (general partner) and Clear Sky LP XVI (sole voting limited partner holding a 99.99% economic interest therein). Marcus Kurschat beneficially owns or controls, directly or indirectly, all of the securities of the US General Partner. See **Item 2.1.4 - US Limited Partnership and US General Partner**.

See also Note 6.

The US LP Agreement or the Property LP Agreements will include provisions that allow accelerated depreciation to be specially allocated to the US General Partner or general partners of the applicable Property LP, in certain circumstances. Any such allocation could increase the amount of US tax payable by Clear Sky LP XVI. This increase in tax payable by Clear Sky LP XVI could reduce the amount of cash available for distribution to the Fund and, in turn, to the Trust Unitholders. Mr. Kurschat and Mr. Wheeler will share (indirectly) in any allocations of income, gain, loss, or deduction associated with the US General Partner's economic interests in the US Limited Partnership, or their economic interests in the general partners of the applicable Property LP, including any special allocations of accelerated depreciation deductions from the US Limited Partnership or a Property LP that are made to the US General Partner or the general partners of the applicable Property LP instead of to the limited partners, as a result of their beneficial ownership of those entities. See **Item 5.2.2 – Flow of Funds from the Properties**.

- (4) The Property LPs will be limited partnerships, formed under the laws of the State of Arizona (or elsewhere, as reasonably determined by the US Limited Partnership) for the purposes of acquiring Properties. A separate Property LP will be used for the acquisition of or investment in each Property. Each Property LP will be governed by a separate Property LP Agreement. The partners of each Property LP will be, subject to a partnership/economic interest in one or more Property LPs being held, directly or indirectly, by any Bridge Equity Investor(s), the US Limited Partnership (limited partner holding a 75% economic interest) and two or more entities organized in the United States (general partners holding economic interests totalling up to a 25%). Any such partnership/economic interest held by a Bridge Equity Investor will reduce the economic interest of the general partners of the applicable Property LP; the US Limited Partnership's economic interest will not be reduced. It is anticipated that the general partners of each Property LP will be beneficially owned or controlled, directly or indirectly, by Marcus Kurschat and Kevin Wheeler, Trustees and officers of the Fund. See **Item 2.1.5 - Property LPs**.

As of the date of this offering memorandum, the Fund has formed one Property LP, being VHT Apartments LP. See **Item 2.1.5.1 – VHT Apartments LP and the VHT GPs**.

See also Note 6.

The US LP Agreement and the Property LP Agreements will include provisions that allow accelerated depreciation to be specially allocated to the US General Partner or general partners of the applicable Property LP, in certain circumstances. Any such allocation could increase the amount of US tax payable by Clear Sky LP XVI. This increase in tax payable by Clear Sky LP XVI could reduce the amount of cash available for distribution to the Fund and, in turn, to the Trust Unitholders. Mr. Kurschat and Mr. Wheeler will share (indirectly) in any allocations of income, gain, loss, or deduction associated with the US General Partner's economic interests in the US Limited Partnership, or their economic interests in the general partners of the applicable Property LP, including any special allocations of accelerated depreciation deductions from the US Limited Partnership or a Property LP that are made to the US General Partner or the general partners of the applicable Property LP instead of to the limited partners, as a result of their beneficial ownership of those entities. See **Item 5.2.2 – Flow of Funds from the Properties**.

- (5) The Fund intends to acquire or invest in and, thereafter, renovate, upgrade, and reposition (through the Property LPs) Properties, which are anticipated as being multi-family rental properties in Sunbelt States, such as California, Arizona, Texas, Florida and New Mexico. The Offering is a "blind pool" offering. Other than the proposed VHT Apartments acquisition described in **Item 2.3.1 – Investment in Properties**, the specific Properties in which the Fund's subsidiaries will be invested have not been identified as of the date of this offering memorandum or, to the extent identified, any acquisition thereof is too speculative or remote as of the date of this offering memorandum for description thereof in this offering memorandum. See **Item 8 - Risk Factors**.
- (6) The Fund and its affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of source, for any purpose other than the redemption of Bridge Financing LP Units that are created and issued in connection with the acquisition/investment, so long as any of such Bridge Financing LP Units remains outstanding. Among other things, such restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. The material characteristics of the Bridge Financing LP Units are described in **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 - Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the Property LPs (including VHT Apartments LP) nor the US Limited Partnership may be in a position to pay cash distributions to its partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the applicable Property LP (including VHT Apartments LP) to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the

Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees and taxes

2.1.2 The Fund

The Fund is an open-ended, unincorporated investment trust formed as of January 2, 2015 under the laws of Alberta pursuant to the Declaration of Trust. The trustees for the Fund are Marcus Kurschat, Elroy Gust and Kevin Wheeler. See **Item 3 - Interests of Trustees, Management, Promoters and Principal Holders**. The Fund is governed by the Declaration of Trust between the Trustees, as trustees, and the Trust Unitholders, as beneficiaries, which establishes the rights and obligations of the Trust Unitholders and the Trustees.

The Fund will not carry on active business. Rather, the Fund owns interests in subsidiary entities, which will carry on the business of acquiring (or investing in) and operating multi-family residential rental properties in Sunbelt States, such as California, Arizona, Texas, Florida and New Mexico. See **Item 2.1.1 - Organizational Chart** for an organizational chart of the Fund and its subsidiary entities. See **Item 2.2 - Our Business** for a description of the business of the Fund's subsidiary entities.

As of the date of this offering memorandum, the Fund has one Trust Unitholder holding one Trust Unit. The Fund intends on making certain elections to qualify as a "mutual fund trust" as defined by the Tax Act, provided certain requirements in the Tax Act are met, including completion of the Eligibility Distribution to at least 150 Trust Unitholders within certain time limits. See **Item 6.1.1 - Certain Canadian Federal Income Tax Considerations - Eligibility for Investment** and **Item 6.1.2 - Status of the Fund**. However, the Fund is not, and will not become, a "mutual fund" as defined by applicable Canadian securities legislation and the Fund does not operate in accordance with the requirements of the Canadian securities regulations applicable to mutual funds. Accordingly, certain investor protections contained in those regulations are not available to purchasers of Trust Units. In addition, the Fund is not a trust company and is not registered under applicable legislation governing trust companies.

The Fund was established, among other things, to:

- (a) realize proceeds under the Offering;
- (b) indirectly through subsidiary entities to acquire a controlling interest in, or be actively involved in the management of, each Property that is acquired or invested in by the applicable Property LP. For that purpose, the Fund intends to use the Available Funds from the Offering to make capital contributions, as a limited partner in, or lend funds to, Clear Sky LP XVI. Clear Sky LP XVI will, in turn, use the funds available to it for capital contributions as a limited partner in, or lend funds to, the US Limited Partnership. Alternatively, where at any time and from time to time Clear Sky LP XVI has outstanding Class B LP Units (including Bridge Financing LP Units that are created and issued in connection with the acquisition of or investment in any Property(ies)) that were issued and sold to provide funds for capital contributions as a limited partner in, or loan of funds to, the US Limited Partnership (e.g., Bridge Financing LP Units), Available Funds may be used to fund, in whole or in part, redemptions or other acquisitions of such outstanding Class B LP Units, including the Bridge Financing LP Units. The US Limited Partnership will, in turn, use the funds available to it for capital contributions as a limited partner in, or to lend funds to, one or more Property LPs;
- (c) indirectly through Clear Sky LP XVI, earn income derived from the investment in limited partnership interests in the US Limited Partnership and Property LPs;
- (d) make allocations and distributions to its Trust Unitholders in accordance with the Declaration of Trust; and
- (e) as contemplated or permitted under the Declaration of Trust, temporarily hold cash and investment for the purposes of paying the expenses and liabilities of the Fund, making other investments, and satisfying the payment of the Redemption Price in connection with the redemption of Trust Units (if any).

Pending the acquisition of or investment in any Property or other industrial or commercial property (and the business associated with such property), the Fund intends to invest such funds in Permitted Investments pursuant to the Declaration of Trust.

The Fund is authorized to issue an unlimited number of equity units of ownership interest in the Fund, namely, the Trust Units, each of which represents a holder's proportionate undivided beneficial interest in the Fund and each of which is entitled to the rights and is subject to the limitations, restrictions and conditions set out in the Declaration of Trust. Each Trust Unitholder has the same rights and obligations as any other Trust Unitholder (and is entitled to no privilege, priority or preference in relation to any other Trust Unitholders except with respect to withholding taxes as provided in the Declaration of Trust). For descriptions of the

Declaration of Trust and the Trust Units, see **Item 2.7.1 - Declaration of Trust**, **Item 5.1 - Trust Units** and **Item 5.2 - Cash Distributions to Trust Unitholders**.

Clear Sky LP XVI may from time to time create and issue one or more series of non-voting Bridge Financing LP Units in connection with the acquisition of or investment in any Property(ies). It is anticipated that, where Bridge Financing LP Units are created and issued in connection with the acquisition of or investment in a Property, a partnership/economic interest in the corresponding Property LP will be held, directly or indirectly, by the holder(s) of the Bridge Financing LP Units. See **Item 2.7.2 - Clear Sky LP XVI Agreement**. Clear Sky LP XVI is the sole limited partner of the US Limited Partnership, holding a 99.99% economic interest therein. The partners of each Property LP will be, the US Limited Partnership (limited partner holding an 75% economic interest) and two or more entities organized in the United States (general partners holding economic interests totalling up to a 25%), subject to a partnership/economic interest in the Property LP being held, directly or indirectly, by any Bridge Equity Investor(s). Any such partnership/economic interest held by a Bridge Equity Investor will reduce the economic interests of the general partner(s) of the applicable Property LP; the US Limited Partnership's economic interest and consequently the economic interests of the Participating Trust Unitholders will not be reduced.

This structure allows the Fund to, indirectly through its subsidiary entities, earn income derived from the investment in the Properties, if any. The Fund may also use funds received from its subsidiary entities for expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability and any reserves established by the Trustees, in their sole discretion. The Fund is reliant, to a significant degree, on receiving funds from its subsidiary entities which may be applied to payment, in whole or in part, of expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, payments of Performance Fees, and funding any reserves established by the Trustees, in their sole discretion. The Fund is completely reliant on receiving funds from its subsidiary entities in order to realize any distributable cash from time to time.

The amount of distributable cash distributed by the Fund will equal the amount earned or receivable by the Fund in the distribution period and received on or before the payment date in respect of the distribution period less amounts the Fund estimates will be required for expenses of the Fund and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability and any reserves established by the Trustees, in their sole discretion.

The amount of distributable cash distributed by the Fund will equal the amount earned or receivable by the Fund in the distribution period and received on or before the payment date in respect of the distribution period less amounts the Fund estimates will be required for expenses of the Fund and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability and any reserves established by the Trustees, in their sole discretion.

Set out in **Item 5.2.2 - Funds Flow from the Properties** is a summary of the distribution of funds from the Fund's subsidiaries to the Fund, including:

- (a) distributions of Net Available Cash from the Property LPs to the US Limited Partnership, including any special distributions by a Property LP on, dissolution and liquidation or refinancing sale of a Property;
- (b) distributions of Net Available Cash from the US Limited Partnership to Clear Sky LP XVI, including any special distributions received by US Limited Partnership on a Property LP's sale, dissolution and liquidation or refinancing of a Property; and
- (c) distributions of Net Available Cash from Clear Sky LP XVI to the Fund, including any special distribution of Net Available Cash received by Clear Sky LP XVI on a Property LP's sale, dissolution and liquidation or refinancing of a Property.

The Fund and its affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of source, for any purpose other than the redemption of Bridge Financing LP Units that are created and issued in connection with the acquisition/investment, so long as any of such Bridge Financing LP Units remains outstanding. Among other things, such restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. The material characteristics of the Bridge Financing LP Units are described in **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 - Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the Property LPs (including VHT Apartments LP) nor the US Limited Partnership may be in a position to pay cash distributions to its partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or

repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the applicable Property LP (including VHT Apartments LP) to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees and taxes.

2.1.3 Clear Sky LP XVI and Clear Sky GP

Clear Sky LP XVI is a limited partnership formed pursuant to the *Partnership Act* (Alberta) on July 9, 2015. The fiscal year end of Clear Sky LP XVI is December 31. The registered office of Clear Sky LP XVI is located at 1900, 520 - 3rd Ave S.W. Calgary, Alberta T2P 0R3.

The partners of Clear Sky LP XVI are Clear Sky GP (sole general partner) and the Fund (voting limited partner, holding Class A LP Units and a 99.99% economic interest therein), subject to the specific limitations, rights, privileges, restrictions and conditions ascribed to any series of Class B LP Units, including Bridge Financing LP Units. In connection with the acquisition of or investment in any Property, Clear Sky LP XVI may from time to time create and issue one or more series of non-voting Bridge Financing LP Units. It is anticipated that, where Bridge Financing LP Units are created and issued in connection with the acquisition of or investment in any Property(ies), a partnership/economic interest in the corresponding Property LP will be held, directly or indirectly by the holder(s) of the Bridge Financing LP Units. See **Item 2.7.2 - Clear Sky LP XVI Agreement**.

Clear Sky GP was incorporated pursuant to the ABCA on October 3, 2014. All of the outstanding shares of Clear Sky GP are held by Clear Sky Capital BC, a company beneficially owned or controlled, directly or indirectly, by Marcus Kurschat, Trustee and President of the Fund. The registered office of Clear Sky GP is located at 1900, 520 - 3rd Ave S.W. Calgary, Alberta T2P 0R3.

The mutual rights and obligations of the Fund (sole limited partner) and Clear Sky GP (sole general partner) as the partners of Clear Sky LP XVI are to be governed by the Clear Sky LP XVI Agreement. See **Item 2.7.2 – Clear Sky LP XVI Agreement**.

The Fund and its affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of source, for any purpose other than the redemption of Bridge Financing LP Units that are created and issued in connection with the acquisition/investment, so long as any of such Bridge Financing LP Units remains outstanding. Among other things, such restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. The material characteristics of the Bridge Financing LP Units are described in **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 - Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the Property LPs (including VHT Apartments LP) nor the US Limited Partnership may be in a position to pay cash distributions to its partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the applicable Property LP (including VHT Apartments LP) to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees and taxes.

2.1.4 US Limited Partnership and US General Partner

The US Limited Partnership is a limited partnership formed pursuant to the *Arizona Revised Uniform Limited Partnership Act* as of July 13, 2015. The head and registered office of the US Limited Partnership is located at 2398 East Camelback Rd, Suite 615, Phoenix, AZ 85016.

The partners of US Limited Partnership are Clear Sky LP XVI (sole limited partner holding a 99.99% economic interest therein) and the US General Partner (sole general partner), who are parties to the US LP Agreement.

The US General Partner was incorporated as of July 10, 2015 and is currently existing pursuant to the *Arizona Business Corporation Act*. The head and registered office of the US General Partner are located at 2398 East Camelback Rd, Suite 615, Phoenix, AZ 85016. Marcus Kurschat beneficially owns or controls, directly or indirectly, the US General Partner.

The mutual rights and obligations of Clear Sky LP XVI (sole limited partner holding a 99.99% economic interest therein) and the US General Partner (sole general partner holding a 0.01% economic interest therein) as the partners of the US Limited Partnership are to be governed by the US LP Agreement. See **Item 2.7.3 - US LP Agreement**. The purpose and business of the US Limited Partnership generally is to invest as a limited partner in one or more separate Property LPs, each of which is formed to acquire, purchase, invest in, hold for investment, own, assign, sell or otherwise dispose of, or otherwise deal in Property, to exercise all rights, powers, privileges and other incidents of ownership or possession with respect to the Property or other investments held or owned by such Property LP, and to engage in any activity incidental to the foregoing.

The US Limited Partnership and its affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of source, for any purpose other than the redemption of Bridge Financing LP Units that are created and issued in connection with the acquisition/investment, so long as any of such Bridge Financing LP Units remains outstanding. Among other things, such restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. The material characteristics of the Bridge Financing LP Units are described in **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 - Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the Property LPs (including VHT Apartments LP) nor the US Limited Partnership may be in a position to pay cash distributions to its partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the applicable Property LP (including VHT Apartments LP) to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees and taxes.

The US LP Agreement and the Property LP Agreements include provisions that allow accelerated depreciation to be specially allocated to the US General Partner or general partners of the applicable Property LP, in certain circumstances. Any such allocation could increase the amount of US tax payable by Clear Sky LP XVI. This increase in tax payable by Clear Sky LP XVI could reduce the amount of cash available for distribution to the Fund and, in turn, to the Trust Unitholders. Mr. Kurschat and Mr. Wheeler will share (indirectly) in any allocations of income, gain, loss, or deduction associated with the US General Partner's economic interests in the US Limited Partnership, or their economic interests in the general partners of the applicable Property LP, including any special allocations of accelerated depreciation deductions from the US Limited Partnership or a Property LP that are made to the US General Partner or the general partners of the applicable Property LP instead of to the limited partners, as a result of their beneficial ownership of those entities. See **Item 5.2.2 – Flow of Funds from the Properties**.

2.1.5 Property LPs

The Property LPs will be limited partnerships, formed under the laws of the State of Arizona (or elsewhere, as reasonably determined by the US Limited Partnership) for the purposes acquiring Properties. Each Property LP will be governed by a separate Property LP Agreement.

A separate Property LP will be used for the acquisition of or investment in each Property. Each Property LP is to operate, manage, rent, lease, improve and/or otherwise deal with the Property it owns or in which it is otherwise invested, including the sale or development of such Property, with a view to making a profit, and may exercise powers in furtherance thereof. It is the intention of the Fund and its affiliates to acquire a controlling interest in the applicable Property or to be actively involved in the management of the Property. See **Item 2.1.1 – Organizational Chart** and **Item 2.1.2 – The Fund**.

The partners of each Property LP will be the US Limited Partnership (limited partner holding an 75% economic interest) and one or more entities organized in the United States (general partner(s) holding economic interests totalling up to 25%), subject to a partnership/economic interest in one or more Property LPs being held, directly or indirectly, by any Bridge Equity Investor(s). Any such partnership/economic interest held by a Bridge Equity Investor will reduce the economic interest of the general partners of the applicable Property LP; the US Limited Partnership's economic interests and consequently the economic interests of the Participating Trust Unitholders will not be reduced. It is anticipated that the general partners of each Property LP will be beneficially owned or controlled, directly or indirectly, by Marcus Kurschat and Kevin Wheeler, Trustees and officers of the Fund. See **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**.

Any Property LP (including VHT Apartments LP) and its affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of source, for any purpose other than the redemption of Bridge Financing LP Units that are created and issued in connection with the acquisition/investment, so long as any of such Bridge Financing LP Units remains outstanding. Among other things, such restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. The material characteristics of the Bridge Financing LP Units are described in **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 - Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the Property LPs (including VHT Apartments LP) nor the US Limited Partnership may be in a position to pay cash distributions to its partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the applicable Property LP (including VHT Apartments LP) to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees and taxes.

The US LP Agreement and the Property LP Agreements will include provisions that allow accelerated depreciation to be specially allocated to the US General Partner or general partners of the applicable Property LP, in certain circumstances. Any such allocation could increase the amount of US tax payable by Clear Sky LP XVI. This increase in tax payable by Clear Sky LP XVI could reduce the amount of cash available for distribution to the Fund and, in turn, to the Trust Unitholders. Mr. Kurschat and Mr. Wheeler will share (indirectly) in any allocations of income, gain, loss, or deduction associated with the US General Partner's economic interests in the US Limited Partnership, or their economic interests in the general partners of the applicable Property LP, including any special allocations of accelerated depreciation deductions from the US Limited Partnership or a Property LP that are made to the US General Partner or the general partners of the applicable Property LP instead of to the limited partners, as a result of their beneficial ownership of those entities. See **Item 5.2.2 – Flow of Funds from the Properties**.

As of the date of this offering memorandum, the Fund has formed one Property LP, being VHT Apartments LP. See **Item 2.1.5.1 – VHT Apartments LP and the VHT GPs** and **Item 2.3.1.1 – Acquisition of the VHT Apartments**.

2.1.5.1 VHT Apartments LP and the VHT GPs

VHT Apartments LP, a Property LP, is an Arizona limited partnership formed as of July 13, 2015 pursuant to the *Arizona Revised Uniform Limited Partnership Act* for the purpose of completing the VHT Apartments acquisition. The head office and registered office of VHT Apartments LP is located at 2398 East Camelback Rd, Suite 615, Phoenix, AZ 85016.

The partners of VHT Apartments LP are the VHT GPs (sole general partners holding economic interests totalling 25% in VHT Apartments LP) and the US Limited Partnership (limited partner holding an 75% economic interest in VHT Apartments LP).

One of the VHT GPs, Clear Sky Capital VHT Apartments LLC, was incorporated as of July 7, 2015 and exists pursuant to the *Arizona Limited Liability Company Act* and is beneficially owned or controlled, directly or indirectly, by Marcus Kurschat, Trustee and President of the Fund. Mr. Kurschat is also the director and officer of this corporation. The other VHT GP, Wheelerco GP III, Ltd., was incorporated as of July 8, 2015 and exists pursuant to the *Arizona Business Corporation Act* and is beneficially owned or controlled, directly or indirectly, by Kevin Wheeler, Trustee and Vice President, Investor Relations of the Fund. Mr. Wheeler is the director and officer of this corporation. The head and registered office of each of the VHT GPs is located at 2398 East Camelback Rd, Suite 615, Phoenix, AZ 85016.

2.2 Our Business

The Fund does not and will not carry on active business. Rather, the Fund owns interests in subsidiary entities, which carry on the business of acquiring or investing in multi-family rental properties in Sunbelt States such as California, Arizona, Texas, Florida and New Mexico. The Fund is the limited sole partner of Clear Sky LP XVI and Clear Sky LP XVI is the sole limited partner of the US Limited Partnership. The Fund will use the Available Funds from the Offering for capital contributions as a limited partner in, or to lend funds to, Clear Sky LP XVI. Clear Sky LP XVI will, in turn, use the funds available to it (including proceeds from the sale of Bridge Financing LP Units) for capital contributions as a limited partner in, or to lend funds to, the US Limited Partnership. The US Limited Partnership will, in turn, use the funds available to it for capital contributions as a limited partner in, or to lend funds to, one or more Property LPs. Each Property LP will, in turn, use those funds, along with amounts that may be borrowed from third-party lenders (if any) to acquire or otherwise invest in a Property and for any related costs. A separate Property LP will be used for the acquisition of or investment in each Property. This structure allows the Fund to, indirectly through its subsidiary entities, earn income derived from the investment in the Properties. It is the intention of the Fund and its affiliates to acquire a controlling interest in each Property acquired (or invested in) or to be actively involved in the management of the Property. See also **Item 2.1.1 - Organizational Chart** and **Item 2.1.2 – The Fund**.

2.2.1 Business and Growth Strategies

The Fund (through its subsidiary entities) intends to generate a stable stream of income for the Trust Unitholders by investing in a portfolio of Properties (or proportionate interests in such Properties) within Sunbelt States such as California, Arizona, Texas, Florida and New Mexico. The Fund intends to provide Trust Unitholders with ongoing positive cash flow through rental income and to provide an opportunity to enhance the Trust Unitholders' return on capital through value-added enhancements to the Properties and ongoing market growth in the rental rates of such Properties. The Fund's subsidiary entities may also indirectly invest in loans secured by mortgages of, or deeds of trust on, real properties, with the expectation that, if the borrowers under these loans were unable to pay the principal and interest thereunder when due, the applicable subsidiary holding such mortgages or deeds of trust would be able to recover their investment through foreclosure proceedings on the secured Property. See also **Item 5.2 – Cash Distributions to Trust Unitholders**.

The expertise of the Fund and its affiliates is researching and acquiring (or investing in) multi-family apartment buildings. The Fund has identified five primary steps to be taken in respect of each Property to achieve its investment objectives:

1. **Identify Region** – The Fund intends to strategically invest in regions that demonstrate three fundamentals for ideal multi-family real estate acquisitions:
 - (a) high population growth;
 - (b) historically high employment; and
 - (c) a recovering real estate market.
2. **Identify Property** – The Fund carefully researches Properties for sale and will only acquire (or invest in) Properties that meet the strict investment criteria of the Fund and its affiliates. In order for a property to be considered for acquisition, it must provide two key methods of generating potential investment returns:
 - (a) stable cash flow; and
 - (b) long-term capital appreciation.
3. **Develop Exit Strategy** – The primary purpose of acquiring (or investing in) a Property will be capital appreciation and to earn rental income from the Property. However, at some point the Property will need to be disposed of. Accordingly, the Fund and affiliates will develop an exit strategy, or strategies, for a particular Property to give the Fund (through the applicable Property LP) multiple exit options, including the sale or other disposition of the Property, condominium conversion or refinancing.

4. **Manage Property** – Once the purchase of (or investment in) a Property is completed, new property management is typically brought in. New property management will be tasked with:
- (a) increasing the total net monthly income;
 - (b) attending to deferred maintenance;
 - (c) reducing tenant problems;
 - (d) filling vacancies;
 - (e) increasing rents; and
 - (f) reducing operating costs.

The **Fund** intends to acquire (indirectly) a controlling interest in each Property or to be actively involved in managing Property through the US General Partner or the general partner of the applicable Property LP increasing the total net monthly income;

5. **Sell Property** – Ultimately, each Property will be targeted for sale based upon management's determination that the maximum risk-adjusted return has been achieved. As demand for multi-family buildings grows, the Fund and its affiliates will implement an exit strategy that may involve selling an entire building or individual condominiums.

The Fund (through its subsidiary entities) intends to pursue the following strategies to achieve objectives for its Properties:

Acquisition Strategy

Our core strategy is to invest in multi-family residential Properties in Sunbelt States such as California, Arizona, Texas, Florida and New Mexico. We believe that superior returns can be achieved by targeting such Properties as a result of the stable income provided by the multi-family residential market in the United States, the abundant supply of such Properties at attractive price levels, and the emerging recovery of the U.S. economy as a whole.

We intend to acquire a controlling interest in each Property through the applicable Property LP or to be actively involved in the management of each Property through the US General Partner or the general partner Property LP.

Further, we believe that the opportunities exist to acquire multi-family residential Properties at attractive prices with in-place rental rates that were reduced during the recent economic downturn, providing the potential for strong growth. We intend to cause the US Limited Partnership (through Property LPs) to acquire or otherwise invest in Properties in clusters and asset sizes which will ensure regional economies of scale and geographic diversification in our portfolio. Acquisitions or other investments in Properties will be primarily in the US\$1 million to US\$30 million range per Property. We will generally focus on acquiring or otherwise investing in multi-family residential Properties which were constructed or refurbished in 1980 or later and which are located in markets with strong employment growth, have exhibited ongoing strong occupancy, and have the potential to create additional value. The execution of this strategy will be consistently reviewed and may also include engaging in dispositions of properties and optimizing the Fund's capital structure.

Financing Strategy

We (through the Fund's subsidiary entities) will operate our investments in a disciplined manner, with a focus on a conservative financial profile. Five, seven and ten-year fixed rate amortizing debt will primarily be used, with interest only and short-term floating rate loans to be used in appropriate circumstances. We intend to use the currently favorable debt and interest rate environment to prudently manage the overall financial leverage. Our preference is to ultimately stagger our debt maturities to mitigate the interest rate risk and limit re-financing exposure in any particular period.

Portfolio Management Strategy

Our portfolio management strategy will focus on acquiring multi-family residential properties in Sunbelt states such as California, Arizona, Texas, Florida and New Mexico at attractive prices, providing the potential for strong growth and maximizing cash flow. Our strategy will focus on maximizing cash flow from the Properties, through maximizing occupancy and average monthly rents after taking into account local market conditions, as well as effectively and efficiently managing our operating costs. The US General Partner will provide asset management. The US Limited Partnership's experienced management team plans to capture the economic upside potential in each Property through strategic management, upgrades to each Property where warranted, and increasing rents as the market allows.

It is anticipated that for a Property that is acquired by a Property LP, the Property LP (relying, in whole or in part, on services and resources from the US General Partner) is to operate, manage, rent, lease, improve and/or otherwise deal with the Property it owns, including the sale or development of such Property, with a view to making a profit, and may exercise powers in furtherance thereof. In other circumstances where investment in a Property is indirect or a minority interest is acquired, the operation, management, renting, leasing, improving or other dealing with the Property may be undertaken by the direct owner of the Property or by an independent property manager.

2.2.2 Industry Overview

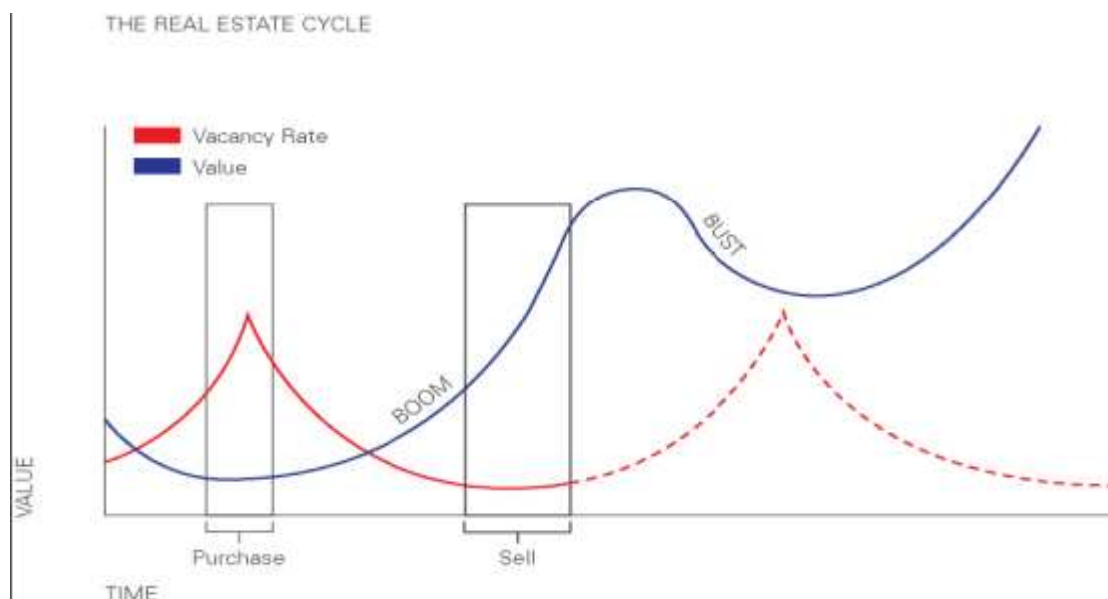
The Real Estate Growth Cycle

Real estate growth cycles are relatively predictable equity cycles. The Fund believes that location is not the most important element in maximizing real estate returns but, rather, timing and professional management. Generally, investment grade locations have strong up and down cycles but remain quality investments because the locations are desirable to renters seeking employment and quality of life. The Fund seeks to identify significant growth opportunities on this basis.

Typically, real estate growth cycles start slowly. At the beginning of the cycle, vacancy rates are high across all asset classes. Purchasers and renters enter the market and the cycle builds momentum. As the cycle continues towards maturity, vacancy rates decline due to job creation and population migration trends toward stronger economic regions. Purchasers who have over-extended themselves and cannot keep up with payments often decide to sell at a less than desired sale price. At the same time, there is usually significant overbuilding by developers with more and more homes and condominiums being completed. Then, as these builders start to layoff construction workers, the downward cycle begins. Lenders typically start to foreclose on properties. Landlords experience an increase in residential vacancy rates. Commercial landlords experience a spike in vacancy rates in retail, industrial, and office properties. Publicized vacancy rates may be misleading as landlords generally have to offer several months of free rent and/or other incentives to entice tenants to sign leases. The effect of these tenant incentives, in real economic terms, is essentially the same as experiencing higher vacancy rates.

Over time, population migration continues and absorption of the over-building takes place. The market starts to find a bottom, becomes balanced, and then the cycle starts again. Real estate investors who understand this cycle and time it appropriately have traditionally been rewarded with above-average returns.

The following chart illustrates the real estate growth cycle described above:



The Multi-Family Property Development Pipeline

2015 marks the sixth year multi-family residential real estate has led a recovery in the commercial real estate market. Effective rental rates were up, occupancy rates increased, tenant concessions were removed, and more people began renting their homes rather than owning them. We consider multi-family residential properties to be an attractive commercial real estate investment.

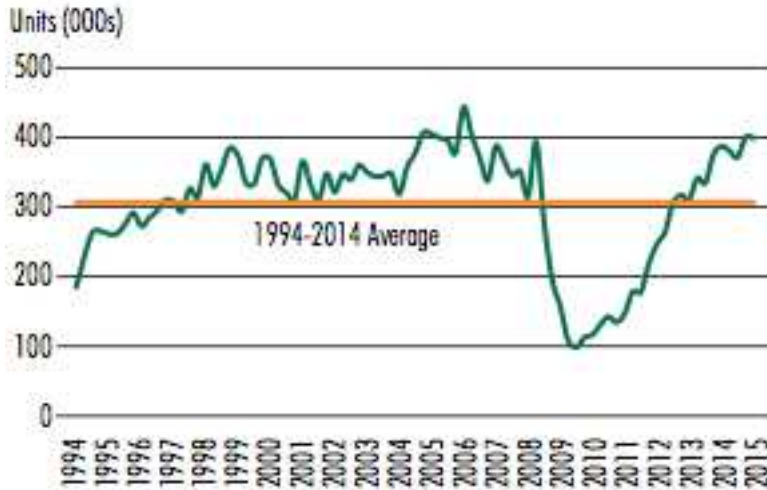
Rental housing demand continues to remain high in 2015. Over the past year, renter occupied households increased by 3% - 5%, representing nearly 1.9 million households. Employment growth has provided the foundation for the formation of new households and the demand for housing. The high demand has resulted in four consecutive quarters of vacancy below 5%. Year over year vacancy is at 4.8%.



Source: Marcus & Millichap, 2015 National Apartment Report

There are expected to be completion of an additional 213,000 units in 2015. This is a sharp contrast to 2011 when 46,000 units were completed. 396,000 permits were issued for new multifamily housing during Q1 2015, which is a 3% increase year over year. This growth rate is expected to slow during 2016.

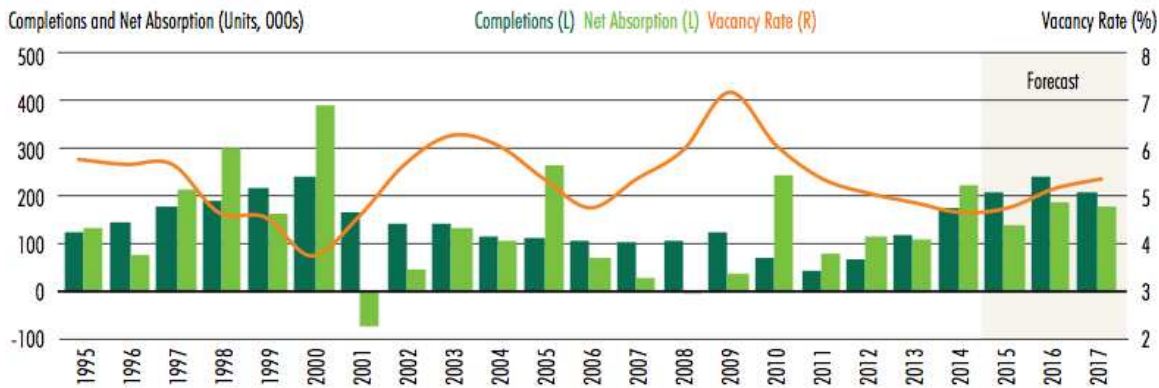
Figure 8: U.S. Multifamily Permits (5+ units)



Sources: U.S. Bureau of the Census, CBRE Econometric Advisors, Q1 2015.

"Absorption" is a metric used by real estate professionals to measure a market's internal supply and demand. In the multi-family residential rental market, "absorption" compares the number of newly constructed rental units in any period (supply) with the number of residential units rented by tenants in that period (demand). The rate of absorption is one method to determine how quickly newly constructed units are being rented (or absorbed) by the market. Net absorption counts the number of newly constructed units in a particular market that have been initially rented (or sold) after construction and no longer available on the market, after giving effect to rental units vacated during the period. In 2011, net absorption in the U.S. totaled more than 153,000 units. In 2014, demand pushed absorption to a 10-year high of 270,000 units. Vacancy is expected to rise with newly delivered units into the market.

Figure 15: U.S. Multifamily Supply and Demand Outlook



Source: CBRE Econometric Advisors, Q1 2015.



Source: Marcus & Millichap, 2015 National Apartment Report

The Fund will target properties in Sunbelt States such as Arizona, Florida, Texas, California or New Mexico, though not exclusively in those states, and plans to focus on the multi-family rental property sector because such properties consistently outperform other real estate asset classes in terms of risk-adjusted returns. The Trustees believe that multi-family residential real estate in Sunbelt States presents an asset class that is favourable in light of the more stringent credit standards faced by potential homeowners, and that there will be an increasing demand for rental housing by those who can no longer afford to own houses as well as continuing demand from existing residents who do not qualify for loans in the current mortgage environment.

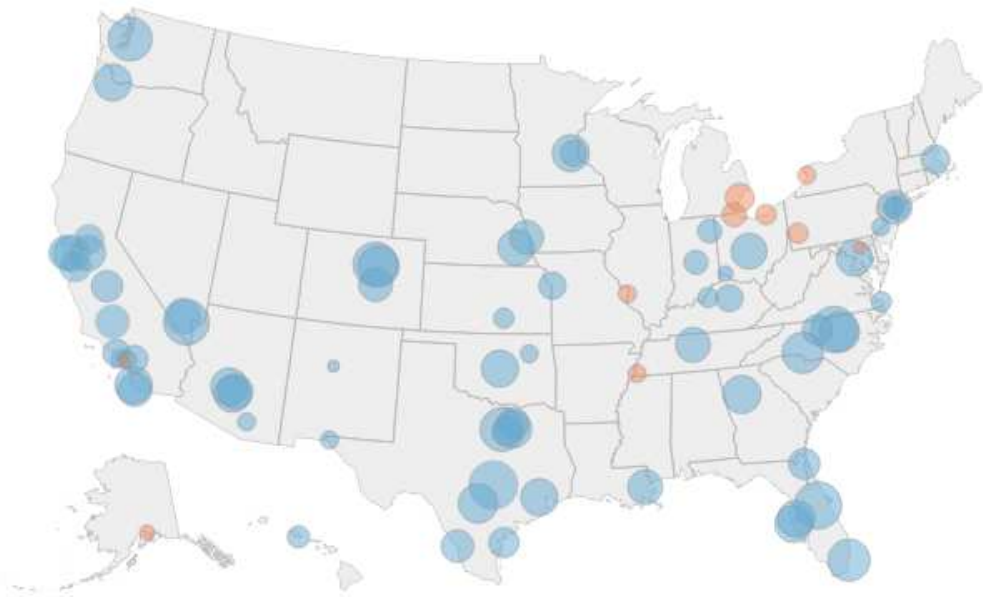
This increased demand has started a reduction in vacancy rates combined with an increase of rental rates that the Trustees believe will lead to increased cash flow and such properties in turn can be financed or sold at a higher value.

The Trustees believe that by acquiring interests in underperforming properties from distressed sellers and enhancing value through renovations and professional property and asset management, the Fund can earn superior investment returns in the form of income and capital appreciation. The investment objective of the Fund is to purchase, through the Property LPs, Properties with a high vacancy rate built into the price of the Property. The Fund may initially value potential properties for acquisition based on a property's CAP Rate. The CAP Rate is determined by dividing the net operating income generated by a property for the most recently completed financial year by its purchase price. A higher CAP Rate indicates that a property is generating an appealing amount of income relative to the market value of such property. Once a Property is purchased, the Fund expects to make improvements to the Property to encourage higher occupancy, and increased cash flow to the Fund is anticipated. In a favourable market, the Fund may sell the Property.

Population Growth Rate

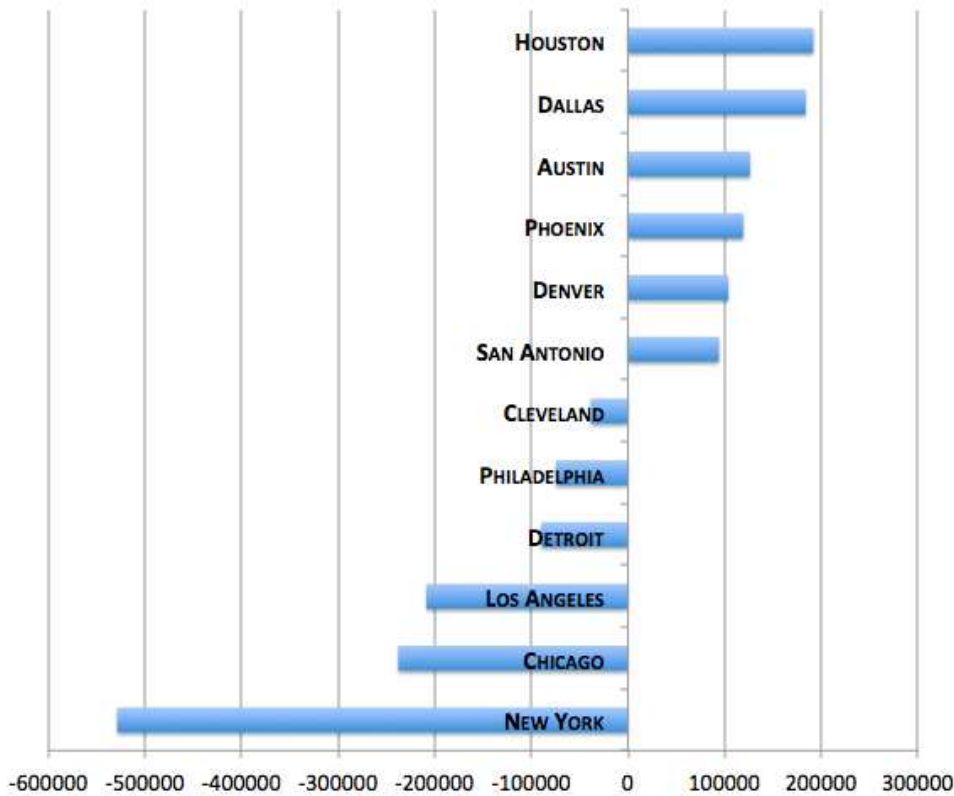
People continue to move from Northeast and Midwest states to the Sunbelt states due to in large part to cost of living and quality of life. According to the last U.S. Census data, cities experiencing the fastest growth include Austin, Dallas, Denver, Orlando, and Phoenix, which all reside in the Sunbelt.

U.S. cities with greater than 250,000 population, sized by percent population gain (blue) or loss (red), 2013 to 2014.



SOURCE: U.S. Census data analyzed by William Frey of the Brookings Institution. Published May 21, 2015

**Where Americans Are Moving: Net Domestic Migration
Between 2010-2014, by Metro**



Occupancy and the Relationship with Single Family Home Supply

Homeownership Rates

Owning one's home has long been considered a part of the "American Dream". The dream of bettering oneself through long-term homeownership can be traced back over 100 years. Until the early 2000s, home ownership was connected to actual income and gainful employment. This relationship broke down during the housing boom of the early 2000s when exotic mortgages became common.

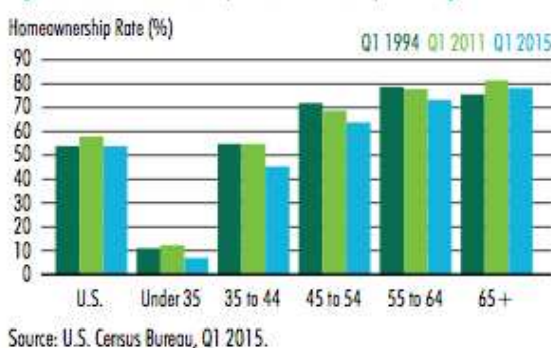
In 2000, approximately two-thirds of householders in the U.S. owned their homes. By 2004, homeownership peaked near 70%, during a time of easily obtained mortgages and rapidly rising home values. A review of historical homeownership shows that the number of home owning families rose by one million each year until 2005. As the housing bubble burst in 2007, and recessionary economic conditions prevailed thereafter, home ownership rates began falling below 68% in 2007.

Homeownership rates have dropped six consecutive quarters. The rate as of the first quarter of 2015 is at 63.7%, which is a drop of over 300 bps during the last five years and the lowest since 1993. The demographic that has shown the largest declines is the age group of 35-44, dropping 600bps over the last two decades. The decreasing demand for homeownership provides evidence for the preference in renting for this demographic.

Figure 2: U.S. Homeownership Rate at a 23-Year Low



Figure 3: U.S. Homeownership Rate Down Broadly Across Age Cohorts



New Creation of Households and the Gen Y Effect

The collapse of the housing market bubble during 2007-8 and the ensuing economic strife in the U.S. and abroad has taught many Americans – particularly young adults – that home ownership carries with it more risks than traditionally thought. High unemployment, the difficulty prospective homeowners have in accessing credit and the realization that homes can lose value have changed the way people view homeownership and slowed the rate at which new households are formed. Limited access to credit (*i.e.*, mortgage financing on acceptable terms) and changing perspectives about the viability and sustainability of homeownership, as an investment, is leading many families to rent rather than buy their homes.

Fewer people are striking out on their own, more people are living in groups, and many young adults are moving back in with their parents, causing the rate of household formation to fall well below historical trends. From 1965 through 2011, approximately 1.2 million new households were created each year, on average, but in the last five years of that period, fewer than 600,000 households were formed on average each year. That decline signifies the weakened demand for new homebuilding.

Generation Y (Gen Y or Millennials), comprising adults aged 18-34 years and representing the largest group of young, potential first-time homebuyers in U.S. history, was particularly affected by the 2007-8 housing market collapse and the ensuing economic strife in the U.S. and abroad. According to a recent Pew Research Center study, Millennials' careers are stalled, they hold record levels of education-related debt, and an estimated 24% have taken up residence with their parents. According to researcher WSL Strategic Retail, almost 25% of Millennials describe their lives as being financially desperate.

Between 2006 and 2010, approximately 1.95 million adults aged 18-34 years were living with their parents, according to Harvard University's "State of the Nation's Housing" report released in June 2012, an increase of approximately 2.7%. That's the largest decline of household formation numbers for any age group during that time.

As the economy stabilized in 2012, household formations exceeded one million. This pent-up demand driven by Gen Y over the last five years is expected to drive up the need for both homes for sale and rentals to over three million new households. With

consumer confidence increasing with the optimistic economic outlook, joint households with Millennials living with their parents will continue to disband, increasing rental and overall housing demand.

Apartment Vacancy Rates

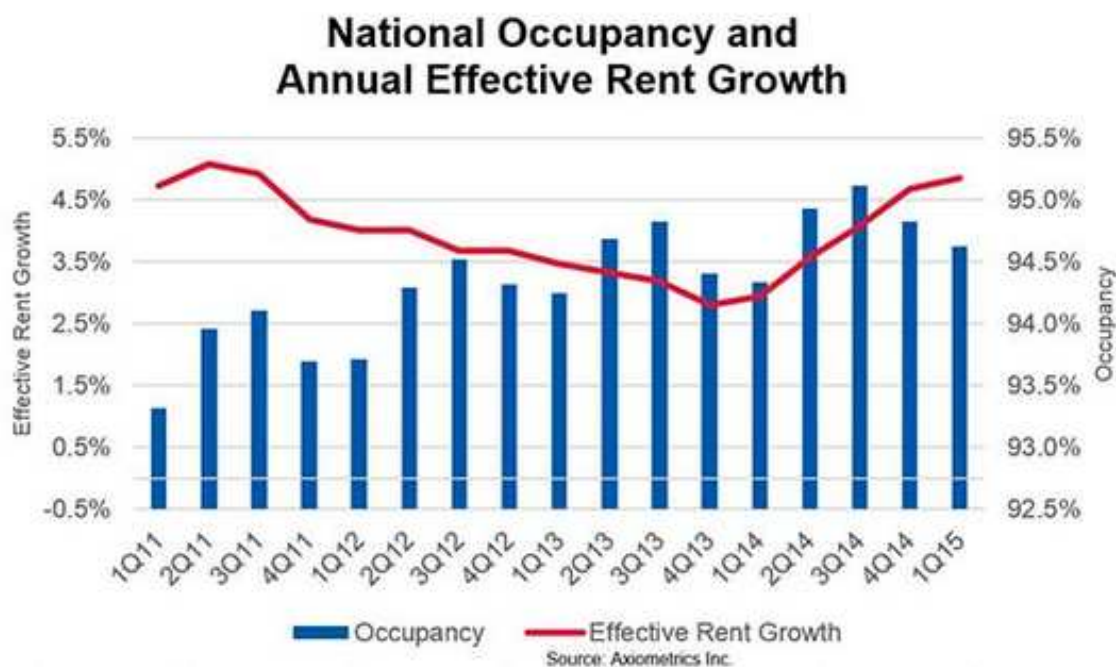
Nationally in the U.S.

Prior to the housing market collapse in 2007-8, vacancy rates had an inverse relationship with home ownership rates; vacancy rates increased during those housing boom years as potential renters opted to purchase their own homes. Home ownership grew to a U.S. national high of about 70% in 2005 and construction of new houses grew to satisfy such demand.

Immediately following the 2007-8 housing market collapse (the highest unemployment years), landlords had an increasingly difficult time finding tenants. The U.S. national apartment vacancy rate rose to an almost 30-year high of 8% in the fourth quarter of 2009.

As the housing boom turned to a bust and homeowners lost their homes, former homeowners began renting single family homes as well as multi-family apartments. As single family homes dropped in value, apartment vacancies declined.

The U.S. national apartment rental market vacancy rate as dropped to approximately 4.8% the first quarter 2015; vacancy rates below 5% are generally considered a landlord's market with demand justifying higher rents. The average national rent growth year over year for the first quarter of 2015 was 5.9%.



Regionally in the U.S.

The "Sunbelt" states and other states in the western U.S. enjoyed a particularly good housing boom prior to 2008. As homeownership climbed in those regions, the number of available tenants declined with the result that there was an over-supply of apartment units. Vacancy rates increased.

With the end of the housing boom in 2008 and the economic recession that followed, unemployment (including the loss of construction jobs) climbed and caused a further tightening of vacancy rates as prospective renters started to reside together rather than rent apartments separately. As a result, an over-supply of single family home and foreclosure activity negatively impacted apartment vacancies.

In 2013, the single family housing market remained plagued with credit issues and with high foreclosure rates. By contrast, demand for multi-family rental housing had increased, which translated into a decline in rental vacancy rates and an increase in rents. During the last couple of years, the continuing demand for multi-family units has demonstrated consumers' increasing preference for renting over buying a home.

With increased demand for rental housing and stabilizing economic conditions due to job and wage growth, the Fund considers that these factors are encouraging fundamentals for positive returns within the multi-family rental market in the Sunbelt states and other states in the western U.S.

Select Sunbelt States Supply, Demand and Vacancy Dynamics

Phoenix

Apartment Supply & Demand



Source: Marcus & Millichap, 2015 National Apartment Report

Single Family Median Sale Price

Single Family Median Sale Price

May 2015 — Phoenix \$198K



Source: Zillow

Dallas

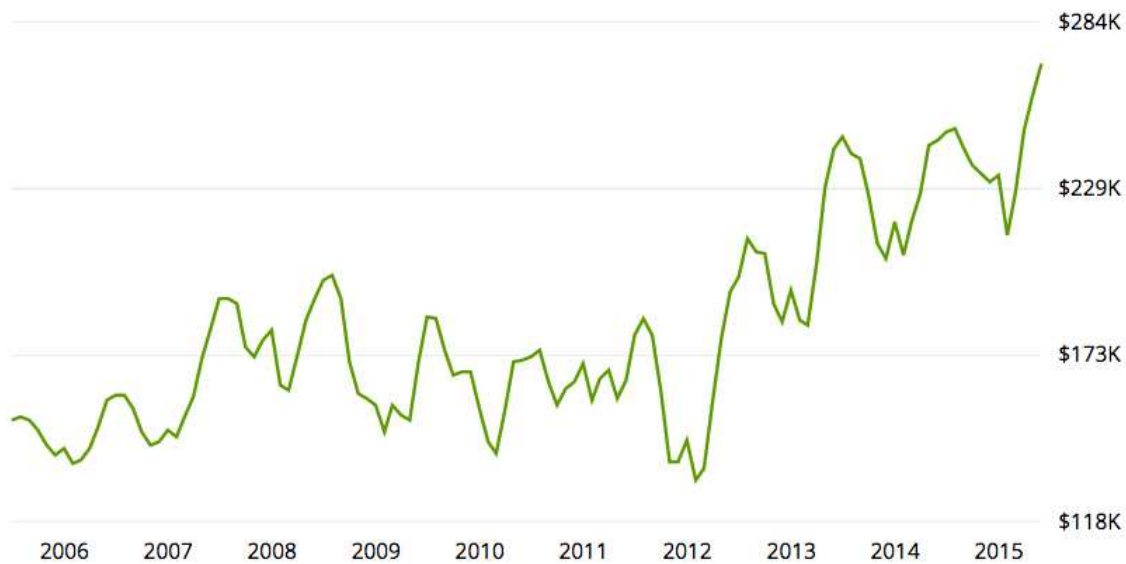
Apartment Supply & Demand



Source: Marcus & Millichap, 2015 National Apartment Report

Single Family Median Sale Price

May 2015 — Dallas \$270K



Source: Zillow

Austin

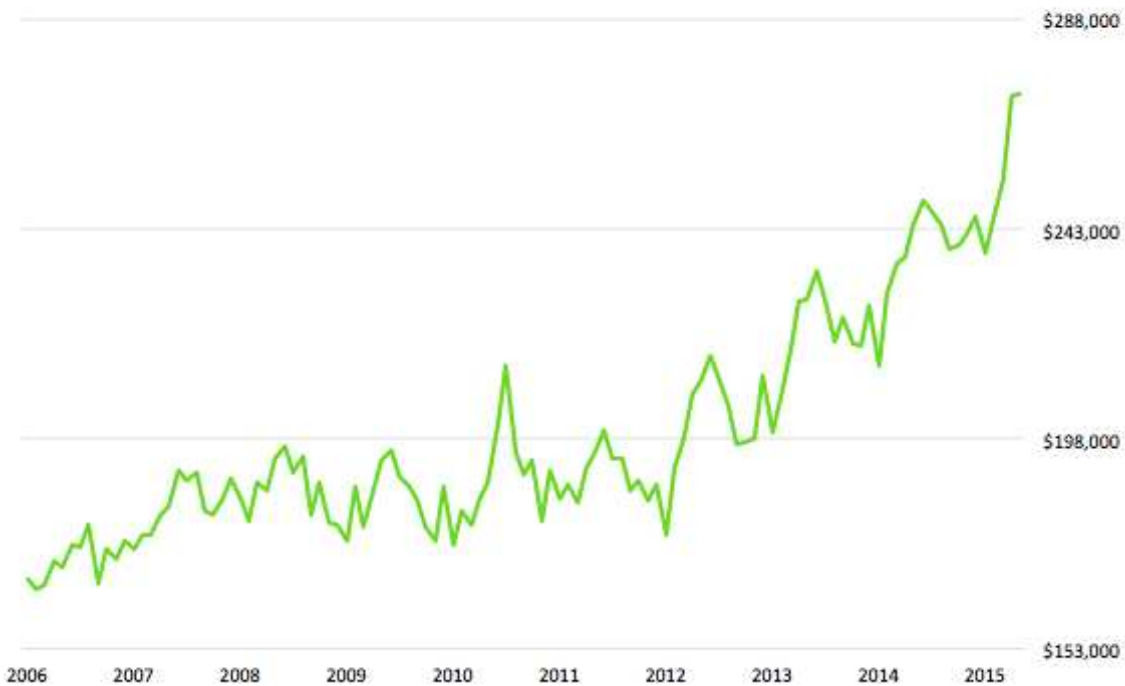
Apartment Supply & Demand



Source: Marcus & Millichap, 2015 National Apartment Report

Single Family Median Sale Price

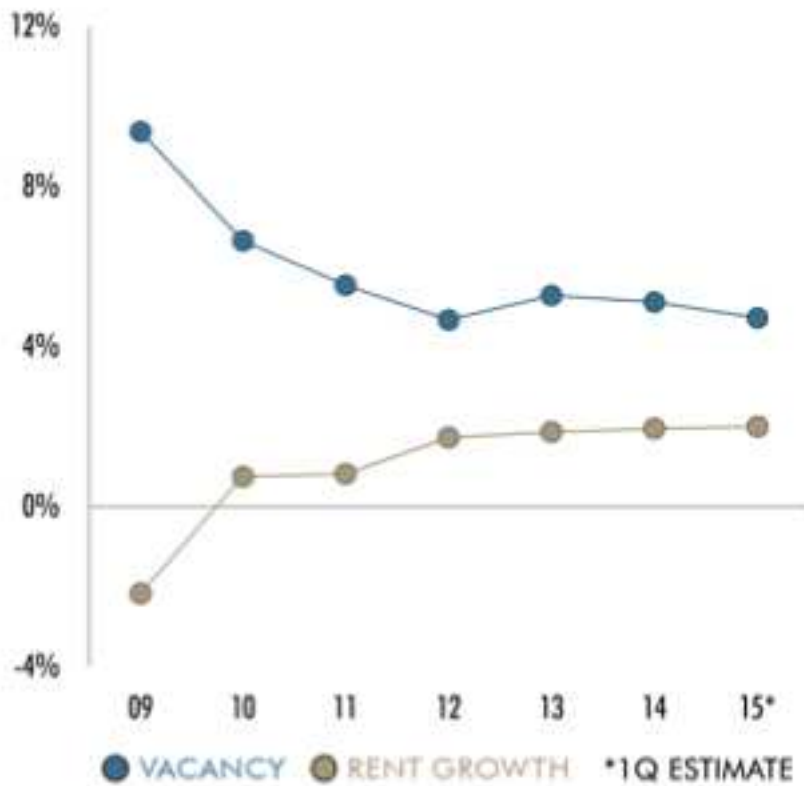
May 2015 - Austin \$271,900



Source: Texas Residential MLS

Apartment Supply & Demand

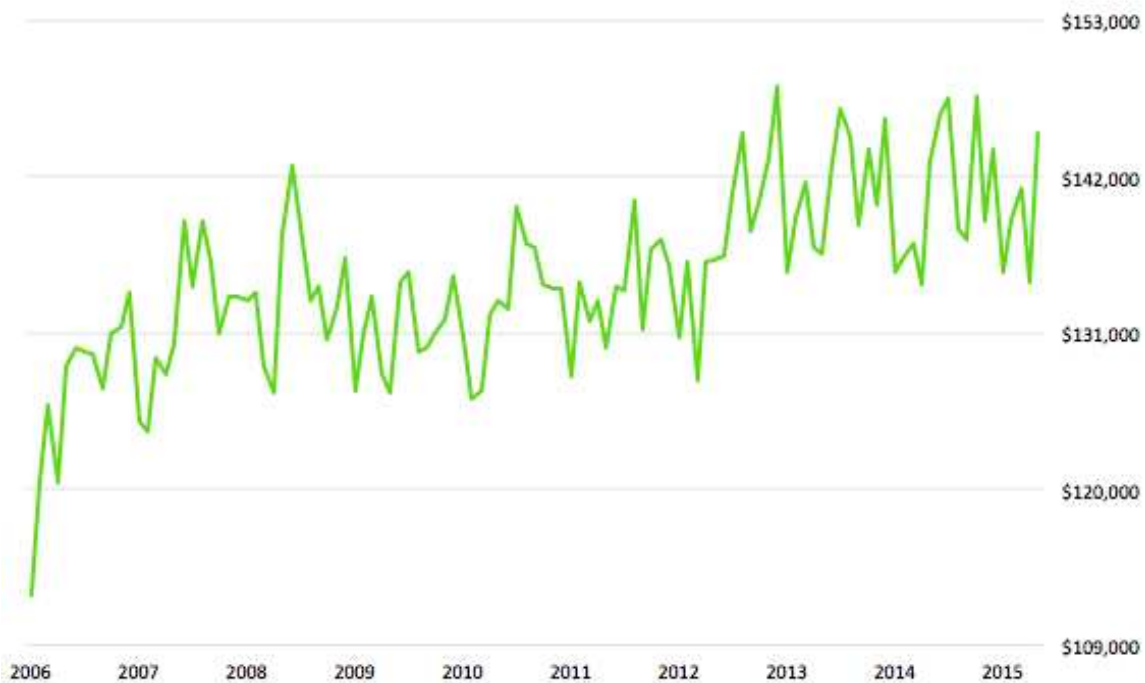
VACANCY & RENT



Source: Berkadia First Quarter 2015 – El Paso Multifamily Report

Single Family Median Sale Price

May 2015 - El Paso \$145,100



Source: Texas Residential MLS

Las Vegas

Apartment Supply & Demand



Source: Marcus & Millichap, 2015 National Apartment Report

Single Family Median Sale Price
May 2015 — Las Vegas \$192K



Source: Zillow

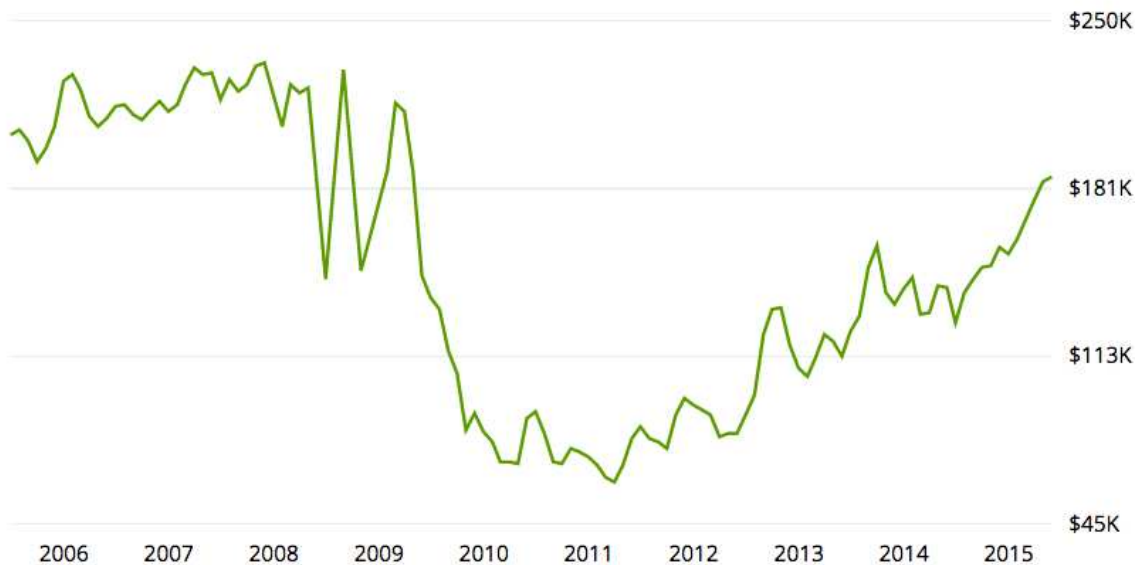
Orlando

Apartment Supply & Demand



Source: Marcus & Millichap, 2015 National Apartment Report

Single Family Median Sale Price May 2015 — Orlando \$186K



Source: Zillow

Value Added: Adding value to multi-family residential property typically involves buying a property, improving it and selling it at an opportune time for a gain. Properties are considered "value added" when they exhibit management or operational problems, require physical improvement or suffer from capital constraints.

Identifying a "value-added" property amongst other properties in the same market is a division of whether it is worth the investment or not. The extent of the investment must be carefully weighed and the decisions should be market-driven. For every dollar invested or potentially invested in a property, a cost-benefit analysis should be conducted. The purpose of the added expense can be broken down into a short-term or long-term turn around. A short-term benefit includes but is not limited to higher cash flow, which accompanies the asset as it goes back to market. The decision to invest must be thoroughly considered in light of the ultimate goal of increased revenue.

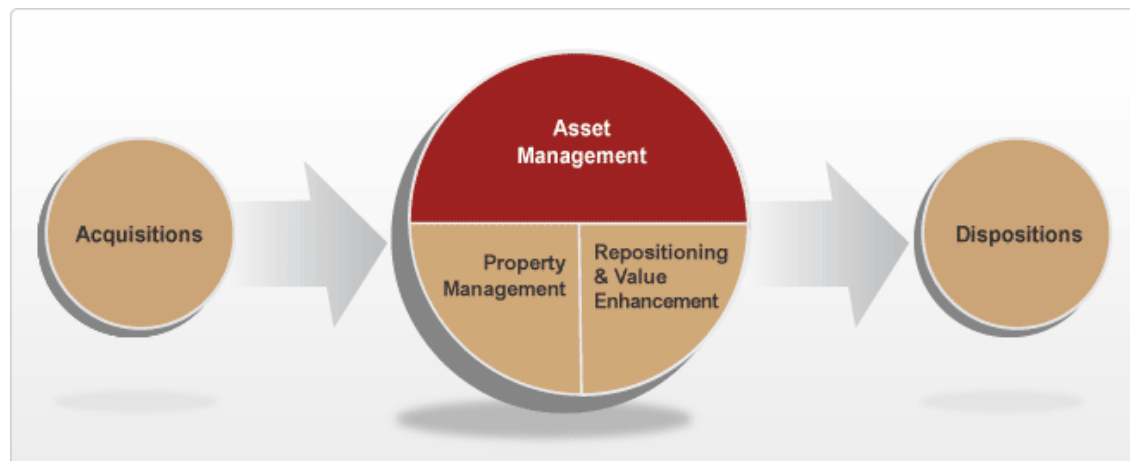
Tired or run-down curb appeal, a questionable tenant profile or deferred maintenance are usually signs that a property is financially distressed, undercapitalized or that the owner is over extended in borrowing secured by the property. An acute knowledge of the market, the right timing and identifying desirable locations help to determine the value of an asset. Once an asset is acquired, the next step is to determine a course of action so that the property can be steered in a desirable direction. For example, a property in the desert should have a pool but the condition of the pool, the surrounding pool area and the accompanying furniture are very important not only to retain current tenants but also to attract new ones.

A mismanaged property usually brings with it a hassle-filled tenant profile. We consider that such a tenant profile should be upgraded. Both new and renewed tenants are more willing to pay a premium when they can see that the owner cares about their home. Curbside appeal, well groomed landscaping, upgraded amenities, fresh paint, and good lighting are a few of the common area upgrades that a property can undergo and which can set it apart from the competition. An improvement on the exterior often attracts new tenants that are willing to pay more to live at the property. A modern workstation with Wi-Fi hook up and plenty of outlets will attract a distinct tenant profile. Inside the units, a washer & dryer, new appliances, renovated countertops and cabinets will also allow for a higher rental price. A great way to increase the income without the added expense is the RUBBS System (Residential Utility Bill Back) in which the tenant pays a proportionate cost of the common areas.

Having the right management personnel in place is one of the key factors in yielding additional value from the investment in any property. The cost of the investment is mere math; the right personnel will transform that into added value. The amount a tenant is willing to pay to rent the unit is where these specialists excel. Those who are involved in the day-to-day operation of the business are responsible for upholding high standards of timely customer service, maintaining a high occupancy level, as well as minimizing expenses.

The property should be managed in a lean manner, yet dealing fairly with vendors, as more than likely these vendors will be used again. The expenses should be routinely evaluated and cut: LED lighting, water conserving irrigation sprinkler heads, and low-flow, water-saving shower heads, faucets and toilets are some of the ways in which the on-site management can generate a higher profit margin.

Once the property has undergone a makeover, upgrading the tenant profile becomes the next natural step, which can occur gradually. A renewed sense of ownership occur as the staff goes about its business. This deliberate repositioning of the property ultimately allows for enhanced cash flow. As the heightened cash flow matures, a new strategy can be examined such as the refinancing from a lender or even an opportune exit strategy.



2.3 Development of the Business

The Fund was formed as of January 2, 2015 pursuant to the Declaration of Trust.

Clear Sky LP XVI is a limited partnership formed on July 9, 2015 pursuant to the *Partnership Act* (Alberta) and is to be governed by a partnership agreement that will be entered into on the first Closing Date and effective as of July 9, 2015. Clear Sky LP XVI carries on the business of acquiring or investing in multi-family residential rental properties in Sunbelt States such as Arizona, Florida, Texas, California or New Mexico through the US Limited Partnership and Property LPs. Clear Sky LP XVI is the sole limited partner of the US Limited Partnership. The partners of each Property LP will be, subject to a partnership/economic interest in one or more Property LPs being held, directly or indirectly, by any holder(s) of Class B LP Units of Clear Sky LP XVI that are issued and sold in connection with a Property acquisition (e.g., the Bridge Equity Investor(s)), the US Limited Partnership (limited partner holding an 75% economic interest) and one or more entities organized in the United States (general partners holding economic interests totalling up to 25%). Any partnership/economic interest held by any holder(s) of Class B LP Units of Clear Sky

LP XVI that are issued and sold in connection with a Property acquisition (e.g., the Bridge Equity Investor(s)), will reduce the economic interest of the general partner(s) of the applicable Property LP; the US Limited Partnership's economic interest will not be reduced. It is anticipated that the general partner(s) of each Property LP will be beneficially owned or controlled, directly or indirectly, by Marcus Kurschat and Kevin Wheeler, Trustees and officers of the Fund. See **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**.

The Fund intends to use Available Funds from the Offering for capital contributions as a limited partner in, or to lend funds to, Clear Sky LP XVI.

Clear Sky LP XVI will use funds available to it from limited partner capital contributions or borrowing from the Fund, or from the issue and sale of Bridge Financing LP Units, for capital contributions as a limited partner in, or to lend funds to the US Limited Partnership. The US Limited Partnership, in turn, will use funds available to it to capitalize one or more Property LPs. The purpose of the Property LPs will be to use those funds, along with amounts which may be borrowed from third-party lenders (if any), to acquire or invest in one or more Properties and for any related costs. A separate Property LP will be used for the acquisition of or investment in each Property. The Fund intends to acquire a controlling interest in each Property through the applicable Property LP or to be actively involved in the management of each Property through the US General Partner or the general partner(s) of the applicable Property LP, including the VHT GPs.

2.3.1 Investment in Properties

The Fund is conducting the Offering and is seeking to acquire or otherwise invest in Properties in Sunbelt States such as California, Arizona, Texas, Florida and New Mexico, indirectly through the US Limited Partnership and one or more Property LPs. The Fund has acquired, indirectly through subsidiaries, the VHT Apartments using Offering Proceeds, proceeds from Clear Sky LP XVI's issue and sale of Bridge Financing LP Units, and VHT LP's borrowing under the VHT Mortgage. See **Item 2.1.5 - Property LPs** and **Item 2.2 - Our Business**.

The Offering is a "blind pool" offering. Other than as set out in this **Item 2.3.1 – Investment in Properties**, the specific Properties in which the Fund's subsidiaries might be invested have not been identified as of the date of this offering memorandum. See **Item 8 - Risk Factors**. For information concerning the Property investment strategy of the Fund's subsidiaries, see **Item 2.2.1 – Business and Growth Strategies**. See **Item 2 - Business of the Fund** for a description of the Fund and its subsidiaries and see **Item 1 - Use of Available Funds** for a description of the anticipated use of the Offering Proceeds.

As of the date of this offering memorandum, the Fund has formed one Property LP, being VHT Apartments LP, which will hold the VHT Apartments in El Paso, Texas if such acquisition is completed. See **Item 2.1.5.1 – VHT Apartments LP and the VHT GPs**, **Item 2.3.1.1 – Acquisition of the VHT Apartments** and **Item 2.7.8 – VHT Acquisition Agreement**.

2.3.1.1 Acquisition of the VHT Apartments

An affiliate of Marcus Kurschat, Trustee and President of the Fund, has entered into the VHT Acquisition Agreement on behalf of VHT Apartments LP, as buyer, with a seller (who is at arm's length to the Fund, VHT Apartments LP and their affiliates) to acquire the VHT Apartments for an aggregate purchase price of US\$10,950,000 (subject to adjustment pursuant to the VHT Acquisition Agreement, including any further amendment thereto). VHT Apartments LP is to assume, as buyer and at no additional cost, the VHT Acquisition Agreement in connection with the completion (if at all) of the VHT Apartments acquisition. If the VHT Apartments acquisition is completed pursuant to the VHT Acquisition Agreement, it is anticipated that VHT Apartments LP, as buyer, will have satisfied the purchase price through:

- payments of earnest money and closing extension deposits prior to closing of up to US\$400,000 in total (based on the buyer's maximum extension of the acquisition closing date to November 7, 2015);
- payment at closing of up to approximately US\$8,760,000, to be funded through new (replacement) mortgage proceeds from an arm's length lender (based on a loan-to-purchase price target of up to 80% being used for the proposed acquisition of the VHT Apartments); and
- an additional cash payment at closing of approximately US\$1,790,000 (based on non-refundable earnest money and closing extension deposit totalling US\$400,000 having been paid and new mortgage financing that is up to 80% of the VHT Apartments purchase price; if the loan-to-purchase price target is not reached and the acquisition is completed with a lower mortgage principal, or the amount paid as deposits is lower, the cash-to-close payment will be increased).

The buyer paid an initial earnest money deposit of US\$150,000 in connection with the commencement of its inspection period (expiring September 8, 2015) for title review and due diligence purposes, following which an additional earnest money deposit of

US\$150,000 is to be paid. The VHT Acquisition Agreement does not have a condition in favour of the buyer that satisfactory financing to complete the acquisition is available. The VHT Apartments acquisition closing is scheduled for October 8, 2015. The buyer may extend the VHT Apartments acquisition closing to November 7, 2015 upon written notice and the buyer's payment of US\$100,000 as a non-refundable closing extension deposit. Provided the VHT Acquisition Agreement has not been terminated on or before the completion of the inspection period or otherwise before closing, VHT Apartments LP, as buyer, anticipates completing the acquisition of the VHT Apartments (if at all) once satisfactory arrangements for financing are in place and intends to obtain new mortgage financing from an arm's length lender for the majority of the purchase price. As of the date of this offering memorandum, VHT Apartments LP has not received a written loan proposal from an arm's length lender in connection with completing the acquisition of the VHT Apartments. VHT Apartments LP intends to fund the balance of the purchase price (or cash-to-close the acquisition) using Offering Proceeds and, if necessary, proceeds from Clear Sky LP XVI's creation, issue and sale of Bridge Financing LP Units. If satisfactory financing is not available or the purchase price is not otherwise satisfied, the VHT Acquisition Agreement will terminate, the majority of the buyer's earnest money deposits and closing extension deposit (if any) will not be returned, and the parties will have no further obligation. The earnest money deposits and the closing extension deposit (if any) will be applied to the purchase price for the VHT Apartments if the acquisition is completed. Unless the VHT Acquisition Agreement is properly terminated or the seller defaults under the agreement, all the initial earnest money deposit and all other pre-closing deposits (including any closing extension deposit) are non-refundable if the VHT Apartments acquisition is not completed.

See **Item 2.1.1 – Organizational Chart**, **Item 2.1.5.1 – VHT Apartments LP and the VHT GPs**, **Item 2.7.8 – VHT Acquisition Agreement** and **Item 4.2 – Long-Term Debt Securities**.

The total acquisition costs for the VHT Apartments are as follows:

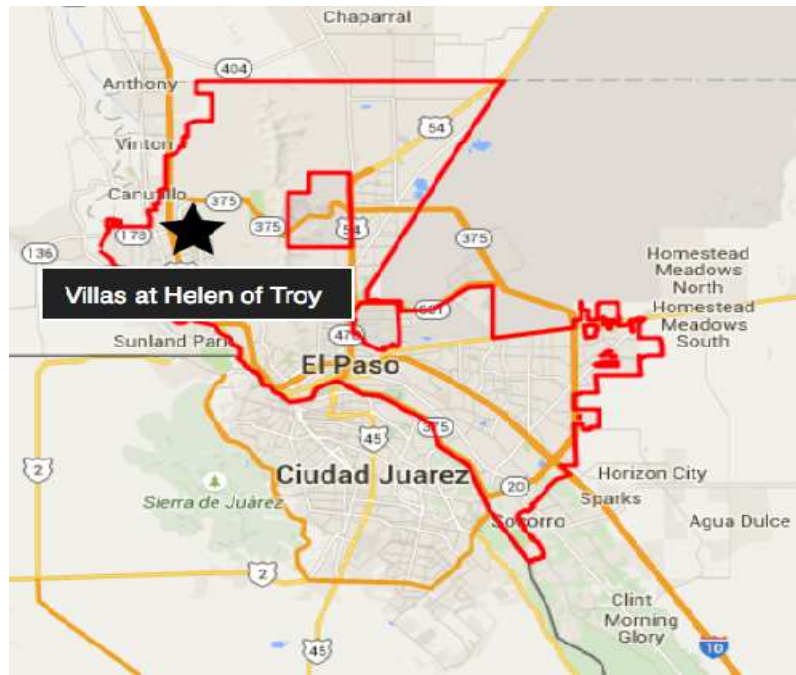
| VHT Apartments Acquisition Costs⁽¹⁾⁽²⁾⁽³⁾ | Amount |
|---|--|
| Purchase price for the VHT Apartments ⁽¹⁾⁽²⁾ | US\$10,950,000 |
| Fees to the VHT Apartments lender | US\$109,500 |
| Fees & charges relating to the VHT Apartments mortgage (<i>e.g.</i> , prepaid interest, lender legal fees, completion repair reserve, insurance costs and other expenses incurred) | US\$30,000 |
| Due Diligence Charges (<i>e.g.</i> , appraisals, surveys, engineering, inspection reports) | US\$30,000 |
| Title/Escrow Charges (<i>e.g.</i> , escrow agent's fee, title insurance) | US\$25,000 |
| Miscellaneous disbursements | US\$5,000 |
| VHT Apartments purchase price: | US\$11,149,500 |
| Accounting & Legal Fees | US\$75,000 |
| 2.5% Acquisition Fee payable | US\$273,750 |
| APPROXIMATE TOTAL: | US\$11,498,250⁽²⁾⁽³⁾ |

Notes:

- (1) Represents the aggregate purchase price of US\$10,950,000, which is subject to adjustment pursuant to the VHT Acquisition Agreement, including any further amendment thereto.
- (2) This amount does not represent the carrying amount for the VHT Apartments in the Carve-Out Financial Statements for that Property. Reference should be made to the most recent Carve-Out Statement of Financial Position of the VHT Apartments and the notes thereto, contained in this offering memorandum for further details on the carrying value of the Property. See **Item 12 – Financial Statements**.
- (3) Does not include Renovation Costs to be incurred following the VHT Apartments acquisition. See **Item 2.3.1.1 – Acquisition of the VHT Apartments – Investment Analysis and Strategy**.

The Villas at Helen of Troy Apartments

The VHT Apartments complex was built during 2013 and is located at 1325 Northwestern Drive in El Paso, Texas. The apartment complex is situated immediately north of Helen of Troy Drive along Northwestern Drive, one block east of Interstate I-10. Freeway access from the VHT Apartments is approximately one mile northwest of the apartment complex at the Paseo Del Norte ramp to the Interstate I-10 highway.



In the opinion of management, the VHT Apartments complex is a Class A property, being in close proximity to a major employment hub, shopping and other conveniences. Nearby grocery stores include Albertsons at Interstate I-10 and Redd Road and Walmart Neighborhood Market at Resler Drive and Redd Road. Several schools are located within two miles of the VHT Apartments complex, including Kohlberg Elementary School, Brown Middle School and Canutillo High School. Nearby parks include Westside Community Park, one mile southeast of Villas at Helen Of Troy, and Cimarron Park less than one mile northeast of the property.

Under the VHT Acquisition Agreement, VHT Apartments LP proposes to purchase the entire apartment complex, surrounding real estate, the seller's right, title and interest as landlord under all existing leases related to the apartment complex, and all tangible and intangible personal property located on the premises. The VHT Apartments complex consists of nine three-storey rental buildings constructed in irregular-shaped sites covering approximately 4.63 acres (comprising a total of 108 apartments that provide approximately 108,252 net rentable square feet, at a density of approximately 23.33 apartment units per acre), a clubhouse building, and a total of 208 ground-level parking spaces (112 covered spaces; 96 uncovered spaces) providing a parking ratio of approximately 1.93 spaces per apartment unit. The buildings are of wood-framed construction, with painted stucco and faux stone façade exteriors and built-up roofs. The VHT Apartments offer three different one-, two- and three-bedroom floor plans, consisting of:

| UNIT TYPE | % OF UNITS | NO. OF UNITS | SQUARE FOOTAGE |
|------------------------------|-------------|--------------|----------------|
| (A) One Bedroom / One Bath | 22% | 24 | 785 |
| (B) Two Bedroom / One Bath | 45% | 48 | 1,022 |
| (C) Three Bedroom / Two Bath | 33% | 36 | 1,121 |
| Totals/Averages | 100% | 108 | 108,252 |

Unit amenities include private entrance, ceramic tile in entryway, kitchen and bathroom(s), a full size washer/dryer with a dedicated laundry room, multiple kitchen appointments (including upgraded cherry cabinetry and countertops, spacious kitchen pantry, and faux stainless steel appliances - self-cleaning range (gas), built-in microwave, dishwasher and refrigerator), walk-in closets with extra shelving, a lighted ceiling fan, multiple telephone lines, cable, energy-efficient lighting, a walk-in closet, a private patio or balcony (covered), double-paned energy efficient windows and patio doors, programmable thermostat, and attached exterior storage. Select floor plans also feature a Roman over-sized tub.

Common amenities include gated access, tastefully designed landscaping, clubhouse / business center hosting a conference room, fitness center, fully-equipped kitchen with bistro-style seating and recreation room with a billiards table, a swimming pool (heated) and whirlpool spa, playground, Wi-Fi hotspots, outdoor barbeque grills and picnic areas throughout the community, and parking (112 covered parking spaces; 96 open parking spaces).

Heating and cooling is provided by individual roof-mounted heating, ventilation and air conditioning units. The VHT Apartments are individually metered for electricity and costs associated with each tenant's usage inside his apartment unit, including utility

costs for heating and cooling, are the responsibility of the tenant. Hot water is provided by individual water heaters. The cost of water, sewer charges, and trash collection is the responsibility of the owner.

While rental/occupancy rates fluctuate, approximately 90.7% of the 108 apartment units in the VHT Apartments were rented as of August 2, 2015; 10 units are currently unoccupied. The occupancy rate in the Northwestern Drive district of metropolitan El Paso for the second quarter of 2015 was approximately 93.5%.

The various apartment units in the VHT Apartments complex are currently rented in the range of US\$825 - US\$1,125 per month.

| UNIT TYPE | % OF UNITS | NO. OF UNITS | SQUARE FOOTAGE | RENT PER UNIT |
|------------------------------|-------------|--------------|----------------|---------------|
| (A) One Bedroom / One Bath | 22% | 24 | 785 | US\$825 |
| (B) Two Bedroom / One Bath | 45% | 48 | 1,022 | US\$1,025 |
| (C) Three Bedroom / Two Bath | 33% | 36 | 1,121 | US\$1,125 |
| Totals/Averages | 100% | 108 | 108,252 | |

The Fund and its affiliates intend to increase rents at the VHT Apartments following upgrade and refurbishment of the property (see **Item 2.3.1.1 – Acquisition of the VHT Apartments – Investment Analysis and Strategy**).

The Fund considers the VHT Apartments to be a highly opportunistic acquisition based upon the purchase price relative to replacement cost, considering that the property was built as recent as 2013. The Fund believes that there is a significant operational upside over the current management, which includes the removal of rent concessions, increasing occupancy and implementing a Resident Utility Billings System (RUBS) to recover water, sewer and garbage disposal costs on a per unit basis. There is also ancillary income that can be added to this property, including premiums for first-floor units compared to second- or third-floor apartments and premiums for units with pool views.

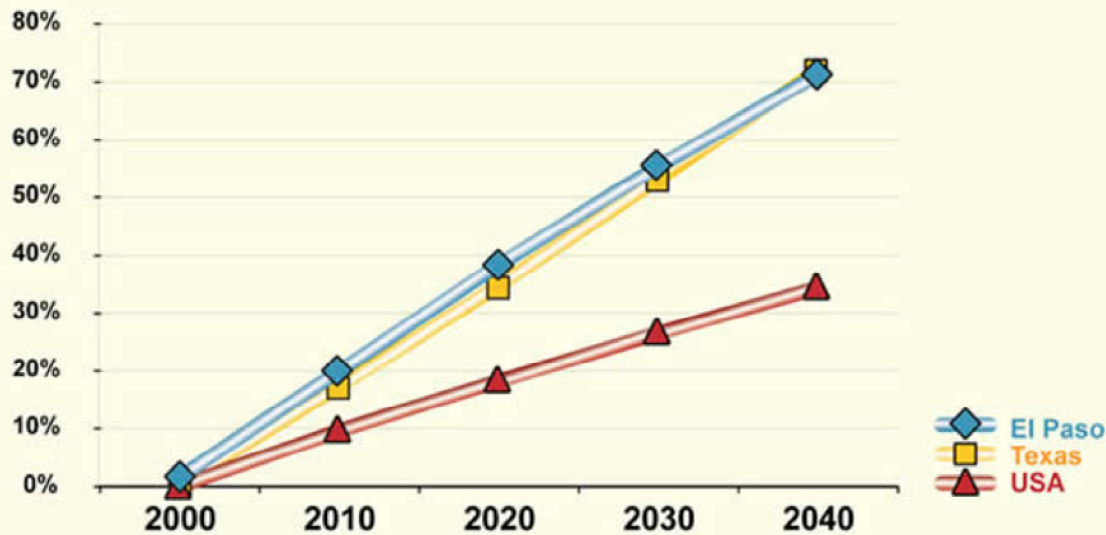
Demand for property units is also expected to increase with the completion of a multi-million dollar, 140-bed hospital and medical facility in fall of 2016. The new hospital is located only four minutes' drive north from the VHT Apartments.

El Paso, Texas

El Paso is located at the far western tip of Texas, around the slopes of Mount Franklin on the Rio Grande River. The city's strategic location creates a unique blend of cultures, heavily influenced by a large Mexican-American population. Split in half by the rugged Franklin Mountain Range, El Paso County is the only Texas metropolitan area that shares a border with Mexico and New Mexico. The region constitutes the largest bi-national metropolitan area in the Western Hemisphere with over 81% of its population being Hispanic according to the United States Census Bureau.

El Paso is the largest U.S. metro area on the U.S./Mexican border, the sixth largest city in the state of Texas, and the 19th largest city in the U.S. with a city population of approximately 672,538. Between 2000 and 2013, El Paso County's population grew by approximately 24.5% or about 166,553 residents to a population of more than 827,000 people. Between 2000 and 2040, the population of El Paso County is projected to grow by approximately 69.7%. The most conservative population projections indicate that El Paso MSA is expected to increase to over 945,000 by 2025. This projected growth exceeds the U.S. rate of growth and is parallel with projected growth for Texas, generally. Based on U.S. Census Bureau population estimates and projections, El Paso's population increase from July 2007 to July 2008 is ranked the 18th in the U.S. In addition, it is anticipated that the region will experience significant population growth in the coming years, driven by the expansion of Fort Bliss Army Base. These population growth projections do not take into account the significant expansion taking place at Fort Bliss. (Source: U.S. Census Bureau, 2008 Estimates of Total Housing Units by State and County, census.gov.)

El Paso Population Growth Projections 2000-2040



Source: *The Borderplex Alliance* (www.borderplexalliance.org/regional-data/el-paso)

Recently, El Paso has received several accolades, including:

- #1 Lowest Crime Rate in the US over 500,000 population 4th year in a row (Source: *CQ Press*, January 2014);
- # 2 in Top 25 Foreign Trade Zones (Source: *Global Trade*, 2013);
- #3 Top Best City to Raise a Family (out of 50 most populated U.S. cities) (Source: *Movoto.com Real Estate*, May 2013);
- #4 Least Expensive U.S. Metros for conducting business (Source: *Market Watch - Wall Street Journal*, July 16, 2014);
- #5 Best in Nationwide Well-Being Index 2014 (Source: *Gallup-Healthways Well-Being Index*, April 2015); and
- Top 20 of America's Best Performing Cities for growth in jobs, income and high-tech GDP -- among 200 largest metros (Source: *Milken Institute*, January 2012).

Economic Overview of El Paso

According to the latest Bureau of Economic Analysis at the U.S. Department of Commerce, the El Paso Gross Metropolitan Product is projected to exceed US\$31.2 billion in 2014, increased by approximately 7.6% from 2011. University of Texas at El Paso released a long-term economic forecast for the region, calling for sustained growth and projects the region's economic output will approximately double from 2009 to 2029, to about \$43 billion.

El Paso has a diversified economy focused primarily within international trade, military, and government civil service. The largest international metroplex in the world, El Paso is situated on the geographic center of the 2,000-mile U.S./Mexico border across the Rio Grande River from Ciudad Juarez, Mexico. The United States - Mexico border is the second most important trade point on the border; and is the largest international metroplex in the world. The commercial land ports of entry connecting El Paso to Ciudad Juárez, Mexico, cleared more than US\$86.1 billion in US – Mexico trade in 2013.

El Paso has become a significant location for American-based bilingual call centers. Call center operations make up seven of the top ten private business employers in El Paso and these companies' wage scale makes renting the most reasonable option for their sizable employee rosters. The El Paso region is also the one of the largest manufacturing centers in North America, employing more than 209,000 manufacturing workers.

The Fort Bliss Army Base is located in the center of El Paso County, comprising approximately 1.12 million acres of land in Texas and New Mexico. The base is a currently supports a population of nearly 100,000, including soldiers, family members, civilian employees and military students. The Fort Bliss area is home to approximately 21,000 active military personnel and 32,000 retirees. In addition, Fort Bliss supports approximately 67,000 family members of active duty and retired personnel and employs approximately 7,200 civilians. Currently, Fort Bliss is in the process of the largest transformation and expansion in its history, as part of the Pentagon's 2005 Base Realignment and Closure (BRAC) program, the end result of which will be that one in nine El Paso County residents will have a direct link to Fort Bliss. Approximately US\$5 billion is to be invested for construction of new top-of-the-line facilities for military personnel and their families. Construction of new training ranges, offices, barracks and housing has begun. Services such as child care and youth programs, on-post shopping and entertainment facilities, medical and dental clinics are all being expanded to meet the needs of the growing community.

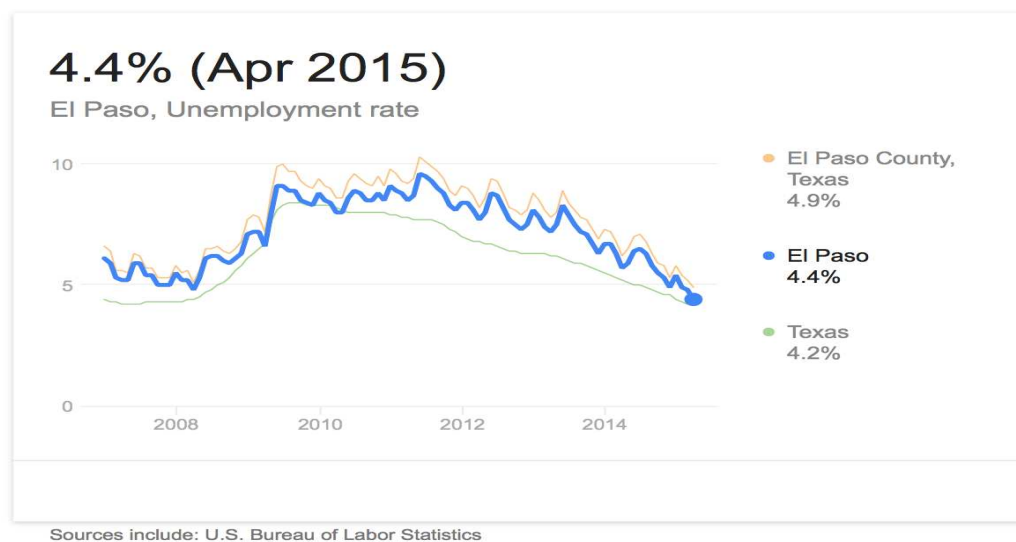
In addition to large call center operations, El Paso enjoys a healthy economy with more than 70 Fortune 500 companies having a substantial business presence, led by Western Refining, Hoover, Boeing and Delphi. El Paso has added a significant manufacturing sector with items and goods produced that include petroleum, metals, medical devices, plastics, machinery, defense-related goods and automotive parts. The city is the second busiest international crossing point in the U.S., trailing only San Diego. The El Paso region is the 4th-largest manufacturing center in North America, exceeded only by Los Angeles, Chicago, and Dallas-Fort Worth (Source: *The Borderplex Alliance* (www.borderplexalliance.org/regional-data/el-paso)).

Education also plays a sizable role in the local economy. The University of Texas at El Paso (UTEP) enrollment totaled 23,003 students in 2013 and UTEP is the state's third largest campus in the University of Texas System. UTEP is in growth mode, investing over US\$250 million in new and upgraded facilities, with specific investments in the biosciences. El Paso is also home to the first four-year medical school on the U.S.-Mexico border with the opening of the Paul L. Foster School of Medicine, which will deliver a local economic impact of approximately US\$1.3 billion. Other universities located in the city include: Howard Payne University, Park University, University of Phoenix, and Webster University.

In August 2014, construction was started on a new multi-million dollar Sierra Providence Health Network (SPHN) hospital in northwest El Paso at the corner of Transmountain Road and Resler Drive, which location is less than two miles north of the VHT Apartments. The hospital will eventually have 140 beds for patients and will eventually host approximately 75 medical residents in a multi-year program. El Paso officials have touted the city's partnership with Texas Tech University Health Sciences Center in making the hospital a teaching facility, as well. The hospital is expected to be completed in the fall of 2016 and generate about 300 jobs.

Employment in El Paso

El Paso's employment market has continued to expand. Through the third quarter 2014, year-over-year employment growth had totaled approximately 1.8%, with the addition of more than 5,000 jobs. This is two times the pace of growth recorded in calendar year 2013. Like most Texas markets, economic contraction during the 2008-11 recession was modest and the jobs lost during the downturn were quickly regained during the recovery. Today, employment in El Paso is approximately 4.5% higher than the pre-recession peak. In total, nearly 20,000 jobs have been added in El Paso during the recovery since 2012.



Most employment sectors in the El Paso MSA are expanding, but none is expanding as rapidly as the trade, transportation and utilities sectors. During the past 12 months, businesses in this sector have grown payrolls by 4 percent, adding 2,400 jobs. This will

mark the fifth consecutive year where employment in trade, transportation and utilities as expanded locally. During this time, the gains recorded in this sector have accounted for one-third of all new jobs added in the metro. El Paso's enviable geographic location has positioned the metro as a trade hub, and local growth will continue to be recorded in this segment of the economy.

Education and health services accounts for nearly 15% of the total employment in the metro and the sector continues to expand. Since 2004, these employers have expanded by 2.5%, adding approximately 1,000 jobs. Over the longer term, the growth is expected to be more robust; since 2004, employment in this sector has surged by approximately 33% with the addition of 10,000 jobs. This is more than two-times the growth rate in the local economy, as whole, over the past decade.

| El Paso Employer | Sector | Employees |
|---|---|-----------|
| Fort Bliss (Military & Civilian employees) | Government | 37,833 |
| El Paso Independent School District | Education | 9,000 |
| Ysleta Independent School District | Education | 8,000 |
| City of El Paso | Government | 6,390 |
| T&T Staff Management L.P. | Employment Services | 5,020 |
| University of Texas at El Paso (UTEP) | Education | 3,700 |
| University Medical Center (UMC) | Health Care – Public | 2,455 |
| Dish Network | Technical Support Center | 1,800 |
| Alorica | Inbound Customer Service | 1,755 |
| Texas Tech University Health Sciences Center, Paul L. Foster School of Medicine & Gayle Grieve Hunt School of Nursing | Higher Education and Health Care | 1,546 |
| GC Services | Inbound Customer Service | 1,526 |
| Del Sol Medical Center | Health Care - Private | 1,400 |
| RM Personnel | Employment Services | 1,368 |
| Automatic Data Processing, Inc. | Contact Center – Private | 1,100 |
| El Paso Electric Co. | Electric Utilities | 1,000 |
| Las Palmas Medical Center | Health Care - Private | 850 |
| West Customer Management Group | Inbound Customer Service | 800 |
| Redcats USA Inc. | Inbound Customer Service | 800 |
| Union Pacific Railroad Co. Inc. | Transportation | 750 |
| Datamark | Corporate Headquarters for Data Processing & Related Services | 600 |
| Coca-Cola Enterprises | Bottling and Distributing | 500 |
| Western Refining | Corporate Headquarters - Petro Chemical Refinery | 500 |

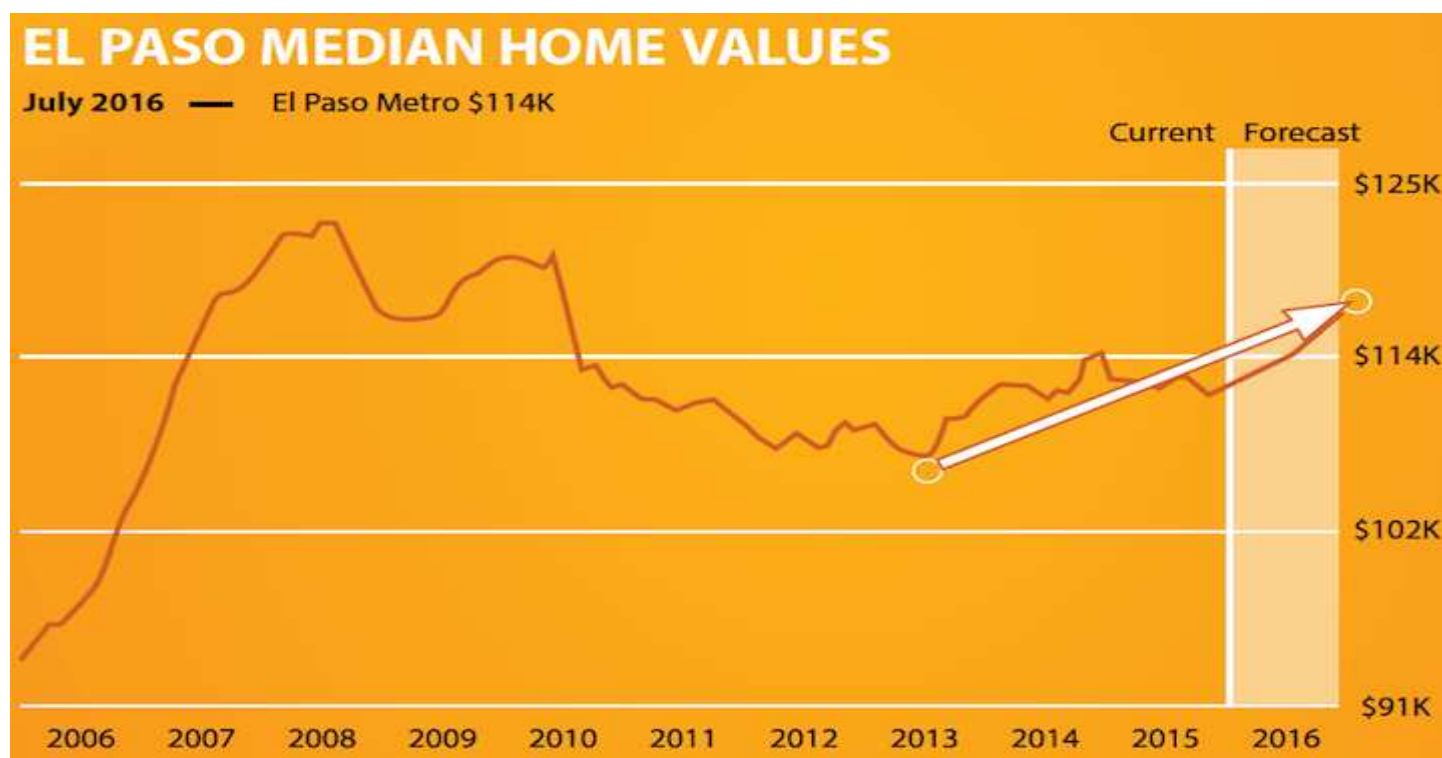
Other development and expansion projects in the El Paso metropolitan area include:

- Automatic Data Processing (1,100 new jobs by 2017)
- River Oaks Shopping Centers (960 new jobs in 2015 with a total of 2,800 new jobs by 2019)
- Charles Schwab (445 new data entry and processing jobs)
- Walmart (Three new stores with over 395 new jobs)
- Tenet Hospital (300 new high-wage jobs)
- Schneider Electric (196 new high-wage jobs)
- Sam's Club (170 new jobs)
- Whole Foods (100 new jobs by 2016)

The Real Estate Market in El Paso

The expanding local economy is prompting the construction of new housing units. Developers have obtained an average of 1,000 multifamily permits per year since 2010 but, in 2014, permits for fewer than 500 units were issued. Single-family permitting also slowed in 2014. After averaging 3,000 single-family permits from 2010-2013, homebuilders obtained fewer than 2,000 permits in 2014. Part of this slowdown could be associated with recent pricing trends. The median single-family home price in El Paso has retreated by approximately 1.5% over the past year to US\$141,500, and the threat of rising interest rates could be likely giving homebuilders pause.

The median home value in El Paso Metro is US\$110,500. El Paso Metro home values have declined by approximately 0.5% over the past year and are predicted to rise by approximately 4.0% within the next year. Source: Zillow (Based on data as of June 30, 2015)



Due Diligence on the VHT Apartments

As contemplated in the VHT Acquisition Agreement, Clear Sky Capital Arizona and affiliates have an inspection period, expiring September 8, 2015, during which they are conducting, on behalf of VHT Apartments LP (as buyer), a title review and other due diligence on the VHT Apartments (including the completion of any and all inspections, surveys, environmental studies, appraisals, reviews of operations contracts, tests, or other due diligence the buyer may desire upon the VHT Apartments, but excluding any intrusive investigations of the subsurface of the VHT Apartments) in advance of completing the acquisition. Under the VHT Acquisition Agreement, earnest money deposits totalling US\$300,000 and closing extension deposits totalling US\$100,000 might be paid into escrow pending completion of the VHT Apartments acquisition. An initial earnest money deposit of US\$150,000 was paid into escrow under the VHT Acquisition Agreement upon commencement of the inspection period. An additional earnest money deposit of US\$150,000 is to be paid into escrow upon expiry of the inspection period, unless the agreement is terminated. Pre-closing earnest money deposits totalling US\$150,000 (but no closing extension deposit) have been paid as of the date of this offering memorandum. The earnest money deposits become non-refundable upon the expiry of the inspection period but will be applied to the purchase price upon completion of the Silverado Apartments acquisition.

As part of its due diligence on the VHT Apartments, the Fund and its affiliates have compiled and prepared the following financial statements for the VHT Apartments:

- Unaudited financial statements for the VHT Apartments as at and for the five months ended May 31, 2015;
- Audited financial statements for the VHT Apartments as at and for the financial year ended December 31, 2014; and

- Unaudited financial statements for the VHT Apartments as at and for the financial year ended December 31, 2013.

See **Item 12 – Financial Statements**.

Investment Analysis & Strategy

In connection with its plans to increase rents, the Fund and its affiliates anticipate incurring Renovation Costs of approximately US\$400,000 following the acquisition of the VHT Apartments, consisting of:

- approximately US\$65,000 for exterior painting;
- approximately US\$75,000 for landscaping;
- approximately US\$50,000 for clubhouse refurbishment and redevelopment; and
- approximately US\$210,000 for unit interior refurbishments and various other renovations.

Any further renovation/upgrade plans for the VHT Apartments will likely evolve as VHT Apartments LP becomes more familiar with the property. There is also ancillary income that can be added to this property, including premiums for pool views and premiums for first-floor apartments compared to second- or third-floor apartments.

The Fund has developed two exit scenarios for the VHT Apartments:

- (1) Sell the VHT Apartments as an apartment building; or
- (2) Sell individual condominium apartments as the market improves over the same time frame.

The exit scenario which is ultimately implemented will depend upon a number of factors, including the lending terms and the potential upside in the "for sale" condominium market. While multiple exit scenarios are possible, the anticipated exit scenario for the VHT Apartments is to sell the property as an apartment building.

2.4 Long-term Objectives

The Fund's long term objectives are:

- to conduct the Offering, including the issue and sale of Trust Units (for a breakdown of anticipated costs see **Item 1.1 - Funds**);
- to acquire and establish (through the Property LP's) a portfolio of multi-family rental properties in Sunbelt States, such as California, Arizona, Texas, Florida and New Mexico (see **Item 2.3 – Development of Business**);
- to earn, and allocate and distribute to Trust Unitholders in accordance with the Declaration of Trust, income derived from the investment in the Property LP's (see **Item 5.2 - Cash Distributions to Trust Unitholders**); and
- to sell each Property or Property LP when and if the market conditions are favourable.

The time and cost to complete these events cannot be confirmed until the Fund or its subsidiaries identify suitable Properties to acquire. There is no assurance that any of these events will occur. The Offering is a "blind pool" offering. Other than as set out in this **Item 2.3.1 – Investment in Properties**, the specific Properties in which the Fund's subsidiaries might be invested have not been identified as of the date of this offering memorandum. See **Item 8 - Risk Factors**.

2.5 Short-term Objectives

The Fund's objectives for the 12 months following the date of this offering memorandum are discussed below.

| <u>What we must do and how we will do it</u> | <u>Target completion date or number of months to complete</u> | <u>Our cost to complete</u> |
|--|--|---|
| Raise up to US\$5,692,000 (approximately CD\$7,444,000 based on currency exchange rates as | Ongoing, with a target completion date of on or before October 8, 2015 | Notes 1 and 2. CD\$988,150 (including Selling Commissions |

| What we must do and how we will do it of the date of this offering memorandum) under the Offering to ⁽¹⁾⁽²⁾ | Target completion date or number of months to complete | Our cost to complete on the Offering Proceeds raised for this objective and an allocation of estimated Offering costs) |
|---|--|---|
| <ul style="list-style-type: none"> purchase the VHT Apartments, renovate, upgrade, and reposition the VHT Apartments, and provide Working Capital for expenses incurred to date and with the ongoing Offering (including Offering costs) | | |
| See Item 2.3.1.1 – Acquisition of the VHT Apartments | | |
| Achieve the Eligibility Distribution | Ongoing, with a target completion date of on or March 31, 2016 | No specific costs. However, see Item 1.1 – Funds and Item 6.1.1 – Eligibility for Investment |
| Raise up to the Maximum Offering to position Property LPs to purchase (or otherwise invest in), renovate, upgrade, and reposition one or more additional Properties ⁽¹⁾⁽²⁾ | Ongoing. As soon as the Fund's subsidiaries have sufficient funds to acquire (or otherwise invest in) one or more additional Properties and have identified one or more suitable Properties for acquisition (or investment in) | Notes 1 and 2. CD\$375,000 (including Selling Commissions on the Offering Proceeds raised for this objective and an allocation of estimated Offering costs) |
| Pay distributions (if any) to Trust Unitholders based upon Clear Sky LP XVI's payment of distributions to the Fund ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ | On each distribution date established by the Fund | No specific costs. However, see Item 5.2.2 - Funds Flow from the Properties |

Notes:

- (1) The time and cost to complete this event cannot be confirmed until the Fund or its subsidiaries identify one or more suitable Properties to acquire or invest in. The Offering is a "blind pool" offering. Other than as identified in **Item 2.3.1 – Investment in Properties**, the specific Properties in which the Fund's subsidiaries intend to invest have not been identified as of the date of this offering memorandum. See **Item 8 - Risk Factors**. For information concerning the Property investment strategy of the Fund and its affiliates, see **Item 2.2.1 – Business and Growth Strategies**.

An affiliate Marcus Kurschat, Trustee and President of the Fund, has entered into the VHT Acquisition Agreement with a seller (who is at arm's length to the Fund, VHT Apartments LP and their affiliates) to acquire the VHT Apartments for an aggregate purchase price of US\$10,950,000 (subject to adjustment pursuant to the VHT Acquisition Agreement), which purchase and sale agreement is to be assigned to VHT Apartments LP, as buyer, in connection with completion of the acquisition. The buyer paid an initial earnest money deposit of US\$150,000 in connection with the commencement of its inspection period, expiring September 8, 2015, for title review and due diligence purposes, following which an additional earnest money deposit of US\$150,000 is to be paid.

The VHT Acquisition Agreement does not have a condition in favour of the buyer that satisfactory financing to complete the acquisition is available. The VHT Apartments acquisition closing is scheduled for October 8, 2015. The buyer may extend the VHT Apartments acquisition closing to November 7, 2015 upon written notice and payment of US\$100,000 as a non-refundable closing extension deposit. VHT Apartments LP, as buyer, anticipates completing the acquisition of the VHT Apartments (if at all) once satisfactory arrangements for financing are in place and intends to obtain new mortgage financing from an arm's length lender for the majority of the purchase price. However, as of the date of this offering memorandum, VHT Apartments LP has not received a written loan proposal from an arm's length lender in connection with completing the acquisition of the VHT Apartments. It is intention of the Fund and its affiliates (including VHT Apartments LP) to fund the balance of the purchase price (or cash-to-close the acquisition) using Offering Proceeds. If satisfactory financing is not available or the purchase price is not otherwise satisfied, the VHT Acquisition Agreement will terminate, all the buyer's earnest money deposits and closing extension deposit (if any) will not be returned, and the parties will have no further obligation under the VHT Acquisition Agreement. The earnest money deposits and the closing extension deposit (if any) will be applied to the purchase price for the VHT Apartments if the acquisition is completed. Unless the VHT Acquisition Agreement is properly terminated or the seller defaults under the agreement, all the initial earnest money deposit and all other pre-closing deposits (including any closing extension deposit) are non-refundable if the VHT Apartments acquisition is not completed.

The Fund anticipates raising gross Offering Proceeds of approximately US\$5,692,000 (approximately CD\$7,444,000 based on currency exchange rates as of the date of this offering memorandum. See the **Currency Table** in this offering memorandum) in connection with completing the proposed VHT Apartments acquisition in order to provide Available Funds sufficient to complete the acquisition and associated expenses, including payment of fees of approximately US\$109,500 in connection with new mortgage financing on the VHT Apartments, which is non-refundable in the event that the VHT Apartments acquisition is not completed. The Fund anticipates raising gross Offering Proceeds of approximately US\$400,000 in order to provide Available Funds sufficient to incur anticipated Renovation Costs on the VHT Apartments. See **Item 2.3.1.1 – Acquisition of the VHT Apartments**, **Item 2.5 – Short-term Objectives** and **Item 2.7.8 – VHT Acquisition Agreement**.

The proposed Offering Proceeds and other amounts that are expressed in a currency other than US dollars have been converted to Canadian currency using the rate of exchange quoted by the Bank of Canada at noon on the date of this offering memorandum. See the **Currency Table** in this offering memorandum. There can be no assurance that, on a later date when the Fund is to pay any such amount, that the applicable Canadian/US dollar exchange rate will be the same or that the Fund is not adversely affected by such change in the Canadian/US dollar exchange rate applicable at such time.

The nature of the Fund's exposure to fluctuations in the Canadian/US dollar exchange rate is expected to vary going forward as Offering Proceeds are realized and such Available Funds are used by the Fund and its affiliates. Changes in the Canadian/US exchange rate may positively or negatively impact the Fund and its affiliates (and, consequently, Trust Unitholders) depending on the timing of the transaction and the applicable currency exchange rate. The Fund may realize gains and losses for such commercial purposes by virtue of the fluctuation of the Canadian/US dollar exchange rate applicable at such time.

Investors and the Fund will be affected by fluctuations in the Canadian/US dollar exchange rate because (a) proceeds realized from the Offering will be denominated in Canadian dollars; (b) the Fund will pay certain costs and expenses (including Selling Commissions and other Offering expenses) in Canadian dollars; (c) since some or all the Properties are to be located in the United States, the Property LPs will pay the purchase prices for, and incur costs and expenses associated or incurred in connection with, or related to, purchasing, renovating, upgrading, and repositioning Properties in US dollars, and anticipate paying or incurring the majority of various general, administrative and operating costs and expenses associated or incurred in connection with, or related to, renting Properties and managing the Properties portfolio in US dollars; and (d) the Fund's distributions (if any) to Trust Unitholders are to be made in Canadian dollars, while distributions of Net Available Cash (if any) from its affiliates may be in US dollars.

The Fund and Trust Unitholders have foreign exchange exposure in at least two instances. First, the Fund will receive Canadian dollars from the sale of Trust Units; after paying any Offering costs and Selling Commissions, and the Fund will convert Canadian dollars to US dollars in order to fund the Fund's subsidiaries. Second, in order to pay distributions to Trust Unitholders, the Fund will be required to convert US dollars (received from distributions and loan payments from Clear Sky LP XVI) to Canadian dollars. Depending on the timing of the transaction and the applicable currency exchange rate such conversions may positively or negatively impact the Fund, and consequently, Trust Unitholders. For example, a strengthening US dollar relative to the Canadian dollar would negatively impact the aggregate value of the US dollars received by the Fund after it converts some or all of the Available Funds to US dollars. On the other hand, a strengthening Canadian dollar relative to the US dollar would negatively impact the amount of distributable cash available for distributions by the Fund to Trust Unitholders.

- (2) Available Funds may be used, among other things, to fund, in whole or in part, the purchase price of any Property that may be acquired (including the VHT Apartments), Clear Sky LP XVI's redemption or other acquisition of outstanding Bridge Financing LP Units (if any), or to satisfy debt obligations of VHT Apartments LP (including any new mortgage financing on the VHT Apartments). For a breakdown of anticipated costs see **Item 1.1 – Funds**. See also **Item 2 – Business of the Fund**, **Item 2.3.1.1 – Acquisition of the VHT Apartments**, **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI** and **Item 2.7.8 – The VHT Acquisition Agreement**.
- (3) The Fund intends to distribute all or any part of the distributable cash of the Fund (if any) that the Trustees prudently determine as being available for distributions, to Trust Unitholders of record on the last day of each calendar year. The Fund may also distribute cash (if any) that the Trustees prudently determine as being available for distributions, to Trust Unitholders for other distribution periods, as the Trustees determine, in their discretion, from time to time. It is expected that no cash will be distributed to Trust Unitholders until cash flows are sufficiently stabilized. Once cash flows are stabilized, the Fund intends to distribute cash quarterly to Trust Unitholders, provided that the Fund may distribute cash (if any) that the Trustees prudently determine as being available for distributions (if any), to Trust Unitholders for other distribution periods, as the Trustees determine, in their discretion, from time to time, whether or not quarterly distributions are declared and paid. Where a distribution of distributable cash is declared by the Fund, such distribution will be made on a day within 30 days of the date of declaration. See **Item 5.2 - Cash Distributions to Trust Unitholders**.

The ability of the Fund to make cash distributions and the actual amount distributed depends, ultimately, on the operations of the Properties acquired by the Property LPs, and will be subject to various factors including those referenced in **Item 8 - Risk Factors**.

The Fund and its affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of source, for any purpose other than the redemption of Bridge Financing LP Units that are created and issued in connection with the acquisition/investment, so long as any of such Bridge Financing LP Units remains outstanding. Among other things, such restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. The material characteristics of the Bridge Financing LP Units are described in **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 - Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any

Bridge Financing LP Units have not been redeemed. Similarly, neither the Property LPs (including VHT Apartments LP) nor the US Limited Partnership may be in a position to pay cash distributions to its partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the applicable Property LP (including VHT Apartments LP) to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees and taxes.

- (4) The return on an investment in the Trust Units is not comparable to the return on an investment in fixed-income securities. Cash distributions to Trust Unitholders are not guaranteed and are not fixed obligations of either Trust; any receipt of cash distributions by a Trust Unitholder is at any time subject to the terms of the Declaration of Trust. Any anticipated return on investment is based upon many performance assumptions. Although the Fund intends to distribute its available cash to Trust Unitholders, cash distributions may be reduced or suspended at any time and from time to time. The ability of the Fund to make cash distributions and the actual amount distributed depends on the operations of the Properties acquired by the Property LPs, and will be subject to various factors including those referenced in **Item 8 - Risk Factors**. The value of the Trust Units may decline if the Fund is unable to meet its cash distribution targets in the future and that decline may be significant.

2.6 Insufficient Proceeds

The Available Funds may not be sufficient to accomplish the Fund's proposed objectives and there is no assurance that alternative financing will be available. The Fund intends to raise sufficient funds through debt or equity financing to fund the business of its subsidiaries. The Fund or its subsidiaries may, to the extent available on acceptable terms, obtain institutional financing or other arm's length, third party financing. No alternate financing has been arranged for the Fund or its subsidiaries. There is no assurance that alternative financing will be available on acceptable terms or at all. There is no assurance that the Fund will have adequate working capital to meet the anticipated requirements described in this offering memorandum. See **Item 8 - Risk Factors**.

If the Fund does not realize Offering Proceeds sufficient for it to implement its business strategy or meet the anticipated requirements described in this offering memorandum, it will not have completed the Eligibility Distribution within the required time limits so that the Trust Units can continue being held in Exempt Plans. There can be no assurance that, by March 31, 2015 or at all, the Fund will complete the Eligibility Distribution and have at least 150 Trust Unitholders, each holding at least \$500 worth of Trust Units. See **Item 6.1.1 - Certain Canadian Federal Income tax Considerations - Eligibility for Investment**.

2.7 Material Agreements

The following summarizes all formal, written agreements or commercial instruments that can reasonably be regarded as material, currently or upon being entered into, to the Fund in connection with the Offering, the use of Offering Proceeds or with a related party:

- 2.7.1 Declaration of Trust;
- 2.7.2 Clear Sky LP XVI Agreement;
- 2.7.3 US LP Agreement;
- 2.7.4 Property LP Agreements;
- 2.7.5 Cost Sharing & Support Agreement;
- 2.7.6 US Staffing and Administrative Services Agreement;
- 2.7.7 Canadian Staffing and Administrative Services Agreement;
- 2.7.8 VHT Acquisition Agreement; and
- 2.7.9 Subscription Agreements with Investors.

Prospective Investors may inspect a copy of each of the material agreements listed above, to the extent any such agreement has been entered into by the parties thereto, during normal business hours at the offices of the Fund, located at Suite 1900, 520 – 3rd Avenue SW, Calgary, Alberta T2P 0R3.

2.7.1 Declaration of Trust

The Declaration of Trust, which is dated January 2, 2015, contains the terms and conditions governing the relationship between the Trustees, as trustees, and the Trust Unitholders, as beneficiaries, and among the Trust Unitholders. The following description of Declaration of Trust and the descriptions set out elsewhere in this offering memorandum are a summary only of certain material terms and conditions of the Declaration of Trust, and do not purport to be complete. **The Fund may, without prior notice to Trust Unitholders or prospective Investors, make changes to the terms and conditions of the Declaration of Trust that are different than as summarized in this offering memorandum, provided such changes would not reasonably be considered materially adverse to the Fund. Prospective Investors are advised to discuss the Declaration of Trust and related matters in detail with their own legal and investment advisors and should not rely solely on the summary of the terms and conditions of the Declaration of Trust in this offering memorandum alone.**

The following is a summary only of certain provisions of the Declaration of Trust and is qualified in its entirety by the Declaration of Trust. Prospective Investors may inspect a copy of the Declaration of Trust, during normal business hours at the offices of the Fund, Suite 1900, 520 - 3rd Avenue SW, Calgary, Alberta T2P 0R3. In addition, each Trust Unitholder has the right to obtain from the Fund, on request without fee, a copy of the Declaration of Trust and any amendments thereto.

Purpose of the Fund

The Declaration of Trust provides that the purpose of the Fund is restricted to:

- (a) acquiring, investing in, holding, transferring, disposing of and otherwise dealing with securities of whatever nature or kind (other than a general partnership interest) of, or issued by, any other corporation, partnership, trust or other person involved, directly or indirectly, in the business of acquiring, holding, maintaining, developing, improving, leasing, managing or investing in real property, including Clear Sky LP XVI, and such other investments as the Trustees may determine, from time to time, and to borrow funds and issue debt securities, directly or indirectly, for that purpose, and to enter into hedging arrangements in relation to its own indebtedness;
- (b) temporarily holding cash and other short term investments in connection with and for the purposes of the Fund's activities, including paying administration and trust expenses, paying any amounts required in connection with the redemption of Trust Units or other securities of the Fund and making distributions to Trust Unitholders and borrowing funds and issuing debt securities for those purposes, directly or indirectly;
- (c) issuing Trust Units, Class B Trust Units, Special Voting Units and other securities of the Fund (including warrants, options, subscription receipts or other rights to acquire Trust Units, debt securities or other securities of the Fund), for the purposes of:
 - (i) obtaining funds to conduct the undertakings and activities described above, including raising funds for further investments, acquisitions or development;
 - (ii) repaying any indebtedness or borrowings of the Fund;
 - (iii) establishing and implementing unitholder rights plans, distribution reinvestment plans, Trust Unit purchase plans, incentive option plans or other compensation plans, if any, established by the Fund or an affiliate of the Fund;
 - (iv) making non-cash distributions to holders of Trust Units as contemplated by the Declaration of Trust, including in specie redemptions and distributions pursuant to distribution reinvestment plans, if any, established by the Fund;
 - (v) giving effect to any arrangement, reorganization, routine acquisition or routine disposition (as those terms are defined in the Declaration of Trust); or
 - (vi) satisfying obligations under exchangeable securities instruments, if any;
- (d) guaranteeing the obligations of its affiliates pursuant to any good faith debt for borrowed money or any other obligation incurred by such entity in good faith for the purpose of carrying on its business, and pledging

securities and other property owned by the Fund as security for any obligations of the Fund, including obligations under any such guarantee. The Fund may only provide a guarantee in respect of the indebtedness of another person if the Fund does not, directly or indirectly, receive any fees or other consideration for providing the guarantee and the Trustees have determined that such guarantee forms part of the core investment undertakings of the Fund; provided that the Fund will not, in any event, provide a guarantee which would result in the Fund not being considered a "unit trust" or a "mutual fund trust" for purposes of the Tax Act;

- (e) granting security in any form, over any or all of the Fund assets to secure any or all of the obligations of the Fund or its affiliates;
- (f) repurchasing or redeeming securities of the Fund, including Trust Units, subject to the provisions of this Declaration of Trust and applicable law;
- (g) carrying out any of the transactions, and entering into and performing any of the obligations of the Fund under any agreements contemplated by the Declaration of Trust, including pursuant exchangeable securities instruments, if any;
- (h) engaging in all activities ancillary or incidental to any of those activities set forth in paragraphs (a) through (g) above; and
- (i) undertaking such other activities or taking such actions, including investing in securities, as is to be approved by the Trustees from time to time,

provided that the Fund will not, in any event, undertake any activity, take any action, or make any investment which would result in the Fund not being considered a "unit trust" or a "mutual fund trust" for purposes of the Tax Act.

Trustees

Under the Declaration of Trust, the majority of the Trustees must be resident in Canada. The Fund must have not less than one and no more than five Trustees at all times.

The Declaration of Trust provides that, subject to its terms and conditions, the Trustees are to supervise the activities of and manage the affairs of the Fund and, as trustees, the Trustees have full, absolute and exclusive power, control, authority and discretion over the Fund's assets and over, and management of, the affairs of the Fund to the same extent as if the Trustees were the sole and absolute legal and beneficial owner of the Fund's assets. Subject only to express limitations in the Declaration of Trust, and provided that the exercise of such powers and authorities does not adversely affect the status of the Fund as a "unit trust" or a "mutual fund trust" for purposes of the Tax Act, the Trustees' powers and authorities include, but are not limited to, the following:

- (a) supervising the activities and managing the investments and affairs of the Fund;
- (b) maintaining records and providing reports to Trust Unitholders;
- (c) possessing and exercising all rights, powers and privileges pertaining to ownership (including voting privileges) of any securities comprising the assets of the Fund;
- (d) causing Trust Units to be issued for such consideration as the Trustees, in their sole discretion, may deem appropriate;
- (e) determining conclusively the allocation to capital, income or other appropriate accounts of all receipts, expenses and disbursements;
- (f) determining conclusively the value of any or all of the Fund's assets from time to time and, in determining such value, considering such information and advice as the Trustees, in their sole judgment, may deem material and reliable;
- (g) engaging or employing on behalf of the Fund any persons as agents, representatives, employees or independent contractors (including investment advisors, registrars, underwriters, accountants, lawyers, appraisers, brokers, consultants, depositories, custodians, transfer agents or otherwise) in one or more capacities;
- (h) engaging in, intervening in, prosecuting, joining, defending, compromising, abandoning or adjusting, by arbitration or otherwise, any actions, suits, disputes, claims, demands or other litigation or proceedings,

regulatory or judicial, relating to the Fund, the Fund's assets, activities or affairs, entering into agreements therefor, whether or not any suit or proceeding is commenced or claim asserted and, in advance of any controversy, entering into agreements regarding the arbitration, adjudication or settlement thereof;

- (i) effecting payments of distributions (if any) from the Fund to Trust Unitholders;
- (j) delegating any of the powers and duties of the Trustees to any one or more agents, representatives, officers, employees, independent contractors or other persons the doing of such things and the exercise of such powers hereunder as the Trustees may from time to time reasonably require;
- (k) causing title to any of the Fund assets to be drawn up in the name of such person on behalf of the Fund or, to the extent permitted by applicable law, in the name of the Fund, as the Trustees determine;
- (l) ensuring that the Fund qualifies at all times as a "mutual fund trust" pursuant to subsection 132(6) of the Tax Act;
- (m) ensuring that the Fund is at all times not a SIFT trust pursuant to Tax Act;
- (n) guaranteeing the obligations of any of Clear Sky LP XVI and any subsidiary of Clear Sky LP XVI and any other subsidiary of the Fund and granting security interests in the Fund's assets as security for such guarantee;
- (o) subdividing or consolidating from time to time the issued and outstanding Trust Units or Special Voting Units;
- (p) providing indemnities for Trustees and the directors and officers of any affiliate of the Fund; and
- (q) forming any subsidiary or affiliate of the Fund for the purpose of making any subsequent investment and entering into or amending any unanimous shareholders agreement or other agreement on such terms as may be approved by the Trustees.

The management of the business and affairs of the Fund resides with the Trustees. The initial Trustees are appointed as the initial Trustees of the Fund for an initial term of office which expires (subject to further appointment, election or resignation) at the close of the first annual meeting (if any) of Trust Unitholders. The Fund may but is not required to hold annual meetings of Trust Unitholders or any Trust Unitholder meetings on a periodic basis. The Fund does not, at this time, intend to call annual meetings for the election of Trustees or otherwise.

At annual meetings of Trust Unitholders (if any), Trustees are to be elected by Voting Unitholders. Such election or appointment is to be made by ordinary resolution passed at a meeting of Trust Unitholders convened and held for the purpose of electing Trustees or an ordinary resolution in writing in lieu of a meeting of Voting Unitholders. The Trustees may appoint additional Trustees at any time and from time to time provided the maximum number of Trustees so appointed does not exceed one half of the number of Trustees who held office as of the effective date of the Declaration of Trust and the last meeting of Trust Unitholders at which Trustees were elected, whichever is later. A Trustee may resign upon 30 days' written notice to the Fund. If a Trustee resigns, is removed as a trustee of the Fund, becomes incapable of acting or otherwise vacates such office, the remaining Trustees may fill the resulting vacancy without the need for a Trust Unitholders' meeting. Alternatively, a successor trustee may be appointed by resolution of the Voting Unitholders to fill the vacancy.

The Declaration of Trust provides that the Trustees must, as trustees, act honestly and in good faith with a view to the best interests of the Fund and will exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust provides that, as trustees, the Trustees and officers of the Fund are entitled to indemnification from the Fund in respect of the exercise of the Trustees' power and the discharge of the Trustees' duties, provided that the Trustee(s) seeking indemnity (or officer of the Fund seeking indemnity), acted honestly and in good faith with a view to the best interests of the Fund or, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where the Trustees (or officer of the Fund seeking indemnity) had reasonable grounds for believing that its conduct was lawful.

Meetings and Resolutions of Trust Unitholders

The Fund may but is not required to hold annual meetings of Trust Unitholders or any Trust Unitholder meetings on a periodic basis. The Trustees may call special meetings of the Trust Unitholders at any time and from time to time and for any purpose. The Fund does not, at this time, intend to call annual meetings for the election of Trustees or otherwise.

A meeting of Trust Unitholders may be convened at any time and for any purpose by the Trustees and must be convened, if requisitioned by a written requisition of Trust Unitholders holding not less than 40% of the total of the voting Trust Units then

outstanding. A written meeting requisition must set forth the name and address of each person who is supporting the requisition and the number of Voting Units held, state in reasonable detail the business proposed to be transacted at the meeting, and be sent to the Trustees in accordance with the Declaration of Trust.

Voting Unitholders may attend and vote at all meetings of the Trust Unitholders either in person or by proxy and a proxyholder need not be a Trust Unitholder. At any meeting of the Trust Unitholders, a quorum consists of two or more individuals present in person either holding personally or representing by proxy not less in aggregate than 5% of the votes attached to the total of the Trust Units then outstanding and entitled to vote at the meeting.

Certain Rights of Trustees Subject to Special Resolution

The Declaration of Trust provides that the Trustees will not, on behalf of the Fund or otherwise, without the authorization of the Voting Unitholders by a Special Resolution, take any action with respect to authorizing, or otherwise permit through action or inaction, any amalgamation, arrangement, recapitalization, business combination or other merger of Clear Sky LP XVI or any other affiliate of the Fund with any other person, except:

- (a) in conjunction with an internal reorganization as a result of which the Fund has the same interest, whether direct or indirect, in the Fund assets as the interest, whether direct or indirect, it had prior to the reorganization;
- (b) in conjunction with a routine acquisition or routine disposition;
- (c) in conjunction with an arrangement; and
- (d) in conjunction with the dissolution of the Fund.

Issuance of Trust Units

The Fund may issue new Trust Units from time to time. Trust Unitholders do not have any pre-emptive rights whereby additional Trust Units proposed to be issued are first offered to existing Trust Unitholders. New Trust Units may be issued for cash through public offerings, through rights offerings to existing Trust Unitholders (*i.e.*, in which Trust Unitholders receive rights to subscribe for new Trust Units in proportion to their existing holdings of the Trust Units) or through private placements (*i.e.*, offerings to specific investors which are not made generally available to the public or existing Trust Unitholders). The Fund may also issue new Trust Units as consideration for the acquisition of new properties or assets by it (to the extent permitted) or its subsidiaries. The Trustees, in their sole discretion, will determine the price or the value of the consideration for which Trust Units may be issued. See **Item 5.1 - Trust Units**.

Transfer of Trust Units

Trust Units may only be transferred in accordance with applicable securities laws and the Declaration of Trust. The Declaration of Trust provides that no Trust Units are to be transferred without the express consent of the Trustees and otherwise in accordance with the Declaration of Trust. See **Item 8 - Risk Factors** and **Item 10.3 - Transfer Restrictions in the Declaration of Trust**.

Redemption of Trust Units

Trust Units are redeemable at the option of the Trust Unitholder. For the purposes of calculating a redemption price per Trust Unit, the Fund proposes to determine from time to time the most recent fair value of the Fund's assets less the most recent fair value of the Fund's liabilities (such amount as determined on a consolidated basis, at any time, is the "**NAV**"), such determinations to be made by the Trustees twice during each financial year at approximately six month intervals. Such NAV amounts are then to be divided by the issued and outstanding Participating Trust Units, adjusted for any potentially diluting instruments or securities (including options and warrants) to provide Net Asset Value per Trust Unit (such amount as determined on a consolidated basis, at any time, is the "**Net Asset Value per Trust Unit**").

A Trust Unitholder who wishes to exercise his redemption right must complete and deliver a redemption notice form (available from the Trustees or the Fund) to the Fund. Upon the Fund's receipt of the redemption notice, all rights to and under the Trust Units tendered for redemption are surrendered (including the right to receive any distributions thereon that are declared payable to the Trust Unitholders after the day of the Fund's receipt of the redemption notice) and the former holder thereof is entitled only to receive a redemption price per Trust Unit calculated as follows (the "**Redemption Price**"):

- (a) if the Redemption Date (defined below) is on or before the first anniversary of the date that such Trust Unit was acquired by the Trust Unitholder (the "**First Redemption Period**"), the Redemption Price is equal to 94% of the applicable Net Asset Value per Trust Unit as of the applicable Redemption Date;

- (b) if the Redemption Date is after the First Redemption Period but on or before the date that is one year after the last day of the First Redemption Period (the "**Second Redemption Period**"), the Redemption Price is equal to 96% of the of the applicable Net Asset Value per Trust Unit as of the applicable Redemption Date;
- (c) if the Redemption Date is after the Second Redemption Period but on or before the date that is one year after the last day of the Second Redemption Period (the "**Third Redemption Period**"), the Redemption Price is equal to 98% of the of the applicable Net Asset Value per Trust Unit as of the applicable Redemption Date; and
- (d) if the Redemption Date is any time after the third Redemption Period, the Redemption Price is equal to 100% of the of the applicable Net Asset Value per Trust Unit as of the applicable Redemption Date,

plus any declared but unpaid distributions attributable to such Trust Unit.

Trust Units are considered to be tendered for redemption on the date that the Fund has, to the satisfaction of the Trustees, received the Trust Unitholder's redemption notice and further documents or evidence that the Trustees may reasonably require with respect to the identity, capacity or authority of the person giving the redemption notice ("**Redemption Date**"). The aggregate Redemption Price payable by the Fund in respect of Trust Units tendered for redemption is to be satisfied by way of a cash payment (to be paid by cheque) on the last day of the calendar month following the calendar quarter in which the Trust Units were tendered for redemption, provided that the entitlement of a Trust Unitholder to receive cash upon the redemption of such holder's Trust Units is subject to limitations, including that:

- (e) the total amount payable by the Fund in respect of such Trust Units and all other Trust Units tendered for redemption in the same calendar quarter exceeds CD\$50,000; provided that the Trustees may, in their sole discretion, waive such limitation in respect of all Trust Units tendered for redemption in any calendar quarter; or
- (f) in the Trustees' opinion (in their sole discretion), the Fund has insufficient liquid assets to fund such redemptions or that the dissolution and liquidation of assets at such time would be to the detriment of the remaining Trust Unitholders or the Fund generally.

If, as a result of any such limitations under the Declaration of Trust, a Trust Unitholder is not entitled to receive cash upon the redemption of some or all of the Trust Units tendered for redemption, then the Redemption Price per Trust Unit to which the Trust Unitholder would otherwise be entitled, is to be paid and satisfied by the delivery to holders of Trust Units tendered for redemption of a distribution in specie of Redemption Notes (subject to any applicable regulatory approvals) in integral multiples of the applicable Redemption Trust Unit. In such circumstances, the Fund will issue a cheque to the Trust Unitholder for the amount (if any) that is not subject to limitation or it will distribute Redemption Notes in satisfaction of the redemption price or portion thereof that is subject to limitation. No fractional Redemption Notes in integral multiples of less than the applicable Redemption Price are to be distributed and where the number of such Redemption Notes to be received by a Trust Unitholder includes a fraction or multiple less than the applicable Redemption Price, the Fund shall issue a cheque to the Trust Unitholder for such amount.

The Declaration of Trust provides that the Fund shall redeem Trust Units according to the order in which redemption notices are received by the Trustees. In addition, Trust Units tendered for redemption in any calendar quarter in which the total amount payable by the Fund exceeds CD\$50,000 (provided that certain other limitations on cash redemptions do not apply) are to be redeemed for a combination of cash and a distribution of Redemption Notes on a *pro rata* basis; provided however that, if the CD\$50,000 quarterly cash limit has not been exhausted by redemptions which pre-date the redeeming Trust Unitholder's redemption notice, then the minimum cash to be distributed to such redeeming Trust Unitholder is to be not less than CD\$1,000 (unless waived by the Trustees, in their sole discretion, or the entire Redemption Price is paid in cash). For example if the Fund receives more than 50 redemption requests in a calendar quarter, then (provided that certain other limitations on cash redemptions do not apply) the first 50 redeeming Trust Unitholders are to receive the first \$1,000 of their Redemption Price in cash (provided the other limitations on cash redemptions described above do not apply) and the remainder of the Redemption Price by a distribution in specie, and each redeeming Trust Unitholder beyond the first 50 is to receive the entire Redemption Price by a distribution in specie.

However, the Fund and its affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of source, for any purpose other than the redemption of Bridge Financing LP Units that are created and issued in connection with the acquisition/investment, so long as any of such Bridge Financing LP Units remains outstanding. Among other things, such restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. The material characteristics of the Bridge Financing LP Units are described in **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 - Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash

distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the Property LPs (including VHT Apartments LP) nor the US Limited Partnership may be in a position to pay cash distributions to its partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the applicable Property LP (including VHT Apartments LP) to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees and taxes.

See **Item 4.1 – Capital Structure – Equity Capital** for a description of any Trust Unit redemptions as of the date of this offering memorandum.

Principals of the Fund and its affiliates (including persons who are Trustees and directors and officers of the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs or the general partners thereof, and their affiliates) have indicated to the Fund an interest in investing in Trust Units, directly or indirectly, at any time and from time when the Fund redeems, purchases otherwise acquires Trust Units, in amounts up to the Fund's cost of redeeming, purchasing or acquiring such Trust Units. Investment capital may be paid to the Fund (for the issuance of additional Trust Units) to offset, in whole or in part, the Fund's cost of redeeming, purchasing or acquiring such Trust Units. Alternatively, such principals of the Fund and its affiliates may offer to acquire Trust Units that have been tendered for redemption. However, none of the principals of the Fund or its affiliates is guaranteeing the payment of any amount for the Trust Units of any Trust Unitholder who wishes to dispose of such securities, whether pursuant to the exercise of redemption or purchase rights or otherwise. There is no assurance that any principals of the Fund or its affiliates will subscribe for additional Trust Units. Similarly, there is no assurance that any principals of the Fund or its affiliates will offer to acquire any Trust Units that are or may be tendered to the Fund for redemption. For clarity, no offer to purchase any Trust Units has been or is being made and no person has solicited or is soliciting any offer to sell Trust Units that are or may be tendered to the Fund for redemption. If any such individual (or an entity beneficially owned or controlled by him) acquires additional Trust Units (by subscription or transfer, as the case may be) at any time when the Fund redeems, purchases or otherwise acquires Trust Units from a Trust Unitholder, he will beneficially hold a larger proportionate share (based on the respective levels of investment capital) in distributions of Net Available Cash or other payments, if any, that may be made to Participating Trust Unitholders, and the remaining Trust Unitholders may hold a proportionately smaller share. Further, in the event that any such individual (or an entity beneficially owned or controlled by him) acquires additional Trust Units (by subscription or transfer, as the case may be) at any time when the Fund redeems, purchases or otherwise acquires Trust Units from a Trust Unitholder, he will have done so in his personal capacity and for his own investment purposes. If any principal of the Fund or its affiliates acquires beneficial ownership, directly or indirectly, of additional Trust Units in such a circumstance, he is not to be considered as acting jointly or in concert with the Fund or any other offeror in connection with the Fund's redemption, purchase or otherwise acquisition of Trust Units from any Trust Unitholder.

Redemption at the Option of the Fund

The Fund may at any time and from time to time, upon giving a retraction notice, redeem one or more of the then outstanding Trust Units as if such Trust Units were tendered by the applicable Trust Unitholder(s) for redemption as at the date of the retraction notice, provided that in the Trustees' opinion (in their sole discretion), the Fund has sufficient liquid assets to fund such redemptions or that the dissolution and liquidation of assets at such time would not be to the detriment of the remaining Trust Unitholders or the Fund generally. The Fund may pay a price per Trust Unit to redeem or purchase one or more Trust Units from one or Trust Unitholders in such circumstance that is not less than the Redemption Price applicable at the time of the retraction notice, in otherwise the same manner as it would pursuant to a Trust Unitholder's request for redemption, including by a distribution *in specie* of any Trust Assets.

Additionally, the Fund may from time to time purchase for cancellation some or all of the Trust Units (or other securities of the Fund which may be issued and outstanding from time to time) in the market, by private agreement or upon any recognized stock exchange on which such Trust Units are traded or pursuant to tenders received by the Fund upon request for tenders addressed to all holders of record of Trust Units, provided in each case that the Trustees have determined that such purchases are in the best interests of the Fund and are completed in accordance with applicable law (including applicable securities laws). Any such purchase by the Fund may constitute an "issuer bid" under Canadian securities legislation and must be conducted in accordance with the applicable requirements.

Principals of the Fund and its affiliates (including persons who are Trustees and directors and officers of the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs or the general partners thereof, and their affiliates) have indicated to the Fund an interest in investing in Trust Units, directly or indirectly, at any time and from time when the Fund redeems, purchases otherwise acquires Trust Units, in amounts up to the Fund's cost of redeeming, purchasing or acquiring such Trust Units. Investment capital may be paid to the Fund (for the issuance of additional Trust Units) to offset, in whole or in part, the Fund's cost of redeeming, purchasing or acquiring such Trust Units. Alternatively, such principals of the Fund and its affiliates may offer to acquire Trust Units that have been tendered for redemption. However, none of the principals of the Fund or its affiliates is guaranteeing the payment of any amount for the Trust Units of any Trust Unitholder who wishes to dispose of such securities, whether pursuant to the exercise of redemption or purchase rights or otherwise. There is no assurance that any principals of the Fund or its affiliates will subscribe for additional Trust Units. Similarly, there is no assurance that any principals of the Fund or its affiliates will offer to acquire any Trust Units that are or may be tendered to the Fund for redemption. For clarity, no offer to purchase any Trust Units has been or is being made and no person has solicited or is soliciting any offer to sell Trust Units that are or may be tendered to the Fund for redemption. If any such individual (or an entity beneficially owned or controlled by him) acquires additional Trust Units (by subscription or transfer, as the case may be) at any time when the Fund redeems, purchases or otherwise acquires Trust Units from a Trust Unitholder, he will beneficially hold a larger proportionate share (based on the respective levels of investment capital) in distributions of Net Available Cash or other payments, if any, that may be made to Participating Trust Unitholders, and the remaining Trust Unitholders may hold a proportionately smaller share. Further, in the event that any such individual (or an entity beneficially owned or controlled by him) acquires additional Trust Units (by subscription or transfer, as the case may be) at any time when the Fund redeems, purchases or otherwise acquires Trust Units from a Trust Unitholder, he will have done so in his personal capacity and for his own investment purposes. If any principal of the Fund or its affiliates acquires beneficial ownership, directly or indirectly, of additional Trust Units in such a circumstance, he is not to be considered as acting jointly or in concert with the Fund or any other offeror in connection with the Fund's redemption, purchase or otherwise acquisition of Trust Units from any Trust Unitholder.

Takeover Bids

The Declaration of Trust contains provisions relating to takeover bids made to acquire Trust Units. Under the Declaration of Trust, if a takeover bid is made to acquire Trust Units and at least 90% of the Trust Units on a fully-diluted basis (other than Trust Units beneficially owned, or over which control or direction is exercised, on the date of the takeover bid, by the offeror or affiliates or associates of the offeror or any person or company acting jointly or in concert with the offeror) are taken up and paid for by the offeror, then the offeror is entitled to acquire the Trust Units held by Trust Unitholders who did not accept the takeover bid on the terms offered by the offeror, pursuant to the procedures set out in the Declaration of Trust. The Declaration of Trust does not provide a mechanism for Trust Unitholders who do not tender their Trust Units to a takeover bid to apply to a court to fix the fair value of their Trust Units.

Court-Approved Arrangements

The Declaration of Trust contains provisions substantially analogous to section 193 of the ABCA, which allow the Fund to be arranged by an order of the Court of Queen's Bench of Alberta. To do so, the Fund must make an application to the Court for an order approving the arrangement. In such event, the Fund would hold a meeting of Trust Unitholders to vote on the arrangement. In addition, the Court may also require a meeting of other parties affected by the arrangement. In most circumstances, the securityholder approval at such meeting would be at least 66⅔% of each class or affected group, in the Court's discretion. If the securityholder resolution(s) are in writing and signed by all of the persons entitled to vote, then the Fund would not need to hold the meeting and the arrangement resolution would be as valid as if it had been passed at a meeting. Upon the required securityholder approval of the arrangement, the Court has discretion to approve the arrangement. The arrangement would become effective upon the filing of the articles of arrangement with the registrar. See **Item 5.1.5 - Rights of Trust Unitholders**.

Notices to Trust Unitholders and Trustees

The Declaration of Trust provides that any notice or other document required to be given or sent to Trust Unitholders under the Declaration of Trust is to be given or sent through ordinary post addressed to each registered holder at his or her last address appearing on the Trust Unitholder register or in any other manner from time to time permitted by applicable law including Internet-based or other electronic communications; provided that if there is a general discontinuance of postal service due to strike, lockout or otherwise, such notice may be given by personal service or by Internet-based or other electronic communication (provided it is done in accordance with applicable law) or by publication twice in the Report on Business section of the National Edition of The Globe and Mail or similar section of any other newspaper having national circulation in Canada; provided further that if there is no newspaper having national circulation, then by publishing twice in the business section of a newspaper in each city where the Trust Unitholder register or a branch register is maintained. Any notice so given is deemed to have been given:

- (a) on the day following that on which the letter or circular was posted;

- (b) in the case of notice being given by publication, after publishing such notice twice in the designated newspaper or newspapers; or
- (c) in the case of notice given by Internet-based or other electronic communication, on the later of
 - (i) the business day following the day on which such notice is sent or made available; and
 - (ii) the earliest time and date permissible under applicable governing Internet-based or other electronic communications.

In proving notice was posted, it is sufficient to prove that such letter or circular was properly addressed, stamped and posted.

In addition, the Declaration of Trust provides that any written notice or written communication given to the Trustees is to be given at the head office of the Fund or, if the Fund has appointed and retained a transfer agent, such notice is to be addressed to the Trustees c/o the transfer agent with a copy to the head office of the Fund, and (in any case) is deemed to have been given on the date of delivery or, if mailed, five days from the date of mailing. If any such notice or communication has been mailed and if regular mail service is interrupted by strikes or other irregularities, such notice or communication is deemed to have been received 48 hours after 12:01 a.m. on the day following the resumption of normal mail service, provided that during the period that regular mail service is interrupted any notice or other communication is given by personal delivery or by fax or other prepaid, transmitted or recorded communication.

Further, the Declaration of Trust provides that the failure by the Trustees, by accident or omission or otherwise unintentionally, to give any Trust Unitholder any notice provided for Declaration of Trust does not affect the validity, effect or taking effect of any action referred to in such notice, and the Trustees are not liable to any Trust Unitholder for any such failure. As well, service of a notice or document on any one of several joint holders of Trust Units is deemed effective service on the other joint holders. Any notice or document sent by post to or left at the address of a Trust Unitholder pursuant to the Declaration of Trust is, notwithstanding the death or bankruptcy of such Trust Unitholder, and whether or not the Trustees have notice of such death or bankruptcy, deemed to have been fully served and such service is deemed sufficient service on all persons having an interest in the Trust Units concerned.

Special Voting Units

The Declaration of Trust allows for the creation of Special Voting Units that enable the Fund to provide voting rights to holders of Exchangeable Securities (being securities of a direct or indirect subsidiary of the Fund that are convertible into or exchangeable for Trust Units). Special Voting Units may be created and issued pursuant to the Declaration of Trust to a voting and exchange trustee, as determined by the Trustees, in their discretion.

A Special Voting Unitholder is not entitled to any interest or share in the distributions or net assets of the Fund and is only entitled to such number of votes at Trust Unitholder meetings as is equal to the number of Trust Units into which the Exchangeable Securities to which such Special Voting Unit relates or are exchangeable or convertible.

The Special Voting Units will be subject to such other rights and limitations as may be determined by the Trustees at the time of issuance of the Special Voting Units. Special Voting Units may only be transferred by the holders thereof together with the related Exchangeable Securities and such transfer is effective only upon the transferee becoming the registered owner of the related Exchangeable Securities.

As of the date of this offering memorandum, no Special Voting Units have been created or issued.

Class B Trust Units

The Fund is authorized to issue an unlimited number of Class B Trust Units, which may be issued from time to time in one or more series having the number of Class B Trust Units comprised in each series and the designation, limitations, rights, privileges, restrictions and conditions attaching to each series of Class B Trust Units, as determined by the Trustees at any time and from time to time before the issuance thereof, including that:

- (a) the Trustee(s) may determine and fix at any time and from time to time before the issue of any Class B Trust Units of a particular series, by resolving to approve and authorize an instrument setting forth the number of Class B Trust Units comprised in the series and the designation, limitations, rights, privileges, restrictions and conditions attaching to the series of Class B Trust Units, and upon such approval by resolution such instrument is deemed to be attached to and forms an integral part of the Declaration of Trust as a schedule, all without approval or authorization of any of the Trust Unitholders; and

- (b) without limiting the generality of the foregoing, the Trustees may determine and fix from time to time before the issue of any of Class B Trust Units of the series on the basis contemplated in paragraph (a) above, any voting rights, the right to, or rate or amount of, allocations (cumulative or otherwise) of net income, net loss, taxable income and tax loss in proportion to all other Participating Trust Units, the right to share in, or rate or amount of, advances or distributions of cash and any other distributions to participating unitholders (cumulative or otherwise) and to receive the remaining Fund's assets on dissolution in proportion to all other Participating Trust Units, the dates of payment of distributions, any preferential rights over other another class of Trust Units, including preferential or cumulative rights to distributions or assets upon dissolution of the Fund, the terms and conditions of redemption, purchase and conversion (if any), sinking fund provisions (if any), the rate or amount of the remaining Fund's assets to be returned to Class B Trust Unitholders of such series upon liquidation, dissolution of the Fund.

As of the date of this offering memorandum, the Trustees have not created any series of Class B Trust Units and no Class B Trust Units have been issued or sold. In determining any series of Class B Trust Units (if any), the Trustees may establish certain limitations, rights, privileges, restrictions or conditions in view of the effect on the Fund's status as a "mutual fund trust" under the Tax Act.

Amendments to the Declaration of Trust

The Declaration of Trust contains provisions that allow it to be amended or altered from time to time by the Trustees with the consent of the Trust Unitholders by a Special Resolution. However, the Trustees, at their discretion and without the approval of the Trust Unitholders, are entitled to make certain amendments to the Declaration of Trust, including amendments for the purposes of:

- (a) ensuring continuing compliance with applicable law, regulations or policies of any authorized authority having jurisdiction over the Trustees, the Fund or Trust Unitholders (or any class or series thereof) or Special Voting Unitholders;
- (b) providing additional protection or added benefits, in the opinion of counsel, for the Trust Unitholders (or any class or series thereof) or Special Voting Unitholders (including a change in the governing law of the Fund);
- (c) providing for the creation and issue of additional classes or series of Trust Units;
- (d) removing any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Trust Unitholders (or any class or series thereof) or Special Voting Unitholders;
- (e) changing the *situs* of, or the laws governing, the Fund which, in the opinion of the Trustees, is desirable in order to provide Trust Unitholders (or any class or series thereof) or Special Voting Unitholders (if any) with the benefit of any legislation limiting their liability provided that such change does not introduce a material disadvantage to the Trust Unitholders (or any class or series thereof) or Special Voting Unitholders (if any) that did not exist prior to such change;
- (f) making amendments that, in the Trustees' opinion, are necessary or desirable as a result of changes in taxation laws or policies of any authorized authority having jurisdiction over the Trustees, the Fund or the Trust Unitholders (or any class or series thereof) or Special Voting Unitholders; or
- (g) ensuring that the Fund qualifies or continues to qualify as a "mutual fund trust" under the Tax Act.

Notwithstanding the foregoing, no such amendment, alteration, supplement or restatement is valid under the Declaration of Trust or binds the Trustees or any Trust Unitholder (or any class or series thereof) or Special Voting Unitholder to the extent that it purports to:

- (h) modify the voting rights in the Declaration of Trust without the approval or consent of the Voting Unitholders by resolution passed by the affirmative votes of the holders of more than 90% of the total of the Voting Units then outstanding and represented at a meeting called for such purpose;
- (i) reduce the percentage of votes required to be cast at a meeting of the Voting Unitholders for any Voting Unitholder approval or Special Resolution, without the approval or consent of the Voting Unitholders by resolution passed by the affirmative votes of the holders of more than 90% of the total of the Voting Units then outstanding and represented at the meeting called for such purpose;

- (j) reduce the equal undivided interest in the Fund's assets represented by any participating Trust Unit (of any class or series thereof) without the approval or consent of the participating Trust Unitholders of the same class or series by resolution passed by the affirmative votes of the holders of more than 90% of the total of the participating Trust Units of the same class or series then outstanding and represented at the meeting called for such purpose; or
- (k) results in the Fund failing to qualify as a "mutual fund trust" under the Tax Act at any time.

Fiscal Year End

The Fund's financial year-end is December 31.

Other

For a description of and other information about the Trust Units, including the terms of the Declaration of Trust regarding Trust Unitholder meetings and resolutions, withholding taxes, issue and sale of Trust Units, purchases of Trust Units by the Fund, see **Item 5.1 - Trust Units**. For information regarding distributions by the Fund on Trust Units, see **Item 5.2 - Cash Distributions to Trust Unitholders**.

For information about the terms of the Declaration of Trust regarding restrictions on any transfer of Trust Units, see **Item 10.3 - Transfer Restrictions in the Declaration of Trust**.

2.7.2 Clear Sky LP XVI Agreement

The mutual rights and obligations of Clear Sky GP (sole general partner), the Fund (sole voting limited partner holding Class A LP Units), and any holders of Class B LP Units (including any Bridge Equity Investor(s) holding Bridge Financing LP Units) as the partners of Clear Sky XVI are to be governed by the Clear Sky LP XVI Agreement, which was entered into as of the first Closing Date with effect from the date of formation, July 9, 2015. Marcus Kurschat beneficially owns or controls, directly or indirectly, all of the securities of Clear Sky GP. Consequently, Mr. Kurschat will receive income (indirectly) from his beneficial ownership of Clear Sky GP. See **Item 5.2.2 - Funds Flow from the Properties** for a description of the distributions from the US Limited Partnership to its partners, including Clear Sky LP XVI as limited partner, and distributions by Clear Sky LP XVI to its partners.

The following description of the Clear Sky LP XVI Agreement and the descriptions set out elsewhere in this offering memorandum are a summary only of certain material terms and conditions of the Clear Sky LP XVI Agreement, and do not purport to be complete. **Clear Sky LP XVI may, without prior notice to Trust Unitholders make changes to the terms and conditions of the Clear Sky LP XVI Agreement that are different than as summarized in this offering memorandum, provided such changes would not reasonably be considered materially adverse to the Fund.**

The following is a summary only of certain provisions of the Clear Sky LP XVI Agreement and is qualified in its entirety by the Clear Sky LP XVI Agreement. Prospective Investors may after the first Closing Date inspect a copy of the Clear Sky LP XVI Agreement, during normal business hours at the offices of the Fund, Suite 1900, 520 – 3rd Avenue SW, Calgary, Alberta T2P 0R3. In addition, each Trust Unitholder has the right to obtain from the Fund, on request without fee, a copy of the Clear Sky LP XVI Agreement and any amendments thereto.

Capital of Clear Sky LP XVI

The capital of Clear Sky LP XVI consists of the aggregate of all sums of money or other property contributed by the Clear Sky LP XVI limited partners as capital contributions and not withdrawn by or returned to them. The limited partners' capital contributions are made through investment in limited partnership units. See **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital Accounts**.

The interest of the limited partners in Clear Sky LP XVI is divided into:

- (a) an unlimited number of Class A voting limited partnership units (the "**Class A LP Units**"), each of which Class A LP Units of Clear Sky LP XVI has attached to it (in addition to all other limitation rights, privileges, restrictions and conditions ascribed thereto under Clear Sky LP XVI Agreement):
 - (i) *Right to Vote* - except as otherwise expressly provided in Clear Sky LP XVI Agreement, the right of the Fund to receive notice of and to attend any meetings of limited partners and to one vote for each Class A LP Unit held by such limited partner;

- (ii) Participation in Allocations - the right, privilege, restriction or condition of the Fund (as the Class A LP Unitholder) to allocations of 99.99% of the net income, net loss, taxable income and tax loss as provided in Clear Sky LP XVI Agreement; and
- (iii) Participation in Distributions - the right of the Fund (as the Class A LP Unitholder) to receive 99.99% of all advances or distributions of property or assets (including Net Available Cash) and any other distributions to partners and to receive 99.99% of the remaining property or assets of Clear Sky LP XVI on dissolution in accordance with the terms of Clear Sky LP XVI Agreement,

subject to the specific limitation rights, privileges, restrictions and conditions ascribed to any series of Class B LP Units, including any Bridge Financing LP Units that may be created and issued in connection with the acquisition of or investment in any Property; and

- (b) an unlimited number of Class B voting limited partnership units (the "**Class B LP Units**"), which may from time to time be issued in one or more series having the number of Class B LP Units comprised in each series and the designation, limitation rights, privileges, restrictions and conditions attaching to each series of Class B LP Units, as determined by the Clear Sky GP at any time and from time to time.

The Fund holds and will hold all the outstanding Class A LP Units that may be issued from time to time and, accordingly, the Fund is and will be the sole voting limited partner of Clear Sky LP XVI.

Offering Proceeds may be used by Clear Sky LP XVI to fund, in whole or in part, the redemption, purchase or other acquisition of Bridge Financing LP Units, at any time and from time to time. See **Item 1.1 – Available Funds** and **Item 1.2 – Use of Available Funds**.

In addition to the restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units, the Fund, Clear Sky LP XVI and their affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of source, for any purpose other than the redemption of Bridge Financing LP Units that are created and issued in connection with the acquisition/investment, so long as any of such Bridge Financing LP Units remains outstanding. Among other things, such restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. The material characteristics of the Bridge Financing LP Units are described in **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 - Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the Property LPs (including VHT Apartments LP) nor the US Limited Partnership may be in a position to pay cash distributions to its partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the applicable Property LP (including VHT Apartments LP) to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees and taxes.

Authority and Liability of Clear Sky GP

Under the terms of the Clear Sky LP XVI Agreement, Clear Sky GP, as general partner, will carry on the business of Clear Sky LP XVI and is given full and exclusive power and authority to manage, control, administer, advise and operate the business and affairs of Clear Sky LP XVI and to make decisions regarding the undertaking and business of Clear Sky LP XVI, subject to the provisions of the *Partnership Act* (Alberta) and except for certain matters being subject to approval of the Clear Sky LP XVI limited partners.

Clear Sky GP, as general partner, has unlimited liability for the debts, liabilities and obligations of Clear Sky LP XVI to the extent required by but, subject always to the provisions of the *Partnership Act* (Alberta) and other applicable legislation and terms of the Clear Sky LP XVI Agreement.

Clear Sky GP will exercise its powers and authorities, discharge its duties and manage and operate Clear Sky LP XVI and the undertaking, property and assets thereof, honestly, in good faith and in the best interests of the limited partners of Clear Sky LP XVI, and will exercise the care, diligence and skill of a reasonably prudent person, and will maintain the confidentiality of financial and other information and data which it may obtain through or on behalf of Clear Sky LP XVI, the disclosure of which may adversely affect the interests of Clear Sky LP XVI or the limited partners of Clear Sky LP XVI, except to the extent that disclosure is required by law or is in the best interests of Clear Sky LP XVI, and it will utilize the information and data only for the business and affairs of Clear Sky LP XVI.

Clear Sky GP, as the general partner of Clear Sky LP XVI, may, in its discretion and to the extent desired or considered necessary by Clear Sky GP, provide administrative, advisory, management, operational and other services to Clear Sky LP XVI in connection with a Property LP acquiring (or investing in) and, thereafter, renovating, repairing, maintaining, upgrading or otherwise making rent-ready, renting or disposing of the Properties and otherwise managing the Properties portfolio.

No Clear Sky LP XVI limited partner is permitted to take part in the management of the business of Clear Sky LP XVI. A Clear Sky LP XVI limited partner is not liable for any debts, liabilities or obligations of Clear Sky LP XVI in excess of such Clear Sky LP XVI limited partner's paid capital contributions and any unpaid capital contributions agreed to be paid in respect of such Clear Sky LP XVI limited partner's units, provided such Clear Sky LP XVI limited partner does not take part in the control or management of the business of Clear Sky LP XVI. Any action taken by Clear Sky GP on behalf of Clear Sky LP XVI is deemed to be an act of Clear Sky LP XVI and binds Clear Sky LP XVI.

Reimbursement of Costs and Expenses

Clear Sky LP XVI will pay all costs, disbursements and other fees and expenses incurred in connection with all matters under the Clear Sky LP XVI Agreement and incurred in managing, controlling, administering and operating the business and affairs of Clear Sky LP XVI, including the organization of Clear Sky LP XVI, the registration of Clear Sky LP XVI under the *Partnership Act* (Alberta) and under similar legislation of other jurisdictions, the issue and sale of Clear Sky LP XVI limited partnership units, the admission of Clear Sky LP XVI limited partners, the transfer of Clear Sky LP XVI limited partnership units, Clear Sky LP XVI's purchase, redemption or other acquisition of Clear Sky LP XVI limited partnership units, maintenance and updates of the Clear Sky LP XVI register, maintenance and updates of all capital or current accounts, all allocations of net income, net loss, taxable income and tax loss, all distributions of assets of Clear Sky LP XVI (including cash available for distribution), and the dissolution of Clear Sky LP XVI.

Clear Sky LP XVI will reimburse Clear Sky GP for all direct costs and expenses incurred on the Clear Sky LP XVI's behalf by Clear Sky GP in the exercise of its rights or performance of its duties under the Clear Sky LP XVI Agreement, provided that Clear Sky GP is not in default of its rights or duties, in connection with such costs and expenses.

Specific Powers of Clear Sky GP

Clear Sky GP is authorized on behalf of and without further authority from the limited partners of Clear Sky LP XVI to do all things which in its sole judgment are necessary, proper or desirable to carry on the business and purposes of Clear Sky LP XVI, including but not limited to, the following:

- invest in the US Limited Partnership for the purpose of carrying out any acquisition (or otherwise investment in), development, management and sale of real and personal property;
- see to the management, control, administration and operation of Clear Sky LP XVI, and to develop, manage, control, administer and operate all activities of Clear Sky LP XVI and take all measures necessary or appropriate for the business of Clear Sky LP XVI or ancillary thereto;
- incur and pay all costs, taxes, fees and other expenses, in connection with Clear Sky LP XVI or relating to the orderly maintenance, repair, management and operation of the business of Clear Sky LP XVI;
- employ, retain, engage or dismiss from employment, personnel, agents, representatives or professionals or other investment participants, or otherwise subcontract any of its functions as Clear Sky GP, with the powers and duties upon the terms and for the compensation as in the discretion of Clear Sky GP may be necessary or advisable in the carrying on of the business and affairs of Clear Sky LP XVI;

- negotiate, execute and perform all agreements which require execution by or on behalf of Clear Sky LP XVI involving matters or transactions with respect to Clear Sky LP XVI's business, affairs or purpose (and such agreements may limit the liability of Clear Sky LP XVI to the assets of Clear Sky LP XVI, with the other party to have no recourse to the assets of Clear Sky GP, even if the same results in the terms of the agreement being less favourable to Clear Sky LP XVI);
- open and operate, either in its own name or in the name of Clear Sky LP XVI, bank accounts in order to deposit and to spend the capital of Clear Sky LP XVI in the exercise of any right or power exercisable by Clear Sky GP hereunder;
- provide administration, advisory, management, operational and other services to Clear Sky LP XVI, the US Limited Partnership or to any Property LP in connection with a Property LP acquiring (or investing in) and, thereafter, renovating, repairing, maintaining, of the Properties and otherwise managing the Properties portfolio;
- mortgage, charge, assign, hypothecate, pledge or otherwise create a security interest in all or any assets or property of Clear Sky LP XVI now owned or hereafter acquired, to secure any present and future borrowings and related expenses of Clear Sky LP XVI and to sell all or any of such property pursuant to a foreclosure or other realization upon the foregoing encumbrances;
- borrow funds in the name of Clear Sky LP XVI from time to time, from Clear Sky GP or its Affiliates or from financial institutions or other lenders as Clear Sky GP may determine without limitation with regard to amount, cost or conditions of reimbursement of such loan;
- acquire securities of entities engaged primarily in businesses which are permitted businesses for Clear Sky LP XVI, including the US Limited Partnership;
- hold Clear Sky LP XVI assets and any assets or property, or any interest therein, in the name of Clear Sky GP, Clear Sky LP XVI or other designated person;
- purchase or acquire (or otherwise invest in), maintain, improve, renovate, repair, upgrade or expand, assets or property on behalf of Clear Sky LP XVI or, subject to Clear Sky LP XVI Agreement, sell, transfer or otherwise dispose of the whole or any part of Clear Sky LP XVI's assets or property, all on such terms and conditions as Clear Sky GP may determine;
- act as the registrar and transfer agent for Clear Sky LP XVI, or retain another person to so act;
- invest cash assets of Clear Sky LP XVI that are not immediately required for the business of Clear Sky LP XVI in investments which Clear Sky GP considers appropriate, including Permitted Investments;
- act as attorney in fact or agent of Clear Sky LP XVI in disbursing and collecting moneys for Clear Sky LP XVI, paying debts and fulfilling the obligations of Clear Sky LP XVI and handling and settling any claims of Clear Sky LP XVI;
- grant and execute debentures, promissory notes, mortgages, documents and other instruments charging the whole or any part of Clear Sky LP XVI's assets and undertaking and any undivided interest of the Clear Sky LP XVI limited partners in such assets and undertaking;
- retain legal counsel, experts, advisors or consultants as Clear Sky GP considers appropriate and rely upon the advice of such persons;
- commence or defend any action or proceeding in connection with Clear Sky LP XVI, including acting on behalf of Clear Sky LP XVI with respect to commencing or defending any and all actions and other proceedings pertaining to Clear Sky LP XVI, its loans or other aspects of the business or the Properties;
- determine the amount and type of insurance coverage to be maintained in order to protect Clear Sky LP XVI from all usual perils of the type covered in respect of properties and businesses comparable to that of Clear Sky LP XVI and in order to comply with the requirements of any of Clear Sky LP XVI's lenders;
- determine the amount, if any, to be claimed by Clear Sky LP XVI in any year in respect of capital cost allowance and expenses incurred by Clear Sky LP XVI;

- make distributions in accordance with the Clear Sky LP XVI Agreement and as disclosed in this offering memorandum;
- file returns or other documents required by any governmental or like authority;
- execute, acknowledge and deliver any and all documents and instruments necessary or desirable to effectuate any or all of the foregoing or otherwise in connection with the business of Clear Sky LP XVI;
- do or cause to be done anything that is in furtherance of or incidental to the business of Clear Sky LP XVI or that is provided for in Clear Sky LP XVI Agreement; and
- generally carry out the intent, objects, purposes and business of Clear Sky LP XVI, including retaining qualified agents or representatives to carry out any of the foregoing.

Clear Sky GP may contract with any person or entity to carry out any of the duties of Clear Sky GP and may delegate to such person any power and authority of Clear Sky GP, but no such contract or delegation relieves Clear Sky GP of any of its obligations under the Clear Sky LP XVI Agreement. Clear Sky GP may, on behalf of Clear Sky LP XVI, pay reasonable costs incurred in delegating such duties.

In addition to the restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units, the Fund, Clear Sky LP XVI and their affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of source, for any purpose other than the redemption of Bridge Financing LP Units that are created and issued in connection with the acquisition/investment, so long as any of such Bridge Financing LP Units remains outstanding. Among other things, such restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. The material characteristics of the Bridge Financing LP Units are described in **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 - Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the Property LPs (including VHT Apartments LP) nor the US Limited Partnership may be in a position to pay cash distributions to its partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the applicable Property LP (including VHT Apartments LP) to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees and taxes.

Allocations for Tax Purposes

The taxable income of Clear Sky LP XVI, for a given fiscal year is to be allocated on the following basis:

- 0.01% of such income is to be allocated to Clear Sky GP; and
- 99.99% of such income is to be allocated among participating Clear Sky LP XVI unitholders whose participating limited partnership units participate in allocations under the Clear Sky LP XVI Agreement and those persons who were formerly participating Clear Sky LP XVI unitholders to the same extent during the fiscal year (subject to any other agreement between such participating Clear Sky LP XVI unitholders) in the proportions that the number of participating units that participate in Clear Sky LP XVI allocations held by each such participating Clear Sky LP XVI unitholder is of the total number of participating units that participate in Clear Sky LP XVI allocations issued and outstanding as at the last day of such fiscal year,

subject to the specific limitations, rights, privileges, restrictions and conditions ascribed to any series of Class B LP Units, including Bridge Financing LP Units, that participate in allocations under the Clear Sky LP XVI Agreement.

The tax loss of Clear Sky LP XVI, for a given fiscal year of Clear Sky LP XVI is to be allocated on the following basis:

- 0.01% of such loss is to be allocated to Clear Sky GP; and
- 99.99% of such loss is to be allocated among the participating Clear Sky LP XVI unitholders whose participating limited partnership units participate in allocations under the Clear Sky LP XVI Agreement and those persons who were formerly participating Clear Sky LP XVI unitholders to the same extent during the fiscal year (subject to any other agreement between such participating Clear Sky LP XVI unitholders) in the proportions that the number of participating units that participate in Clear Sky LP XVI allocations held by each such participating Clear Sky LP XVI unitholder is of the total number of participating units that participate in Clear Sky LP XVI allocations issued and outstanding as at the last day of such fiscal year,

subject to the specific limitations, rights, privileges, restrictions and conditions ascribed to any series of Class B LP Units, including Bridge Financing LP Units, that participate in allocations under the Clear Sky LP XVI Agreement.

The amount of taxable income allocated to a Clear Sky LP XVI limited partner may exceed or be less than the amount of the cash distributed by Clear Sky LP XVI to that limited partner in respect of a given fiscal year.

All allocations provided for purposes of the Tax Act are to be made as at the end of each fiscal year of Clear Sky LP XVI.

No Clear Sky LP XVI limited partner is to be responsible for any of the losses of any other Clear Sky LP XVI limited partner, nor share in the income, loss, or allocation of tax deductible expenses attributable to the limited partnership units of any other Clear Sky LP XVI limited partner.

In calculating taxable income or tax loss (and for the purposes calculating net income or net loss) allocated to each Clear Sky LP XVI limited partner, Clear Sky GP has discretion, acting in good faith:

- to allocate revenue and expenses on a daily, incremental basis to ensure equitable treatment among Clear Sky LP XVI limited partners;
- to allocate taxable income or tax loss (and for the purposes of allocating net income or net loss) among Clear Sky LP XVI limited partners to ensure they are treated equitably taking into account differences that may arise as a result of the acquisition or disposition of Clear Sky LP XVI limited partnership units at different times in a year or in different years;
- to make adjustments to ensure that allocations to any Clear Sky LP XVI limited partner in respect of fees and expenses incurred by Clear Sky LP XVI do not, on a cumulative basis, exceed such Clear Sky LP XVI limited partner's proportionate share of the aggregate amount of such fees paid by Clear Sky LP XVI;
- to make adjustments in respect of revenue earned or expenses incurred prior to the time each Clear Sky LP XVI limited partner became a limited partner of Clear Sky LP XVI; or
- to make adjustments in respect of fees paid in years prior to the fiscal year in which the Clear Sky LP XVI limited partner became a Clear Sky LP XVI limited partner.

Allocations of Net Income and Net Losses

The net income or net loss of Clear Sky LP XVI for accounting purposes is to be allocated to Clear Sky GP and each Clear Sky LP XVI limited partner whose participating units participate in Clear Sky LP XVI allocations under Clear Sky LP XVI Agreement in the same proportion as taxable income or tax loss is allocated for tax purposes to the General Partner and each Clear Sky LP XVI limited partner, subject in the same manner to the specific limitations, rights, privileges, restrictions and conditions ascribed to any series of Class B LP Units, including Bridge Financing LP Units that participate in allocations under the Clear Sky LP XVI Agreement.

Subject to the specific limitations, rights, privileges, restrictions and conditions ascribed to any series of Class B LP Units (including any Bridge Financing LP Units), Clear Sky GP will, in respect of the capital account maintained for each Clear Sky LP XVI limited partner whose participating units participate in Clear Sky LP XVI allocations under the Clear Sky LP XVI Agreement:

- add to the capital account maintained for the Clear Sky LP XVI limited partner all net income allocated to a Clear Sky LP XVI limited partner; and
- deduct from the capital account maintained for the Clear Sky LP XVI limited partner any net losses allocated to the Clear Sky LP XVI limited partner and any amounts distributed to the Clear Sky LP XVI limited partner.

In calculating net income and net loss allocated to each Clear Sky LP XVI limited partner, Clear Sky GP has discretion, acting in good faith:

- to allocate revenue and expenses on a daily, incremental basis to ensure equitable treatment among Clear Sky LP XVI limited partners;
- to allocate net income and net loss among Clear Sky LP XVI limited partners to ensure they are treated equitably taking into account differences that may arise as a result of the acquisition or disposition of limited partnership units at different times in a year or in different years;
- to make adjustments to ensure that allocations to any Clear Sky LP XVI limited partner in respect of fees and expenses incurred by Clear Sky LP XVI do not, on a cumulative basis, exceed such Clear Sky LP XVI limited partner's proportionate share of the aggregate amount of such fees paid by Clear Sky LP XVI;
- to make adjustments in respect of revenue earned or expenses incurred prior to the time each Clear Sky LP XVI limited partner became a limited partner of Clear Sky LP XVI; or
- to make adjustments in respect of fees paid in years prior to the fiscal year in which the Clear Sky LP XVI limited partner became a Clear Sky LP XVI limited partner.

Distributions

See **Item 5.2.2 - Funds Flow from the Properties** for a description of, among other things, distributions by Clear Sky LP XVI to the Fund (as sole Clear Sky LP XVI limited partner).

Capital Accounts

The contribution to the capital of each Clear Sky LP XVI limited partner is the total amount of money paid or the fair value of other property contributed to Clear Sky LP XVI in respect of the limited partnership units held by such Clear Sky LP XVI limited partner or a predecessor Clear Sky LP XVI limited partner, which capital contribution is to be increased or reduced from time to time pursuant to the provisions of the Clear Sky LP XVI Agreement. See **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**.

Clear Sky GP will maintain a separate capital account for each Clear Sky LP XVI limited partner and will, subject to the specific rights, privileges, restrictions and conditions ascribed to any series of Class B LP Units:

- (a) credit the capital account of the applicable Clear Sky LP XVI limited partner with:
 - (i) on receipt of an amount in respect of a capital contribution, such capital contribution; and
 - (ii) the amount of any net income allocated to the Clear Sky LP XVI limited partner in accordance with the Clear Sky LP XVI Agreement; and
- (b) debit the capital account of the applicable Clear Sky LP XVI limited partner with:
 - (i) the amount of any net loss allocated to the Clear Sky LP XVI limited partner in accordance with the Clear Sky LP XVI Agreement; and
 - (ii) any amount withdrawn or distributed (as a return of capital or otherwise) from time to time by Clear Sky LP XVI to the Clear Sky LP XVI limited partner.

No Clear Sky LP XVI limited partner is responsible for any losses of any other Clear Sky LP XVI limited partner, nor will it share in the allocation of income or loss attributable to the limited partnership units of any Clear Sky LP XVI limited partner.

Except as expressly provided for in the Clear Sky LP XVI Agreement, the interest of a Clear Sky LP XVI limited partner in Clear Sky LP XVI does not terminate by reason of the return of capital contribution or by reason of there being a negative or nil balance in the Clear Sky LP XVI limited partner's capital account.

Clear Sky LP XVI will not pay interest on any credit balance of the capital account or capital contribution of a Clear Sky LP XVI limited partner. Except as provided in the Clear Sky LP XVI Agreement or the *Partnership Act* (Alberta) or similar applicable legislation in Canada, no Clear Sky LP XVI limited partner is required to pay interest to Clear Sky LP XVI on any capital contribution returned to the Clear Sky LP XVI limited partner or on any negative balance in his capital account.

Dissolution

Clear Sky LP XVI will exist indefinitely until:

- (a) Clear Sky GP elects to dissolve Clear Sky LP XVI, if such dissolution is approved by an extraordinary resolution of the limited partners; or
- (b) Clear Sky GP and the Clear Sky LP XVI limited partners mutually and expressly agree, in writing, to the dissolution of Clear Sky LP XVI;
- (c) the first Property LP has not acquired a Property within 30 months after the first Closing Date of the Offering of Trust Units; or
- (d) Marcus Kurschat were to die or become permanently disabled prior to the acquisition by any Property LP of a Property,

but Clear Sky LP XVI will not terminate until its assets have been distributed in accordance with the Clear Sky LP XVI Agreement.

Fiscal Year End

Clear Sky LP XVI's financial year-end is December 31.

2.7.3 US LP Agreement

The mutual rights and obligations of Clear Sky LP XVI (sole limited partner) and US General Partner (sole general partner) as the partners of the US Limited Partnership are to be governed by the US LP Agreement, which the parties entered into on August 11, 2015 with effect from the date of formation, July 13, 2015. Marcus Kurschat, a Trustee and President of the Fund, beneficially owns or controls, directly or indirectly, all of the securities of the US General Partner. Consequently, Mr. Kurschat will share (indirectly) in distributions, if any, resulting from such beneficial ownership of the US General Partner. See **Item 5.2.2 - Funds Flow from the Properties** for a description of, among other things, the distributions from the US Limited Partnership to its partners, and distributions by any Property LPs to its partners.

The US LP Agreement or the Property LP Agreements may include provisions that allow accelerated depreciation to be specially allocated to the US General Partner or general partner of the applicable Property LP, in certain circumstances. Any such allocation could increase the amount of US tax payable by Clear Sky LP XVI. This increase in tax payable by Clear Sky LP XVI could reduce the amount of cash available for distribution to the Fund and, in turn, to the Trust Unitholders. Mr. Kurschat and Mr. Wheeler will share (indirectly) in any allocations of income, gain, loss, or deduction associated with the US General Partner's economic interests in the US Limited Partnership, or their economic interests in the general partner of the applicable Property LP, including any special allocations of accelerated depreciation deductions from the US Limited Partnership or a Property LP that are made to the US General Partner or the general partner of the applicable Property LP instead of to the limited partners.

Prospective Investors may after the first Closing Date inspect a copy of the US LP Agreement, during normal business hours at the offices of the Fund, Suite 1900, 520 – 3rd Avenue SW, Calgary, Alberta T2P 0R3. In addition, each Trust Unitholder has the right to obtain from the Fund, on request without fee, a copy of the US LP Agreement and any amendments thereto.

2.7.4 Property LP Agreements

The Property LP Agreements are the limited partnership agreements that govern the Property LPs. Each Property LP will be governed by a separate Property LP Agreement.

The partners of each Property LP will be, subject to a partnership/economic interest (as a general partner or limited partner) in one or more Property LPs being held, directly or indirectly, by any investor(s) in Class B LP Units of Clear Sky LP XVI that may be created, issued and sold from time to time in connection with the acquisition of or investment in Properties, one or more entities organized in the United States (general partners holding economic interests totalling up to 25%), which will be beneficially owned or controlled, directly or indirectly, by Marcus Kurschat and Kevin Wheeler (Trustees and officers of the Fund), and the US Limited Partnership (limited partner holding an 75% economic interest). Consequently, Messrs. Kurschat and Wheeler will share (indirectly) in distributions, if any, resulting from their beneficial ownership of those entities. See **Item 5.2.2 - Funds Flow from the Properties** for a description of, among other things, the distributions from the Property LPs to their partners.

The US LP Agreement or the Property LP Agreements may include provisions that allow accelerated depreciation to be specially allocated to the US General Partner or general partner of the applicable Property LP, in certain circumstances. Any such allocation could increase the amount of US tax payable by Clear Sky LP XVI. This increase in tax payable by Clear Sky LP XVI could reduce the amount of cash available for distribution to the Fund and, in turn, to the Trust Unitholders. Mr. Kurschat and Mr. Wheeler will share (indirectly) in any allocations of income, gain, loss, or deduction associated with the US General Partner's economic interests in the US Limited Partnership, or their economic interests in the general partner of the applicable Property LP, including any special allocations of accelerated depreciation deductions from the US Limited Partnership or a Property LP that are made to the US General Partner or the general partner of the applicable Property LP instead of to the limited partners.

As of the date of this offering memorandum, the only Property LP that has been formed is VHT Apartments LP pursuant to a Property LP Agreement, which was entered into in connection with the proposed completion of the VHT Apartments acquisition with effect from the dated of formation, July 13, 2015 between VHT Apartments GPs (general partners holding, collectively, a 25% economic interest in VHT Apartments LP) and the US Limited Partnership (limited partner holding an 75% economic interest in VHT Apartments LP), subject to any partnership/economic interest held, directly or indirectly, by any Bridge Equity Investor(s) who have acquired Bridge Financing that has been created, issued and sold in connection with an acquisition of or investment in any Property(ies).

2.7.5 Cost Sharing & Support Agreement

In connection with the first Closing of the Offering but with effect as of October 3, 2014, the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, Clear Sky Capital BC and Clear Sky Capital Arizona will enter into the Cost Sharing & Support Agreement, whereby Clear Sky Capital BC and Clear Sky Capital Arizona agree, in connection with distribution of Trust Units under the Offering and access to Available Funds, and in connection with acquiring and, thereafter, renovating, repairing, maintaining, upgrading or otherwise making rent-ready the Properties and the ongoing rental and management of the Properties portfolio, to pay (subject to a specified maximum amount and the ability of Clear Sky Capital BC or Clear Sky Capital Arizona to terminate its funding obligations in certain circumstances) the costs of the Fund and its subsidiaries, including Offering costs and ongoing general and administrative expenses, which the Fund is unable to finance from its Working Capital (as may be funded, in whole or in part, with Offering Proceeds). Clear Sky Capital BC is a corporation beneficially owned, directly or indirectly, by Marcus Kurschat, that owns all the shares of Clear Sky GP. Clear Sky Capital Arizona is a corporation beneficially owned, directly or indirectly, by Marcus Kurschat. Mr. Kurschat is a Trustee, the President and a promoter of the Fund, a director and officer (President) and the sole beneficial shareholder (indirect) of Clear Sky GP, and a director, officer (President) and employee and the sole beneficial shareholder (indirect) of the US General Partner.

2.7.6 US Staffing and Administrative Services Agreement

In connection with the first Closing of the Offering but with effect as of October 3, 2015, the US Limited Partnership and Clear Sky Capital Arizona will enter into the US Staffing and Administrative Services Agreement, pursuant to which Clear Sky Capital Arizona will provide the executive, management and administrative services of Marcus Kurschat and other personnel to the US Limited Partnership. Pursuant to the US Staffing and Administrative Services Agreement, Mr. Kurschat will perform all senior executive management duties for the US Limited Partnership.

In exchange for the services provided by Clear Sky Capital Arizona to the US Limited Partnership under the US Staffing and Administrative Services Agreement, the US Limited Partnership will pay Clear Sky Capital Arizona, in the aggregate, (i) a monthly administration fee of US\$500, (ii) an annual fee of US\$60,000 (plus benefits) attributable to Mr. Kurschat's executive management services, plus additional amounts equal to governmental remittances to be paid by Mr. Kurschat's employer in connection with paying such amount as an annual salary, and (iii) a fee based on Clear Sky Capital Arizona's compensation and benefits costs for its employees who provide services to the US Limited Partnership (prorated based on the amount of time spent by such employees in providing such services to the US Limited Partnership) plus 3% on the foregoing. The US\$60,000 (plus benefits) paid to Clear Sky Capital Arizona for Marcus Kurschat's services will be fixed for an initial term of five years, subject to the prior sale or other disposition of the Fund's Property(ies) in which case the payments to Clear Sky Capital Arizona for Mr. Kurschat's services will terminate three months after such sale or disposition, and will, in turn, be paid by Clear Sky Capital Arizona as employment compensation to Mr. Kurschat, as President of the US Limited Partnership. The US Limited Partnership

will also be required under the US Staffing and Administrative Services Agreement to reimburse Clear Sky Capital Arizona for all reasonable travel, promotional and other business expenses incurred by Clear Sky Capital Arizona (either directly or through Mr. Kurschat or any of its other staff) in the performance of services for the US Limited Partnership. See also **Item 3.1 - Compensation and Securities Held**.

As President of the US Limited Partnership, upon the formation of each Property LP, Clear Sky Capital Arizona may enter into a similar agreement with such Property LP for the provision of similar services to such Property LP.

To the extent Clear Sky Capital Arizona enters into any similar agreement with a Property LP, such Property LP will be required to pay Clear Sky Capital Arizona the same monthly administration fee and a fee based on Clear Sky Capital Arizona's compensation and benefits costs for its employees (other than Mr. Kurschat) who provide services to the Property LP (prorated based on the amount of time spent by those employees in providing such services to the Property LP plus 3%, for services rendered to such Property LP) but will not pay an additional fee for Mr. Kurschat's services. However, if elected by the US Limited Partnership and any one or more Property LPs and agreed to by Clear Sky Capital Arizona, the US Limited Partnership and such Property LPs may allocate among themselves, proportionately or disproportionately, obligation for payment of fees to Clear Sky Capital Arizona.

Clear Sky Capital Arizona is the general partner of another limited partnership with which Marcus Kurschat is affiliated or associated that indirectly owns and operates real estate in Arizona. Clear Sky Capital Arizona provides management and administrative services, including the executive management service of Mr. Kurschat, to other limited partnerships and business organizations in Arizona and elsewhere with which Mr. Kurschat is affiliated or associated. All of Mr. Kurschat's salary is related to work conducted by him for the US Limited Partnership and any other Fund affiliate and will be paid by Clear Sky Capital Arizona. None of the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, or any Property LP (or general partner thereof) pays or will be required to pay employment income directly to Mr. Kurschat or remit any amount to governmental authorities in connection with payment of his salary.

2.7.7 Canadian Staffing and Administrative Services Agreement

In connection with the first Closing of the Offering, Clear Sky LP XVI and Clear Sky Capital BC will execute the Canadian Staffing and Administrative Services Agreement pursuant to which Clear Sky Capital BC will, with effect from October 3, 2014, provide the management and administrative services of Kevin Wheeler and other staff to Clear Sky LP XVI. Pursuant to the Canadian Staffing and Administrative Services Agreement, Mr. Wheeler will perform duties for Clear Sky LP XVI as Vice President, Investor Relations.

In exchange for the services provided by Clear Sky Capital BC to Clear Sky LP XVI under the Canadian Staffing and Administrative Services Agreement(s), Clear Sky LP XVI will pay Clear Sky Capital BC, in the aggregate, (i) a monthly administration fee of CD\$500, (ii) a fee of CD\$60,000 (plus benefits), attributable to the services of Mr. Wheeler as Vice President, Investor Relations of the Fund, plus additional amounts equal to governmental remittances to be paid by Mr. Wheeler's employer in connection with paying such amount as salary, and (iii) a fee based on Clear Sky Capital BC's compensation and benefits costs for its employees who provide services to Clear Sky LP XVI (prorated based on the amount of time spent by such employees in providing such services to Clear Sky LP XVI), plus 3% on the foregoing.

The CD\$60,000 (plus benefits) paid to Clear Sky Capital BC for Mr. Wheeler's services will be paid for a term of one-year and will, in turn, be paid by Clear Sky Capital BC as employment compensation to Mr. Wheeler, as Vice President, Investor Relations of the Fund. However, Mr. Wheeler's salary may resume on a monthly basis, at any time and from time to time for periods during which the Fund is raising investment capital under the Offering or otherwise.

Clear Sky LP XVI will also be required under the Canadian Staffing and Administrative Services Agreement to reimburse Clear Sky Capital BC for all reasonable travel, promotional and other business expenses incurred by Clear Sky Capital BC (either directly or through Mr. Wheeler or any of its other staff) in the performance of services for Clear Sky LP XVI. Mr. Wheeler's spouse is employed by Clear Sky Capital BC to provide administrative services to various entities, including the Fund and its affiliates. See also **Item 3.1 - Compensation and Securities Held**.

All of Mr. Wheeler's salary is related to work conducted by each of them for Clear Sky LP XVI and any other Fund affiliate and will be paid by Clear Sky Capital BC. None of the Fund, Clear Sky LP XVI, Clear Sky GP, the US General Partner, or any Property LP (or general partner thereof) pays or will be required to pay employment income directly to Mr. Wheeler or remit any amount to governmental authorities in connection with payment of their salaries.

Clear Sky Capital BC is the general partner of another limited partnership with which Marcus Kurschat is affiliated or associated and which indirectly owns and operates real estate in Arizona. Clear Sky Capital BC provides management and administrative services, including the services of Mr. Wheeler, to other limited partnerships and business organizations with which Mr. Wheeler is affiliated or associated.

2.7.8 VHT Acquisition Agreement

An affiliate of Marcus Kurschat, Trustee and President of the Fund, has entered as of June 25, 2015 into the VHT Acquisition Agreement, which was amended on July 6, 2015 and July 23, 2015, with a seller who is at arm's length to the Fund, VHT Apartments LP and their affiliates, whereby the buyer proposes to acquire the VHT Apartments for an aggregate purchase price of US\$10,950,000 (subject to adjustment pursuant to the VHT Acquisition Agreement). VHT Apartments LP is to assume, as buyer and at no additional cost, the VHT Acquisition Agreement in connection with the completion (if at all) of the VHT Apartments acquisition. See **Item 2.3.1.1 – Acquisition of the VHT Apartments** for a description of the VHT Apartments.

If the VHT Apartments acquisition is completed pursuant to the VHT Acquisition Agreement, it is anticipated that VHT Apartments LP, as initial buyer, will have satisfied the purchase price through:

- payments of earnest money deposits and a closing extension deposit prior to closing of up to US\$400,000 in total, as follows:
 - an initial earnest money (partly non-refundable) of US\$150,000 (paid on June 19, 2015) in connection with opening escrow and commencement of the buyer's inspection period on the VHT Apartments;
 - an additional earnest money deposit (non-refundable) of US\$150,000 following completion of the buyer's inspection period (scheduled to expire September 8, 2015); and
 - a closing extension deposit (non-refundable) of US\$100,000 to be paid, at the buyer's option, on or before November 2, 2015, to extend the closing date to November 7, 2015 (at which time earnest money and closing extension deposits totalling US\$400,000, the majority of which are non-refundable, are to be applied to the purchase price if the acquisition is completed);
- payment at closing of up to US\$8,760,000 (based on the loan-to-purchase price target of up to 80% being used by the Fund and its affiliates for the proposed acquisition of the VHT Apartments; see **Item 2.3.1.1 – Acquisition of the VHT Apartments**), funded through receipt of new/replacement mortgage proceeds from one or more arm's length lenders, which would be used by the seller, in whole or in part, to discharge, the existing mortgage on the VHT Apartments; and
- an additional cash payment at closing of approximately US\$1,790,000 (based on new mortgage financing on the VHT Apartments that is up to 80% of the purchase price and earnest money deposits and a closing extension deposit totalling US\$400,000 (US\$150,000 has been paid as of the date of this offering memorandum); if the loan-to-purchase price target is not reached, and the acquisition is completed with a lower mortgage principal, or the amount paid as deposits is lower, the cash-to-close payment will be increased).

The VHT Apartments closing is scheduled for October 8, 2015. The buyer may extend the VHT Apartments acquisition closing to November 7, 2015 upon written notice (on or before October 31, 2015) and the buyer's payment (on or before November 2, 2015) of US\$100,000 as a non-refundable closing extension deposit. Earnest money deposits (partly non-refundable) totalling US\$150,000 have been paid into escrow under the VHT Acquisition Agreement to date.

The VHT Acquisition Agreement does not have a condition in favour of the buyer that satisfactory financing to complete the acquisition is available; however, the VHT Acquisition Agreement contemplates, and terms of the existing mortgage registered against the VHT permit, the discharge of the existing mortgage encumbering the VHT Apartments in connection with the acquisition. VHT Apartments LP, as buyer, anticipates completing the acquisition of the VHT Apartments (if at all) once satisfactory arrangements for financing are in place and intends to obtain new mortgage financing from an arm's length lender for the majority of the purchase price. However, as of the date of this offering memorandum, VHT Apartments LP has not received a written loan proposal from an arm's length lender in connection with completing the VHT Apartments acquisition.

In the discretion of the Fund and its affiliates, Clear Sky LP VII may create and issue a series of Bridge Financing LP Units in connection with completing the acquisition of the VHT Apartments. Proceeds from the issue and sale of such Bridge Financing LP Units would be used to satisfy the purchase price, in whole or in part. It is anticipated that an interest in VHT Apartments LP would be held, directly or indirectly, by the Bridge Equity Investor(s) holding such Bridge Financing LP Units. VHT Apartments LP intends to fund the balance of the purchase price (or cash-to-close the acquisition) using Offering Proceeds and proceeds from Clear Sky LP XVI's issue and sale of Bridge Financing LP Units. See **Item 2.1 – Structure** and **Item 2.1.5.1 – VHT LP and the VHT GPs**.

After the expiry of the inspection period on September 8, 2015, the majority of the earnest money deposits and all of the closing extension deposit (if any) became non-refundable if the VHT Apartments acquisition is not completed but will be applied to the purchase price if the acquisition closes. If satisfactory financing is not available or the purchase price is not otherwise satisfied, the VHT Acquisition Agreement will terminate and be deemed null and void, the majority of the buyer's earnest money deposits and closing extension deposit (if any) will not be returned and the parties will have no further obligation.

As of the date of this offering memorandum, the VHT Acquisition Agreement remains subject to certain customary closing conditions, other than a financing condition in favour of the buyer. However, with the buyer's review period having expired and its due diligence review of the VHT completed, and with the VHT Acquisition Agreement not containing a condition in favour of the buyer that satisfactory financing to complete the acquisition is available, VHT Apartments LP may not terminate the VHT Acquisition Agreement in the same manner as during the review period unless certain closing conditions in the buyer's favour are not satisfied by the seller. Non-refundable earnest money deposits and closing extension deposit of up to US\$400,000 may be paid into escrow under the VHT Acquisition Agreement (US\$150,000 has been paid into escrow to date). The earnest money deposits and closing extension deposit (if any) will be applied to the purchase price if the VHT Apartments acquisition is completed. However, if satisfactory financing is not available or the purchase price is not otherwise satisfied, the VHT Acquisition Agreement will terminate and will be deemed null and void, the majority of the buyer's earnest money deposits and closing extension deposit (if any) will not be returned, and the parties will have no further obligation. Unless the VHT Acquisition Agreement is properly terminated or the seller defaults under the agreement, all the initial earnest money deposit and all other pre-closing deposits (including any closing extension deposit) are non-refundable if the VHT Apartments acquisition is not completed (but will be applied to the purchase price if the acquisition closes).

VHT Apartments LP may negotiate additional concessions under the VHT Acquisition Agreement. Consequently, the actual terms and conditions in the VHT Acquisition Agreement may vary from the terms set out herein, provided that such changes would not reasonably be considered materially adverse to the Fund, VHT Apartments LP or their affiliates.

Based on management's experience and discussions with prospective lenders, and notwithstanding that no lending proposal has been received from any arm's length lender, the Fund and its affiliates anticipate that new/replacement mortgage financing on the VHT Apartments will have commercial terms substantially as follows (subject always to the finalization of such terms in definitive documentation between the parties thereto):

- loan principal of up to US\$8,760,000, using up to 80% as the target loan-to-purchase price for mortgage financing for the VHT Apartments;
- interest rate not expected to be lower than 4.20% per annum and expectedly in the range of 4.11% - 4.56% per annum. The fixed interest rate is to be set, at closing, at approximately 194 basis points over the lender's 5-year swap rate benchmark, which tracks variations prior to closing in, among other things, treasury rates, swap rates, swap spreads and spreads in the generic fixed rate commercial mortgage-backed securities market;
- maturity date in approximately 10 years after completion of the acquisition;
- the borrower's monthly repayment of principal and interest during the term of the mortgage will be calculated using a 30-year amortization period. The borrower may negotiate interest-only debt service during a portion of the term of the mortgage;;
- secured by a first financial charge against the VHT Apartments;
- customary covenants in favour of the mortgagee/lender, including that the proceeds will be due to the vendor upon the sale of the Property, restrictions on change of control of the borrower, insurance coverage, receiver rights, debt service coverage ratio of at least 1.25 times (at closing) calculated based on underwritten net cash flow from the VHT Apartments and the actual interest rate; and
- customary events of default (the occurrence of which will allow the mortgagee/lender to demand payment of all amounts owing or realise upon its security).

VHT Apartments LP anticipates also paying fees of approximately US\$109,500 in connection with new mortgage financing on the VHT Apartments, a portion of which will be non-refundable in the event that the VHT acquisition is not completed.

2.7.9 Subscription Agreements with Investors

Each Investor must execute and deliver to the Fund the applicable Subscription Agreement for the Offering, attached as **Schedule A**, whereby the Investor irrevocably subscribes for Trust Units from the Fund to be issued on the terms and conditions contained in the Subscription Agreement and as described in this offering memorandum. See **Item 5.3 – Subscription Procedure** and the subscription instructions set out in **Schedule A**.

ITEM 3 - INTERESTS OF TRUSTEES, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 Compensation and Securities Held

The following table sets out information about each of the trustees, officers and promoters of the Fund and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of the Fund's voting securities, being the Trust Units (a "**Principal Holder**"):

| <u>Name and Municipality of Principal Residence</u> | <u>Position held and the date of obtaining that position</u> | <u>Compensation paid by the Fund or related party in most recently completed financial year and the compensation anticipated to be paid in current financial year</u> | <u>Number, type and percentage of securities held after completion of the Maximum Offering</u> |
|--|--|---|--|
| MARCUS KURSCHAT ⁽¹⁾⁽²⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾⁽⁸⁾ Phoenix, Arizona | President, Trustee & Promoter January 2, 2015 Director & officer of Clear Sky LP XVI October 3, 2014 | US\$60,000 | Note 5 |
| KEVIN WHEELER ⁽²⁾⁽³⁾⁽⁶⁾⁽⁷⁾⁽⁸⁾ Calgary, Alberta | Vice President, Investor Relations, Trustee & Promoter January 2, 2015 Director & officer of Clear Sky LP XVI October 3, 2014 | CD\$60,000 | Note 5 |
| ELROY GUST ⁽²⁾⁽⁴⁾⁽⁷⁾ Freelton, Ontario | Trustee January 2, 2015 | CD\$12,000 | — |
| CLEAR SKY CAPITAL AND ASSOCIATES XVI INC. Calgary, Alberta | Promoter January 2, 2015 | — | Note 5 |

Notes:

- (1) Mr. Kurschat will be paid an annual salary of US\$60,000 plus benefits by Clear Sky Capital Arizona based on an equivalent amount, together with additional amounts equal to the remittances to governmental authorities by Clear Sky Capital Arizona in connection with paying such salary, being paid by the US Limited Partnership to Clear Sky Capital Arizona under the US Staffing and Administrative Services Agreement. Such amount is fixed under the US Staffing and Administrative Services Agreement for five years, starting in 2014, subject to the prior sale or other disposition of the Fund's Property(ies) in which case the payments to Clear Sky Capital Arizona for Mr. Kurschat's services will terminate three months after such sale or disposition. In setting such amount, the US Limited Partnership and its affiliates have considered the contributions to be made by Mr. Kurschat on behalf of the US Limited Partnership and the Fund, how his compensation level relates to compensation packages that would be available to similar officers based on other employment opportunities and commercially available salary survey data, and information publicly disclosed by some of the Fund's competitors and peers. Other than as set out immediately above, the amount payable by the US Limited Partnership to Clear Sky Capital Arizona and, in turn, to Mr. Kurschat, has not been determined based on benchmarks, performance goals or a specific formula. See **Item 2.7.6 – US Staffing and Administrative Services Agreement**.

Pursuant to the US Staffing and Administrative Services Agreement, the US Limited Partnership or one or more of the Property LPs will reimburse Clear Sky Capital Arizona for all reasonable travel, promotional and other business expenses incurred by Clear Sky Capital Arizona (either directly or through Marcus Kurschat or any of its other personnel) in performing services for the US Limited Partnership or any such Property LP.

Mr. Kurschat beneficially owns or controls all of the securities of Clear Sky Capital Arizona and Clear Sky Capital BC, which companies are parties to the US Staffing and Administrative Services Agreement and the Canadian Staffing and Administrative Services Agreement, respectively. Accordingly, Mr. Kurschat may realize (indirectly) an economic benefit from payments to Clear Sky Capital Arizona and Clear Sky Capital BC pursuant to those agreements. See **Item 2.7.6 – US Staffing and Administrative Services Agreement** and **Item 2.7.7 – Canadian Staffing and Administrative Services Agreement**.

- (2) The Fund, Clear Sky LP XVI, the US Limited Partnership or one or more of the Property LPs, or the Fund, will also reimburse the Trustees and officers of the Fund, the directors, officers and employees of Clear Sky LP XVI, the US Limited Partnership, and the general partners of the Property LPs for all reasonable travel, promotional and other business expenses incurred by them in the performance of their duties.
- (3) Mr. Wheeler will be paid a one-year salary of CD\$60,000 plus benefits by Clear Sky Capital BC based on an equivalent amount, together with additional amounts equal to the remittances to governmental authorities by Clear Sky Capital BC in connection with paying such salary, being paid by Clear Sky LP XVI to Clear Sky Capital BC under the Canadian Staffing and Administrative Services Agreement, starting in October 3, 2014. In setting such amount, Clear Sky LP XVI and its affiliates have considered the contributions to be made by Mr. Wheeler on behalf of Clear Sky LP XVI and the Fund, how his compensation level relates to compensation packages that would be available to similar officers based on other employment opportunities and commercially available salary survey data, and information publicly disclosed by some of the Fund's competitors and peers. Other than as set out immediately above, the amount payable by Clear Sky LP XVI to Clear Sky Capital BC and, in turn, to Mr. Wheeler, has not been determined based on benchmarks, performance goals or a specific formula. Pursuant to the Canadian Staffing and Administrative Services Agreement, Clear Sky LP XVI will reimburse Clear Sky Capital BC for all reasonable travel, promotional and other business expenses incurred by Clear Sky Capital BC (either directly or through Mr. Wheeler or any of its other personnel) in performing services for the Clear Sky LP XVI. Mr. Wheeler's salary may resume on a monthly basis, at any time and from time to time, for periods during which the Fund is raising investment capital under the Offering or otherwise. See **Item 2.7.7 – Canadian Staffing and Administrative Services Agreement**.
- (4) This Trustee will receive a retainer of CD\$1,000 per month for acting as a Trustee. The indicated amount is annualized.
- (5) Marcus Kurschat beneficially owns or controls, directly or indirectly, all of the securities of Clear Sky GP and beneficially owns or controls, directly or indirectly, all of the securities of the US General Partner and at least one of the general partners of each Property LP (including VHT Apartments LP). Kevin Wheeler beneficially owns or controls, directly or indirectly, all of the securities of at least one of the general partners of each Property LP (including VHT Apartments LP). Consequently, Messrs. Kurschat and Wheeler will share (indirectly) in distributions, if any, resulting from his beneficial ownership of those entities, as applicable, subject to a partnership/economic interest in any Property LP being held, directly or indirectly, by any Bridge Equity Investor(s). See **Item 1.5 - Fees and Expenses**, **Item 5.2 – Cash Distributions to Trust Unitholders** and **Item 5.2.2 - Funds Flow from the Properties**.
- (6) Upon any acquisition of or investment in a Property, Clear Sky LP XVI, the US Limited Partnership or the applicable Property LP, or a combination thereof, will be obligated to pay an Acquisition Fee to, collectively, Mr. Kurschat (or an entity controlled by him) and Mr. Wheeler (or an entity controlled by him). Offering Proceeds may be used to fund, in whole or in part, directly or indirectly, payment of Acquisition Fees to these persons, which proceeds will be realized from time to time by the issue and sale of additional Trust Units under the Offering. The Fund anticipates funding its Working Capital requirements, including payment of Acquisition Fees to, collectively, Mr. Kurschat (or an entity controlled by him) and Mr. Wheeler (or an entity controlled by him) through a combination of Available Funds, revenues from the Property(ies) (if any), and future financing efforts of it and its affiliates. To the extent that any Acquisition Fee remains unpaid, such amount will be considered to be owed, collectively, to Mr. Kurschat (or an entity controlled by him) and Mr. Wheeler (or an entity controlled by him) on a non-interest bearing basis with no fixed payment terms, other than being payable on demand. See **Item 1.5.1 - Fees Payable on Acquisitions and Dispositions**. As of the date of this offering memorandum, the Fund has not paid and has not become obligated to pay any amount of Acquisition Fees to Messrs. Kurschat or Wheeler (or entities controlled by either of them). However, an Acquisition Fee of approximately US\$273,500 (subject to adjustment of the purchase price under the VHT Acquisition Agreement) will be payable as to approximately US\$182,500 to Mr. Kurschat (or an entity beneficially owned or controlled by him) and as to approximately US\$91,250 to Mr. Wheeler (or an entity beneficially owned or controlled by him), as a result of completing the VHT Apartments acquisition.

Upon any sale or other disposition of a Property, Clear Sky LP XVI, the US Limited Partnership or the applicable Property LP, or a combination thereof, will be obligated to pay a Disposition Fee to, collectively, Mr. Kurschat (or an entity controlled by him) and Mr. Wheeler (or an entity controlled by him). Offering Proceeds may be used to fund, in whole or in part, directly or indirectly, payment of Disposition Fees to Mr. Kurschat (or an entity controlled by him) and Mr. Wheeler (or an entity controlled by him), which proceeds will be realized from time to time by the issue and sale of additional Trust Units under the Offering. The Fund anticipates funding its Working Capital requirements, including payment of Disposition Fees to, collectively, Mr. Kurschat (or an entity controlled by him) and Mr. Wheeler (or an entity controlled by him) through a combination of Available Funds, revenues from Properties (if any), and future financing efforts of it and its affiliates. To the extent that any Disposition Fee remains unpaid, such amount will be considered to be owed to, collectively, Mr. Kurschat (or an entity controlled by him) and Mr. Wheeler (or an entity controlled by him) on a non-interest bearing basis with no fixed payment terms, other than being payable on demand. See **Item 1.5.1 - Fees Payable on Acquisitions and Dispositions**. As of the date of this offering memorandum, no amount of unpaid Disposition Fee is owed to Mr. Kurschat (or an entity controlled by him) or Mr. Wheeler (or an entity controlled by him).

However, the Fund and its affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to certain restrictions on the use of Available Funds or funds received from any other source for any purpose other than the redemption of Bridge Financing LP Units (if any) that may be created and issued in connection with the acquisition/investment, so long as any such Bridge Financing LP Units remains outstanding. Among other things, such restrictions might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. These restrictions may materially restrict the distribution of funds from the Fund's

subsidiaries to the Fund set out in **Item 5.2.2 – Flow of Funds from the Properties**. These restrictions may adversely affect the ability of Clear Sky LP XVI and its affiliates to fund any reserves established or other payments deemed necessary by Clear Sky GP, in its discretion, and to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including any Renovation Costs and Performance Fees.

- (7) The Fund and one or more of its affiliates intends to enter into indemnity agreements with each of the Trustees and offices of the Fund and the directors and officers of the Fund's affiliates that will indemnify each such individual in respect of the discharge of his duties, provided that the Trustee, officer or director seeking indemnity acted honestly and in good faith with a view to the best interests of the Fund and its affiliates or, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the Trustee, officer or director seeking indemnity had reasonable grounds for believing that his or her conduct was lawful.
- (8) The US LP Agreement or the Property LP Agreements may include provisions that allow accelerated depreciation to be specially allocated to the US General Partner or general partner of the applicable Property LP, in certain circumstances. Any such allocation could increase the amount of US tax payable by Clear Sky LP XVI. This increase in tax payable by Clear Sky LP XVI could reduce the amount of cash available for distribution to the Fund and, in turn, to the Trust Unitholders. Mr. Kurschat and Mr. Wheeler will share (indirectly) in any allocations of income, gain, loss, or deduction associated with the US General Partner's economic interests in the US Limited Partnership, or their economic interests in the general partner of the applicable Property LP, including any special allocations of accelerated depreciation deductions from the US Limited Partnership or a Property LP that are made to the US General Partner or the general partner of the applicable Property LP instead of to the limited partners.

3.2 Management's Experience

The principal occupation and business background of each Trustee and officer of the Fund is as follows:

| Name | Principal Occupations and Related Experience |
|---|--|
| MARCUS KURSCHAT President and Trustee | Mr. Kurschat is the President and a Trustee of the Fund, and has been the President and a director of Clear Sky LP XVI, since its inception. Mr. Kurschat is the President of Clear Sky Capital BC (a company that owns 100% of the outstanding shares of Clear Sky GP, that has formed and operates, among others, Clear Sky LP XVI, Clear Sky Capital Real Estate Solutions Trust, Clear Sky Arizona Multi Family Limited Partnership, Clear Sky Capital US Real Estate Opportunity Limited Partnership, Clear Sky Capital Arizona Realty Fund, Clear Sky Capital Sunbelt Strategies Fund, Clear Sky Capital Tempe Opportunity Fund (and their affiliated entities), which are invested or seeking to invest in the multi-family real estate market in Arizona and other areas of the United States. Among other positions held, Mr. Kurschat is the President and a trustee of Clear Sky Capital Real Estate Solutions Trust (formed in 2012), Clear Sky Capital Arizona Realty Fund (formed in 2013), Clear Sky Capital Sunbelt Strategies Fund (formed in 2013), Clear Sky Capital Strategic Asset Fund-Series I (formed in 2014), each an Alberta trust that is indirectly invested in Arizona multi-family real estate since its formation and has been the President, director and shareholder of the several subsidiaries thereof since their respective dates of formations in 2011 - 2014. Mr. Kurschat is also the President and a trustee of Clear Sky Capital Income Portfolio Fund-Series I (formed in 2014), an Alberta trust that is indirectly invested in car washes located in Arizona, since its formation in June 2014 and has been the President of the several subsidiaries thereof since their formation during 2014. Mr. Kurschat is also the Financial Manager of Newlook Capital, a syndicate of real estate investment companies. Mr. Kurschat has 18+ years of experience in buying, redeveloping, managing and selling multi-family apartment buildings in Canada and the U.S., which are summarized below: |

| Project | Purchase Price | Date of Purchase | Sale Proceeds ⁽¹⁾ | Date of Sale |
|--|----------------|------------------|------------------------------|----------------|
| Seacrest Apartments (109 units) ⁽²⁾ Nanaimo, British Columbia | CD\$6,300,000 | February 2004 | CD\$13,300,000 | September 2012 |
| Highland Townhomes (21 units) Nanaimo, British Columbia | CD\$810,000 | January 2002 | CD\$2,000,000 | April 2008 |
| Panoramic Tower Apartments (30 units) ⁽³⁾ Campbell River, British Columbia | Note 3 | October 2002 | CD\$1,680,000 | June 2006 |
| Seawind Apartments (24 units) Nanaimo, British Columbia | CD\$700,000 | November 2000 | CD\$1,700,000 | June 2006 |
| Georgia Towers Apartments (53 units) ⁽³⁾ Campbell River, British Columbia | Note 3 | October 2002 | CD\$6,400,000 | March 2006 |
| Villa Lea Apartments (24 units) Edmonton, Alberta | CD\$525,000 | May 1998 | CD\$745,000 | June 2001 |
| The Whitehouse Apartments (37 units) Edmonton, Alberta | CD\$624,000 | March 1996 | CD\$1,248,000 | June 2001 |
| Sprucedale Apartments (21 units) Edmonton, Alberta | CD\$480,000 | May 1997 | CD\$687,000 | May 2001 |
| Northland Arms Apartments (70 units) Edmonton, Alberta | CD\$1,700,000 | October 1997 | CD\$2,500,000 | October 2000 |

| | | | | |
|---|----------------|----------------|----------------|---------------|
| Bethany Palms Apartments (22 units) ⁽⁴⁾ Phoenix, Arizona, USA | US\$547,000 | July 2010 | US\$1,880,000 | December 2013 |
| Heritage Square Apartments (120 units) ⁽⁵⁾ Gilbert, Arizona, USA | US\$7,500,000 | July 2011 | US\$12,050,000 | June 2015 |
| Mission Palms Apartments (125 units) ⁽⁶⁾ Phoenix, Arizona, USA | US\$6,250,000 | April 2011 | – | – |
| Parkway Apartments (24 units) ⁽⁶⁾ Scottsdale, Arizona, USA | US\$1,180,000 | February 2012 | – | – |
| Arcadia Del Sol Apartments (260 units) ⁽⁷⁾ Phoenix, Arizona, USA | US\$11,750,000 | May 2012 | – | – |
| Country Club Greens Apartments (68 units) ⁽⁵⁾ Phoenix, Arizona, USA | US\$4,000,000 | February 2013 | – | – |
| Airmont Apartments (21 units) ⁽⁸⁾ Phoenix, Arizona, USA | US\$940,000 | September 2013 | US\$1,585,000 | June 2014 |
| Timberline Place Apartments (102 units) ⁽⁹⁾ Flagstaff, Arizona, USA | US\$11,825,000 | January 2014 | – | – |
| Park Tower Apartments (180 units) ⁽¹⁰⁾ Chandler, Arizona, USA | US\$15,200,000 | March 2014 | – | – |
| Lexington Apartments (21 units) ⁽¹¹⁾ Phoenix, Arizona, USA | US\$1,035,000 | April 2014 | US\$ 1,875,000 | April 2015 |
| The Legacy at Prescott Lakes Apartments (150 units) ⁽¹²⁾ Prescott, Arizona, USA | US\$16,472,012 | April 2014 | – | – |
| The Summit at Flagstaff Apartments (168 units) ⁽¹³⁾ Flagstaff, Arizona, USA | US\$22,250,000 | May 2014 | – | – |
| The Lodge Apartments (252 units) ⁽¹⁴⁾ Flagstaff, Arizona, USA | US\$31,850,000 | May 2014 | – | – |
| Parkside Apartments (99 units) ⁽¹⁵⁾ Flagstaff, Arizona, USA | US\$5,950,000 | June 2014 | – | – |
| Bonfire Apartments (24 units) ⁽¹⁶⁾ Phoenix, Arizona, USA | US\$1,650,000 | August 2014 | – | – |
| Carolina Apartments (18 units) ⁽¹⁷⁾ Phoenix, Arizona, USA | US\$870,000 | November 2014 | – | – |
| Scottsdale Road Car Wash ⁽¹⁸⁾ Scottsdale, Arizona, USA | US\$3,800,000 | November 2014 | – | – |
| Encanto Road Car Wash ⁽¹⁸⁾ Phoenix, Arizona, USA | US\$3,200,000 | December 2014 | – | – |
| Silverado Apartments (256 units) ⁽¹⁹⁾ Albuquerque, New Mexico, USA | US\$19,500,000 | January 2015 | – | – |
| Power Road Car Wash ⁽¹⁸⁾ Phoenix, Arizona, USA | US\$3,000,000 | January 2015 | – | – |
| Bell Road Car Wash ⁽¹⁸⁾ Phoenix, Arizona, USA | US\$3,700,000 | April 2015 | – | – |

Notes:

- (1) The sale proceeds shown are the gross proceeds realized from dispositions to arm's length purchasers.
- (2) The purchase of Seacrest Apartments included a parcel (approximately a quarter acre) of undeveloped land, which has not been sold as part of the September 2012 disposition.
- (3) Panoramic Tower and Georgia Towers were purchased together in October 2002 for an aggregate purchase price of CD\$3,150,000. The sale proceeds from disposition of Panoramic Apartments were CD\$1,680,000. The Georgia Towers apartments were condominiumized and sold individually for aggregate sale proceeds of CD\$6,400,000. The last condominium unit sold in March 2006.
- (4) Clear Sky Capital Arizona Multi Family LP, a limited partnership in which Mr. Kurschat beneficially owns and controls the general partner, and is a director and officer, owned and recently sold this property through a subsidiary entity.
- (5) Clear Sky Capital US Real Estate Opportunity LP, a limited partnership in which Mr. Kurschat beneficially owns or controls the general partner and is a director and an officer, currently owns this property, indirectly through a subsidiary entity.
- (6) Clear Sky Capital Real Estate Solutions Trust, a trust in which Mr. Kurschat is a trustee and an officer, currently owns this property, indirectly through a subsidiary entity.
- (7) Clear Sky Real Estate Solutions Trust, a trust in which Mr. Kurschat is a trustee and an officer, currently holds a 20.0% ownership interest in the owner of this property.
- (8) Clear Sky Capital Airmont, LLC, a limited liability corporation that is beneficially owned or controlled by Mr. Kurschat and for which Mr. Kurschat is the managing member, currently owns this property, indirectly through a subsidiary entity.
- (9) Clear Sky Capital Arizona Realty Fund, a trust in which Mr. Kurschat is a trustee and an officer, currently owns this property, indirectly through a subsidiary entity.
- (10) Clear Sky Capital US Real Estate Opportunity LP, a limited liability corporation that is beneficially owned or controlled by Mr. Kurschat and for which Mr. Kurschat is the managing member, currently owns this property.
- (11) Clear Sky Capital Lexington, LLC, a limited liability corporation that is beneficially owned or controlled by Mr. Kurschat and for which Mr. Kurschat is the managing member, currently owns this property.
- (12) Clear Sky Capital Sunbelt Strategies Fund, a trust in which Mr. Kurschat is a trustee and an officer currently owns this property, indirectly through a subsidiary entity.

- (13) An Arizona limited liability corporation in which Mr. Kurschat is beneficially invested as a member, currently owns this property.
- (14) Clear Sky Capital Lodge LP, a limited partnership in which Mr. Kurschat is beneficially invested as a limited partner and beneficially co-owns the general partner and is a director and an officer, currently owns this property.
- (15) Clear Sky Capital Tempe Opportunity LP, a limited partnership in which Mr. Kurschat beneficially owns or controls the general partner and is a director and an officer, currently owns this property, indirectly through a subsidiary entity.
- (16) Clear Sky Uptown I, LLC, a limited liability corporation that is beneficially owned or controlled by Mr. Kurschat and for which Mr. Kurschat is the managing member, currently owns this property.
- (17) Clear Sky Uptown II, LLC, a limited liability corporation that is beneficially owned or controlled by Mr. Kurschat and for which Mr. Kurschat is the managing member, currently owns this property.
- (18) Clear Sky Capital Income Portfolio Fund-Series I, a trust in which Mr. Kurschat is a trustee and an officer, currently owns this car wash, indirectly through a subsidiary entity.
- (19) Clear Sky Capital Strategic Assets Fund-Series I, a trust in which Mr. Kurschat is a trustee and an officer currently owns this property, indirectly through a subsidiary entity.

KEVIN WHEELER
Trustee
Vice-President,
Investor Relations of
the Fund

Kevin Wheeler is VP Investor Relations of the Fund. Mr. Wheeler is also Vice President, Investor Relations of Clear Sky Arizona Realty Fund and Clear Sky Capital Income Portfolio Fund – Series I, Clear Sky Capital Sunbelt Strategies Fund, Alberta trusts that are indirectly invested in Arizona multi-family real estate. He has a wide range of experience and background as a financial planner, investment advisor and consultant within the financial services industry. For the past six years, Mr. Wheeler has worked with hundreds of the leading financial advisors across Western Canada. He has a wide range of experience and background as a financial planner, investment advisor and consultant within the financial services industry. For over seven years, Mr. Wheeler has worked with hundreds of investment advisors and financial planners across Canada.

Mr. Wheeler started his career as an Independent Mutual Fund and Insurance Advisor in Calgary in 2003. He brokered through a large, national investment and insurance brokerage, through 2006. In 2007, Mr. Wheeler sold his financial planning practice and joined RBC Life Insurance Company as a Senior Account Executive for Southern Alberta and increased annual premium revenues within his broker network by 100% within 18 months.

Mr. Wheeler started a specialty financial services company in 2009 called Living Benefit Solutions Inc., a joint-case practice specializing in disability, critical illness and long-term care insurance solutions for businesses and high net-worth individuals.

In 2011, Mr. Wheeler provided business development consulting services for a national health benefit provider on a contract basis for 14 months. During this time, Mr. Wheeler spearheaded an incredible turnaround by expanding and revitalizing this organization's financial advisor network, increasing annual sales by 30% within 12 months and expanding 4th quarter sales growth by more than 60%, year-over-year.

Mr. Wheeler has earned numerous professional designations, which include Certified Financial Planner (CFP) through the Financial Planners Standards Council; Chartered Investment Manager (CIM) and Financial Management Advisor (FMA) designations through the Canadian Securities Institute; the Elder Planning Counselor (EPC) designation through the Canadian Initiative for Elder Planning Studies; and the Registered Health Underwriter (RHU) designation through Advocis, the Financial Advisors Association of Canada.

Mr. Wheeler's experience with buying, redeveloping, managing and selling multi-family apartment buildings, as well as commercial and industrial properties, is summarized below:

| Project | Purchase Price | Date of Purchase | Sale Proceeds ⁽¹⁾ | Date of Sale |
|--|----------------|------------------|------------------------------|--------------|
| Timberline Place Apartments (102 units) ⁽²⁾ Flagstaff, Arizona, USA | US\$11,825,000 | January 2014 | – | – |
| The Legacy at Prescott Lakes Apartments (150 units) ⁽³⁾ Prescott, Arizona, USA | US\$16,472,012 | April 2014 | – | – |
| Parkside Apartments (99 units) ⁽⁴⁾ Flagstaff, Arizona, USA | US\$5,950,000 | June 2014 | – | – |
| Scottsdale Roar Car Wash ⁽⁵⁾ Scottsdale, Arizona, USA | US\$3,800,000 | November 2014 | – | – |
| Encanto Road Car Wash ⁽⁵⁾ Phoenix, Arizona, USA | US\$3,200,000 | December 2014 | | |

| | | | | |
|---|----------------|--------------|---|---|
| Silverado Apartments (256 units) ⁽⁶⁾ Albuquerque, New Mexico, USA | US\$19,500,000 | January 2015 | | |
| Power Road Car Wash ⁽⁵⁾ Phoenix, Arizona, USA | US\$3,000,000 | January 2015 | – | – |
| Bell Road Car Wash ⁽⁵⁾ Phoenix, Arizona, USA | US\$3,700,000 | April 2015 | – | – |

Notes:

- (1) The sale proceeds shown are the gross proceeds realized from dispositions to arm's length purchasers.
- (2) Clear Sky Capital Arizona Realty Fund, a trust in which Mr. Wheeler is a trustee and an officer, currently owns this property, indirectly through a subsidiary entity.
- (3) Clear Sky Capital Sunbelt Strategies Fund, a trust in which Mr. Wheeler is a trustee and an officer currently owns this property, indirectly through a subsidiary entity.
- (4) Clear Sky Capital Tempe Opportunity LP, a limited partnership in which Mr. Wheeler beneficially owns or controls the general partner and in respect of what Mr. Wheeler is a director and an officer, currently owns this property, indirectly through a subsidiary entity.
- (5) Clear Sky Capital Income Portfolio Fund-Series I, a trust in which Mr. Wheeler is a trustee and an officer, currently owns this car wash, indirectly through a subsidiary entity.
- (6) Clear Sky Capital Strategic Assets Fund-Series I, a trust in which Mr. Kurschat is a trustee and an officer currently owns this property, indirectly through a subsidiary entity.

ELROY GUST
Trustee

Elroy Gust Elroy Gust is a Trustee of the Fund. Mr. Gust is also a trustee of Clear Sky Capital Real Estate Solutions Trust, an Alberta trust that is indirectly invested in Arizona multi-family real estate.

is senior vice-president of Clear Sky Capital BC and partners with Marcus Kurschat. He draws on more than 20 years of experience in real estate to bring Canadian investors opportunities to participate in the US real estate market.

Mr. Gust began his career as a mortgage underwriter for a subprime lender in Toronto in 1988. A year later, he was transferred to Vancouver, where he quickly became the company's youngest mortgage manager, managing a portfolio of \$50 million while studying urban land economics at the University of British Columbia.

In 1992, Mr. Gust returned to Toronto to join his family's warehousing and logistics service firm, Newcastle Logistics. He became president in 1994. As a result of his leadership, the company grew to more than 100 employees with facilities totalling 850,000 sq. ft. Newcastle Logistics was sold to a private investment group in 1999, with Mr. Gust remaining as president until 2001 to guarantee a successful transition. During this period, Mr. Gust partnered with a pension fund to design and construct a 164,000-sq.-ft. bulk storage warehouse building.

In addition to steering Newcastle, Mr. Gust led a team of private-equity partners in the purchase of nursing/retirement facilities throughout Ontario. Acquisitions began in 2000, and the team eventually expanded to own eight facilities, which properties have been sold. In 2000, Mr. Gust and Marcus Kurschat acquired several apartment buildings on Vancouver Island.

Mr. Gust's business development experience continued to grow through these ventures, as well as through his private equity company, Newlook Capital. He has been involved with several corporate acquisitions and start-ups, either in a lead role or as a controlling investor. In 2001, he became a founding partner in the logistics firm CrossDock Systems Ltd. Although CrossDock operates largely without Mr. Gust's day-to-day involvement, as a shareholder, corporate officer, and director he is involved at a high level, especially in the area of business development and revenue growth.

In 2007, Mr. Gust became a founding shareholder, corporate officer, and director in Archer Medical Diagnostic Testing in Rochester, New York. That same year, he was instrumental in Archer's purchase of Great Lakes Intraoperative Monitoring (GLIM). Archer/GLIM provided EMG and EEG diagnostic and intraoperative monitoring services to eight hospitals in the Buffalo/ Rochester area. He was then the lead principal in the subsequent sale of Great Lakes to Impulse Monitoring, a subsidiary of publicly traded Nuvasive, in December 2010.

In 2010, Mr. Gust became a founding shareholder, corporate officer, and director of Urtech Manufacturing Ltd., of Burlington, Ontario. Urtech is a contract electronic manufacturer of broadcast equipment, with annual revenues over \$5 million. Mr. Gust continues to provide strategic direction to Urtech in the areas of corporate finance and business development.

In 2012, Newlook Capital acquired MultiGas Detection of Leduc, Alberta. MultiGas is the recognized

industry leader and provides gas detection services and VFD technical services throughout Western Canada and is the exclusive dealer and factory authorized service provider for several equipment lines. MultiGas Detection was founded in 1988, has 14 employees and has contracted, reoccurring, revenues of over \$5 million annually from customers in both the public and private sectors.

3.3 Penalties, Sanctions and Bankruptcy

To the knowledge of management of the Fund, there has been: (a) no penalty or sanction that has been in effect during the last 10 years against a (i) a trustee, executive officer or control person of the Fund, or (ii) an issuer of which any of the persons or companies referred to in (i) was a trustee, director, executive officer or control person, at the time; and (b) no declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, that has been in effect during the last 10 years with regard to any trustee, executive officer or control person of the Fund or an issuer of which a trustee, executive officer or control person of the Fund was a trustee, director, executive officer or control person at that time.

3.4 Loans

Other than as disclosed below, there is no outstanding indebtedness between the Fund and its Trustees, management, promoters or Principal Holders.

To the extent that any Acquisition Fee remains unpaid, such amount will be considered to be owed, collectively, Mr. Kurschat (or an entity controlled by him) and Mr. Wheeler (or an entity controlled by him) on a non-interest bearing basis with no fixed payment terms, other than being payable on demand. As of the date of this offering memorandum, no amount of unpaid Acquisition Fees is owed to Mr. Kurschat (or an entity controlled by him) or Mr. Wheeler (or an entity controlled by him). See **Item 1.5.1 - Fees Payable on Acquisitions and Dispositions** and **Item 3.1 - Compensation and Securities Held**.

To the extent that any Disposition Fee remains unpaid, such amount will be considered to be owed to Mr. Kurschat (or an entity controlled by him) and Mr. Wheeler (or an entity controlled by him) on a non-interest bearing basis with no fixed payment terms, other than being payable on demand. As of the date of this offering memorandum, no amount of unpaid Disposition Fees is owed to Mr. Kurschat (or an entity controlled by him) or Mr. Wheeler (or an entity controlled by him). See **Item 1.5.1 - Fees Payable on Acquisitions and Dispositions** and **Item 3.1 - Compensation and Securities Held**.

ITEM 4 - CAPITAL STRUCTURE

4.1 Equity Capital

The following table sets out the outstanding equity capital of the Fund:

| Description of Security | Number authorized to be issued | Number outstanding as of the date of this offering memorandum ⁽¹⁾ | Number outstanding after Maximum Offering |
|-------------------------------------|--------------------------------|--|---|
| Trust Units ⁽²⁾ | Unlimited | 1 | 1,111,111 ⁽³⁾ |
| Class B Trust Units ⁽³⁾ | Unlimited | nil | nil |
| Special Voting Units ⁽⁵⁾ | Unlimited | nil | nil |

Notes:

- (1) On January 2, 2015, one Trust Unit was issued to constitute the Fund for CD\$10, which Trust Unit will be repurchased by the Fund for CD\$10 (being the issue price) and cancelled pursuant to the Declaration of Trust on the first Closing Date. As of the date of this offering memorandum, the Fund has one Trust Unitholder holding one Trust Unit. The Fund intends on making certain elections to qualify as a "mutual fund trust" as defined by the Tax Act, provided certain requirements in the Tax Act have been met, including completion of the Eligibility Distribution to at least 150 Trust Unitholders within certain time limits. See **Item 6.1.1 – Certain Canadian Federal Income Tax Considerations – Eligibility for Investment** and **Item 6.1.2 – Status of the Fund**.
- (2) See **Item 2.7.1 - Declaration of Trust** and **Item 5.1 - Trust Units** for a description of the Trust Units.
- (3) Assumes the completion of the Maximum Offering, pursuant to which the Fund will realize aggregate Offering Proceeds of CD\$10,000,000 through the issue and sale of a maximum of 1,111,111 Trust Units. The Fund may complete the issue and sale of

additional Trust Units at any time and from time to time at one or more Closings until the Maximum Offering is reached or the Offering are otherwise terminated. There is no assurance that the Maximum Offering amount will be achieved. The Fund may, without notice to Trust Unitholders, change the Maximum Offering. The Fund determined the pricing under the Offering for the Trust Units, including the Subscription Price.

(4) See **Item 2.7.1 - Declaration of Trust - Class B Trust Units** for a description of the Class B Trust Units.

(5) See **Item 2.7.1 - Declaration of Trust - Special Voting Units** for a description of the Special Voting Units.

4.2 Long-Term Debt Securities

As of the date of this offering memorandum, the Fund and its subsidiaries have no long-term debt obligations.

4.3 Prior Sales

Since inception, the Fund has issued the following securities:

| Date of issuance | Type of security issued | Number of securities issued⁽¹⁾⁽²⁾ | Price per security⁽¹⁾⁽²⁾ | Total funds received⁽¹⁾⁽²⁾ |
|-------------------------|--------------------------------|---|--|--|
| January 2, 2015 | Trust Unit | 1 ⁽¹⁾ | CD\$10 ⁽¹⁾ | CD\$10 |

Notes:

(1) On January 2, 2015, one Trust Unit was issued to constitute the Fund for CD\$10, which Trust Unit is to be repurchased by the Fund for CD\$10 (being the issue price) and cancelled pursuant to the Declaration of Trust on the first Closing Date.

(2) As of the date of this offering memorandum, the Fund has one Trust Unitholder holding one Trust Unit. The Fund intends on making certain elections to qualify as a "mutual fund trust" as defined by the Tax Act provided certain requirements in the Tax Act have been met, including completion of the Eligibility Distribution to at least 150 Trust Unitholders within certain time limits. See **Item 6.1.1 – Certain Canadian Federal Income Tax Considerations – Eligibility for Investment** and **Item 6.1.2 – Status of the Fund**.

ITEM 5 - SECURITIES OFFERED

The Fund is offering Trust Units for issue and sale under the Offering. Investors under the Offering will purchase Trust Units upon the Fund's acceptance of the Investor's Subscription Agreement and related documents and payment of the applicable subscription amounts for Trust Units, as the case may be. See **Item 5.3 - Subscription Procedure**.

The material terms of the Trust Units are summarized below. Other rights, privileges, restrictions, conditions and characteristics attaching to each Trust Unit are contained in the Declaration of Trust. See also **Item 2.7.1 - Declaration of Trust**.

Prospective Investors are advised that any description of the Trust Units in this offering memorandum is a summary only of the material terms of those Trust Units and remains subject to the Declaration of Trust. Prospective Investors are advised to review the Declaration of Trust and the Trust Unit provisions in detail with their own legal, tax and investment advisors.

5.1 Trust Units

The Declaration of Trust governs the rights and obligations of the Trust Unitholders and the Trustees. The following is a summary of certain material provisions of the Declaration of Trust. **This summary does not purport to be complete and reference should be to the Declaration of Trust itself, a copy of which is available from the Fund.**

The Fund is authorized to issue an unlimited number of Trust Units, Class B Trust Units and Special Voting Units. See **Item 2.7.1 - Declaration of Trust - Class B Trust Units** and **Item 2.7.1 - Declaration of Trust - Special Voting Units** for a description of the Class B Trust Units and Special Voting Units.

Each Trust Unit represents a holder's proportionate undivided beneficial interest in the Fund and which carry and are entitled to the rights and privileges and subject to the limitations, restrictions and conditions set out in the Declaration of Trust. Each Trust Unit entitles the Trust Unitholder to the same rights and obligations as any other Trust Unitholder and no Trust Unitholder is entitled to any privilege, priority or preference in relation to any other Trust Unitholders, except with respect to withholding taxes as provided in the Declaration of Trust. In particular:

- (a) subject to any preferences established in favour of Class B Trust Unitholders of any series, each Trust Unitholder will participate in any and all allocations, and is entitled to participate equally with respect to any and all advances or distributions made by the Fund to the Trust Unitholders (including distributions of net income and net realized capital gains), subject to an adjustment in a Trust Unitholder's proportionate share of distributions in the calendar year it was issued as a result of the date such Trust Unit was issued in the calendar year. See **Item 5.2 - Cash Distributions to Trust Unitholders**;
- (b) each Trust Unit confers the right to one vote at any meeting of Trust Unitholders. See **Item 2.7.1 - Declaration of Trust - Meetings and Resolutions of Trust Unitholders**; and
- (c) in the event of dissolution of the Fund, each Trust Unitholder will be entitled, on a *pro rata* basis, with other Trust Unitholders, in respect of each Trust Unit, to share with other Trust Unitholders in the remaining assets and property available for distribution upon dissolution, after discharge of the Fund's liabilities and the return of capital.

No Trust Unitholder has or is deemed to have any right of ownership in any of the assets of the Fund.

Outstanding Trust Units may be subdivided or consolidated from time to time by the Trustees without Trust Unitholder approval. Fractional Trust Units, if any, will be issued on any subdivision or consolidation but no fractional Trust Unit entitles the holder thereof to vote in respect of such fractional interest. Trust Units are to be fully paid and non-assessable when issued (unless issued on an instalment receipt basis). Trust Unitholders cannot transfer their Trust Units except in very limited circumstances. See **Item 8 - Risk Factors - Trust Units are Not Liquid**.

5.1.2 Redemption of Trust Units

Trust Units are redeemable in certain circumstances. See **Item 2.7.1 - Declaration of Trust - Redemption of Trust Units**. See also **Item 4.1 - Capital Structure - Equity Capital** for a description of any Trust Unit redemptions as of the date of this offering memorandum.

5.1.3 Withholding Taxes

The Declaration of Trust provides that the Trustees may deduct or withhold from distributions payable to any Trust Unitholder (including distributions *in specie* or proceeds distributed from the redemption of Trust Units) all amounts required by law to be withheld from such distribution. Trust Unitholders who are required by applicable law to pay withholding taxes are required to pay all withholding taxes payable in respect of any distributions (including distributions *in specie* or proceeds distributed from the redemption of Trust Units) by the Fund, whether such distributions are in the form of cash or additional Trust Units. To the extent that amounts are deducted or withheld, such amounts are treated for all purposes of the Declaration of Trust as having been paid to the Trust Unitholders. If a Trust Unitholder, who is required by applicable law to pay withholding taxes, fails to pay all withholding taxes payable in respect of any distribution in the form of additional Trust Units, the Trustees may, on behalf of the Fund, sell Trust Units of such Trust Unitholder to pay such withholding taxes and pursuant to the Declaration of Trust, the Trustees have the power of attorney of such Trust Unitholder to do so. Upon such sale, the affected Trust Unitholder ceases to be the holder of such Trust Units.

5.1.4 Transfers of Trust Units

Trust Unitholders cannot transfer their Trust Units except in very limited circumstances. See **Item 2.7.1 - Declaration of Trust - Transfer of Units**, **Item 8 - Risk Factors** and **Item 10 - Resale Restrictions**.

5.1.5 Rights of Trust Unitholders

Trust Unitholders are NOT shareholders and do not enjoy the rights and privileges generally offered to shareholders of a corporation incorporated under the ABCA. Although the Declaration of Trust confers upon a Trust Unitholder some of the same protections, rights and remedies that an investor would have as a voting shareholder of a corporation governed by the ABCA, significant differences do exist.

Many of the provisions of the ABCA respecting the governance and management of a corporation have been incorporated in the Declaration of Trust. For example, Trust Unitholders are entitled to exercise voting rights in certain circumstances in respect of their holdings of Trust Units in a manner comparable to voting shareholders of an ABCA corporation. The Declaration of Trust also includes provisions modeled after comparable provisions of the ABCA dealing with the calling and holding of meetings of Trust Unitholders and the right of Trust Unitholders to participate in the decision-making process where certain fundamental actions are proposed to be undertaken. The matters in respect of which Trust Unitholder approval is required under the Declaration

of Trust are generally less extensive than the rights conferred on the shareholders of an ABCA corporation, but effectively extend to certain fundamental actions that may be undertaken by the Fund's subsidiary entities, as described under **Item 2.7.1 - Declaration of Trust - Certain Rights of Trustees Subject to Special Resolution**. Certain of those Trust Unitholder approval rights may be supplemented by provisions of applicable securities laws.

The Declaration of Trust contains conflict of interest provisions, similar to those contained in the ABCA, that require the Trustees and officers of the Fund to disclose to the Fund any interest in a material contract or transaction or proposed material contract or transaction with the Fund or the fact that such individual is a director or officer or employee of, or otherwise has a material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with the Fund. In any case, a Trustee or officer of the Fund who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to (i) his, her or its remuneration as a Trustee, officer, employee or agent of the Fund, as applicable, (ii) insurance or indemnity, or (iii) a contract or transaction with an affiliate of the Fund.

Trust Unitholders do not have recourse to a dissent right under which shareholders of an ABCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken, such as an amalgamation, a continuance under the laws of another jurisdiction, the sale of all or substantially all of its property, a going private transaction or the addition, change or removal of provisions restricting: (i) the business or businesses that the corporation can carry on, or (ii) the issue, transfer or ownership of shares. As an alternative, but only following certain events, Trust Unitholders seeking to terminate their investment in the Fund are entitled to receive, subject to certain conditions and limitations, an amount in respect of their investment in Trust Units, through the exercise of the redemption rights provided by the Declaration of Trust, as described under **Item 2.7.1 - Declaration of Trust - Redemption of Trust Units**. However, Trust Unitholders have a right to dissent under the Declaration of Trust in respect of an arrangement (described below).

Unless dissent rights that are comparable or analogous to dissent rights under the applicable corporate legislation are provided to Trust Unitholders in connection with an arrangement, a Trust Unitholder may dissent if a Special Resolution is passed or adopted to approve an arrangement pursuant to which (a) the Declaration of Trust is amended to add, change or remove any provisions restricting or constraining the issue or transfer of Trust Units, (b) the Declaration of Trust is amended to add, change or remove any restrictions on the business or businesses that the Fund may carry on, (b) the Declaration of Trust is amended to add an express statement establishing the unlimited liability of Trust Unitholders or to add or change any provision whereby the limited liability of Trust Unitholders under applicable legislation is compromised or diminished to a material extent, (d) the Trust Units of each Trust Unitholder are to be exchanged for securities issued by another person, or (e) the Fund sells, leases or exchanges all or substantially all its property.

Trust Unitholders do not have recourse to the statutory oppression remedy that is available to shareholders of an ABCA corporation where the corporation undertakes actions that are oppressive, unfairly prejudicial or disregard the interests of security holders and certain other parties. Shareholders of an ABCA corporation may also apply to a court to order the liquidation and dissolution of the corporation in those circumstances, whereas Trust Unitholders could rely only on the general provisions of the Declaration of Trust, which permit the termination and dissolution of the Fund with the approval of a Special Resolution of the Trust Unitholders. Shareholders of an ABCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The ABCA also permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its subsidiaries, with the leave of a court. The Declaration of Trust does not include a comparable right of Trust Unitholders to commence or participate in legal proceedings with respect to the Fund.

For further information on terms contained in the Declaration of Trust which affect the rights of Trust Unitholders, including provisions regarding activities of the Fund, the Trustees, certain rights of Trustees subject to Special Resolution, and amendments to the Declaration of Trust, see **Item 2.7.1 - Declaration of Trust**. For information with respect to the terms of the Declaration of Trust regarding transfer of Trust Units, see **Item 2.7.1 - Declaration of Trust - Transfer of Trust Units**. For information regarding distributions by the Fund on Trust Units, see **Item 5.2 - Cash Distributions to Trust Unitholders**.

5.2 Cash Distributions to Trust Unitholders

As of the date of this offering memorandum, the Fund has declared no cash distributions on the outstanding Participating Trust Units.

5.2.1 Distribution Policy

The Fund intends to distribute all or any part of the distributable cash of the Fund (if any) that the Trustees prudently determine as being available for distributions, to Trust Unitholders of record on the last day of each calendar year. The Fund may also distribute cash (if any) that the Trustees prudently determine as being available for distributions, to Trust Unitholders for other distribution

periods, as the Trustees determine, in their discretion, from time to time. It is expected that no cash will be distributed to Trust Unitholders until cash flows are sufficiently stabilized. Once cash flows are stabilized, the Fund intends to distribute cash quarterly to Trust Unitholders, provided that the Fund may distribute cash (if any) that the Trustees prudently determine as being available for distributions (if any), to Trust Unitholders for other distribution periods, as the Trustees determine, in their discretion, from time to time, whether or not quarterly distributions are declared and paid. Where a distribution of distributable cash is declared by the Fund, such distribution will be made on a day within 30 days of the declaration period in respect of which such distribution has been declared.

The amount of distributable cash will equal the amount earned or receivable by the Fund in the distribution period and received on or before the payment date in respect of the distribution period, including income from the Clear Sky LP XVI limited partnership units, interest, distributions, dividends, proceeds from the disposition (other than by way of security interest) of securities, returns of capital and repayments of indebtedness together with all amounts, if any, received by the Fund from financing activities, less amounts the Fund estimates will be required for expenses of the Fund and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability and any reserves established by the Trustees, in their sole discretion. See **Item 5.2.2 - Funds Flow from the Properties** below for a description of the distributions of the Fund's subsidiaries to the Fund.

The Declaration of Trust provides that there will be payable to Trust Unitholders in respect of each year ending December 31 not less than such amount (in respect of the taxable income and net realized capital gains, if any, of the Fund for such year) as is necessary to ensure that the Fund will not be liable for ordinary income taxes under the Tax Act in such year. Any income of the Fund that is applied to repurchase or cash redemptions of Trust Units or is otherwise unavailable for cash distribution will, to the extent necessary to ensure that the Fund does not have an income tax liability under Part I of the Tax Act, be distributed to Trust Unitholders in the form of additional Trust Units. Those additional Trust Units will be issued under exemptions provided for by applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing. Unless the Trustees determine otherwise, immediately after any *pro rata* distribution of these additional Trust Units, the number of outstanding Trust Units will be consolidated such that each Trust Unitholder will hold after the consolidation the same number of Trust Units as the Trust Unitholder held before the non-cash distribution, except where tax was required to be withheld in respect of the Trust Unitholder's share of the distribution.

The Declaration of Trust provides that to the extent distributions are calculated in respect of a distribution period and payable at the end of such distribution period, if for any reason, including the termination of the Fund, such distribution period is not completed or such amounts are no longer payable, then the distribution will be pro-rated to the end of the shortened distribution period and be payable at the end of such shortened distribution period. In addition, where a Trust Unitholder has held its Trust Unit for less than the entire distribution period for which a distribution is payable, the Trust Unitholder is only entitled to a proportionate share of the distributions based on the proportion that the number of days between the date of first issue of its Trust Unit and the last day of the distribution period bears to the aggregate total number of days in such distribution period.

The Trustees have the right but not the obligation to distribute and allocate distributable cash, income, capital gains and any other applicable amounts among Trust Unitholders in such a manner so as to ensure where possible that they are treated equitably taking into account differences that may arise as a result of the acquisition of Trust Units at different times in a fiscal year or in different fiscal calendar years.

The return on an investment in the Trust Units is not comparable to the return on an investment in fixed-income securities.

Cash distributions to Trust Unitholders are not guaranteed and are not fixed obligations of either Trust; any receipt of cash distributions by a Trust Unitholder is at any time subject to the terms of the Declaration of Trust. Any anticipated return on investment is based upon many performance assumptions. Although the Fund intends to distribute its available cash to Trust Unitholders, cash distributions may be reduced or suspended at any time and from time to time. The ability of the Fund to make cash distributions and the actual amount distributed depends on the operations of the Properties acquired by the Property LPs, and will be subject to various factors including those referenced in **Item 8 - Risk Factors**. The value of the Trust Units may decline if the Fund is unable to meet its cash distribution targets in the future and that decline may be significant.

The Fund, Clear Sky LP XVI, the US Limited Partnership, the Property LPs and their affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of source, for any purpose other than the redemption of Bridge Financing LP Units that are created and issued in connection with the acquisition/investment, so long as any of such Bridge Financing LP Units remains outstanding. Among other things, such restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. The material characteristics of the Bridge Financing LP Units are described in **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 - Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the Property LPs (including VHT Apartments LP) nor the US

Limited Partnership may be in a position to pay cash distributions to its partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the applicable Property LP (including VHT Apartments LP) to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees and taxes.

5.2.2 Funds Flow from the Properties

The Fund is the only limited partner of Clear Sky LP XVI that participates in distributions of distributable cash (including Net Available Cash), if any, of Clear Sky LP XVI, subject to the specific limitations, rights, privileges, restrictions and conditions ascribed to any series of any Bridge Financing LP Units that may be created and issued in connection with the acquisition of any Property. Clear Sky LP XVI is the sole limited partner of the US Limited Partnership. The US Limited Partnership will be the sole limited partner of each Property LP, subject to a partnership/economic interest in one or more Property LPs being held, directly or indirectly, by any Bridge Equity Investor(s). This structure allows the Fund to, indirectly through its subsidiary entities, earn income derived from the investment in the Properties. The Fund is completely reliant on receiving funds from its subsidiary entities in order to realize any distributable cash from time to time.

The amount of distributable cash distributed by the Fund will equal the amount earned or receivable by the Fund in the distribution period and received on or before the payment date in respect of the distribution period less amounts the Fund estimates will be required for expenses of the Fund and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability and any reserves established by the Trustees, in their sole discretion.

Set out below is a summary of the distribution of funds from the Fund's subsidiaries to the Fund, including:

- (a) distributions of Net Available Cash from the Property LPs to the US Limited Partnership, including any special distributions by a Property LP as a result of the (i) sale or other disposition of a Property, in whole or in part, (ii) refinancing of a Property, or (iii) dissolution and liquidation of any Property LP or the US Limited Partnership;
- (b) distributions of Net Available Cash from the US Limited Partnership to Clear Sky LP XVI, including any special distributions received by US Limited Partnership as a result of the (i) sale or other disposition of a Property, in whole or in part, or the sale of a Property LP, (ii) refinancing of a Property, or (iii) dissolution and liquidation of any Property LP or the US Limited Partnership; and
- (c) distributions of Net Available Cash from Clear Sky LP XVI to the Fund, including any special distribution of Net Available Cash received by Clear Sky LP XVI as a result of the (i) sale or other disposition of a Property, in whole or in part, or the sale of a Property LP, (ii) refinancing of a Property, or (iii) dissolution and liquidation of any Property LP or the US Limited Partnership.

The Fund, Clear Sky LP XVI, the US Limited Partnership, the Property LPs and their affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of source, for any purpose other than the redemption of Bridge Financing LP Units that are created and issued in connection with the acquisition/investment, so long as any of such Bridge Financing LP Units remains outstanding. Among other things, such restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. The material characteristics of the Bridge Financing LP Units are described in **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 - Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the Property LPs (including VHT Apartments LP) nor the US Limited Partnership may be in a position to pay cash distributions to its partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any

reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the applicable Property LP (including VHT Apartments LP) to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees and taxes.

Distributions from Property LPs to the US Limited Partnership

Subject to the special distribution of a Property LP's Net Available Cash attributable to (1) a Property LP's sale or other disposition of its Property, in whole or in part, or the sale of the Property LP, (2) a Property LP's refinancing of a Property or (3) dissolution and liquidation of any Property LP, Net Available Cash is to be distributed by a Property LP *pro rata* and *pari passu* in the following manner, less any tax required to be withheld, and subject to any Property LP partnership/economic interest(s) that may be created and issued in connection with the acquisition of or investment in the applicable Property being held, directly or indirectly, by any Bridge Equity Investor(s) and subject to restrictions regarding the use of such funds for any purpose other than the redemption of any Bridge Financing LP Units that may be created and issued in connection with the acquisition of or investment in the Property:

- (a) as to 75% thereof, to the US Limited Partnership; and
- (b) as to 25% thereof, to the general partner(s) of such Property LP.

Property LP distributions (if any) will, in all cases be made after allowance for payment of the applicable Performance Fees.

It is contemplated that, once cash flows are stabilized, each Property LP will make quarterly distributions of Net Available Cash to its partners (being the US Limited Partnership and the general partners of such Property LP), subject to any Property LP partnership/economic interest(s) that may be created and issued in connection with the acquisition of or investment in the applicable Property being held, directly or indirectly, by any Bridge Equity Investor(s). The determination of whether a Property LP has Net Available Cash for distribution will be made by the general partners of the applicable Property LP, in their sole discretion, acting reasonably, on the last business day of each quarter (or other distribution period) pursuant to the governing Property LP Agreement. A Property LP will not make distributions if such Property LP does not have Net Available Cash.

The use of Net Available Cash may be subject to restrictions regarding the use of such funds for any purpose other than the redemption of Bridge Financing LP Units that may be created and issued in connection with the acquisition of or investment in the Property, so long as any of the Bridge Financing LP Units remains outstanding.

If VHT Apartments LP acquires the VHT Apartments under the VHT Acquisition Agreement, its partners, being the US Limited Partnership (limited partner holding an 75% economic interest) and the VHT GPs (general partners holding economic interests totalling 25%) will participate in any such distributions from VHT Apartments LP, subject to any partnership/economic interest held therein by any Bridge Equity Investor(s).

Special Distribution of Funds by Property LP on Refinancing of a Property

A Property LP may be in a position to refinance a Property if the value of the Property has increased but without the Property LP having sold or otherwise disposed of the Property. Such refinancing may be in the form of a replacement mortgage for which the Property is pledged as collateral, or an additional mortgage for which the Property is pledged as collateral, in either case based on the increased value of the Property. Where the Property LP, in the sole discretion of its general partners, acting reasonably, obtains an attractive opportunity to refinance a Property and does so, such Property LP may make a special distribution to its partners of the proceeds from such refinancing, after reducing such amount by repaying the operating expenses and all debts and liabilities of the Property LP made, accrued or incurred by the Property LP, or by the general partners of the Property LP on behalf of the Property LP (including setting aside applicable cash reserves for contingent or other undetermined liabilities as reasonably determined by the general partner(s) of the Property LP, in their sole discretion, and otherwise to the extent that the general partners determines that the Property LP has Net Available Cash pursuant to the applicable Property LP Agreement.) in respect of the Property.

The applicable Property LP may utilize proceeds from the refinancing of a Property, subject to restrictions regarding the use of such funds for any purpose other than the redemption of Bridge Financing LP Units that may be created and issued in connection with the acquisition of or investment in the Property (or other property/business), as follows:

- (a) first, to repay the operating expenses and all debts and liabilities of the Property LP made, accrued or incurred by the Property LP, or by the general partners of the Property LP on behalf of the Property LP (including setting aside applicable cash reserves for contingent or other undetermined liabilities as reasonably determined by the general partners of the Property LP, in its sole discretion) in respect of the Property; and
- (b) second, to pay, in whole or in part, any unpaid Performance Fees resulting from Property acquisitions or dispositions (where and to the extent it is determined that the Performance Fees are payable, in whole or in part, by the Property LP).

Thereafter, the general partners of the applicable Property LP may declare a distribution of Net Available Cash attributable to such refinancing, if any, in favour of its partners, which funds are to be applied or distributed in the following manner and priority, subject to any Property LP partnership/economic interest(s) that may be created and issued in connection with the acquisition of or investment in the applicable Property being held, directly or indirectly, by any Bridge Equity Investor(s) and subject to restrictions regarding the use of such funds for any purpose other than the redemption of any Bridge Financing LP Units that may be created and issued in connection with the acquisition of or investment in the Property (including the Bridge Financing LP Units), less any tax required to be withheld:

- (c) third, to the US Limited Partnership until the US Limited Partnership has received an amount equal to its aggregate capital contribution to such Property LP (taking into account any quarterly distributions of Net Available Cash Flow, special distributions or other amounts previously distributed by such Property LP to the US Limited Partnership);
- (d) fourth, to the general partners of the Property LP until the general partners have received from such Property LP an amount equal to 25% of the aggregate quarterly and special distributions of Net Available Cash Flow and other proceeds distributed by such Property LP to both the US Limited Partnership and such general partners (taking into account any quarterly distributions of Net Available Cash Flow, special distributions or other amounts that the US Limited Partnership and such general partners have received to date from such Property LP); and
- (e) thereafter: (i) as to 75% thereof, to the US Limited Partnership; and (ii) as to 25% thereof, to the general partners of such Property LP.

Special Distribution of Funds by Property LP on Sale or Other Disposition of a Property

Following the sale or other disposition of a Property, the applicable Property LP is to be dissolved and liquidated, subject to any legal or operational requirements to maintain the existence of such Property LP for a period of time.

In connection with such dissolution and liquidation, the net assets of the Property LP, including the net proceeds from the sale or other disposition of such Property, are to be applied or distributed in the following manner and priority, subject always to the provisions of the applicable Property LP Agreement, subject to any Property LP partnership/economic interest(s) that may be created and issued in connection with the acquisition of or investment in the applicable Property being held, directly or indirectly, by any Bridge Equity Investor(s), and subject to restrictions regarding the use of such funds for any purpose other than the redemption of any Bridge Financing LP Units that may be created and issued in connection with the acquisition of or investment in the Property Bridge Financing LP Units, less any tax required to be withheld:

- (a) first, to repay the operating expenses and all debts and liabilities of the Property LP made, accrued or incurred by the Property LP, or by the general partners of the Property LP on behalf of the Property LP (including setting aside applicable cash reserves for contingent or other undetermined liabilities as reasonably determined by the general partner(s) of the Property LP, in its sole discretion) in respect of the Property;
- (b) second, to pay, in whole or in part, any unpaid Performance Fees resulting from Property acquisitions or dispositions (where and to the extent it is determined that the Performance Fees are payable, in whole or in part, by the Property LP);
- (c) third, to the US Limited Partnership until the US Limited Partnership has received an amount equal to its aggregate capital contribution to such Property LP (taking into account any quarterly distributions of Net

Available Cash Flow, special distributions or other amounts previously distributed by such Property LP to the US Limited Partnership);

- (d) fourth, to the general partners of the Property LP until the general partners have received from such Property LP an amount equal to 25% of the aggregate quarterly and special distributions of Net Available Cash Flow and other proceeds distributed by such Property LP to both the US Limited Partnership and such general partners (taking into account any quarterly distributions of Net Available Cash Flow, special distributions or other amounts that the US Limited Partnership and such general partners have received to date from such Property LP); and
- (e) fourth, the balance of the net assets of the Property LP (if any) are to be distributed *pro rata* and *pari passu* in the following manner:
 - (i) as to 75% thereof, to the US Limited Partnership; and
 - (ii) as to 25% thereof, to the general partners of such Property LP.

The use of Net Available Cash may be subject to restrictions regarding the use of such funds for any purpose other than the redemption of Bridge Financing LP Units that may be created and issued in connection with the acquisition of or investment in the Property, so long as any of the Bridge Financing LP Units remains outstanding.

If VHT Apartments LP acquires the VHT Apartments under the VHT Acquisition Agreement, its partners, being the US Limited Partnership (limited partner holding an 75% economic interest) and the VHT GPs (general partners holding economic interests totalling 25%) will participate in any such distributions from VHT Apartments LP, subject to any partnership/economic interest held therein by any Bridge Equity Investor(s).

Distribution of Funds from the US Limited Partnership to Clear Sky LP XVI

Upon receipt of a distribution from a Property LP, the US Limited Partnership may make a corresponding distribution to its partners (being Clear Sky LP XVI and the US General Partner), to the extent that the US General Partner determines that the US Limited Partnership has Net Available Cash pursuant to the US LP Agreement.

Distributions received by the US Limited Partnership from a Property LP are to be distributed by the US Limited Partnership *pro rata* and *pari passu* to the extent that it is determined that the US Limited Partnership has Net Available Cash for distribution, in the following manner and priority, subject always to the provisions of the US LP Agreement and subject to restrictions regarding the use of such funds for any purpose other than the redemption of any Bridge Financing LP Units that may be created and issued in connection with the acquisition of or investment in the Property Bridge Financing LP Units, less any tax required to be withheld:

- (a) as to 99.99% thereof, to Clear Sky LP XVI (as sole limited partner); and
- (b) as to 0.01% thereof, to the US General Partner,

subject to the special distribution of a Property LP's Net Available Cash attributable to the refinancing of a Property or the sale or other disposition of a Property (or the applicable Property LP).

Property LP distributions (if any) will, in all cases, be made after allowance for payment of the applicable Performance Fees.

US Limited Partnership distributions (if any) will, in all cases, be made after allowance for payment of the applicable Performance Fees.

The US Limited Partnership and its affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of source, for any purpose other than the redemption of Bridge Financing LP Units that are created and issued in connection with the acquisition/investment, so long as any of such Bridge Financing LP Units remains outstanding. Among other things, such restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. The material characteristics of the Bridge Financing LP Units are described in **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 - Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the Property LPs (including VHT Apartments LP) nor the US Limited Partnership may be in a position to pay cash distributions to its

partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the applicable Property LP (including VHT Apartments LP) to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees and taxes.

Special Distribution of Funds by US Limited Partnership on Refinancing of a Property

A Property LP may be in a position to refinance a Property if the value of the Property has increased but without the Property LP having sold or otherwise disposed of the Property. Such refinancing may be in the form of a replacement mortgage for which the Property is pledged as collateral, or an additional mortgage for which the Property is pledged as collateral, in either case based on the increased value of the Property. Where the Property LP, in the sole discretion of its general partners, acting reasonably, obtains an attractive opportunity to refinance a Property and does so, such Property LP may make a special distribution to its partners of the proceeds from such refinancing, as described above.

Upon receipt by the US Limited Partnership of a special Property LP distribution of net proceeds from the refinancing of a Property, the US Limited Partnership will utilize the proceeds from such refinancing, subject to restrictions regarding the use of such funds for any purpose other than the redemption of Bridge Financing LP Units that may be created and issued in connection with the acquisition of or investment in any Property, as follows:

- (a) first, to repay the operating expenses and all debts and liabilities of the Property LP made, accrued or incurred by the Property LP, or by the general partners of the Property LP on behalf of the Property LP (including setting aside applicable cash reserves for contingent or other undetermined liabilities as reasonably determined by the general partners of the Property LP, in its sole discretion) in respect of the Property; and
- (b) second, to pay, in whole or in part, any unpaid Performance Fees resulting from Property acquisitions or dispositions (where and to the extent it is determined that the Performance Fees are payable, in whole or in part, to the US General Partner or otherwise by the US Limited Partnership).

Thereafter, the US Limited Partnership may, to the extent that the US General Partner determines that the US Limited Partnership has Net Available Cash for distribution, make a special distribution to its partners in the following manner and priority, subject always to the provisions of the US LP Agreement and subject to restrictions regarding the use of such funds for any purpose other than the redemption of any Bridge Financing LP Units that may be created and issued in connection with the acquisition of or investment in the Property Bridge Financing LP Units, less any tax to be withheld:

- (c) third, 100% to Clear Sky LP XVI until Clear Sky LP XVI has received an amount equal to its aggregate capital contribution to the US Limited Partnership (taking into account any quarterly distributions of Net Available Cash Flow, special distributions or other amounts previously distributed by the US Limited Partnership to Clear Sky LP XVI); and
- (d) thereafter: (i) as to 99.99% thereof, to Clear Sky LP XVI (as sole participating limited partner), and (ii) as to 0.01% thereof, to the US General Partner.

The US Limited Partnership and its affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of source, for any purpose other than the redemption of Bridge Financing LP Units that are created and issued in connection with the acquisition/investment, so long as any of such Bridge Financing LP Units remains outstanding. Among other things, such restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. The material characteristics of the Bridge Financing LP Units are described in **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 - Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the

Property LPs (including VHT Apartments LP) nor the US Limited Partnership may be in a position to pay cash distributions to its partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the applicable Property LP (including VHT Apartments LP) to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees and taxes.

Special Distribution of Funds by US Limited Partnership on Sale or Other Disposition of Property or upon Sale of Property LP

Upon receipt by the US Limited Partnership of a Property LP's special distribution of net proceeds from the sale or other disposition of a Property or upon completion of the sale of a Property LP by the US Limited Partnership, the US Limited Partnership will apply such net proceeds, subject to restrictions regarding the use of such funds for any purpose other than the redemption of Bridge Financing LP Units that may be created and issued in connection with the acquisition of or investment in any Property, in the following manner and priority:

- (a) first, to repay the operating expenses and all debts and liabilities of the US Limited Partnership made, accrued or incurred by the US Limited Partnership, or by the US General Partner on behalf of the US Limited Partnership (including setting aside applicable cash reserves for contingent or other undetermined liabilities as reasonably determined by the US General Partner, in its sole discretion), in respect of the Property LP from which such proceeds were received; and
- (b) second, to pay, in whole or in part, any unpaid Performance Fees resulting from Property acquisitions or dispositions (where and to the extent it is determined that the Performance Fees are payable, in whole or in part, to the US General Partner or otherwise by the US Limited Partnership).

Thereafter, the US Limited Partnership may, to the extent that the US General Partner determines that the US Limited Partnership has Net Available Cash for distribution, make a special distribution to its partners in the following manner and priority, subject always to the provisions of the US LP Agreement and subject to restrictions regarding the use of such funds for any purpose other than the redemption of any Bridge Financing LP Units that may be created and issued in connection with the acquisition of or investment in the Property Bridge Financing LP Units, less any tax to be withheld:

- (c) third, any balance distributed to the US Limited Partnership's partners *pro rata* and *pari passu* in the following manner, less any tax required to be withheld:
 - (i) 100% to Clear Sky LP XVI until Clear Sky LP XVI has received an amount equal to its aggregate capital contribution to the US Limited Partnership (taking into account any quarterly distributions of Net Available Cash Flow, special distributions or other amounts previously distributed by the US Limited Partnership to Clear Sky LP XVI); and
 - (ii) thereafter (1) as to 99.99% thereof, to Clear Sky LP XVI (as sole limited partner), and (2) as to 0.01% thereof, to the US General Partner.

The US Limited Partnership and its affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of source, for any purpose other than the redemption of Bridge Financing LP Units that are created and issued in connection with the acquisition/investment, so long as any of such Bridge Financing LP Units remains outstanding. Among other things, such restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. The material characteristics of the Bridge Financing LP Units are described in **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 - Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the Property LPs (including VHT Apartments LP) nor the US Limited Partnership may be in a position to pay cash distributions to its

partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the applicable Property LP (including VHT Apartments LP) to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees and taxes.

Distribution of Funds from Clear Sky LP XVI to the Fund

Upon receipt of a distribution from the US Limited Partnership, Clear Sky LP XVI may make a corresponding distribution to its partners who participate in distributions prior to dissolution (being the Fund and the Clear Sky GP, subject to the specific limitations, rights, privileges, restrictions and conditions ascribed to any series of Class B LP Units, including Bridge Financing LP Units), to the extent that the Clear Sky GP determines that Clear Sky LP XVI has Net Available Cash pursuant to the Clear Sky LP XVI Agreement. Because Clear Sky LP XVI will have elected to be taxed as a corporation for U.S. income tax purpose, Clear Sky LP XVI may have U.S. income taxes to pay in respect of profits realized. Such taxes, if any, will be deducted in determining or calculating Net Available Cash.

Clear Sky LP XVI's Net Available Cash (if any), other than Net Available Cash attributable to the net proceeds from the refinancing, sale or other disposition of a Property or from the sale of a Property LP, is to be distributed, quarterly or otherwise, subject to the specific limitations, rights, privileges, restrictions and conditions ascribed to any Class B LP Units (including the Bridge Financing LP Units) and subject to restrictions regarding the use of such funds for any purpose other than the redemption of Bridge Financing LP Units that may be created and issued in connection with the acquisition of or investment in any Property(ies), in the following manner, less any tax to be withheld:

- (a) as to 99.99% thereof, to the Fund (as sole limited partner); and
- (b) as to 0.01% thereof, to Clear Sky GP.

Notwithstanding the foregoing, the Fund and Clear Sky LP XVI anticipate that the net proceeds of the refinancing, sale or other disposition of a Property, or from the sale of a Property LP, if any, is to be used, subject to the specific limitations, rights, privileges, restrictions and conditions ascribed to any series of Class B LP Units (including the Bridge Financing LP Units) and subject to restrictions regarding the use of such funds for any purpose other than the redemption of any Bridge Financing LP Units that may be created and issued in connection with the acquisition of or investment in any Property(ies) Bridge Financing LP, in the following manner:

- (a) first, to repay the operating expenses and all debts and liabilities of Clear Sky LP XVI made, accrued or incurred by Clear Sky LP XVI, or by Clear Sky GP on behalf of the Clear Sky LP XVI (including setting aside applicable cash reserves for contingent or other undetermined liabilities as reasonably determined by Clear Sky GP, in its sole discretion), in respect of the Property LP from which such proceeds were received; and
- (b) second, to pay, in whole or in part, any unpaid Performance Fees resulting from Property acquisitions or dispositions (where and to the extent it is determined that the Performance Fees are payable, in whole or in part, to Clear Sky GP or by Clear Sky LP XVI).

Thereafter, Clear Sky LP XVI's Net Available Cash (if any) attributable to the net proceeds of the refinancing, sale or other disposition of a Property, or from the sale of a Property LP, if any, is to be distributed in the following manner and priority, subject to the specific limitations, rights, privileges, restrictions and conditions ascribed to any series of Class B LP Units (including the Bridge Financing LP Units) and subject to restrictions regarding the use of such funds for any purpose other than the redemption of any Class B LP Units (including the Bridge Financing LP Units) that may be created and issued in connection with the acquisition of or investment in the Property, less any tax to be withheld:

- (c) as to 99.99% thereof, to the Fund (as sole limited partner); and
- (d) as to 0.01% thereof, to Clear Sky GP.

Clear Sky LP XVI distributions (if any) will, in all cases, be made after allowance for payment of the applicable Performance Fees.

Distributions of Clear Sky LP XVI's Net Available Cash, if any, are expected to be paid within 90 days following receipt by Clear Sky LP XVI of each such distribution from the US Limited Partnership.

The Fund and its affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of source, for any purpose other than the redemption of Bridge Financing LP Units that are created and issued in connection with the acquisition/investment, so long as any of such Bridge Financing LP Units remains outstanding. Among other things, such restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. The material characteristics of the Bridge Financing LP Units are described in **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 - Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the Property LPs (including VHT Apartments LP) nor the US Limited Partnership may be in a position to pay cash distributions to its partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the applicable Property LP (including VHT Apartments LP) to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees and taxes.

Potential Effect of Special Allocation for Accelerated Depreciation

The US LP Agreement and the Property LP Agreements will include provisions which allow accelerated depreciation to be allocated to the US General Partner or general partners of the Property LPs in certain circumstances. Any such allocation could increase the amount of US tax payable by Clear Sky LP XVI. This increase in tax payable by Clear Sky LP XVI could reduce the amount of cash available for distribution to the Fund and, in turn, to the Trust Unitholders.

5.3 Subscription Procedure

The securities being offered pursuant to the Offering are Trust Units.

Each Investor must subscribe for a minimum of 500 Trust Units (CD\$5,000). There is no maximum number of Trust Units allocated to any subscriber, subject to the limits under the Maximum Offering or otherwise pursuant to the Declaration of Trust. The Maximum Offering will be reached upon the Fund realizing Offering Proceeds of CD\$10,000,000 through the issue and sale of up to 1,111,111 Trust Units under the Offering. The Fund may, without notice to Investors, increase or otherwise change the Maximum Offering.

Investors wishing to subscribe for Trust Units are required to enter into a Subscription Agreement with the Fund in the form attached as **Schedule A** to this offering memorandum, containing, among other things, representations, warranties, certifications, acknowledgments and covenants by you, as the Investor. The procedure for your Trust Unit subscription is set out in the Subscription Agreement attached as **Schedule A**. Please read the instructions on page SA-2, closely. You may subscribe for Trust Units by delivering the completed and signed subscription documents set out in **Schedule A** together with payment for the Trust Units to the Fund at the address set out in the instructions on page SA-2.

Subject to the rights of rescission described in **Item 11 - Investors' Rights**, your subscription, as evidenced by your completed and signed Subscription Agreement delivered to the Fund, is irrevocable. No prospective Investor has any right to withdraw his subscription for Trust Units unless the Fund terminates the offering or does not accept the subscription.

The Fund will hold your aggregate subscription price in trust until at least midnight on the second business day after the day on which you signed your Subscription Agreement, after which time those funds will be held in trust until the Fund's has accepted or

rejected such subscription, in whole or in part, in connection with a Closing of the Offering. Holding your aggregate subscription price in this manner does not constitute acceptance of your subscription for Trust Units.

At any Closing of the Offering:

- proceeds from subscriptions for Trust Units will be available to the Fund for its use, as described in this offering memorandum; and
- the Fund will arrange for delivery to or as directed by you (as the Investor), one or more certificates representing fully paid Trust Units, provided the aggregate subscription price has been paid in full. It is expected that certificates representing the Trust Units will be available for delivery within a reasonable period of time after the relevant Closing Date(s).

No interest will be paid to or accrued for the benefit of the subscriber for Trust Units on any portion of your aggregate subscription price held prior to closing. Any interest earned on such funds belongs to the Fund irrespective of its acceptance or rejection of your subscription for Trust Units.

By purchasing Trust Units pursuant to the Offering, you have consented to and requested that all documents evidencing or relating in any way to the sale of the Trust Units be drawn up in the English language only. *En souscrivant à des titres en vertu de ce placement, chaque souscripteur reconnaît et convient par les présentes qu'il ou elle a consenti et exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à ce placement d'unités agrafées, soient rédigés en anglais seulement.*

The Fund may, in connection with completing the Eligibility Distribution, or otherwise in the Trustees' discretion, reduce the number of Trust Units that any Investor must subscribe for under the Offering, at any time and from time to time.

The Fund may close the subscription books at any time without notice. Any subscription funds for subscriptions that the Fund does not accept will be returned promptly after the Fund has determined not to accept such subscription.

This offering memorandum does not constitute an offer to sell or the solicitation of an offer to buy securities within the United States or by residents of the United States. There shall be no sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

5.4 Auditors, Transfer Agent and Registrar

The auditors of the Fund are Collins Barrow Edmonton, LLP, Chartered Accountants.

The Fund intends to appoint a registered trust company, through its principal office in Calgary, Alberta, as the transfer agent and registrar of the Trust Units.

ITEM 6 - INCOME TAX CONSEQUENCES

You should consult your own professional advisors to obtain advice on the tax consequences that apply to you.

6.1 Certain Canadian Federal Income Tax Considerations

In the opinion of Borden Ladner Gervais LLP, counsel to the Fund ("**Counsel**"), the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to an individual (other than a trust) who acquires Trust Units pursuant to the Offering and who, for all purposes of the Tax Act, is resident in Canada, deals at arm's length and is not affiliated with the Fund and holds any applicable securities as capital property. Generally, securities will be considered to be capital property to a person provided that such person (a) does not hold such securities in the course of carrying on a business, (b) has not acquired such securities in one or more transactions considered to be an adventure in the nature of trade, and (c) does not hold such securities as "mark-to-market property". Certain persons who might not otherwise be considered to hold securities as capital property may, in certain circumstances, be entitled to have such securities and all other "Canadian securities" owned or subsequently acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is based on the terms of the Offering, certain representations made by the parties thereto, the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**"), and an understanding of the current published administrative policies and assessing practices of the CRA publicly available prior to the date hereof. This summary assumes that the Tax Proposals will be enacted as currently proposed, although no assurance can be given that such proposals will be enacted in that form or at all. Except for the

Tax Proposals, this summary does not take into account or anticipate any changes in law or administrative policy and assessing practice, whether by way of legislative, governmental or judicial decision or action, nor does it take into account other federal or any provincial or foreign tax legislation or consideration, which may differ materially from those described herein.

This summary is not applicable to security holders: (a) that are "financial institutions" or "specified financial institutions" (as defined in the Tax Act); (b) that are partnerships; (c) an interest in whom would be a "tax shelter investment" (as defined in the Tax Act); (d) a holder to which the functional currency reporting rules apply; or (e) that are Non-Residents. The above-noted security holders should consult their own tax advisors with respect to the matters discussed herein.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Trust Units. Moreover, the income tax and other tax consequences of acquiring, holding or disposing of securities will vary according to the status of the Investor, the province or provinces in which the Investor resides or carries on business and, generally, the Investor's own particular circumstances. Accordingly, the following description of income tax matters is of a general nature only and is not intended to constitute advice to any particular Investor. Investors should consult their own tax advisors with respect to the income tax and other tax consequences of the Offering and an investment in Trust Units, based upon such security holder's particular circumstances.

6.1.1 Eligibility for Investment

In order for the Fund to qualify as a mutual fund trust, and hence be a qualified investment for Exempt Plans, it must have at least 150 Trust Unitholders, each holding at least \$500 worth of Trust Units. As of the date of this offering memorandum, the Fund only has one Trust Unitholder, holding one Trust Units. Provided the fund has at least 150 Trust Unitholders, each holding at least \$500 worth of Trust Units, by March 31, 2016, the Fund will be eligible to elect under subsection 132(6.1) of the Tax Act to be deemed to be a mutual fund trust from inception.

There can be no assurance that the Fund will have at least 150 Trust Unitholders, each holding at least \$500 of worth of Trust Units, by March 31, 2016, or ever.

Based on certain provisions of the Tax Act and the regulations thereunder, provided that the Fund at all times qualifies as a "mutual fund trust" as defined in the Tax Act, the Trust Units will be a qualified investments for Exempt Plans.

However, the holder of a TFSA or, the annuitant under a RRSP or RRIF, that holds Trust Units will be subject to a penalty tax if such Trust Units are a "prohibited investment" for the purposes of the Tax Act. Trust Units will generally be a "prohibited investment" if the holder of the TFSA (or the annuitant under a RRSP or RRIF) does not deal at arm's length with the Fund for the purposes of the Tax Act or the holder of the TFSA (or the annuitant under a RRSP or RRIF) has a "significant interest" (as defined in the Tax Act) in the Fund or a corporation, partnership or trust with which the Fund does not deal at arm's length for the purposes of the Tax Act. A person has a significant interest in a trust where the person, together with non-arm's length persons, holds 10% or more of the fair market value of the Trust Units. Investors should consult their own tax advisors regarding their particular circumstances.

The Redemption Notes which may be delivered to Trust Unitholders on an *in specie* redemption of Trust Units will not be qualified investments for Exempt Plans. Accordingly, Exempt Plans that own Trust Units should consult their own tax advisors prior to exercising redemption rights.

6.1.2 Status of the Fund

Mutual Fund Trust

This summary is based on the assumption that the Fund will at all relevant times qualify as a "mutual fund trust" (as defined in the Tax Act), that the Fund will validly elect under the Tax Act to be a mutual fund trust from the date it was established, that the Fund has not been established and will not be maintained primarily for the benefit of Non-Residents, and that not more than 50% (based on fair market value) of the Trust Units will be held by Non-Residents, partnerships that are not "Canadian partnerships", or any combination thereof, all for the purposes of the Tax Act.

If certain proposals released on September 16, 2004 are enacted as proposed (the "**September 16th Tax Proposals**"), the Fund would cease to qualify as a mutual fund trust for the purposes of the Tax Act if, at any time after 2004, the fair market value of all Trust Units held by Non-Residents, or partnerships that are not Canadian partnerships, or any combination of the foregoing, is more than 50% of the fair market value of all issued and outstanding Trust Units unless not more than 10% (based on fair market value) of the Fund's property is at any time "taxable Canadian property" within the meaning of the Tax Act and certain other types of specified property. Restrictions on the ownership of Trust Units are intended to limit the number of Trust Units held by Non-Residents such that Non-Residents, partnerships that are Canadian partnerships, or any combination of the foregoing, may not own

Trust Units representing more than 45% of the fair market value of all Trust Units. The September 16th Tax Proposals have not been enacted. Pursuant to the Tax Act, the Fund would be deemed not to be a mutual fund trust after any time when it can reasonably be considered that the Fund was established or is maintained primarily for the benefit of Non-Residents unless at that time all or substantially all of its property is property other than taxable Canadian property.

Generally, to qualify as a mutual fund trust, (i) the Fund must be a Canadian resident "unit trust" for the purposes of the Tax Act, (ii) the only undertaking of the Fund must be (a) the investing of its funds in property (other than real property or interests in real property or an immovable or a real right in an immovable), (b) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) or of any immovable (or right in immovables) that is capital property of the Fund, or (b) any combination of the activities described in (a) and (b), and (iii) the Fund must comply with certain minimum requirements respecting the ownership and dispersal of Trust Units (the "**minimum distribution requirements**"). It is intended that all requirements necessary for the Fund to qualify as a "mutual fund trust" will be met and continue to be met. The Trustees have advised Counsel that they intend to ensure that the Fund will meet the requirements necessary for it to qualify as a mutual fund trust no later than 90 days after the end of its first taxation year and at all times thereafter, and to file the necessary election under the Tax Act so that the Fund will qualify as a mutual fund trust throughout its first taxation year.

If the Fund were not to qualify as a mutual fund trust at all times, the income tax considerations described herein would, in some respects, be materially and adversely different.

SIFT Rules

On October 31, 2006, Finance announced proposed changes to the manner in which certain specified investment flow-through entities ("**SIFTs**") and the distributions from such entities are taxed. Bill C-52, which received Royal Assent on June 22, 2007, and Bill C-10, which received Royal Assent on March 12, 2009, contained legislation implementing these proposals (the "**SIFT Rules**").

The SIFT Rules apply to trusts that are resident in Canada for the purposes of the Tax Act and that hold one or more "non-portfolio properties" and the units of which are listed or traded on a stock exchange or other public market ("**SIFT Trust**"). Under the SIFT Rules, if the Fund were a SIFT Trust it would be subject to a special tax in respect of income from its non-portfolio properties and capital gains respecting non-portfolio properties (collectively, the "**Non-Portfolio Earnings**"). Non-Portfolio Earnings would be taxed at a rate that is generally equivalent to the federal general corporate tax rate plus a prescribed amount on account of provincial tax. Any Non-Portfolio Earnings that become payable by a SIFT Trust or SIFT partnership will be taxed as though they were a taxable dividend from a taxable Canadian corporation and will be deemed to be an "eligible dividend" eligible for the enhanced gross-up and tax credit rules.

Counsel has been advised that the Fund currently does not meet the requirements of a SIFT Trust. The Fund intends to cause the Fund not to be characterized as a SIFT Trust. Provided that the Fund is not a SIFT Trust, it will not be subject to tax in the manner contemplated by the SIFT Rules. This summary assumes that at all material times the Fund is not a SIFT Trust.

6.1.3 Taxation of the Fund

Provided that the Fund is not a SIFT Trust, the Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized capital gains and all interest that accrues to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year, less the portion thereof that it claims in respect of the amount paid or payable to Trust Unitholders in the year. An amount will be considered payable to a Trust Unitholder in a taxation year only if it is paid in the year by the Fund or the Trust Unitholder is entitled in the year to enforce payment of the amount.

The Fund will be entitled to deduct reasonable current administrative and other expenses that are incurred to earn income. Any losses incurred by the Fund may not be allocated to Trust Unitholders but may generally be carried forward and back and deducted in computing the taxable income of the Fund, in accordance with the detailed rules in the Tax Act.

The Fund intends to make distributions to Trust Unitholders as described in **Item 5.1.2 - Distributions by the Fund** and to deduct, in computing its income in each taxation year, such amount as will be sufficient to ensure that the Fund will not be liable for income tax under Part I of the Tax Act for each year other than such tax on net realized capital gains that will be recoverable by the Fund in respect of such year by reason of the capital gains refund mechanism. However, no assurances can be given in this regard.

6.1.4 Taxation of Trust Unitholders

Subject to the SIFT Rules, a Trust Unitholder will generally be required to include in computing income for a particular taxation year the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the

Trust Unitholder (whether in cash or in Trust Units) in the taxation year, whether or not the amount was actually paid to the Trust Unitholder. Income of a Trust Unitholder from a Trust will generally be considered to be income from property for the purposes of the Tax Act. The non-taxable portion of the Fund's net realized capital gains paid or payable and designated to a Trust Unitholder in a taxation year will not be included in the Trust Unitholder's income for the year. Any other amount in excess of the Trust Unitholder's share of the Fund's net income for a taxation year paid or payable to the Trust Unitholder in the year will not generally be included in the Trust Unitholder's income, but will generally reduce the adjusted cost base of the Trust Unitholder's Trust Units. To the extent that the adjusted cost base of a Trust Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Trust Unitholder from the disposition of the Trust Unit, and the Trust Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain to zero. Any losses of the Fund for the purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Trust Unitholder.

Under the Tax Act, the Fund is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions for the year. This will enable the Fund to utilize, in the taxation year, losses from prior years without affecting the ability of the Fund to distribute its income annually. The amount distributed to a Trust Unitholder but not deducted by the Fund will not be included in the Trust Unitholder's income. However, the adjusted cost base of the Trust Unitholder's Trust Units will be reduced by such amount. To the extent that the adjusted cost base of a Trust Unit would otherwise be less than nil, the negative amount will be deemed to be a capital gain realized by the Trust Unitholder from the disposition of the Trust Unit, and the Trust Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain to zero.

Provided that appropriate designations are made by the Fund, such portion of (i) net realized taxable capital gains of the Fund, (ii) the income of the Fund from foreign sources, and (iii) the taxable dividends received or deemed to be received by the Fund on shares of taxable Canadian corporations, as is paid or becomes payable to a Trust Unitholder, will effectively retain its character and be treated as such in the hands of the Trust Unitholder for the purposes of the Tax Act. The availability of foreign tax credits in respect of foreign source income designated to a Trust Unitholder by the Fund is subject to the foreign tax credit rules under the Tax Act and the Trust Unitholder's particular circumstances. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules will apply, including the enhanced gross-up and dividend tax credit rules in respect of eligible dividends paid by taxable Canadian corporations. Investors should consult their own tax advisors in this regard.

On the disposition or deemed disposition of a Trust Unit (whether on a sale, redemption or otherwise), a Trust Unitholder will realize a capital gain (or capital loss) to the extent that the Trust Unitholder's proceeds of disposition (other than any amount payable by the Fund which represents an amount of capital gain allocated to the Trust Unitholder or that is otherwise required to be included in the Trust Unitholder's income) exceed (or are less than) the adjusted cost base of such Trust Unit and any reasonable costs of disposition. For the purpose of determining the adjusted cost base of Trust Units to a Trust Unitholder, when Trust Units are acquired, the cost of the newly acquired Trust Units will be averaged with the adjusted cost base of the Trust Units owned by the Trust Unitholder as capital property immediately before that time. The cost of Trust Units acquired as a distribution of income or capital gains from the Fund will generally be equal to the amount of the distribution. The taxation of capital gains and capital losses is described below under **Item 6.1.5 - Taxation of Capital Gains and Capital Losses**.

A redemption of Trust Units in consideration for cash, Redemption Notes, or other property of the Fund distributed *in specie*, as the case may be, will be a disposition of such Trust Units for proceeds equal to the amount of such cash or the fair market value of such consideration, less any income or capital gain realized by the Fund in connection with the redemption of those Trust Units which has been designated by the Fund to the Trust Unitholder. The Declaration of Trust provides that the Trustees have the discretion to designate certain net income and any capital gain realized by the Fund as a result of the redemption of Trust Units to the Trust Unitholder redeeming Trust Units as is reasonable in the circumstances. The Trust Unitholder will be required to include in income any such net income so designated. Redeeming Trust Unitholders will consequently realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition (less any portion thereof that is considered a distribution of the Fund's income) exceeds (or is less than) the aggregate of the Trust Unitholder's adjusted cost base of the Trust Units and any reasonable costs of disposition.

In general terms, net income of the Fund paid or payable to a Trust Unitholder that is designated as taxable dividends from taxable Canadian corporations or as net realized taxable capital gains as well as taxable capital gains realized by the Trust Unitholders on the disposition of Trust Units may increase the Trust Unitholder's liability for alternative minimum tax.

6.1.5 Taxation of Capital Gains and Capital Losses

Generally, one half of any capital gain (a "**taxable capital gain**") realized on the disposition of property by a security holder must be included in income for the taxation year of disposition and one half of any capital loss (an "**allowable capital loss**") may normally be deducted by a security holder against any taxable capital gains realized in the same taxation year. Any excess of allowable capital losses over taxable capital gains for the year of disposition is generally deductible against net taxable capital

gains realized in any of the three prior taxation years or in any subsequent taxation year, in the circumstances and to the extent described in the Tax Act.

A security holder that throughout the relevant taxation year is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be subject to an additional refundable tax of 6⅔% in respect of its "aggregate investment income" (which is defined in the Tax Act to include taxable capital gains and interest income).

Taxable capital gains realized by security holders that are individuals or trusts, other than certain specified trusts, may increase the security holder's liability for alternative minimum tax under the Tax Act.

6.1.6 Taxation of Non-Residents

This portion of the summary is generally applicable to a Trust Unitholder who at all relevant times, for the purposes of the Tax Act and any relevant income tax treaty or convention: (i) is not, and is not deemed to be, resident in Canada; (ii) does not use or hold, and is not deemed to use or hold, any Trust Units in a business carried on in Canada; and (iii) is not an insurer who carries on an insurance business in Canada and elsewhere or an authorized foreign bank (a "**Non-Resident Trust Unitholder**").

Generally, Non-Resident Trust Unitholder will not be subject to tax under the Tax Act on any capital gains realized on the disposition or deemed disposition of Trust Units. Income of the Fund distributed to a Non-Resident Trust Unitholder will be subject to Canadian withholding tax under the Tax Act at a rate of 25% of the gross amount of the dividend, subject to a reduction or exemption under the provisions of an applicable income tax treaty or convention. Under the Canada – United States Tax Convention (1980), as amended (the "**Convention**"), where the Non-Resident Trust Unitholder is a resident of the United States, is entitled to full benefits under the Convention, income of the Fund so distributed will be exempt from Canadian withholding tax. Generally, income of the Fund distributed to a Non-Resident Trust Unitholder will be exempt from Canadian withholding tax under Canadian income tax treaties or conventions. Non-Residents should consult their own tax advisors with respect to their particular circumstances.

6.2 Certain U.S. Federal Income and Estate Tax Considerations

6.2.1 General

The following is a discussion of certain material U.S. federal income and estate tax considerations for Investors who own Trust Units in the Fund. This discussion does not purport to be a comprehensive description of all of the U.S. federal tax considerations that may be relevant to a decision to purchase Trust Units. Prospective Investors should consult with their own U.S. tax advisors concerning their respective situations and the impact which their participation in the Fund may have on their U.S. federal income and estate tax liability, and their state or local tax liability, if any.

In the view of the Fund, the following is, as of the date hereof, a summary of certain principal U.S. federal income and estate tax considerations generally applicable to a non-U.S. individual who acquires Trust Units pursuant to this Offering. This discussion does not address all aspects of U.S. federal income or estate taxation nor does it address any aspects of U.S. state or local taxation. This discussion also does not consider any specific facts or circumstances that may apply to a non-U.S. holder and does not address the special U.S. tax rules applicable to particular non-U.S. holders, such as insurance companies, tax-exempt organizations, banks or other financial institutions, brokers or dealers in securities, regulated investment companies, pension plans, controlled foreign corporations, passive foreign investment companies, and certain U.S. expatriates. Each Investor acknowledges that such Investor is not a US Person (as defined below).

The following discussion is based on the current provisions of the United States Internal Revenue Code of 1986, as amended (the "**Code**"), administrative rulings, judicial decisions, and final, temporary and proposed U.S. Treasury Regulations, all in effect on the date hereof and all of which are subject to change and differing interpretation. Changes to any of the foregoing subsequent to the date of this offering memorandum may affect the tax consequences described herein, possibly with retroactive effect. In addition, the Internal Revenue Service (the "**IRS**") could challenge one or more of the tax consequences described in this offering memorandum. Persons considering acquiring Trust Units pursuant to the Offering are urged to consult with their own tax advisers regarding the application of the U.S. federal income and estate tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local, or foreign taxing jurisdiction.

This discussion is based upon the assumption that no US Person holds or is the direct or indirect beneficial owner of any Trust Units and this discussion applies only to Investors that are not US Persons. As used in this offering memorandum, the term "**US Person**" means:

- An individual who is a citizen or resident of the U.S., including the District of Columbia, as determined for U.S. federal tax purposes;

- A partnership created or organized in the U.S. or under the laws of the U.S. or any state or political subdivision of the U.S., including the District of Columbia, or any other entity taxable as a partnership for U.S. federal income tax purposes, which includes, but is not limited to, any entity which is treated as a partnership for U.S. federal income tax purposes;
- A corporation created or organized in the U.S. or under the laws of the U.S. or any state or political subdivision of the U.S., including the District of Columbia, or any other entity taxable as a corporation for U.S. federal income tax purposes, which includes, but is not limited to, any entity which is treated as a corporation for U.S. federal income tax purposes;
- An estate, the income of which is subject to U.S. federal income taxation regardless of its source, including income effectively connected with a U.S. trade or business; or
- A trust if (i) a court within the U.S. can exercise primary supervision over its administration and one or more US Persons have the authority to control all its substantial decisions, or (ii) the trust has a valid election in effect under applicable Treasury Regulations to be treated as a US Person.

An individual may be treated as a resident instead of a nonresident of the U.S. in any calendar year for U.S. federal income tax purposes if the individual was present in the U.S. for at least 31 days in that calendar year and for an aggregate of at least 183 days during the three-year period ending with the current calendar year. For purposes of this calculation, all of the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year are counted. Residents are taxed for U.S. federal income tax purposes as if they were U.S. citizens.

Additionally, this discussion is based upon the following assumptions: (i) the Fund is not a US Person (as defined above), (ii) Clear Sky LP XVI is a Canadian partnership, (iii) Clear Sky LP XVI has made a timely and valid election to be treated as a corporation for U.S. federal tax purposes effective as of the date of its formation, and assuming Clear Sky LP XVI treats its tax items of income, gain, loss, deduction, and credit as effectively connected with a U.S. trade or business, Clear Sky LP XVI will be subject to tax in the U.S., including the U.S. Branch profits tax under Code Section 884, (iv) the US Limited Partnership in which Clear Sky LP XVI owns a limited partnership/economic interest is taxable as a partnership for U.S. federal tax purposes, and (v) each applicable Property LP in which the US Limited Partnership owns a limited partnership/economic interest is taxable as a partnership for U.S. federal tax purposes.

6.2.2 U.S. Income Tax Return Filing Obligations

Based on the foregoing assumptions, Investors (each of whom is not a US Person) not otherwise required to file U.S. federal income tax returns should not be required to file such returns solely by virtue of acquiring Trust Units pursuant to this Offering.

Assuming Clear Sky LP XVI treats its tax items of income, gain, loss, deduction, and credit as effectively connected with a U.S. trade or business, Clear Sky LP XVI will be required to file tax returns (e.g., IRS Form 1120F) in the U.S. and the cost of filing such returns, together with the cost of seeking advice from Canadian and U.S. legal and tax counsel, should also be considered by the Investors before making an investment in the Trust Units.

6.2.3 U.S. Taxes Imposed on Clear Sky LP XVI

Assuming Clear Sky LP XVI treats its tax items of income, gain, loss, deduction, and credit as effectively connected with a U.S. trade or business, Clear Sky LP XVI will be subject to significant taxes in the United States. For example, it is expected that Clear Sky LP XVI will be subject to (i) U.S. federal income taxes, at a corporate rate of approximately 35%, (ii) U.S. branch profits taxes, which may be as high as 30% but which may be reduced to approximately 5% if the Convention applies, and (iii) state and local income taxes, in the state in which such Property LP is located or from which such Property LP generates income. The impact of such taxes should be considered by the Investors before making an investment in the Trust Units.

6.2.4 U.S. Withholding Taxes Under the Foreign Investment in Real Property Tax Act

Under the U.S. Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA"), the disposition of an interest in U.S. real property by a foreign person generally is subject to U.S. federal income tax under Code Section 897. The collection of U.S. federal income tax on such dispositions is ensured through the imposition of U.S. withholding tax on the purchaser of the U.S. real property interest. Under Code Section 1445, the purchaser of a U.S. real property interest from a foreign seller generally is required to withhold and pay over to the IRS 10% of the gross purchase price. In the event that an interest in the US Limited Partnership is treated as a U.S. real property interest for FIRPTA purposes, the 10% withholding tax will apply to any sale or disposition by Clear Sky LP XVI of an interest in the US Limited Partnership. The impact of any such FIRPTA withholding taxes also should be considered by the Investors before making an investment in the Trust Units.

6.2.5 U.S. Withholding Taxes on US Limited Partnership

Under Code Section 1446, if the US Limited Partnership has taxable income that is effectively connected, or treated as effectively connected, with the conduct of a U.S. trade or business and any portion of that income is allocable to Clear Sky LP XVI, as a foreign partner, or to other foreign partners, the US Limited Partnership will be required to pay U.S. withholding tax at the highest applicable rate of tax with respect to that allocable income. In the event that withholding taxes are paid by the US Limited Partnership under Code Section 1446, Clear Sky LP XVI will be entitled to a credit under Code Section 33 for its share of the withholding taxes paid by the US Limited Partnership. The impact of such withholding taxes also should be considered by the Investors before making an investment in the Trust Units.

6.2.6 U.S. Income Tax on Gain from the Disposition of Trust Units

Non-U.S. holders generally will not be subject to U.S. federal income tax on any gain recognized as a result of a disposition of Trust Units unless:

- The gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the U.S. (and the gain is attributable to a permanent establishment or a fixed base maintained by the non-U.S. holder in the United States if required by an applicable treaty); in these cases, the non-U.S. holder will be taxed on a net income basis at the regular graduated rates and in the manner applicable to US Persons, and, if the non-U.S. holder is a foreign corporation, an additional branch profits tax at a rate of 30%, or a lower rate as may be specified by an applicable income tax treaty, may also apply;
- The non-U.S. holder is an individual present in the U.S. for 183 days or more in the taxable year of the disposition and some other requirements are met; or
- Clear Sky LP XVI is or has been, at any time during the five-year period preceding such disposition (or the non-U.S. holder's holding period, if shorter), a "U.S. real property holding corporation" for FIRPTA purposes. Generally, Clear Sky LP XVI would be a "U.S. real property holding corporation" if Clear Sky LP XVI made an election to be treated as a domestic U.S. corporation for purposes of Code Sections 897, 1445, and 6039C and the fair market value of Clear Sky LP XVI's "U.S. real property interests" equaled or exceeded 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. Clear Sky LP XVI is not currently, nor does it anticipate becoming, a "U.S. real property holding corporation" for U.S. federal income tax purposes.

6.2.7 U.S. Federal Estate Tax

Trust Units owned or treated as owned, as specially determined for U.S. federal estate tax purposes, by an individual at the time of death may be included in such individual's gross estate for U.S. federal estate tax purposes (unless an applicable estate tax or other treaty provides otherwise), and therefore may be subject to U.S. federal estate tax. Notwithstanding the foregoing, we expect that Trust Units owned or treated as owned by an individual, other than a US Person, at the time of death should not be included in such individual's gross estate for U.S. federal estate tax purposes to the extent Clear Sky LP XVI elects to be treated as a corporation for U.S. federal income tax purposes. This discussion does not further address the U.S. federal estate tax issues that may ultimately arise with respect to an Investor's ownership of Trust Units at the time of such individual's death, nor does this discussion address the U.S. gift or transfer tax issues that may arise with respect to a gift or similar transfer of Trust Units. Each prospective Investor should consult with such person's own U.S. estate and gift tax advisors for a detailed analysis tailored to such person's individual situation.

6.2.8 The Foreign Account Tax Compliance Act ("FATCA")

In 2010, Congress enacted the "Hiring Incentives to Restore Employment Act" (the "**HIRE Act**"), which includes FATCA. Pursuant to FATCA, non-U.S. entities and non-U.S. financial institutions (*e.g.*, non-U.S. entities acting as intermediaries for investors, most hedge funds, private equity funds, mutual funds, securitization vehicles and any other investment vehicles regardless of size, collectively "foreign payees") must comply with new information reporting rules with respect to such foreign payee's U.S. account holders and investors. Each of Clear Sky LP XVI, a foreign limited partnership which intends to elect to be treated as a corporation for U.S. federal income tax purposes, and the Fund, may qualify as foreign payees under these rules.

These new FATCA information reporting rules require foreign payees, such as Clear Sky LP XVI (and potentially the Fund), to provide extensive information to the IRS regarding all US Accountholders who have accounts in (or in some instances, who own debt or equity interests in) such foreign, payees, and in certain cases to enter into an agreement with the IRS. The failure of such foreign payees to comply with these new information reporting rules will result in a new withholding tax on U.S. source payments made to such foreign payees. While we have assumed that no US Accountholder holds or is the direct or indirect beneficial owner

of any Trust Units, in the event any US Accountholder becomes a holder or the direct or indirect beneficial owner of any Trust Units, FATCA will be applicable.

Specifically, a foreign payee that does not comply with the FATCA reporting requirements generally will be subject to a new 30% withholding tax with respect to "withholdable payments" made after certain applicable dates.

In such a case all holders of Trust Units (and not just those US Accountholders who failed to provide the requested information to Clear Sky LP XVI or the Fund and not just US Accountholders) may be adversely impacted by any subsequent withholding required pursuant to FATCA. For these purposes, "withholdable payments" includes, by way of example only, payments of dividends and gross proceeds arising from the sale of securities (such as the Trust Units or the partnership interests in Clear Sky LP XVI). This new withholding tax generally applies to withholdable payments to non-compliant foreign payees even if such payments would not have been subject to the withholding rules otherwise applicable to certain payments to non-US Accountholders.

No rulings have been requested from the IRS or any state taxing authorities and no opinions from counsel have been obtained with respect to the Offering. No assurances can be given that the IRS or any state taxing authority will agree with the U.S. federal tax consequences and other tax consequences discussed above.

ITEM 7 - COMPENSATION PAID TO SELLERS AND FINDERS

The decision to distribute the Trust Units and the determination of the structure and pricing and other terms and conditions of the Offering have been and will continue being made by the Fund.

Any agent or sub-agent that is (i) an exempt market dealer registered under applicable securities laws in Canada, (ii) a member of the Investment Industry Regulatory Organization of Canada, or (iii) otherwise exempt from registration requirements under applicable securities laws in Canada, and has been appointed by the Fund to offer Trust Units for sale under the Offering, will be entitled to Selling Commissions of 10%, of the Offering Proceeds from Trust Units that it sells, except where the payment of such commissions is prohibited.:

Selling Commission of 10% of the Offering Proceeds from an Investor's subscription for Trust Units issued and sold at the applicable Closing, payable immediately as of the Closing Date. Where the Trust Units are distributed through a registered exempt market dealer, the registered exempt market dealer will retain 1% of the applicable 10% Selling Commission as an administrative fee at Closing prior to any further participation in the balance of the Selling Commission by the registered exempt market dealer, any dealing representative(s) or any other sub-agent(s) of the registered exempt market dealer:

Accordingly, the maximum amount of Selling Commissions payable is CD\$1,000,000 under the Offering (unless the Fund increases the Maximum Offering). The Fund has paid or committed to pay no Selling Commissions to date.

Any agents or sub-agents appointed by the Fund to sell Trust Units may also be reimbursed for reasonable expenses incurred in connection with the Offering.

The Fund may enter into agency or sub-agency agreements with appropriate parties in respect of the Offering, which would be anticipated to contain terms and conditions that are customary in respect of offerings of the nature of the Offering.

No agent or sub-agent appointed by the Fund to offer Trust Units for sale under the Offering will receive any benefit in connection with the Offering other than its portion of Selling Commissions payable to it as agent for the Offering as described herein.

No person has been authorized to give any information or to make any representation not contained in this offering memorandum. Any such information or representation that is given or received must not be relied upon.

ITEM 8 - RISK FACTORS

Investment in the Trust Units at this time is highly speculative and involves a number of risks. The purchase of Trust Units pursuant to the Offering should only be made after consulting with independent and qualified investment, legal and tax advisors. Prospective Investors should review the risks associated with the Trust Units and the Fund with such advisors before investing.

The risks discussed in this offering memorandum can adversely affect the Fund's prospects, results and financial condition. These risks could cause the value of the Trust Units to decline, cause the Fund to be unable to pay distributions on the Trust Units, and also cause Investors to lose part or all of their investment. In addition to the risk factors set out below and elsewhere in this offering memorandum, other material risks and uncertainties of which the Fund is not presently aware may also harm the Fund's

business and its investments. Trust Unitholders must rely on the ability, expertise, judgment, discretion, integrity and good faith of the Trustees and the management of Clear Sky LP XVI, the US Limited Partnership and the Property LPs.

This offering is suitable for Investors who are willing to rely solely upon the Trustees and the management of the Fund, Clear Sky LP XVI, the US Limited Partnership and the Property LPs and who can afford a total loss of their investment.

In addition to factors set forth elsewhere in this offering memorandum, potential Investors should carefully consider the following factors, many of which are inherent to the ownership of Trust Units. The following is a summary only of the risk factors involved in an investment in the Trust Units.

Blind Pool Investment

The Trust Units represent a "blind pool" investment. The Fund expects that the Available Funds from the Offering will be applied by the Property LPs to purchasing, renovating, upgrading, and repositioning one or more Properties. Other than as set forth in **Item 2.3.1 - Investment in Properties**, specific Properties in which the Fund's subsidiaries will be invested have not been identified as of the date of this offering memorandum.

While the Fund anticipates that the Property LPs will be able to identify and complete the purchase of (or investment in) real estate assets, and the subsequent renovation, maintenance, upgrading, and rental, refinancing or selling those real estate assets, on an on-going basis that satisfies the Fund's investment and business objectives and achieves acceptable returns, there is no assurance that they will be able to do so.

The US Limited Partnership will, indirectly through the Property LPs, allocate capital in its own discretion. Accordingly, a Property LP may find it necessary or advisable to allocate those funds to acquire or, once in the asset portfolio, renovate, repair, maintain, upgrade or otherwise make rent-ready or sale-ready or otherwise use, and eventually sell, the real estate assets, or invest such funds, in a manner different than contemplated, and without notice to the Fund and Trust Unitholders.

Limited Operational History

The Fund was formed for a limited purpose and will carry on no business other than to:

- distribute Trust Units;
- invest proceeds from the issue and sale of Trust Units in and hold a limited partnership interest in, or lend funds to, Clear Sky LP XVI; and
- pay distributions to Trust Unitholders in each distribution period pursuant to the Declaration of Trust.

Clear Sky LP XVI will indirectly purchase or otherwise invest in, renovate, upgrade, reposition, make rent-ready or sale-ready, and rent or sell real estate assets through the US Limited Partnership's ownership in Property LPs. See **Item 2.1.5 – Property LPs**.

The Fund's business is subject to all the risks inherent in the establishment of a new business enterprise. There is no certainty that the Fund's business strategy will be successful. The likelihood of success of the Fund must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. If the Fund fails to address any of these risks or difficulties adequately, its business will likely suffer. There is no assurance that the Fund can operate profitably.

No Guarantee that Investment will be Successful

There is no guarantee that Investors will not realize losses from an investment in Trust Units and there can be no assurance that the Fund's objective of earning a profit on its investment in Properties, indirectly through the Property LPs, will be achieved. The success of the Fund depends to a certain extent on the efforts and abilities of the management of Clear Sky LP XVI, the US Limited Partnership and Property LPs, and on external factors such as, among other things, the real estate markets where Properties are located and the general political and economic conditions that may prevail from time to time, which factors are out of the Fund's control. A return on investment for a purchaser of Trust Units depends upon the net revenues received by a Property LP from its investment in Properties. As a result, there is no guarantee that the Fund and, correspondingly, the Trust Unitholders will earn a return on their investment.

Once the Fund distributions are paid in a given distribution period, the Trustees may, in their discretion, make other distributions on the Trust Units. However, the Trustees are under no obligation to make any such other distributions. Once the Fund

distributions have been fully satisfied in a given distribution period, the Trust Unitholders have no entitlement to other distributions.

The return on an investment in the Trust Units is not comparable to the return on an investment in fixed-income securities.

Cash distributions to Trust Unitholders are not guaranteed and are not fixed obligations of the Fund; any receipt of cash distributions by a Trust Unitholder is at any time subject to the terms of the Declaration of Trust. Any anticipated return on investment is based upon many performance assumptions. Although the Fund intends to distribute its available cash to Trust Unitholders, cash distributions may be reduced or suspended at any time and from time to time. The ability of the Fund to make cash distributions and the actual amount distributed depends on the operations of the Properties acquired by the Property LPs, and will be subject to various factors including those referenced in **Item 8 - Risk Factors**. The value of the Trust Units may decline if the Fund is unable to meet its cash distribution targets, if any, in the future and that decline may be significant.

Once the Fund distributions are paid in a given distribution period, the Trustees may, in their discretion, make other distributions on the Trust Units. However, the Trustees are under no obligation to make any such other distributions. Once the Fund distributions have been fully satisfied in a given distribution period, the Trust Unitholders have no entitlement to other distributions.

The Fund and its affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of source, for any purpose other than the redemption of Bridge Financing LP Units that are created and issued in connection with the acquisition/investment, so long as any of such Bridge Financing LP Units remains outstanding. Among other things, such restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. The material characteristics of the Bridge Financing LP Units are described in **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 - Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the Property LPs (including VHT Apartments LP) nor the US Limited Partnership may be in a position to pay cash distributions to its partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the applicable Property LP (including VHT Apartments LP) to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees and taxes.

Trust Units are Not Liquid

There is currently no market through which the Trust Units may be sold and it is very unlikely that one will develop. The Fund intends to restrict the transfer of Trust Units to prevent the development of a market for the Trust Units. In addition, the Fund is not required to redeem Trust Units. None of the Trust Units will be listed or posted for trading on a recognized stock exchange or other trading or quotation system. The Fund has not prepared, filed or delivered to potential Trust Unitholders a prospectus. The Trust Units are subject to a number of restrictions respecting transferability and resale, including a restriction on trading imposed by applicable securities laws. Until the restriction on trading expires, you will not be able to trade the Trust Units unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

Unless permitted under securities legislation, no Trust Unitholder can trade Trust Units before the date that is four months and a day after the date the Fund becomes a reporting issuer in any province or territory of Canada. The Fund is not, and currently has no intention of becoming, a reporting issuer in any province or territory of Canada, and therefore the Trust Units will be subject to an indefinite hold period. The Trust Units may only be transferred under limited exemptions under applicable securities laws. Consequently, Trust Unitholders may not be able to sell the Trust Units readily or at all, and they may not be accepted as collateral for a loan. Trust Unitholders should be prepared to hold the Trust Units indefinitely and cannot expect to be able to liquidate their investment even in the case of an emergency. Accordingly, an investment in Trust Units is suitable solely for persons able to make and bear the economic risk of a long-term investment.

As stated above, none of the Trust Units may be sold, assigned or transferred by a Trust Unitholder, in whole or in part, (i) without prior written consent of the Trustees, (ii) except to a person who is an affiliate of the Trust Unitholder; or (iii) as otherwise expressly provided in the Declaration of Trust, subject to compliance with applicable law (including applicable securities laws and regulatory policy) and the transfer requirements in the Declaration of Trust.

Redemption Right

Redemption rights under the Declaration of Trust are restricted and provide limited opportunity for Investors to liquidate their investment in Trust Units. Investors should carefully review **Item 2.7.1 - Declaration of Trust - Redemption of Trust Units**. Upon a redemption of Trust Units or termination of the Fund, the Trustees may distribute Redemption Notes directly to the Trust Unitholders (subject to obtaining any required regulatory approvals). Redemption Notes so distributed will not be qualified investments for Exempt Plans which could give rise to adverse consequences to an Exempt Plan or the annuitant under an Exempt Plan, including the redeeming unitholder becoming subject to a penalty tax or having its tax exempt status revoked depending on the circumstances. See **Item 6.1.1 - Eligibility for Investment**.

The Fund may at any time, upon giving a retraction notice as described in the Declaration of Trust, redeem one or more of the then outstanding Trust Units in accordance with the provisions of the Declaration of Trust as if such Trust Units were tendered by the applicable Trust Unitholders for redemption as at the date of the retraction notice. The provisions of the Declaration of Trust apply *mutatis mutandis* with respect to such deemed redemption, provided that the Fund may pay the redemption price by a distribution *in specie* of any Fund assets.

The price at which Trust Units are to be redeemed or retracted is to be determined from time to time in accordance with the Declaration of Trust, as the net asset value of the Trust Units, which value may be higher or lower than the price per Trust Unit paid by the Trust Unitholder. There is no assurance that investors will be paid the whole amount of their investment through any exercise of redemption rights or through the Fund's retraction of Trust Units.

See **Item 4.1 - Equity Capital** for a description of any Trust Unit redemptions as of the date of this offering memorandum.

The Fund and its affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of source, for any purpose other than the redemption of Bridge Financing LP Units that are created and issued in connection with the acquisition/investment, so long as any of such Bridge Financing LP Units remains outstanding. Among other things, such restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. The material characteristics of the Bridge Financing LP Units are described in **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 - Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the Property LPs (including VHT Apartments LP) nor the US Limited Partnership may be in a position to pay cash distributions to its partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the applicable Property LP (including VHT Apartments LP) to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees and taxes.

Less than Full Offering

As of the date of this offering memorandum, the Fund has one Trust Unitholder holding one Trust Unit and has not established a minimum level of investment by Investors for the Offering. There can be no assurance that any level of subscription by Investors, or any level of Offering Proceeds, under the Offering will be reached. The Fund may issue and sell Trust Units under the Offering from time until the Maximum Offering is reached or the Offering is otherwise terminated. However, there can be no assurance that the Maximum Offering will be reached or that the Offering will provide funding that is sufficient to permit the Fund to acquire (through its subsidiaries) any Property or to otherwise advance the business or prospects of the Fund and its subsidiaries, in whole

or in part. If less than all of the \$10,000,000 of Trust Units is sold pursuant to the Maximum Offering, then less than the maximum proceeds will be available to the Fund and its subsidiaries. Consequently, the Fund's business development plans and prospects could be adversely affected, since fewer Properties will be purchased, owned and leased and resold by the Property LPs.

Upon completing your subscription for Trust Units under the Offering, you might be the only Trust Unitholder or one of only a few Trust Unitholders. In order for the Fund to qualify as a mutual fund trust, and hence be a qualified investment for Exempt Plans, it must have at least 150 Trust Unitholders, each holding at least \$500 worth of Trust Units. Provided the fund has at least 150 Trust Unitholders, each holding at least \$500 worth of Trust Units, by March 31, 2016, the Fund will be eligible to elect under subsection 132(6.1) of the Tax Act to be deemed to be a mutual fund trust from inception. As of the date of this offering memorandum, the Fund has one Trust Unitholder holding one Trust Unit.

There can be no assurance that the Fund will have at least 150 Trust Unitholders, each holding at least \$500 of worth of Trust Units, by March 31, 2016, or ever.

Cash Distributions

There is no assurance that there will be adequate cash flow of the Fund to meet the anticipated obligations and economic objectives described in this offering memorandum. The Fund's sources of capital are primarily subscriptions for Trust Units and distributions and loan payments from Clear Sky LP XVI. The Fund may not have any available funds to distribute cash or pay expenses, even where it has established and funded a working capital reserve for such purposes. The Fund will rely on the cash flow of the Fund to fund, in the Trustees' discretion, distributions (if any) of distributable cash (if any).

Cash distributions of the Fund will substantially depend upon the success of the investment in the Properties. There can be no assurance that the Fund's income from the distributions and loan payments from Clear Sky LP XVI will sufficiently fund distributions (if any) to Trust Unitholders, including the Fund's payment of Trust distributions during each distribution period.

If, for any reason, the Fund is unable to meet its obligations to distribute distributable cash (if any), the Fund will need to find other sources of financing to pay for its ongoing costs and expenses or to fund distributions (if any), which other sources of financing may not be available or may not be available under terms that are acceptable to the Fund. There is no assurance regarding the actual levels of distributable cash by the Fund. In addition, the composition of distributable cash for tax purposes may change over time and may affect after-tax return for Trust Unitholders.

The return on an investment in the Trust Units is not comparable to the return on an investment in fixed-income securities. Cash distributions to Trust Unitholders are not guaranteed and are not fixed obligations of the Fund; any receipt of cash distributions by a Trust Unitholder is at any time subject to the terms of the Declaration of Trust. Any anticipated return on investment is based upon many performance assumptions. Although the Fund intends to distribute its available cash to Trust Unitholders, cash distributions may be reduced or suspended at any time and from time to time. The ability of the Fund to make cash distributions and the actual amount distributed depends on the operations of the Properties acquired by the Property LPs, and will be subject to various factors including the other factors referenced in **Item 8 - Risk Factors**. The value of the Trust Units may decline if the Fund is unable to meet its cash distribution targets in the future and that decline may be significant.

The Fund and its affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of source, for any purpose other than the redemption of Bridge Financing LP Units that are created and issued in connection with the acquisition/investment, so long as any of such Bridge Financing LP Units remains outstanding. Among other things, such restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. The material characteristics of the Bridge Financing LP Units are described in **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 - Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the Property LPs (including VHT Apartments LP) nor the US Limited Partnership may be in a position to pay cash distributions to its partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the applicable Property LP (including VHT Apartments LP) to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting,

accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees and taxes.

The Fund has Limited Assets and Working Capital

The Fund has no assets, and will undertake no activities, other than as described in this offering memorandum (being the Fund's investment in Clear Sky LP XVI through the purchase of limited partnership units and loans). The Properties will represent the primary assets of the Fund's subsidiaries (through the Property LPs).

The Fund will not carry on an active business and will have limited sources of Working Capital. There is no assurance that the Fund will have adequate Working Capital to meet the anticipated requirements. In addition, there is no assurance that the Fund will have access to additional debt or equity financing when needed or at all, or on acceptable terms. It is unlikely that the Fund and its subsidiaries will have sufficient assets to satisfy any claim that a Trust Unitholder may have against such entities.

The Fund and its affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of source, for any purpose other than the redemption of Bridge Financing LP Units that are created and issued in connection with the acquisition/investment, so long as any of such Bridge Financing LP Units remains outstanding. Among other things, such restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. The material characteristics of the Bridge Financing LP Units are described in **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 - Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the Property LPs (including VHT Apartments LP) nor the US Limited Partnership may be in a position to pay cash distributions to its partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the applicable Property LP (including VHT Apartments LP) to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees and taxes.

Reliance upon Clear Sky LP XVI, the US Limited Partnership and the Property LPs

The Fund is an open-ended limited purpose investment trust that will entirely depend upon Clear Sky LP XVI, the US Limited Partnership and the Property LPs since the Fund's primary asset is its interest in Clear Sky LP XVI, as a limited partner and any loans made to Clear Sky LP XVI. Distributions, if any, to Trust Unitholders will depend upon numerous factors, including profitability, fluctuations in working capital, the sustainability of margins and capital expenditures of Clear Sky LP XVI, the US Limited Partnership and the Property LPs.

The real estate portfolio of Clear Sky LP XVI, held through the Property LPs, will represent the primary asset of Clear Sky LP XVI. The Fund's financial performance is directly tied to the performance of Clear Sky LP XVI and consequently directly tied to the performance of the Property LPs' portfolios. Neither Clear Sky LP XVI nor the Fund has any other investments of significance; therefore, the Fund's success depends solely on the success of Clear Sky LP XVI and the Property LPs.

Financing

The proceeds raised by the issuance of Trust Units may not be sufficient to accomplish all of the objectives of the Fund and its affiliates or meet all the obligations of the Fund and its affiliates and there is no assurance that alternative financing to pay for such objectives will be available. The Fund will depend upon future financing to fund its business objectives. The Fund or its subsidiaries may, to the extent available on acceptable terms, obtain institutional financing or other arm's length, third party financing to fund, in part, its objectives. No alternate financing has been arranged for the Fund or its affiliates. There is no

assurance that alternative financing will be available on acceptable terms or at all. There is no assurance that the Fund will have adequate working capital to meet the anticipated requirements described in this offering memorandum.

Reliance on Assumptions

The Fund's investment objectives and strategy have been formulated based on Clear Sky LP XVI's and the US Limited Partnership's analysis and expectations regarding recent economic developments in the U.S., the state and ongoing recovery of U.S. real estate markets generally, and the U.S. to Canadian dollar exchange rate. Such analysis may be incorrect and such expectations may not be realized, in which event the Fund, through its subsidiary entities, may not generate sufficient funds to pay the expected distributions.

Management's experience is not indicative of the future results of an investment in Trust Units

Certain multi-family residential real estate projects managed by Marcus Kurschat in Edmonton, Alberta and Nanaimo, British Columbia for periods between May 1997 and February 2013 are set out in **Item 3.2 – Management's Experience**. Mr. Kurschat's experience with multi-family residential projects illustrates how those projects were able to generate returns for investors in real estate markets with depressed housing prices and high vacancy rates, which market conditions the Fund seeks to identify. Investors are cautioned that the past performance of the projects described in **Item 3.2 – Management's Experience** is not indicative of the future results of an investment in Trust Units. Further, the broader economic conditions in the United States, today, including the Sunbelt States, may not be the same as those in Edmonton, Alberta in 1996-1998 or Nanaimo, British Columbia in 2000-2003. In particular, the recessions in Edmonton and Nanaimo were not a result of a global recession but rather due to conditions specific to those markets. In addition, Mr. Kurschat's past projects did not invest in United States real estate, in all cases, and had different underlying structures. The Fund's performance will be affected by the supply and demand for multi-family residential real estate properties in the Sunbelt states such as California, Arizona, Texas, Florida and New Mexico. Key drivers of demand for real estate include employment levels, population growth, demographic rents and consumer confidence, which will not be the same as those in Edmonton and Nanaimo for the periods set out in **Item 3.2 – Management's Experience**. There is no assurance that the real estate market in any of the Sunbelt States, including California, Arizona, Texas, Florida and New Mexico, will recover in a similar timeframe to that of the Edmonton and Nanaimo markets or at all. There is no assurance that an investment in Trust Units will have a similar return on investment as any of the projects in **Item 3.2 – Management's Experience**. There is no assurance that an investment in Trust Units will generate any returns for Investors.

Risks of Real Property Ownership

Real estate developments, speculation and investments are, generally, subject to numerous risks depending on the nature and location of the property that can affect attractiveness and saleability of real estate assets to potential purchasers or other investors, or the owner's use of such real estate assets, all of which are beyond the control of the Fund and Property LPs. Such risks include:

- the highly competitive nature of the real estate industry;
- changes in general economic conditions (such as the availability and cost to the Property LPs or widespread fluctuations in adjacent property values);
- changes in general or local conditions (such as the supply of competing real estate assets or the possibility of competitive overbuilding or the inability to obtain full occupancy or other usage of any real estate assets);
- governmental regulation, rules or policies (such as increased taxation on the sale of or profits from real property, environmental legislation or municipal approvals for usage, development or subdivision); and
- changes in costs or operating expenses anticipated for real estate assets.

Each segment in the real estate development industry is capital intensive and is typically sensitive to interest rates. Any proceeds generated by the sale of real estate assets depend upon general economic conditions and, accordingly, the ability of a Property LP to repay its financing may be affected by changes in those conditions. Property LPs will be required to make certain significant expenditures in respect of their business including, but not limited to, the payment of property taxes, maintenance costs, mortgage payments, insurance costs and related charges which must be made regardless of whether or not real estate assets are producing sufficient income to service such expenses. If a Property LP is unable or unwilling to meet the payment obligations on such loans, losses could be sustained as a result of the exercise by the lenders of their rights of foreclosure or sale. As a result, the Property LP's ability to make interest payments or distributions of cash to Clear Sky LP XVI, through the US Limited Partnership, could be adversely affected. In such case, the Fund's ability to make cash distributions to its Trust Unitholders would be adversely affected.

Market Risks

The economic performance and value of a Property LP's investments in real estate assets will be subject to all of the risks associated with investing in real estate, including:

- changes in the national, regional and local economic climate;
- local conditions, including an oversupply of properties like real estate assets, a reduction in demand for properties like real estate assets, or a reduction in demand for leased premises;
- the attractiveness of all or parts of real estate assets to renters or purchasers;
- competition from other available real estate assets; and
- changes in laws and governmental regulations, including those governing usage, zoning, the environment and taxes.

A Property LP's performance will be affected by the supply and demand for property in its geographic area(s) of ownership. Key drivers of demand include employment levels, population growth, demographic rents and consumer confidence. The potential for reduced sales revenue exists in the event that demand diminishes or supply becomes overabundant thereby driving down prices for real estate assets.

Global financial and real estate markets have recently experienced dramatic change, which is often referred to as the global credit crisis or "subprime crisis". Real estate markets have recently experienced a weakened demand for real estate that has caused prices to fall dramatically. That weakened demand has been coupled with the expansion of the global credit crisis, which has had profound impact on the economies of many nations. The changes to the financial and real estate markets have been dramatic and significant in the short-term. Real estate markets may experience further dramatic changes, which may occur abruptly and unexpectedly. Economic circumstances in real estate markets may cause a Property LP to hold real estate assets for a longer-than-anticipated period of time in order to realize profits from the sale thereof. There can be no guarantee that any Property LP will realize a profit from real estate assets and there is no guarantee that the Fund will attain its intended results.

Real Estate Investments are Relatively Illiquid

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for, and for the perceived desirability of, the investment. Such illiquidity may tend to limit the US Limited Partnership's ability, through the Property LPs, to vary its asset base promptly in response to changing economic or investment conditions. If the proceeds to a Property LP from the rental, refinancing or sale of real estate assets are significantly less than the total cost of its investment, in whole or in part, on a timely basis, the Fund's ability to pay distributions to Trust Unitholders could be adversely affected.

Fluctuations in CAP Rates

As interest rates fluctuate in the lending market, generally so too do CAP Rates, which affect the underlying value of real estate. As such, when interest rates rise, generally CAP 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 the CAP Rates.

Joint Ventures

The Fund will generally not participate in a joint venture unless the acquisition cost of a Property, otherwise identified by Clear Sky LP XVI as a suitable investment, would prohibit the Fund from making such an investment on its own. A joint venture or partnership involves certain additional risks which could result in additional financial demands, increased liability and a reduction in a Property LPs control over the Properties and its ability to sell its interest in a Property within a reasonable time frame, including the risk that such co-venturers/partners could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands to maintain and operate such Properties or repay the co-venturers'/partners' share of property debt.

U.S. Market Factors

The Properties will be located in the U.S. and economic conditions since the beginning of 2008 have been challenging in the North American economy. U.S. markets are currently experiencing increased levels of volatility due to a combination of many factors, including high unemployment, decreasing home prices, high levels of home foreclosures, limited access to credit markets, high fuel

prices, less consumer spending, fears of a "double-dip" recession, and the slow rate of economic recovery. According to the U.S. Federal Reserve, the recession technically ended in June 2009, but the U.S. economy has not returned to operating at normal capacity and the effects of the current market dislocation may persist as governments wind down fiscal stimulus programs. Although a recovery in the real estate market is in its early stages, the Fund cannot predict when or if the real estate markets will return to their pre-downturn levels. The value of Properties acquired may decline if current market conditions persist or worsen.

Acquisitions and Investments

Clear Sky LP XVI's growth of Fund investment capital, through the Property LPs, depends in large part on identifying suitable acquisition or investment opportunities, pursuing such opportunities and consummating acquisitions and investments. The acquisition of or investment in Properties entails risks that investments will fail to perform in accordance with expectations. It is not possible to manage all risks associated with such acquisitions in the terms and conditions contained in commercial agreements pertaining to such acquisitions or investments. The real estate assets may be subject to unknown, unexpected or undisclosed liabilities that may materially and adversely affect Property LPs' operations and financial condition and results. The representations and warranties, if any, given by arm's length third parties to Property LPs may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. Properties may not achieve anticipated occupancy levels and the estimates of costs and benefits of renovations for a particular Property may prove inaccurate or may not have the intended results. Moreover, real estate assets acquired or invested in by Property LPs may not meet expectations of operational or financial performance due to unexpected costs associated with repositioning such Property, as well as the general investment risks inherent in any real estate investment.

Reliance on Property Management

The Fund will rely on various entities to perform certain property management functions in respect of each of the Properties. It is expected that the respective property manager(s) will devote as much of their time to the management of the Properties as in their judgement is reasonably required, but conflicts of interest may arise in allocating management time, services and functions among the Properties and their other development, investment and/or management activities not related to the Properties.

Timing of Investment of Net Offering Proceeds

The time period for the full investment of net proceeds of the Offering is not certain. The timing of such investment will depend, among other things, upon the identification of suitable Properties. There is a risk that the Fund, through its subsidiaries, may not invest all net proceeds of the Offering in Properties in a timely manner and may not be able to generate sufficient funds to pay cash distributions.

Funds from the Offering used towards the purchase price of one of more Properties may be made without security

Available Funds from the Offering may be used (through the Property LP's) as deposits on the purchase price of one or more Properties. If a Property LP uses Available Funds as a deposit on the purchase price of a Property, such funds will be at risk, whether such deposit is refundable or non-refundable as those deposit funds will be held by a third party who, generally, will not have granted any security interest or charge over any collateral in favour of the Fund or the Property LP.

Nature of the Trust Units

The Trust Units do not represent a direct investment in Properties or any Property LP and should not be viewed by Trust Unitholders as a direct interest in Properties or any Property LP. As holders of Trust Units, Trust Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. See also **Item 5.1.5 - Rights of Trust Unitholders**.

Trust Units are Not Direct Investments in Real Estate

The Trust Units are not an investment in the Properties or other real estate, but an investment in equity securities, namely the Trust Units. The Fund will not be investing in Properties or other real estate but will be subscribing for Clear Sky LP XVI limited partnership units and loaning funds to Clear Sky LP XVI.

Trust Units are Not Insured

The Trust Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation or any other insurance company or program.

Eligibility for Investment

In order for the Fund to qualify as a mutual fund trust, and hence be a qualified investment for Exempt Plans, it must have at least 150 Trust Unitholders, each holding at least \$500 worth of Trust Units. As of the date of this offering memorandum, the Fund has one Trust Unitholder holding one Trust Unit. Provided the fund has at least 150 Trust Unitholders, each holding at least \$500 worth of Trust Units, by March 31, 2016, the Fund will be eligible to elect under subsection 132(6.1) of the Tax Act to be deemed to be a mutual fund trust from inception.

The rules in the Tax Act relating to qualified investments for Exempt Plans are complex subject to change and subject to interpretation. Should the Trust Units not be qualified investments, material adverse tax consequences would arise with respect to Trust Units held in Exempt Plans. **There can be no assurance that the Fund will have at least 150 Trust Unitholders, each holding at least \$500 of worth of Trust Units, by March 31, 2016, or ever.**

SIFT Legislation

It is intended that the Fund not become a SIFT Trust for the purposes of the SIFT Rules. If at any time the Trust Units become listed or traded on any stock exchange or other public market, within the meaning of the SIFT Rules, the Trustees will use their reasonable commercial efforts to operate the Fund to ensure that the Fund qualifies as a "real estate investment trust" or not be characterized as a SIFT Trust for purposes of the Tax Act, including by restricting the Fund from making investments or undertaking activities prohibited by the SIFT Rules and that would cause the Fund not to meet those revenue and asset conditions set out in the SIFT Rules that exempt a "real estate investment trust" from "specified investment flow-through trust" treatment. In the event that the Fund is characterized as a SIFT Trust, the income tax considerations described in this offering memorandum would be materially different and adversely different in certain respects. To mitigate this risk the Fund intends to restrict the transfer of Trust Units. There is no assurance that the Fund will not otherwise become a SIFT Trust.

Income Tax Risks

Canadian federal and provincial tax aspects and local tax aspects should be considered prior to purchasing Trust Units under the Offering. Trust Unitholders are urged to consult their own tax advisors, prior to purchasing Trust Units, with respect to the specific tax consequences to them. No advance income tax ruling has been applied for or received with respect to the income tax consequences described in this offering memorandum.

There can be no assurance that Canadian federal income tax laws or the U.S. federal income tax laws or the judicial interpretation thereof or the administrative or assessing practices of the CRA or the IRS respecting the treatment of trusts, limited partnerships or limited partnerships electing to be classified as corporations for US federal income tax purposes will not be changed in a manner that adversely affects Trust Unitholders or fundamentally alters the income tax consequences of investing in, holding or disposing of the Trust Units. There is also a risk that CRA may reassess the returns of Trust Unitholders relating to their investments in the Trust Units.

The taxation of corporations, trusts and limited partnerships is complex. In the ordinary course of business, the Fund may be subject to ongoing audits by tax authorities. In addition, tax legislation changes periodically, sometimes with retroactive effect.

While the Fund believes that its tax filing position is appropriate and supportable, and that the Fund is not subject to the SIFT Rules, it is possible that tax matters, including the calculation and determination of revenue, expenditures, deductions, credits and other tax attributes, taxable income and taxes payable, may be reviewed and challenged by the tax authorities. If such challenge were to succeed, it could have a material adverse effect on the Fund's tax position. Further, the interpretation of and changes in tax laws, whether by legislative or judicial action or decision, and the administrative policies and assessing practices of taxation authorities, could materially adversely affect the Fund's tax position. As a consequence, the Fund is unable to predict with certainty the effect of the foregoing on its effective tax rate and earnings. The Fund will review the adequacy of its tax provisions and believes that it has adequately provided for those matters. Should the ultimate outcomes differ materially from the provisions, the Fund's effective tax rate and earnings may be affected positively or negatively in the period in which the matters are resolved.

Trust Unitholders should consult their own professional advisors as to the tax consequences to them of making an investment in, and of holding, Trust Units.

Although the Fund is of the view that all expenses to be claimed by it in the determination of its income under the Tax Act will be reasonable and deductible in accordance with the applicable provisions of the Tax Act and that the allocations of income and losses to be made for purposes of the Tax Act will be reasonable, there can be no assurance that the Tax Act or the interpretation of the Tax Act will not change, or that the CRA will agree with the expenses claimed. If CRA successfully challenges the deductibility of expenses or the allocation of income and losses, the Fund's allocation of taxable income and losses to the Trust Unitholders may change.

The possibility exists that a Trust Unitholder will receive allocations of income without receiving cash distributions from the Fund in the year sufficient to satisfy the Trust Unitholder's tax liability for the year arising from its status as a Trust Unitholder.

Taxable Income

In general, a Trust Unitholder must include in computing the Trust Unitholder's income, gain, loss and deduction the Trust Unitholder's proportionate share of income of the Fund allocated to the Trust Unitholder pursuant to the Declaration of Trust for the fiscal period of the Fund ending on or within the Trust Unitholder's taxation year. However, the cash distributed to a Trust Unitholder may not be sufficient to pay the full amount of such Trust Unitholder's tax liability in respect of its investment in the Fund. In addition, no assurances can be given that the Fund will make the cash distributions intended. Even if the Fund is unable to distribute cash in amounts that are sufficient to fund the Trust Unitholders' tax liabilities, each of the Trust Unitholders will still be required to pay income taxes on its proportionate share of Fund's taxable income allocated to the Trust Unitholders.

Securities Regulatory Risks

In the ordinary course of business, the Fund may be subject to ongoing reviews by the securities regulators, who have broad powers to pass, interpret, amend and change the interpretation of securities laws from time to time and broad powers to protect the public interest and to impose terms, conditions, restrictions or requirements regarding registration under securities laws. Further, the securities regulators have the authority to retroactively deny the benefit of an exemption from prospectus or registration requirements otherwise provided for in the securities laws where the regulator considers it necessary to do so to protect investors or the public interest.

While the Fund believes that its position regarding compliance with securities laws is appropriate and supportable, it is possible that securities matters may be reviewed and challenged by the securities authorities. If such challenge were to succeed, it could have a material adverse effect on the Fund. There can be no assurance that applicable securities laws or the securities regulators interpretation thereof or the practices of the securities regulators will not be changed or re-interpreted in a manner that adversely affects the Fund.

Differences in Canadian and U.S. Tax Laws

The Fund and Clear Sky LP XVI are required to compute their income subject to the provisions of the Tax Act which may differ materially from the applicable provisions of the Code. In addition, the effective tax rate under the Tax Act and the Code may differ, in which case Trust Unitholders generally will be subject to the higher effective tax rate.

Foreign Currency

For purposes of the Tax Act and the Declaration of Trust, the Fund generally is required to compute its Canadian tax results using Canadian currency. Where an amount that is relevant in computing a taxpayer's Canadian tax results is expressed in a currency other than Canadian currency, such amount must be converted to Canadian currency using the rate of exchange quoted by the Bank of Canada at noon on the day such amount first arose, or using such other rate of exchange as is acceptable to the CRA. As a result, the Fund may realize gains and losses for tax purposes by virtue of the fluctuation of the value of foreign currencies relative to Canadian dollars.

The US Limited Partnership and the Property LPs are subject to U.S. Federal Income Tax

The US Limited Partnership and the Property LPs are subject to U.S. federal income tax as U.S. partnerships engaged in a U.S. trade or business, and will generate ECI (and may have fixed, determinable, annual, periodical income) which is a U.S. source item subject to U.S. federal income tax law. If (i) the US Limited Partnership and the Property LPs' deductions were limited, (ii) the IRS were to successfully challenge a U.S. tax position that the US Limited Partnership and the Property LPs were to take, (iii) the Fund or Clear Sky LP XVI were to fail to qualify for benefits under the Convention, or other applicable law, or (iv) U.S. tax laws or the Convention were to change (perhaps retroactively), then tax and withholding costs could increase, thus decreasing cash available for distribution to the Trust Unitholders and possibly the value of the Trust Units.

Currency Fluctuations

Investors and the Fund will be affected by fluctuations in the Canadian/US dollar exchange rate because (a) proceeds realized from the Offering will be denominated in Canadian dollars; (b) the Fund will pay certain costs and expenses (including Selling Commissions and other Offering expenses) in Canadian dollars; (c) since some or all the Properties are to be located in the United States, the Property LPs will pay the purchase prices for, and incur costs and expenses associated or incurred in connection with, or related to, purchasing, renovating, upgrading, and repositioning Properties in US dollars, and anticipate paying or incurring the majority of various general, administrative and operating costs and expenses associated or incurred in connection with, or related

to, renting Properties and managing the Properties portfolio in US dollars; and (d) the Fund's distributions (if any) to Trust Unitholders are to be made in Canadian dollars, while distributions of Net Available Cash (if any) from its affiliates may be in US dollars.

The nature of the Fund's exposure to fluctuations in the Canadian/US dollar exchange rate is expected to vary going forward as distributions (if any) are made to the Trust Unitholders. Changes in the Canadian/US exchange rate may positively or negatively impact the Fund (and, consequently, Trust Unitholders) depending on the timing of the transaction and the applicable currency exchange rate.

The Fund and Trust Unitholders will have foreign exchange exposure in at least two instances. First, the Fund will receive Canadian dollars from the sale of Trust Units; after paying any Offering costs and Selling Commissions, the Fund will convert Canadian dollars to US dollars in order to fund the Fund's subsidiaries. Second, in order to pay distributions to Trust Unitholders, the Fund will be required to convert US dollars (received from distributions and loan payments from Clear Sky LP XVI) to Canadian dollars. Depending on the timing of the transaction and the applicable currency exchange rate such conversions may positively or negatively impact the Fund, and consequently, Trust Unitholders. For example, a strengthening US dollar relative to the Canadian dollar would negatively impact the aggregate value of the US dollars received by the Fund after it converts some or all of the Available Funds to US dollars. On the other hand, a strengthening Canadian dollar relative to the US dollar would negatively impact the amount of distributable cash available for distributions by the Fund to Trust Unitholders.

Redemption Notes

Any Redemption Notes which may be received as a result of a redemption of Trust Units will not be qualified investments for Exempt Plans.

Conflicts of Interest

The Fund is subject to various conflicts of interest arising from its relationship with other businesses run by Marcus Kurschat, Kevin Wheeler, Elroy Gust, and the officers, directors and promoters thereof. In addition, there may be situations where the interests of the Fund or the Trustees conflict with the interests of the Fund's affiliates and/or the officers and directors of various other organizations or business managed by Marcus Kurschat, Kevin Wheeler or Elroy Gust or with any of them is involved.

Without limiting the generality of the foregoing, each of Marcus Kurschat, Kevin Wheeler and Elroy Gust has economic interests in or acts as senior management for other organizations, which are investing in multi-family rental properties in the U.S. and, accordingly, are in direct competition with the Fund for prospective properties to be purchased. In addition, any of Marcus Kurschat, Kevin Wheeler or Elroy Gust may in the future be involved with other organizations or businesses that participate in a business that directly competes with that of the Fund and its subsidiaries

Nevertheless, the Declaration of Trust includes a covenant of the Trustees to exercise their powers in good faith and in the best interests of the Fund, and in connection therewith, to exercise the care, diligence and skill of a reasonably prudent person. The Fund and Trustees (including Marcus Kurschat, Kevin Wheeler and Elroy Gust) intend to consider a number of factors to determine whether the Fund (through Property LPs) will indirectly acquire or invest in a suitable Property when identified or if such Property will be acquired by another business or organization managed by Marcus Kurschat, Elroy Gust or Kevin Wheeler, or with which any of them is involved. These criteria include, but are not limited to, which entity has adequate funds at the appropriate point in time and how well a particular Property would complement such entities portfolio of Properties.

Transactions between the Fund and the Trustees and one or more of the affiliates or associates of the Trustees may be entered into without the benefit of arm's length bargaining. Therefore, situations may arise in which the Trustees may be making determinations which could benefit themselves, affiliates or their respective associates, officers or directors to the detriment of the Fund. Trust Unitholders must rely on the standard of care owed by the Trustees to all Trust Unitholders as set out in the Declaration of Trust to prevent overreaching by others in transactions with the Fund.

Other than the standard of care specified in the Declaration of Trust, the Trustees and their affiliates are not in any way limited or affected in their ability to carry on business ventures for their own account and for the account of others and may be engaged in the ownership, acquisition and operation of businesses, which compete with the Fund and its subsidiaries. There is no obligation for Marcus Kurschat, Elroy Gust or Kevin Wheeler or their affiliates to present any particular property or other business opportunity to the Fund or its affiliates and such persons may recommend to others such investment or business opportunity to the exclusion of the Fund and its subsidiaries. In addition, Marcus Kurschat and Elroy Gust have established and may establish, in the future, other limited partnerships or other investment vehicles which have or may have investment objectives that are the same as or similar to those of the Fund and its subsidiaries. Any of those individuals may to act as adviser, manager, trustee, director, officer and/or general partner to such organizations. Although none of the Trustees or officers of the Fund devotes his full time to the business and affairs of the Fund, and none of the directors, officers or employees of Clear Sky LP XVI, the US Limited Partnership devotes

his full time to the business and affairs of those entities, they will devote as much time as is necessary for the management of the business and affairs of the Fund and its subsidiaries.

The Fund's decision to acquire or investment in a Property (through a Property LP) will be made or ratified by the Trustees. Certain Trustees and officers of Clear Sky LP XVI have an economic interest in the Fund completing such an acquisition or investment. Upon any acquisition of or investment in a Property, Clear Sky LP XVI, the US General Partner or the general partners of the applicable Property LP, or a combination thereof, will be obligated to pay an Acquisition Fee to, collectively, Mr. Kurschat (or an entity beneficially owned or controlled by him) and Mr. Wheeler (or an entity beneficially owned or controlled by him). Offering Proceeds may be used to fund, in whole or in part, directly or indirectly, payment of Acquisition Fees to these persons, which proceeds will be realized from time to time by the issue and sale of additional Trust Units under the Offering. The Fund anticipates funding its Working Capital requirements, including payment of Acquisition Fees to, collectively, Mr. Kurschat and Mr. Wheeler (or entities beneficially owned or controlled by each of them) through a combination of Available Funds, revenues from Properties (if any), and future financing efforts of it and its affiliates. To the extent that any Acquisition Fee remains unpaid, such amount will be considered to be owed, collectively, to Mr. Kurschat (or an entity beneficially owned or controlled by him) and Mr. Wheeler (or an entity beneficially owned or controlled by him) on a non-interest bearing basis with no fixed payment terms, other than being payable on demand. See **Item 1.5.1 - Fees Payable on Acquisitions and Dispositions**. There is no assurance that any conflicts arising or resulting from such individuals' economic interests in the completion of a Property acquisition will be resolved in the best interests of the Fund or the Trust Unitholders. As of the date of this offering memorandum, no amount of unpaid Acquisition Fee has been paid or is owing to Mr. Kurschat or Mr. Wheeler (or entities owned or controlled by each of them). However, if the VHT Apartments acquisition is completed, an Acquisition Fee of approximately US\$273,500 (subject to adjustment of the purchase price under the VHT Acquisition Agreement) will be payable as to approximately US\$182,500 to Mr. Kurschat and as to approximately US\$91,250 to Mr. Wheeler (or entities beneficially owned or controlled by each of them).

Similarly, the decision to sell or otherwise dispose of a Property (through the applicable Property LP) will be made or ratified by the Trustees. Messrs. Kurschat and Wheeler, Trustees and officers of the Fund, have an economic interest in the Fund completing such sale or disposition. Upon any disposition of a Property, Clear Sky LP VI, the US General Partner or the general partners of the applicable Property LP, or a combination thereof, will be obligated to pay a Disposition Fee to, collectively, Mr. Kurschat and Mr. Wheeler (or entities beneficially owned or controlled by each of them). Offering Proceeds may be used to fund, in whole or in part, directly or indirectly, payment of Disposition Fees to, collectively, Mr. Kurschat and Mr. Wheeler (or entities beneficially owned or controlled by each of them), which proceeds will be realized from time to time by the issue and sale of additional Trust Units under the Offering. The Fund anticipates funding its Working Capital requirements, including payment of Disposition Fees to, collectively, Mr. Kurschat and Mr. Wheeler (or entities beneficially owned or controlled by him) through a combination of Available Funds, revenues from Properties (if any), and future financing efforts of it and its affiliates. To the extent that any Disposition Fee remains unpaid, such amount will be considered to be owed to, collectively, Mr. Kurschat (or an entity beneficially owned or controlled by him) and Mr. Wheeler (or an entity beneficially controlled by him) on a non-interest bearing basis with no fixed payment terms, other than being payable on demand. See **Item 1.5.1 - Fees Payable on Acquisitions and Dispositions**. There is no assurance that any conflicts arising or resulting from such individual's economic interests in the completion of a Property disposition will be resolved in the best interests of the Fund or the Trust Unitholders. As of the date of this offering memorandum, no amount of unpaid Disposition Fee has been paid or is owing to Mr. Kurschat or Mr. Wheeler (or entities owned or controlled by each of them).

Marcus Kurschat is the President and a director of Clear Sky GP, beneficially owns or controls, directly or indirectly, Clear Sky GP and the US General Partner. Each of Mr. Kurschat and Kevin Wheeler is and anticipates being a beneficial shareholder and a director and officer of one or more of the general partners of each Property LP that is formed. Mr. Kurschat also controls, directly or indirectly, other entities that are acquiring real estate, including multi-family residential real estate projects in Arizona and elsewhere. Each of Mr. Kurschat and Mr. Wheeler is also a trustee (or the equivalent) with other entities that are acquiring real estate, including multi-family residential real estate projects in Arizona and elsewhere. Therefore, Mr. Kurschat and Mr. Wheeler may be personally subject to a number of conflicts of interest. There is no assurance that any conflict arising between Clear Sky LP XVI, the US Limited Partnership and the Fund or any of its other affiliates will be resolved in the best interests of the Fund or the Trust Unitholders.

Marcus Kurschat and Kevin Wheeler are Trustees and officers of the Fund. Marcus Kurschat beneficially owns or controls, directly or indirectly, the US General Partner and Clear Sky GP. Mr. Kurschat and Kevin Wheeler beneficially own or control, directly or indirectly, all of the securities of the general partner(s) of each Property LP. Consequently, Messrs. Kurschat and Wheeler will share (indirectly) in distributions, if any, resulting from their beneficial ownership of those entities, as applicable. See **Item 1.5 - Fees and Expenses**, **Item 5.2 – Cash Distributions to Trust Unitholders** and **Item 5.2.2 - Funds Flow from the Properties**. Therefore, Messrs. Kurschat and Wheeler may be personally subject to a number of conflicts of interest. There is no assurance that any conflict arising between the US Limited Partnership or any Property LP and the Fund or any of its other affiliates will be resolved in the best interests of the Fund or the Trust Unitholders.

Elroy Gust is a Trustee and a director of Clear Sky GP. Mr. Gust is also a trustee (or the equivalent) with other entities that are acquiring real estate, including multi-family residential real estate projects in Arizona and elsewhere. Therefore, Mr. Gust may be personally subject to a number of conflicts of interest. There is no assurance that any conflict arising between Mr. Gust and Clear Sky LP XVI, the Fund or any of its other affiliates will be resolved in the best interests of the Fund or the Trust Unitholders.

Non-Arm's Length Transactions

Certain transactions contemplated by the Fund's structure involve non-arm's length parties. As such, certain contractual terms usually contained in documentation that is negotiated at arm's length are not necessarily included in the agreements among the Fund, Clear Sky LP XVI, the US Limited Partnership and the Property LPs as those terms would not have the same effect as they would have in transactions between unrelated parties.

Marcus Kurschat is a Trustee and the President of the Fund. He is also the President and a director of, and, beneficially owns or controls, indirectly, Clear Sky GP and the US General Partner and, consequently, will share (indirectly) in distributions, if any, from the US Limited Partnership to the US General Partner. In addition, Mr. Kurschat and Kevin Wheeler beneficially own or control, directly or indirectly, all of the securities of the general partner(s) of each Property LP. Consequently, Messrs. Kurschat and Wheeler will share (indirectly) in distributions, if any, from each Property LP to its general partner(s). See **Item 1.5.2 - Compensation through ownership of general partners, Item 3 – Interests of Trustees, Management, Promoters and Principal Holders and Item 5.2.2 - Funds Flow from the Properties**. Therefore, Messrs. Kurschat and Wheeler may be subject to a number of conflicts of interest. There is no assurance that such conflicts were or will be resolved in the best interests of the Fund or the Trust Unitholders. As of the date of this offering memorandum, the Fund has formed no Property LPs, no Properties have been acquired and, accordingly, no amount has been paid or is owed as payment of a Performance Fee.

Mr. Kurschat beneficially owns or controls all of the securities of Clear Sky Capital Arizona and Clear Sky Capital BC, which companies are parties to the US Staffing and Administrative Services Agreement and the Canadian Staffing and Administrative Services Agreement, respectively. Accordingly, Mr. Kurschat may realize (indirectly) an economic benefit from payments to Clear Sky Capital Arizona and Clear Sky Capital BC pursuant to those agreements. See **Item 2.7.6 – US Staffing and Administrative Services Agreement and Item 2.7.7 – Canadian Staffing and Administrative Services Agreement**.

Trust Unitholders have limited voting rights

Trust Unitholders are NOT shareholders and do not enjoy the rights and privileges offered to shareholders under corporate statutes. The Fund is not generally regulated by established corporate law and Trust Unitholders' rights are governed primarily by the specific provisions of the Declaration of Trust. Subject to the Declaration of Trust, Trust Unitholders have rights to attend and vote at meetings of Voting Unitholders. However, the Fund may but is not required to hold annual meetings of Trust Unitholders or any Trust Unitholder meetings on a periodic basis. The Fund does not, at this time, intend to call annual meetings for the election of Trustees or otherwise. Consequently, Trust Unitholders will not vote to appoint the Trustees on an annual or periodic basis.

Further, unlike an ABCA corporation, Trust Unitholders do not have the right to appoint the Fund's auditor; rather such right is held by the Trustees.

See also **Item 5.1.5 - Rights of Trust Unitholders**.

Statutory Remedies

The Fund is not generally regulated by established corporate law and Trust Unitholders' rights are governed primarily by the specific provisions of the Declaration of Trust.

Trust Unitholders are NOT shareholders and do not enjoy the rights and privileges generally offered to shareholders of a corporation incorporated under the ABCA. Although the Declaration of Trust confers upon Trust Unitholders some of the same protections, rights and remedies that an Investor would have as a non-voting shareholder of a corporation governed by the ABCA, significant differences do exist. See **Item 5.1.5 - Rights of Trust Unitholders** for additional details.

The matters in respect of which Trust Unitholder approval is required under the Declaration of Trust are generally less extensive than the rights conferred on the shareholders of an ABCA corporation.

Other than as described in the Declaration of Trust, Trust Unitholders do not have recourse to a dissent right under which shareholders of an ABCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken, such as an amalgamation, a continuance under the laws of another jurisdiction, the sale of all or substantially all of its property, a going private transaction or the addition, change or removal of provisions restricting: (i) the

business or businesses that the corporation can carry on, or (ii) the issue, transfer or ownership of shares. See **Item 5.1.5 - Rights of Trust Unitholders** for additional details.

Trust Unitholders similarly do not have recourse to the statutory oppression remedy that is available to shareholders of an ABCA corporation where the corporation undertakes actions that are oppressive, unfairly prejudicial or disregard the interests of security holders and certain other parties. Shareholders of an ABCA corporation may also apply to a court to order the liquidation and dissolution of the corporation in those circumstances, whereas Trust Unitholders could rely only on the general provisions of the Declaration of Trust, which permit the termination of the Fund with the approval by Special Resolution. The ABCA also permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its subsidiaries, with the leave of a court. The Declaration of Trust does not include a comparable right of Trust Unitholders to commence or participate in legal proceedings with respect to the Fund.

In the event of an insolvency or restructuring of the Fund, the rights of Trust Unitholders will be different from those of shareholders of an insolvent or restructuring corporation.

Liability of Trust Unitholders

There is a risk that a party may seek to assert that Trust Unitholders be held personally liable for the obligations of the Fund or in respect of claims against the Fund. Such risks are expected to be limited since the Fund intends to limit its investments to Clear Sky LP XVI limited partnership units and loans to Clear Sky LP XVI and the Fund does not intend to carry on any business. However, there is no assurance that Trust Unitholders will not be personally liable for the obligations of the Fund.

Pursuant to the Declaration of Trust, if any Trust Unitholder is held personally liable as such to any other person in respect of any debt, liability or obligation incurred by or on behalf of the Fund, or any action taken on behalf of the Fund, such Trust Unitholder is entitled to indemnity and reimbursement out of the Fund assets to the full extent of such liability for all costs of any litigation or other proceedings in which such liability has been determined, including all fees and disbursements of counsel. The rights accruing to a Trust Unitholder do not exclude any other rights to which such Trust Unitholders may be lawfully entitled, nor does anything contained in the Declaration of Trust restrict the right of the Trustees to indemnify or reimburse a Trust Unitholder out of the Fund's assets in any appropriate situation not specially provided herein but, for greater certainty, the Trustees have no liability to reimburse a Trust Unitholder for taxes assessed against them by reason of or arising out of his ownership of Trust Units.

Key Personnel

The Fund and its subsidiaries are highly dependent on Marcus Kurschat, Elroy Gust and Kevin Wheeler and the loss of their services may materially adversely affect the ability of the Fund to implement its business plan. In particular, prospective Investors will have to rely on the discretion and ability of Marcus Kurschat, Elroy Gust and Kevin Wheeler in determining potential Properties, negotiating the pricing and other terms of the agreements leading to the acquisition of Properties, and implementing the renovations for each Property. The ability of Marcus Kurschat, Elroy Gust and Kevin Wheeler to successfully implement the Fund's investment strategy will depend in large part on the continued employment and involvement of these key executives. None of the Fund or its subsidiaries maintains key-person life insurance for any of these named individuals; however, it is anticipated that after the first Closing Date, the US General Partner will obtain key-person life insurance respecting Marcus Kurschat. If the Fund and its subsidiaries lose the services of any one or more of these individuals, the business, financial condition and results of operations of the Fund and its subsidiaries may be materially adversely affected.

Environmental Matters

Under various environmental laws, ordinances and regulations, the current or previous owner or operator of Properties acquired, invested in or refinanced by the Property LPs, may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in such Properties. These costs could be substantial. Such laws could impose liability whether or not the Property LP knew of, or was responsible for, the presence of such hazardous or toxic substances.

The presence of hazardous or toxic substances, or the failure to remove or remediate such substances, if any, or restrictions imposed by environmental laws on the manner in which such properties may be operated or developed could adversely affect a Property LP's ability to sell such Properties and pay cash distributions and could potentially also result in claims against the Property LP.

Environmental laws provide for sanctions for non-compliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental laws and common law principles could be used to impose liability for release of and exposure to hazardous substances into the air. Third parties may seek recovery from real property owners or operators for personal injury or property damage associated with exposure to released hazardous substances. The cost of defending

against claims of liability, of complying with environmental regulatory requirements, of remediating any contaminated property, or of paying personal injury claims could be substantial and reduce cash distributions to the Fund.

Property LPs may be subject to liability for undetected pollution or other environmental hazards against which they cannot insure, or against which they may elect not to insure where premium costs are disproportionate to the Property LPs' perception of relative risk. Such factors may impact Property LPs' ability to pay cash distributions, which in turn will have an adverse impact on the Fund.

Renovation Program

If the renovation, upgrading and repositioning for any one or more assets is not completed as expected or at all, monthly rents will likely decrease or remain unchanged and/or expected returns on the disposition of such assets will likely decrease.

Tenant Leasing Risk

Income producing Properties generate income through rent payments made by tenants of the Properties. Upon the expiry of any tenant lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent tenant lease may be less favourable to the Fund than the existing tenant lease. The Fund is dependent on leasing markets to ensure vacant residential space is leased, expiring leases are renewed and new tenants are found to fill vacancies. A disruption in the economy could have a significant impact on how much space tenants will lease and the rental rates paid by tenants. This would affect the income produced by the Properties as a result of downward pressure on rents.

Credit Risk

A Property LP is exposed to credit risk in that tenants in the Properties may become unable to pay their rents or that such properties, where offered for sale, might remain unsold. A Property LP's income and, consequently, cash distributions, may be adversely affected if one or more major tenants or a significant number of tenants become unable to meet their rental obligations and the Property LP is unable to rent a significant number of such properties on commercially favourable terms, or if such properties are not sold at commercially favourable prices. In the event of default by a tenant, the Property LP may experience delays or limitations in enforcing rights as lesser and may pay substantial costs in protecting its investment.

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 the property is producing revenue. If the Property LP and its subsidiaries are unable to meet mortgage payments or other financing costs (if any) on any Property that it owns, is invested in or operates, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

Uninsured Losses

The Property LPs intend to carry comprehensive general liability, fire, flood, extended coverage, rental loss and vacancy insurance with policy specifications, limits and deductibles customarily carried for similar properties. However, there are certain types of risks, generally of a catastrophic nature, such as wars, terrorist attacks or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or underinsured loss occur, a Property LP could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, but would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

From time to time a Property LP may be subject to lawsuits as a result of the nature of its business. The Property LPs intend to maintain business and property insurance policies in amounts and with such coverage and deductibles as are deemed appropriate, based on the nature and risks of the businesses, historical experience and industry standards. However, there can be no assurance that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against a Property LP that is not covered by, or in excess of, a Property LP's insurance could materially affect such entity's operating results and financial condition, which would have an adverse effect on Trust Unitholders. Claims against a Property LP, regardless of their merit or eventual outcome, will require management to devote time to matters unrelated to the operation of the business.

Real Estate Financing

The Fund anticipates that acquisitions will be financed, in whole or in part, including the assumption of existing mortgage financing on a target Property, under various lines of credit and other forms of secured or unsecured financing or through the issuance of additional debt or equity by the Fund or the issuance of debt by a Property LP. The Fund expects periodically to review, on a consolidated basis, the Fund's financing options regarding the appropriate mix of debt and equity financing. Equity,

rather than debt, financing of future developments or acquisitions could have a dilutive effect on the interests of the existing Trust Unitholders. Similarly, there are certain risks involved with financing future developments and acquisitions with debt, including those described below. There is no assurance that the Property LPs will be able to obtain sufficient debt financing to finance the acquisition of Properties on commercially acceptable terms or at all. In addition, if significant renovations or repositioning of a Property are financed through construction loans, there is a risk that, upon completion of construction, permanent financing for such Property may not be available or may be available only on disadvantageous terms, or that the cash flow from new Properties will be insufficient to cover debt service. If a significantly renovated or repositioned or acquired Property is unsuccessful, the Fund's losses may exceed the Fund's investment in the Property. Any of the foregoing could have a material adverse effect on the Fund and the Fund's ability to make distributions to Trust Unitholders and to pay amounts due on the Fund's consolidated debt.

Secured Borrowing

It is anticipated that Property LPs will borrow funds from third party lenders (including assumption of existing mortgage financing on the target Property (ies)) from time to time and, in connection with such debt financing, each Property LP will grant those lenders security interests registered against the Property LP's Property and other assets. Those security interests may include, among other things: (i) first or highest available charges registered against the Properties; (ii) assignments of rents; (iii) assignments of insurance proceeds (in the event of loss of the Property); and (iv) general security interests in all present and after-acquired property of the Property LP. In addition, the Fund or its subsidiaries may provide guarantees in respect of the indebtedness of the Property LPs.

See **Item 4.2 - Long-Term Debt Securities** for information concerning the Fund's and Property LPs' long-term indebtedness, if any.

Mortgages on the Properties may require significant debt service payments. If the Property LP is unable or unwilling to meet mortgage payments on any Property, losses could be sustained as a result of the lender's exercise of its rights to enforce its security. As a secured creditor, a lender will have a variety of remedies which it may use to enforce its security, including rights to foreclose upon the Property, sell the Property, appoint a receiver and receive an assignment of rents and leases or pursue other remedies, all with a consequent loss of the Fund's revenues and asset value. Foreclosures could also create taxable income without accompanying cash proceeds, thereby hindering the Fund's ability to meet the Fund distribution requirements of applicable tax legislation.

In owning the Property LPs, the Fund (indirectly through the Fund's structure) expects to be an unsecured creditor of the Property LPs in respect of a portion of its investment capital. In the event a Property LP defaults on its obligations under a secured loan and the lender subsequently enforces its security, the Fund's (indirectly through its subsidiaries) claims as an unsecured creditor of the Property LP will rank behind those of the Property LP's secured lenders. There is no assurance that the Property (and any other secured assets of a Property LP) will have sufficient value to satisfy all of the Property LP's outstanding debt obligations to the lender. This risk is affected by fluctuations in the market price of the Property and the cash flows generated by the tenant leases on the Property. For example, as the market price of the secured Property declines, it is less likely that the Property will have sufficient value (or sufficient rental cash flow) to satisfy the debt obligations under the mortgage on the Property. Consequently, if a Property LP defaults under a secured loan, there is no assurance that the Fund (indirectly through its subsidiaries) will receive any funds or assets from the Property LP. As such, default by a Property LP on a secured loan could have a material adverse effect on the Fund and, correspondingly, the Trust Unitholders.

The Fund may be unable to renew, repay or refinance outstanding debt

The Fund and its subsidiaries are subject to the normal risks associated with debt financing, including the risk that their cash flow is insufficient to meet required payments of principal and interest, the risk that indebtedness on the Properties, or unsecured indebtedness, will not be able to be renewed, repaid or refinanced when due or that the terms of any renewal or refinancing will not be as favourable as the existing terms of such indebtedness. If the Fund or its subsidiaries are unable to refinance their indebtedness on acceptable terms, or at all, they might be forced to dispose of one or more of the Properties on disadvantageous terms, which might result in losses to the Fund. Such losses could have a material adverse effect on the Fund and the Fund's ability to make distributions to the Trust Unitholders and pay amounts due on outstanding debt.

Degree of leverage could limit the Fund's ability to obtain additional financing

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

Restrictions in Financing Agreements

Although the Fund does not currently have any contractual restrictions on its ability to make cash distributions, the Fund may in the future enter into debt financing arrangements whereunder the Fund is required to provide restrictive covenants that limit its ability to make cash distributions. In the event the Fund enters into one of these arrangements, the amount of the Fund's indebtedness could have significant consequences to holders of Trust Units, including that the ability of the Fund to obtain additional financing for working capital, capital expenditures or future acquisitions may be limited; and that a significant portion of the Fund's cash flow from operations may be dedicated to the payment of principal and interest on its indebtedness, thereby reducing funds available for future operations and distributions. Additionally, some of the Fund's consolidated debt may be at variable rates of interest or may be renewed at higher rates of interest, which may affect cash flow from operations available for distributions. Also, in the event of a significant economic downturn, there can be no assurance that the Fund will generate sufficient cash flow from operations to meet required interest and principal payments. The Fund and its subsidiaries are subject to the risk that it may not be able to refinance existing indebtedness upon maturity or that the terms of such refinancing may be onerous. These factors may adversely affect the Fund's cash distributions.

A Property LP or other Fund affiliate that is encumbered by mortgage financing or has guaranteed a loan (if any) may be prohibited from paying distributions in the event that any mortgage on real Property owned by or for the benefit of the Fund is in default in payment, unless a specific reserve in respect of such mortgage is retained. In the event that the Fund defaults in payment of any mortgage and is unable or unwilling to establish an appropriate reserve, distributions to Trust Unitholders would be prohibited. Further, while the Fund and its subsidiaries are not currently in default under any existing loan agreements or guarantee agreements, any future default could have significant consequences for Trust Unitholders.

The Fund and its affiliates may, in connection with the acquisition of or investment in any Property(ies), agree to material restrictions regarding their use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of source, for any purpose other than the redemption of Bridge Financing LP Units that are created and issued in connection with the acquisition/investment, so long as any of such Bridge Financing LP Units remains outstanding. Among other things, such restrictions on the use of Available Funds and funds that would otherwise be available for distribution or Working Capital, regardless of the source, might be imposed on Clear Sky LP XVI in the provisions of the Bridge Financing LP Units. The material characteristics of the Bridge Financing LP Units are described in **Item 2.7.2 – Clear Sky LP XVI Agreement – Capital of Clear Sky LP XVI**. These restrictions may materially restrict the distribution of funds from the Fund's subsidiaries to the Fund set out in this **Item 5.2.2 - Flow of Funds from the Properties**. In such a case, the Fund may not be in a position to pay cash distributions to Trust Unitholders so long as any Bridge Financing LP Units have not been redeemed. Similarly, neither the Property LPs (including VHT Apartments LP) nor the US Limited Partnership may be in a position to pay cash distributions to its partners except in connection with the redemption of outstanding Bridge Financing LP Units. These restrictions may materially adversely affect the Fund's ability to pay, in whole or in part, expenses and other obligations of the Fund, cash redemptions or repurchases of Trust Units, any tax liability, or fund any reserves established by the Trustees, in their sole discretion. These restrictions may adversely affect the ability of the Fund, Clear Sky LP XVI, the US Limited Partnership and the applicable Property LP (including VHT Apartments LP) to pay, in whole or in part, expenses in connection with the Offering, start-up and operational costs, costs associated with acquiring (or investing in) and operating the Properties (including the proposed acquisition of the VHT Apartments), and the general and administrative, marketing and operating expenses of the Fund and its affiliates, including costs associated with establishing and organizing the Fund, Clear Sky LP XVI, Clear Sky GP, the US Limited Partnership, the US General Partner, the Property LPs and their general partners and their respective affiliates, legal, consulting, accounting and audit costs, advertising and marketing costs, fees and costs associated with offices and sites for the Fund and its affiliates, Renovation Costs, costs (including wages and benefits) associated with personnel of the Fund and its affiliates, fees and costs associated with banking and borrowing of the Fund and its affiliates, debt payments and accrued interest, investor reporting costs, printing and mailing costs, costs in connection with governmental and regulatory requirements, Performance Fees and taxes.

Interest Rate Fluctuations

Financing by Property LPs may include indebtedness with interest rates which may fluctuate over time and which will result in fluctuations in Property LPs' cost of borrowing, if any.

Rent Control

Property LPs may be subject to legislation that exists or is enacted in certain jurisdictions, which restricts the right of landlords to increase rents charged to tenants. As a result, the inability to adjust rents to address higher operating costs or to improve margins on certain Properties may have an adverse effect on the returns available from such Properties.

No Review of Offering Memorandum by Regulatory Authorities

Investors will not have the benefit of a review of this offering memorandum, the Declaration of Trust, or any other documents in relation to the Offering by any regulatory authorities.

Legislative Changes

Legal, tax and regulatory changes may occur that can adversely affect the Fund or the Trust Units. There can be no assurance that income tax, securities and other laws will not be changed in a manner that adversely affects the Fund or the Trust Units.

No Independent Counsel for Trust Unitholders

Legal counsel that assisted in preparing the documentation in connection with the Offering, including the Declaration of Trust, acted as legal counsel for the Fund. No independent counsel was retained on behalf of the Trust Unitholders. There has been no review by independent counsel on behalf of the Trust Unitholders of this offering memorandum, the Declaration of Trust or any other documentation in relation to the Offering. No due diligence has been conducted on behalf of Trust Unitholders by counsel.

Dilution/Concentration

The Fund is authorized to issue an unlimited number of Trust Units. Any issuance of additional Trust Units may have a dilutive or concentrative effect on the value of Trust Units. Trust Unitholders who invest after a particular Property is acquired will be entitled to receive the same distributions as a Trust Unitholder who invested before such Property was acquired and will therefore be entitled to the equivalent benefits or disadvantages as each other Trust Unitholder.

Disclosure of Personal Information

Investors are advised that their names and other specified information, including the number and aggregate value of the Trust Units owned: (i) will be disclosed to the relevant Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable securities and freedom of information laws and the investor consents to the disclosure of such information; (ii) is being collected indirectly by the applicable Canadian securities regulatory authority under the authority granted to it in securities legislation; and (iii) is being collected for the purposes of the administration and enforcement of the applicable Canadian securities legislation.

The foregoing risk factors do not purport to be a complete explanation of all risks involved in purchasing the Trust Units. Potential investors should read this entire offering memorandum and consult with their legal and other professional advisors before determining to invest in the Trust Units.

ITEM 9 - REPORTING OBLIGATIONS

The Fund is not, and has no current intention of becoming, a reporting issuer (or holding an equivalent reporting status) in any jurisdiction in Canada or the United States and, accordingly, is not required to report, financially or otherwise, to the Trust Unitholders (except as otherwise provided in the Declaration of Trust). As a result, the Fund is not subject to the continuous disclosure requirements under applicable securities laws, and is not required, among other things, to prepare, file, disseminate or send to securities holders audited annual financial statements, unaudited interim financial statements, annual or interim versions of management's discussion and analysis of financial condition and operating results, news releases disclosing material changes or facts about the activities of the Fund.

Pursuant to the Declaration of Trust, the Fund will make available to Trust Unitholders audited annual financial statements for each fiscal year of the Fund, prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS) as applicable, within 120 days after the Fund's fiscal year end (currently December 31).

On or before March 31 in each year (or within such other time required by the Tax Act), the Fund will provide to Trust Unitholders who received income allocations or designations from the Fund in the prior calendar year, such information regarding the Fund required by Canadian law to be submitted to Trust Unitholders for income tax purposes to enable Trust Unitholders to complete their tax returns in respect of the prior calendar year.

The Fund will file, on behalf of itself and the Trust Unitholders, annual trust information returns and any other information returns required to be filed under the Tax Act and any other applicable tax legislation in respect of the Fund.

Financial or other information relating to the Fund and provided to you in the future may not by itself be sufficient for you to assess the performance of your investment.

Certain information regarding the Fund's distribution of securities from time to time may be publicly available at the offices of applicable securities regulatory authorities.

ITEM 10 - RESALE RESTRICTIONS

10.1 General

The Trust Units will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the Trust Units unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

10.2 Investors in British Columbia, Alberta, Saskatchewan, Ontario, Quebec, Nova Scotia and New Brunswick

Unless permitted under securities legislation, you cannot trade the Trust Units before the date that is four months and a day after the date the Fund becomes a reporting issuer in any province or territory of Canada. **The Fund is not, and has no intention of becoming, a reporting issuer in any province or territory of Canada, and therefore the Trust Units will be subject to an indefinite hold period. Trust Units may only be transferred under limited exemptions under applicable securities laws. There is no market over which the Trust Units can be transferred and it is very unlikely that one will develop. An Investor is encouraged to seek independent advice from its legal advisors.**

10.3 Investors in Manitoba

Unless permitted under securities legislation, you must not trade the Trust Units without the prior written consent of the regulator in Manitoba unless:

- (a) the Fund has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator has issued a receipt for that prospectus, or
- (b) you have held the Trust Units for at least 12 months.

The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

10.4 Transfer Restrictions in Declaration of Trust

Trust Unitholders may only transfer their Trust Units in accordance with the provisions of the Declaration of Trust. The Declaration of Trust provides that no Trust Units are to be transferred without the express consent of the Trustees. See **Item 8 - Risk Factors**.

ITEM 11 - INVESTORS' RIGHTS

The securities laws in your jurisdiction may provide you with the statutory right, in certain circumstances, to seek damages or to cancel your agreement to buy Trust Units. Most often, those rights are available, if we make a misrepresentation in this offering memorandum but, in some jurisdictions, you may have those rights in other circumstances, including if we fail to deliver the offering memorandum to you within the required time or if we make a misrepresentation in any advertisements or sales literature regarding Trust Units. Generally, a "misrepresentation" means an untrue statement about a material fact or the failure to disclose a material fact that is required to be stated or that is necessary in order to make a statement not misleading in light of the circumstances in which it was made. The meaning of "misrepresentation" may differ slightly depending on the law in your jurisdiction.

Generally, most Investors under the Offering will purchase Trust Units under a prospectus exemption that provides them with the statutory rights described below. However, if you purchase Trust Units in reliance upon a prospectus exemption that does not provide you with such statutory rights, the Fund hereby grants you the same rights, on a contractual basis, as the statutory rights of your jurisdiction that are described below.

If you purchase Trust Units, you will have certain rights, some of which are described below. For information about your rights, you should consult a lawyer.

11.1 Two-day cancellation right for all Investors

You can cancel your agreement to purchase these Trust Units. To do so, you must send a notice to us by midnight on the second business day after you sign the Subscription Agreement to buy the Trust Units.

11.2 Statutory and Contractual rights in the event of a misrepresentation

11.2.1 Investors in British Columbia, Alberta or Manitoba

In addition to, and not in derogation from, any other right or remedy available to you at law, if there is a misrepresentation in this offering memorandum, you have a statutory right to sue:

- (a) to cancel your agreement to buy these Trust Units; or
- (b) for damages against the Fund, every person who was a Trustee of the Fund at the date of this offering memorandum and any other person who signed this offering memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. If you choose to rescind your purchase, you cannot then sue for damages. In addition, in an action for damages, the defendant will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of your Trust Units as a result of the misrepresentation. Further, the amount recoverable in an action for damages will not exceed the price at which the Trust Units were offered.

There are various defences available to the persons or companies that you have a right to sue. For example, they have a defence if you knew of the misrepresentation when you purchased the securities. In addition, the defendant will not be liable for a misrepresentation in forward-looking information if the defendant proves that:

- (c) this offering memorandum contains reasonable cautionary language that is proximate to such information identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
- (d) the Fund has a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information.

However, in Alberta and Manitoba the above defence does not relieve a person of liability respecting forward-looking information in a financial statement.

Statutory rights for failure to deliver the offering memorandum

If you reside in British Columbia or Alberta and you do not receive a copy of this offering memorandum before you sign your Subscription Agreement, you have a right to sue for damages, or if you still own your Trust Units, you can choose to cancel your agreement instead of suing for damages.

Time limitations

If you intend to rely on the statutory right to sue described above, you must do so within strict time limitations.

In British Columbia or Alberta you must commence your action to cancel the agreement within 180 days after the transaction or commence your action for damages within the earlier of: (i) 180 days after learning of the misrepresentation, or (ii) three years after the transaction.

In Manitoba, you must commence your action to cancel the agreement within 180 days after the transaction or commence your action for damages within the earlier of: (i) 180 days after learning of the misrepresentation, or (ii) two years after the day of the transaction.

11.2.2 Investors in Saskatchewan

In addition to any other right or remedy available to you at law, if there is a misrepresentation in this offering memorandum together with any amendments to the offering memorandum, you have a statutory right to sue in Saskatchewan:

- (a) the Fund to cancel your agreement to buy Trust Units; or
- (b) for damages against the Fund, every promoter of the Fund and every Trustee at the time the offering memorandum was sent or delivered, every person that signed the offering memorandum and every person who sells securities on behalf of the Fund.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. If you choose to rescind your purchase, you cannot then sue for damages. In addition, in an action for damages, the defendant will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of your Trust Units as a result of the misrepresentation. As well, the amount recoverable in an action for damages will not exceed the price at which the Trust Units were offered.

If there is a misrepresentation in any "advertising" or "sales literature" (as defined in *The Securities Act, 1988* (Saskatchewan)) that is disseminated in connection with your purchase of Trust Units and it was a misrepresentation at the time you purchased your Trust Units, you will be deemed to have relied on that misrepresentation and you will have a right to sue for damages against the Fund, every promoter of the Fund and every Trustee at the time the advertising or sales literature was disseminated, and every person who, at the time the advertising or sales literature was disseminated, sells securities on behalf of the Fund in the offering with respect to which the advertising or sales literature was disseminated. Alternatively, if you still own your Trust Units, and you purchased Trust Units from the Fund, you can elect to cancel your agreement instead of suing for damages.

If there is a misrepresentation in an oral statement made to you about the Trust Units either before or at the time that you purchased your Trust Units and it was a misrepresentation at the time you purchased your Trust Units, you will be deemed to have relied on the misrepresentation and you will have a right to sue the person who made the statement to you for damages.

There are various defences available to the persons or companies that you have a right to sue. For example, they have a defence if you knew of the misrepresentation when you purchased the Trust Units. Further, the defendant will not be liable for a misrepresentation in forward looking information if the defendant proves that:

- (c) this offering memorandum contains reasonable cautionary language identifying the forward looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward looking information; and
- (d) the Fund has a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward looking information.

Statutory rights if Vendor Not Entitled to Trade

If you reside in Saskatchewan and the person or company who sells you your Trust Units is selling in contravention of securities laws of Saskatchewan or in contravention of an order of the Saskatchewan Financial Services Commission, you may choose to void your contract or to recover all the money paid by you for your Trust Units.

Time limitations

If you intend to rely on the rights described above, you must do so within strict time limitations.

In Saskatchewan, you must commence an action to cancel your agreement not more than 180 days after the day you purchased your Trust Units or commence your action for damages within the earlier of: (i) one year from the date that you had knowledge of the facts giving rise to the cause of action; and (ii) six years after the transaction.

11.2.3 Investors in Ontario

In addition to any other right or remedy available to you at law, if there is a misrepresentation in this offering memorandum, you have a statutory right to sue in Ontario:

- (g) against the Fund to rescind the purchase and cancel your agreement to buy Trust Units; or
- (h) for damages against the Fund.

This statutory right is available to you whether or not you relied on the misrepresentation. If you choose to rescind your purchase, you cannot then sue for damages. The Fund will not be liable if it proves that you purchased the Trust Units with knowledge of the

misrepresentation. In addition, in an action for damages, the Fund will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of your Trust Units as a result of the misrepresentation. Furthermore, in no case will the amount recoverable in an action for damages exceed the price at which the Trust Units were sold to you. The Fund will not be liable for a misrepresentation in forward-looking information if it proves that: (a) this offering memorandum contains, proximate to the forward-looking information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and (b) the Fund had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information. The foregoing rights do not apply if you are: (a) a Canadian financial institution (as defined in NI 45-106) or a Schedule III bank; (b) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada); or (c) a subsidiary of any person referred to in clause (a) and (b) of this sentence, if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

Time limitations

If you intend to rely on the statutory rights described above, you must do so within strict time limitations.

In Ontario, you must commence your action to rescind your purchase and cancel the agreement within 180 days after the purchase or commence your action for damages within the earlier of: (i) 180 days after first having knowledge of the facts giving rise to the cause of action, and (ii) three years after the date of purchase.

11.2.4 Investors in Quebec

In addition to any other right or remedy available to you at law, if this offering memorandum is delivered to an Investor resident in Québec and contains a misrepresentation, the Investor will have (i) statutory rights under Québec legislation, or (ii) contractual rights in circumstances where the Québec legislation does not provide such rights, as follows:

- (a) a right of action for damages against the Fund, every person acting in a capacity with respect to the Fund which is similar to that of a director or officer of a company, any expert whose opinion, containing a misrepresentation, appeared, with his consent, in this offering memorandum, the dealer (if any) under contract to the Fund and any person who is required to sign the certificate of attestation in this offering memorandum; or
- (b) a right of action against the Fund for rescission of the purchase contract or revision of the price at which Trust Units were sold to the Investor.

No person or company will be liable if it proves that:

- (c) the Investor purchased the Trust Units with knowledge of the misrepresentation; or
- (d) in an action for damages, that it acted prudently and diligently (except in an action brought against the Fund).

No action may be commenced to enforce such a right of action:

- (e) for rescission or revision of price more than three years after the date of the purchase; or
- (f) for damages later than the earlier of:
 - (i) three years after the purchaser first had knowledge of the facts giving rise to the cause of action, except on proof of tardy knowledge imputable to the negligence of the purchaser; or
 - (ii) five years from the filing of this offering memorandum with the Autorité des marchés financiers de Québec.

No person will be liable for a misrepresentation in forward-looking information if the person proves that:

- (g) this offering memorandum contains, proximate to the forward-looking information, (i) reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and (ii) a statement of the material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection; and

- (h) the person had a reasonable basis for drawing the conclusion or making the forecasts and projections set out in the forward-looking information.

An Investor resident in Québec may purchase Trust Units under the Offering relying on a prospectus exemption that provides them with the statutory rights described above. However, if you purchase Trust Units under the Offering in reliance upon a prospectus exemption that does not provide you with such statutory rights, the Issuers hereby grants you the same rights, on a contractual basis, as the statutory rights that are described above.

11.2.5 Investors in Nova Scotia

In the event that this offering memorandum, together with any amendments hereto, or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia)) contains an untrue statement of material fact or omits to state a material fact that is required to be stated or that is necessary in order to make any statements contained herein or therein not misleading in light of the circumstances in which it was made (in this Section 11.2.5, a "misrepresentation"), a purchaser of the Trust Units is deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the issuer or other seller of such Trust Units, the directors of the seller and the persons who have signed the offering memorandum or, alternatively, while still the owner of the Trust Units, may elect instead to exercise a statutory right of rescission against the issuer or other seller, in which case the purchaser will have no right of action for damages against the issuer or other seller, the directors of the seller or the persons who have signed the offering memorandum, provided that, among other limitations:

- (a) no action will be commenced to enforce the right of action for rescission or damages by a purchaser resident in Nova Scotia later than 120 days after the date payment was made for the Trust Units (or after the date on which initial payment was made for the Trust Units where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment);
- (b) no person will be liable if it proves that the purchaser purchased the Trust Units with knowledge of the misrepresentation;
- (c) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Trust Units; and
- (d) in no case will the amount recoverable in any action exceed the price at which the Trust Units were offered to the purchaser.

The liability of all persons or companies referred to above is joint and several with respect to the same cause of action. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person or company who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

11.2.6 Investors in New Brunswick

If this offering memorandum contains a misrepresentation, a purchaser who purchases the Trust Units will be deemed to have relied on the misrepresentation and will have, subject to certain limitations and defences, a statutory right of action against the Fund for damages or, while still the owner of the Trust Units, for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages, provided that the right of action for rescission will be exercisable by the purchaser only if the purchaser commences an action against the defendant, not more than 180 days after the date of the transaction that gave rise to the cause of action, or, in the case of any action other than an action for rescission, the earlier of: (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) six years after the date of the transaction that gave rise to the cause of action. "Misrepresentation" in this Section 11.2.6 means 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 the light of the circumstances in which it was made.

The defendant will not be liable for a misrepresentation if it proves that the purchaser purchased the Trust Units with knowledge of the misrepresentation.

In an action for damages, the defendant will not be liable for all or any portion of the damages that the defendant proves do not represent the depreciation in value of the Trust Units as a result of the misrepresentation relied upon. In no case will the amount recoverable for the misrepresentation exceed the price at which the Trust Units were offered.

ITEM 12 - FINANCIAL STATEMENTS

CLEAR SKY CAPITAL STRATEGIC ASSET FUND – SERIES II

Audited consolidated financial statements of the Fund as at and for the period from inception to June 30, 2015

VHT APARTMENTS

Unaudited financial statements for the VHT Apartments as at and for the five months ended May 31, 2015

Audited financial statements for the VHT Apartments as at and for the year ended December 31, 2014

Unaudited financial statements for the VHT Apartments as at and for the year ended December 31, 2013

ITEM 13 - DATE AND CERTIFICATE

Dated: August 14, 2015

This offering memorandum does not contain a misrepresentation.

(Signed) MARCUS KURSCHAT
President, Acting Chief Executive
Officer of the Fund

(Signed) MARCUS KURSCHAT
Acting Chief Financial Officer of the
Fund

BY THE BOARD OF TRUSTEES

(Signed) MARCUS KURSCHAT
Trustee

(Signed) ELROY GUST
Trustee

(Signed) KEVIN WHEELER
Trustee

PROMOTERS

CLEAR SKY CAPITAL & ASSOCIATES XVI INC.

By: (Signed) MARCUS KURSCHAT
President

(Signed) MARCUS KURSCHAT

(Signed) KEVIN WHEELER

SCHEDULE B

FORM W-8BEN (Individuals)

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SCHEDULE C

FORM W-8BEN-E (Entities)

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SCHEDULE D

BROCHURE

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SCHEDULE E

MARKETING MATERIALS

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