

FORM 45-106F2
OFFERING MEMORANDUM FOR NON-QUALIFYING ISSUERS

Date: April 1, 2020



The Issuer

Name: Skyline Apartment Real Estate Investment Trust
("Skyline Apartment REIT")

Head office: Address: 5 Douglas Street, Suite 301
Guelph, Ontario N1H 2S8

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Currently listed or quoted? **These securities do not trade on any exchange or market.**

Reporting issuer? No

SEDAR filer? No

The Offering

Securities offered: Units (the "REIT Units")

Price per security: \$21.00 per REIT Unit

Minimum/Maximum offering: The maximum offering (the "Offering") of REIT Units is \$110,000,000 (5,238,095 REIT Units). **There is no minimum. You may be the only purchaser. Funds available under the Offering may not be sufficient to accomplish our proposed objectives.**

Minimum subscription amount: \$50,000. We may waive the requirement to subscribe for this amount in our absolute discretion.

Payment terms: Cheque, bank draft or wire

Proposed closing date(s): Closing of sales of REIT Units will occur in stages as REIT Units are subscribed for until January 31, 2021.

Income tax consequences: There are important tax consequences to these securities. See Item 6 – Income Tax Consequences and RRSP Eligibility.

Selling agent? Yes. Skyline Wealth Management Inc. will act as selling agent in connection with this Offering. See Item 7 – Compensation Paid to Sellers and Finders.

Some directors and officers of Skyline Wealth Management Inc. are also Trustees of Skyline Apartment REIT. These persons (as well as other shareholders of Skyline Wealth Management Inc.) are also directors, officers and shareholders of Skyline Apartment Asset Management Inc., Skyline Commercial Management Inc., Skyline Clean Energy Asset Management Inc., Skyline Asset Management Inc., Skyline Mortgage Financing Inc., Skyline Capital Projects Management Inc. (collectively, the "Managers") and Skyline Incorporated. Each of the Managers provide services to and receive fees from Skyline Apartment REIT. Skyline Incorporated receives distributions from Skyline Real Estate Limited Partnership. **Under applicable securities legislation, Skyline Apartment REIT may be considered a connected issuer of Skyline Wealth Management Inc.** See Item 2.2 – Our Business - Management of Skyline Apartment REIT – The Exempt Market Dealer.

Resale restrictions

You will be restricted from selling your securities for an indefinite period. See Item 10 – Resale Restrictions.

Purchaser's rights

You have 2 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 – Purchasers' Rights.

No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. See Item 8 – Risk Factors.

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GLOSSARY

"Accountants" means the firm of chartered accountants appointed as the accountants of Skyline Apartment REIT from time to time in accordance with the Declaration of Trust and currently means RLB LLP;

"Acquisition and Operating Facility" means a revolving credit facility of up to \$35,000,000 and a second revolving credit facility of up to \$50,000,000 of committed funds obtained on March 29, 2019, together to be utilized for the funding of working capital and mortgage principal repayments.

"Adjusted Gross Revenues" means all gross revenues received from the operations of the Properties, not including any non-recurring items (including without limitation refinancing proceeds, sale proceeds, lease buy-outs or similar payments).

"Adjusted Unitholders' Equity" means, at any time, the aggregate of: (i) the amount of Unitholders' equity; and (ii) the amount of accumulated depreciation and amortization recorded on the books and records of each of Skyline Apartment REIT and its Subsidiaries in respect of their properties, in each case calculated in accordance with IFRS.

"Asset Management Agreement" means an asset management agreement dated June 1, 2006 between the Asset Manager and Skyline Apartment REIT.

"Asset Manager" means the asset manager engaged by Skyline Apartment REIT for the purpose of managing the day-to-day operations of Skyline Apartment REIT pursuant to the Asset Management Agreement, which is currently Skyline Apartment Asset Management Inc., a corporation governed by the laws of the Province of Ontario.

"Business Day" means a day, other than a Saturday or Sunday, on which Schedule I chartered banks are open for business in Toronto, Ontario.

"Capex Provider" means Skyline Capital Projects Management Inc., a corporation governed by the laws of the Province of Ontario.

"Class A LP Units" means Class A limited partnership units of Skyline LP.

"Class B Exchange Agreement" means the exchange agreement dated May 28, 2012 entered into among Skyline Apartment REIT, the Operating Trust, Skyline LP and such persons who from time to time hold Class B LP Units.

"Class B LP Units" means Class B limited partnership units of Skyline LP.

"Class C Exchange Agreement" means the agreement dated December 15, 2015 among Skyline Apartment REIT, the Operating Trust, Skyline LP and such persons who from time to time hold Class C LP Units.

"Class C LP Units" means Class C limited partnership units of Skyline LP.

"Class D Exchange Agreement" means the agreement dated December 15, 2015 among Skyline Apartment REIT, the Operating Trust, Skyline LP and such persons who from time to time hold Class D LP Units.

"Class D LP Units" means Class D limited partnership units of Skyline LP.

"Closing" means closings of sales of REIT Units pursuant to the Offering.

“Declaration of Trust” means the declaration of trust made as of June 1, 2006, and most recently amended and restated as of December 15, 2015, governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein, pursuant to which Skyline Apartment REIT was created, as further amended, supplemented or amended and restated from time to time.

“Distributable Income” means, for any period, the taxable net income of Skyline Apartment REIT, including taxable income earned from its applicable consolidated Subsidiaries for such period set out in its consolidated financial statements as determined in accordance with generally accepted accounting principles in Canada, subject to certain adjustments, including: (a) adding back the following items: depreciation, amortization (except for amortization of deferred financing costs, future income tax expense, losses on dispositions of assets and amortization of any net discount on long-term debt assumed from vendors of properties at rates of interest less than fair value); and (b) deducting the following items: future income tax credits, interest on convertible debentures to the extent not already deducted in computing net income, gains on dispositions of assets and amortization of any net premium on long-term debt assumed from vendors of properties at rates of interest greater than fair value and any other adjustments determined by the Trustees in their discretion.

“Distribution Date” means, with respect to a distribution by Skyline Apartment REIT, a Business Day determined by the Trustees for any calendar month to be on or about the 15th day of the following month.

“Equity Under Management” means, at any relevant time, the product obtained, expressed in dollars, determined by the following formula:

$$(A+B) \times C$$

with,

A being the number of outstanding REIT Units

B being the number of outstanding exchangeable, non-voting limited partnership units of Skyline LP

C being the then current value of one of REIT Unit (as determined by the Trustees from time to time)

“Exchange Agreements” means the Class B Exchange Agreement, the Class C Exchange Agreement and the Class D Exchange Agreement.

“Exchangeable LP Units” means Class B LP Units, Class C LP Units and Class D LP Units.

“Exempt Market Dealer” means Skyline Wealth Management Inc., a corporation governed by the laws of the Province of Ontario.

“Exempt Market Dealer Agreement” means the amended and restated exempt market dealer agreement dated November 26, 2018 between the Exempt Market Dealer and Skyline Apartment REIT.

“Existing Properties” has the meaning given to that term in Item 2.2. Our Business – Properties – Existing Properties.

“Final Closing” means January 31, 2021.

“Finance Committee” means the finance committee created pursuant to the Declaration of Trust.

“Focus Activity” has the meaning given to that term in Item 2.7 Material Agreements – Declaration of Trust - Investment Guidelines

“General Partner” means Skyline Incorporated, a corporation incorporated under the laws of the Province of Ontario to be the general partner of Skyline LP, or any successor general partner of Skyline LP.

“GP Share” has the meaning given to that term in Item 2.1 – Structure – GP Share Calculation.

“Gross Book Value” means, at any time, the book value of the assets of Skyline Apartment REIT, as shown on its most recent balance sheet plus the amount of accumulated depreciation and amortization thereon.

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

“Independent Trustee” means a Trustee who is independent within the meaning of National Instrument 52-110 *Audit Committees*.

“Initial Unit” means a unit of beneficial interest in Skyline Apartment REIT issued to Skyline Incorporated which was automatically redeemed by Skyline Apartment REIT upon the issuance of the first REIT Unit.

“Investment Committee” means the investment committee created pursuant to the Declaration of Trust.

“Land Under Contract” has the meaning given to that term in Item 2.2. Our Business – Properties – Land Under Contract.

“Land Under Due Diligence” has the meaning given to that term in Item 2.2. Our Business – Properties – Land Under Due Diligence.

“Leasing Services Manager” means Skyline Commercial Management Inc., a corporation governed by the laws of the Province of Ontario.

“Managers” means the Asset Manager, the Leasing Services Manager, the Underwriting Manager, the Solar Asset Manager, the Capex Provider and the Services Provider.

“Marketing Materials” means a written communication, other than an “OM standard term sheet” (as defined in NI 45-106), intended for prospective purchasers regarding a distribution of securities under an offering memorandum delivered under section 2.9 [Offering memorandum] of NI 45-106 that contains material facts relating to an issuer, securities or an offering, related to each distribution under the offering memorandum and delivered or made reasonably available to a prospective purchaser before the termination of the distribution.

“Monthly Limit” has the meaning given to that term in Item 5.1 – Terms of Securities – Redemption of REIT Units.

“NI 45-106” means National Instrument 45-106 *Prospectus Exemptions*.

“Notes” means the promissory notes, bonds, debentures, debt securities or similar evidence of indebtedness issued by a Person;

“Offering” means the offering of a maximum of 5,238,095 REIT Units pursuant to this Offering Memorandum.

“Offering Memorandum” means this confidential offering memorandum.

“Operating Trust” means Skyline Operating Trust, the trust created under the laws of the Province of Ontario by declaration of trust dated June 1, 2006, as it may be further amended, supplemented or restated from time to time.

“Operating Trust Notes” means the Series 1 Notes and the Series 2 Notes issued by the Operating Trust.

“Operating Trust Unit” means a unit of interest in the Operating Trust.

“OSC” means the Ontario Securities Commission.

“Person” means an individual, partnership, limited partnership, corporation, unlimited liability company, trust, unincorporated organization, association, government, or any department or agency thereof and the successors and assigns thereof or the heirs, executors, administrators or other legal representatives of an individual, or any other entity recognized by law.

“Prime Rate” means at any time the rate of interest expressed as a rate per annum which the Canadian Imperial Bank of Commerce establishes from time to time as the reference rate of interest in order to determine the interest rate it will charge for loans in Canadian dollars to its Canadian customers and which it refers to as its prime rate.

“Properties” means collectively, the Existing Properties, Recent Property Acquisitions, Properties Under Contract, Properties Under Due Diligence, Land Under Contract, Land Under Due Diligence and properties that may be acquired in the future.

“Properties Under Contract” has the meaning given to that term in Item 2.2. Our Business – Properties – Properties Under Contract.

“Properties Under Due Diligence” has the meaning given to that term in Item 2.2. Our Business – Properties – Properties Under Due Diligence.

“Recent Property Acquisitions” has the meaning given to that term in Item 2.2. Our Business – Properties – Recent Property Acquisitions.

“Redemption Amount” has the meaning given to that term in Item 5.1 – Terms of Securities – Redemption of REIT Units.

“Redemption Price” has the meaning given to that term in Item 5.1 – Terms of Securities – Redemption of REIT Units.

“REIT Unit” means a unit of beneficial interest in Skyline Apartment REIT (other than a Special Voting Unit and the Initial Unit) authorized and issued under the Declaration of Trust as such and for the time being outstanding and includes a fraction of a unit and any other classes of units authorized by the Trustees as such.

“Related Party” means, with respect to any Person, a Person who is a “related party” as that term is defined in Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*, as amended from time to time (including any successor rule or policy thereto); and including (a) the Asset Manager; (b) Skyline Management Incorporated; (c) Skyline Commercial Real Estate Investment Trust; (d) Skyline Real Estate Limited Partnership; (e) Skyline Equities Inc.; (f) Skyline Equities Limited Partnership; (g) Skyline

Incorporated; (h) Skyline Asset Management Inc.; (i) all Subsidiaries; (j) Skyline Commercial Real Estate GP Inc.; (k) Skyline Commercial Real Estate Limited Partnership; (l) Skyline Wealth Management Inc.; and (m) all nominee corporations;

“Services Provider” means Skyline Asset Management Inc., a corporation governed by the laws of the Province of Ontario.

“Skyline Apartment REIT” means Skyline Apartment Real Estate Investment Trust.

“Skyline Appointees” means the Trustees that Skyline Incorporated is entitled to appoint.

“Skyline LP” means Skyline Real Estate Limited Partnership, a limited partnership governed by the laws of the Province of Ontario.

“Skyline LP Agreement” means the limited partnership agreement governing Skyline Real Estate Limited Partnership, made as of June 1, 2006, as amended and restated most recently on November 11, 2016, as the same may be amended, restated, replaced or superseded from time to time.

“Solar Asset Manager” means Skyline Clean Energy Asset Management Inc., a corporation governed by the laws of the Province of Ontario.

“Special Voting Unit” means a unit of interest in Skyline Apartment REIT issued only in connection with an Exchange Agreement to a holder of Class B LP Units, Class C LP Units or Class D LP Units.

“Subscriber” means a Person purchasing REIT Units pursuant to this Offering.

“Subscription Agreements” means collectively, the subscription agreements entered into between Skyline Apartment REIT and one or more Subscribers setting out the contractual relationship between Skyline Apartment REIT and the Subscribers of REIT Units pursuant to the Offering.

“Subsidiary” means, with respect to any Person (other than an individual), any other Person (other than an individual) the financial results of which would be required to be consolidated with those of the first Person’s in the preparation of the first Person’s consolidated financial statements if prepared in accordance with IFRS.

“Tax Act” means the *Income Tax Act*, R.S.C. 1985 (5th Supp.), c.1, as amended.

“Trustees” means the trustees of Skyline Apartment REIT.

“Trust Note” has the meaning given to that term in Item 5.1 Terms of Securities – Redemption of REIT Units.

“Underwriting Manager” means Skyline Mortgage Financing Inc., a corporation governed by the laws of the Province of Ontario.

“Unitholder” means a holder of one or more Units.

“Units” means, collectively, the REIT Units and the Special Voting Units.

FORWARD-LOOKING STATEMENTS

Certain information contained in this Offering Memorandum constitutes “forward-looking information” within the meaning of applicable securities laws, including, among other things, statements concerning future financial position, results of operations and forecasted future cash flows, statements concerning objectives and strategies to achieve those objectives, statements with respect to management’s beliefs, plans, estimates and intentions and statements concerning anticipated future events, circumstances, expectations, results, operations or performance that are not statements of historical facts. Forward-looking statements can be identified generally by the use of forward-looking terminology, such as “indicators”, “outlook”, “objective”, “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “plan”, “continue”, “aim”, “would”, “forecast”, “project”, “seek” or similar expressions suggesting future outcomes or events. In particular, certain statements in Item 1 – Use of Available Funds and Item 2 – Business of Skyline Apartment REIT constitute forward looking information.

Actual results may vary from the forward-looking information contained in this Offering Memorandum as such information is subject to a variety of risks, uncertainties and other factors that could cause actual results to differ materially from expectations. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management. The forward-looking statements in this Offering Memorandum are not guarantees of future results, operations or performance and are based on estimates and assumptions that are subject to risks and uncertainties, including those described below under “Item 8 - Risks Factors”, which could cause actual results, operations or performance to differ materially from the forward-looking statements expressed or implied in this Offering Memorandum.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, risks associated with: the COVID-19 coronavirus pandemic, real property ownership; general economic conditions; local real estate markets; future property acquisitions demand for apartment premises; competition for real property investments; revenue-producing properties; significant property expenditures; fluctuating liquidity in relation to demand for and the perceived desirability of investments; ability to vary portfolio promptly in response to changing economic or investment conditions; tenant terminations and financial stability; competition for tenants; ability to lease space; ability to complete future property acquisitions; access to capital; interest rates; general uninsured losses; availability of cash flow; environmental and climate change risks; Unitholder liability; dependence on key personnel; potential conflicts of interest; tax related risks; dilution; restrictions on potential growth and reliance on credit facilities; debt financing, including the risk that Skyline Apartment REIT may be unable to make interest or principal payments or meet loan covenants, the risk of defaults and cross defaults, and the risk that existing indebtedness may not be able to be refinanced or that the terms of such refinancing may not be as favourable as the terms of existing indebtedness; cost of borrowing; risks associated with holding Units rather than shares; and cybersecurity risks.

The forward-looking statements in this Offering Memorandum are based on numerous assumptions regarding Skyline Apartment REIT’s present and future business strategies and the environment in which Skyline Apartment REIT will operate in the future, including assumptions regarding the stability of target markets, that acquisition capitalization rates remain reasonably constant, that the equity and debt markets continue to provide us with access to capital at a reasonable cost to fund our future growth and to refinance our debt as it matures and our ability to operate on a profitable basis.

Although the forward-looking statements contained in this Offering Memorandum are based on what management believes are reasonable assumptions, there can be no assurance that actual results, operations or performance will be consistent with these statements.

All forward-looking statements in this Offering Memorandum are qualified in their entirety by this forward-looking disclaimer. Without limiting the generality of the foregoing, the discussion in Item 1 – Use of Available Funds and Item 2 – Business of Skyline Apartment REIT is qualified in its entirety by this forward-looking disclaimer. These statements are made as of the date of this Offering Memorandum, and, except as required by applicable law, we undertake no obligation to update publicly or revise any such statements to reflect new information or the occurrence of future events or circumstances.

DOCUMENTS INCORPORATED BY REFERENCE

In Alberta, New Brunswick, Nova Scotia, Ontario and Saskatchewan, any Marketing Materials related to a distribution of Units under this Offering Memorandum and section 2.9 [Offering memorandum] of NI 45-106 delivered or made reasonably available to a prospective purchaser before the termination of the distribution are specifically incorporated by reference into this Offering Memorandum.

The following section of this Offering Memorandum contains forward-looking information, particularly statements related to amounts to be raised by this Offering and the intended uses of available funds, but not limited to those statements. The discussion in this section is qualified in its entirety by the cautionary language under the heading “Forward-Looking Statements” in this Offering Memorandum.

ITEM 1 USE OF AVAILABLE FUNDS

1.1 Funds

The following table sets forth the funds available as a result of the Offering.

		Assuming min. offering	Assuming max. offering
A	Amount to be raised by this offering	\$0	\$110,000,000
B	Selling commissions and fees ⁽¹⁾	\$0	\$1,100,000
C	Estimated offering costs (e.g., legal, accounting, audit.)	\$0	\$50,000
D	Available funds: $D = A - (B+C)$	\$0	\$108,850,000
E	Additional sources of funding required	\$0	\$0
F	Working capital deficiency	\$0	\$0
G	Total: $G = (D+E) - F$	\$0	\$108,850,000

Note:

(1) Assumes the maximum equity fee raise equal to 1% of the gross proceeds of this Offering may be paid to the Exempt Market Dealer. See Item 7 – Compensation Paid to Sellers and Finders.

1.2 Use of Available Funds

The following table sets forth a breakdown of how Skyline Apartment REIT will use the available funds.

Description of intended use of available funds listed in order of priority	Assuming min. offering ⁽¹⁾	Assuming max. offering
Repayment of Acquisition and Operating Facility ⁽²⁾	\$0	\$19,564,664
Future accretive property acquisitions ⁽³⁾	\$0	\$89,285,336
Total:	\$0	\$108,850,000

Notes:

(1) There is no minimum amount of funds to be raised pursuant to this Offering.

(2) The Acquisition and Operating Facility has facilitated acquisitions by Skyline Apartment REIT by enabling it to enter into negotiations for the purchase of properties with equity financing conditions. As at the date hereof, there is currently \$19,564,664 drawn under the Acquisition and Operating Facility.

(3) Future property acquisitions may include the Properties Under Contract, Properties Under Due Diligence, Land Under Contract and Land Under Due Diligence. See Item 2.2 – Our Business – Properties Under Contract, Properties Under Due Diligence, Land Under Contract and Land Under Due Diligence. Skyline Apartment REIT has not waived the conditions to closing of the Properties Under Due Diligence or Land Under Due Diligence. As a result, there can be no assurance that the acquisition of the Properties Under Due Diligence or the Land Under Due Diligence will be completed as currently contemplated or at all.

1.3 Reallocation

We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons.

The following section of this Offering Memorandum contains forward-looking information, particularly statements related to the management and investment strategy of Skyline Apartment REIT, the objectives of Skyline Apartment REIT and the achievement of those objectives, but not limited to those statements. The discussion in this section is qualified in its entirety by the cautionary language under the heading “Forward-Looking Statements” in this Offering Memorandum.

ITEM 2 BUSINESS OF SKYLINE APARTMENT REIT

2.1 Structure

Skyline Apartment Real Estate Investment Trust (“**Skyline Apartment REIT**”) is an unincorporated open-end investment trust created by a declaration of trust made as of June 1, 2006 and most recently amended and restated as of December 15, 2015 (the “**Declaration of Trust**”) and governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein. See Item 2.7 – Material Agreements – Declaration of Trust.

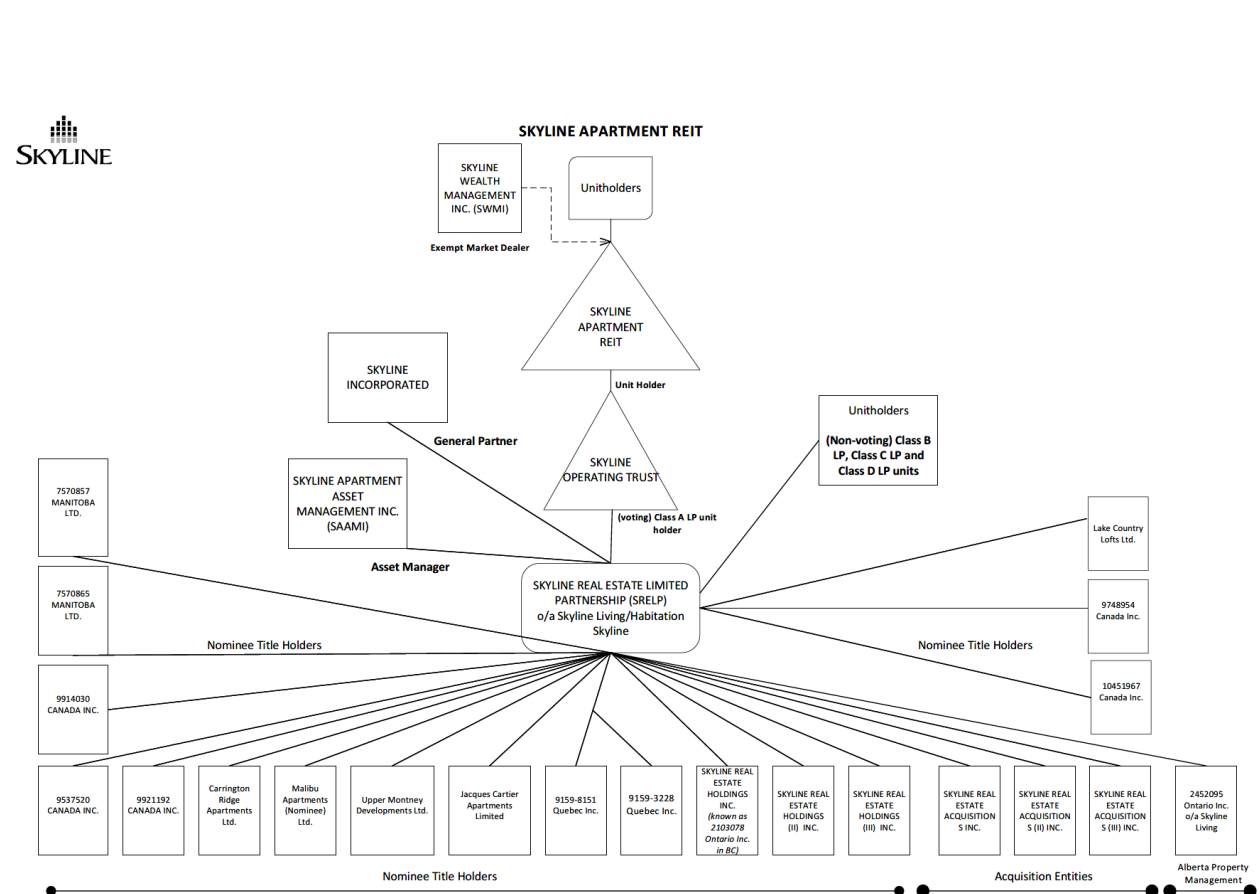
The objectives of Skyline Apartment REIT are: (i) to provide Unitholders with stable and growing cash distributions, payable monthly and, to the extent reasonably possible, tax deferred, from investments in a diversified portfolio of income-producing multi-unit residential and commercial properties located in Canada; (ii) to maximize REIT Unit value through the ongoing management of Skyline Apartment REIT’s assets, through the future acquisition, repositioning and disposition of properties; and (iii) to maintain a REIT that satisfies the REIT exception under the Specified Investment Flow Through (“**SIFT**”) legislation in order to provide certainty to Unitholders with respect to taxation of distributions.

The trustees of Skyline Apartment REIT (the “**Trustees**”) are responsible for the general control and direction of Skyline Apartment REIT. The day-to-day management of Skyline Apartment REIT is carried out by the Asset Manager, the Properties will be managed internally under the direction of the Asset Manager and offerings of REIT Units will be conducted by the Exempt Market Dealer. Lease documentation services and leasing services are also provided by the Leasing Services Manager, mortgage underwriting services are provided by the Underwriting Manager, solar asset management services are provided by the Solar Asset Manager and legal management services and capital expenditures management services are provided by the Services Provider. See Item 2.2 – Our Business – Management of Skyline Apartment REIT.

Skyline Apartment REIT owns, indirectly through its interest in Skyline Operating Trust (the “**Operating Trust**”), all of the Class A LP Units of Skyline Real Estate Limited Partnership (“**Skyline LP**”). Skyline Apartment REIT holds all of its interest in the Existing Properties and will hold its interest in all future property acquisitions, indirectly through its interest in Skyline LP, or in the name of other nominee corporations, all of the shares of which nominee corporations are owned, directly or indirectly, by Skyline Apartment REIT. Skyline Incorporated (the “**General Partner**”), an Ontario corporation, is the general partner of Skyline LP.

The Existing Properties currently consist of 197 multi-unit residential properties and 6 commercial properties located across 7 Canadian provinces containing an aggregate 17,203 suites and approximately 663,061 square feet of commercial space. See Item 2.2 – Our Business – Properties. Future acquisitions will be subject to specific investment restrictions and the operation of Skyline Apartment REIT will be subject to specific operating policies. See Item 2.7 – Material Agreements – Declaration of Trust – Investment Restrictions and Operating Policies.

The principal office of Skyline Apartment REIT, Skyline LP, the General Partner, the Exempt Market Dealer and the Managers is located at: 5 Douglas Street, Suite 301, Guelph, Ontario, N1H 2S8.



Skyline LP Agreement

Skyline LP was formed to carry on the Partnership Business, in accordance with the terms of the Skyline LP Agreement. The **“Partnership Business”** means principally, the business of owning and operating multi-unit residential revenue-producing real property, either directly or through affiliated entities, and any other business of Skyline LP that the General Partner determines shall be part of the Partnership Business, all in a manner consistent with the Declaration of Trust.

Subject to any limitation set out in the Skyline LP Agreement and to the limitations provided for in the *Limited Partnerships Act* (Ontario), the General Partner has full power and exclusive authority to administer, manage, control and operate the operations, affairs and business of Skyline LP.

Skyline Apartment REIT owns, indirectly through its interest in the Operating Trust, all of the Class A LP Units of Skyline LP. In connection with the internalization of the property management function in January 2014 by way of a purchase of the assets of Skyline Management Inc. (the “**Assets**”), Class B LP Units of Skyline LP and a corresponding number of Special Voting Units of Skyline Apartment REIT were issued to Skyline Management Inc. in partial payment of the purchase price of the Assets. There are currently 2,520,139.263 Class B LP Units outstanding, 169,996.906 Class C LP Units outstanding and 363,855.935 Class D LP Units outstanding. Class B LP Units, Class C LP Units and Class D LP Units (the “**Exchangeable LP**

Units") shall be exchangeable for REIT Units on a one to one basis pursuant to the respective Exchange Agreement, on the terms and subject to the Declaration of Trust, the respective Exchange Agreement and the Skyline LP Agreement. As Exchangeable LP Units are exchanged for REIT Units in accordance with the respective Exchange Agreement, the corresponding Special Voting Units, if any, shall automatically be cancelled for no consideration and shall no longer be outstanding.

Pursuant to the Skyline LP Agreement, in the event that a holder of Class C LP Units or Class D LP Units wishes to exchange all or any part of its Class C LP Units or Class D LP Units and redeem the REIT Units received on exchange of such units, such redeeming unitholder shall provide written notice to Skyline Apartment REIT of such intended exchange and redemption (an "**Advance Redemption Notice**"). Notwithstanding the foregoing, Skyline Apartment REIT is not obligated to accept an Advance Redemption Notice sent (i) in respect of any Class C LP Unit, at any time prior to the first anniversary following issuance of the Class C LP Unit to which such Advance Redemption Notice relates; or (ii) in respect of any Class D LP Unit, at any time prior to the second anniversary following issuance of the Class D LP Unit to which such Advance Redemption Notice relates. The Skyline LP Agreement also contains certain restrictions on the aggregate value on redemption of the Class C LP Units and Class D LP Units of each series subsequent to such anniversary dates. In addition, notwithstanding any provision of the Skyline LP Agreement or the respective Exchange Agreements, in no event shall a holder of Class C LP Units or Class D LP Units be entitled to exchange such units if the Trustees of Skyline Apartment REIT, acting reasonably and in good faith, determine that the redemption of the REIT Units issuable upon such exchange would have a material adverse effect on the business and operations of Skyline Apartment REIT.

Skyline Apartment REIT generally provides guarantees of indebtedness of subsidiary entities. The guarantee is intended to ensure that lenders are treated equally in the event of significant default by various subsidiary entities.

Partnership Distributions

Pursuant to the Skyline LP Agreement, on the date of any distribution by Skyline Apartment REIT to Unitholders, each holder of Exchangeable LP Units will receive from Skyline LP the amount that the holder would have received as a distribution by Skyline Apartment REIT had the Exchangeable LP Unit been exchanged for REIT Units in accordance with the respective Exchange Agreement immediately prior to the date of such distribution, *pro rata* and in priority to all Partnership Distributions described below.

The General Partner shall determine on a monthly basis amounts of distributable cash ("**Partnership Distributions**") for the prior month, calculated in accordance with the Skyline LP Agreement. The amount of Partnership Distributions shall be determined by the General Partner in a manner that is analogous to the manner in which Skyline Apartment REIT calculates its distributions. Partnership Distributions shall be distributed first to the General Partner to reimburse costs and expenses incurred by the General Partner in performing its duties as a General Partner, second to the General Partner, the GP Share, if any (see "GP Share Calculation" below), and third, the balance shall be distributed to the limited partners.

GP Share Calculation

Pursuant to the Skyline LP Agreement, the General Partner is entitled to share in the income from each Property based on the financial performance of each Property. The "GP Share" on any distribution date means, with respect to each Property, after the Payback Date for such Property, 20% of the Distributable

Cash on that date net of the Reimbursement Distribution Amount on that date, to the extent such net amount of Distributable Cash may reasonably be considered to be derived from that Property.

The “**Payback Date**” means, with respect to a Property, the date upon which cumulative distributions to limited partners of Skyline LP with respect to that Property equals the Real Property Equity Base of that Property.

The “**Real Property Equity Base**” means, with respect to a Property, the aggregate investor equity required for the acquisition of such Property, including all closing costs and expenses, any additional equity required for the ongoing capital maintenance of such Property and an allocation of Skyline Apartment REIT’s overhead, which is made pro rata based on the Gross Book Value of the Properties and adjusted for Properties that were acquired or disposed of during the year.

“**Reimbursement Distribution Amount**” means all expenses incurred by the General Partner since the previous determination made by it of its expenses in performing its duties under the Skyline LP Agreement as General Partner (which, for greater certainty, shall be all its expenses for such period if its sole undertaking is the performance of its duties and obligations under the Skyline LP Agreement).

“**Distributable Cash**” means, in respect of any period, the amount, if any, in respect of such period which the General Partner determines to be the amount by which (a) the aggregate of the cash receipts of Skyline LP during such period from any source (other than receipt of any amounts upon the acceptance of any subscription for units of Skyline LP in accordance with the Skyline LP Agreement), including the proceeds of any financings and amounts set aside as reserves at the commencement of such period exceeds (b) the aggregate of (i) expenditures of Skyline LP during such period (including capital expenditures, maintenance expenditures, operating expenses but, for greater certainty, not including distributions of cash to partners of Skyline LP), (ii) payments during such period in respect of any financing; (iii) distributions of cash to Skyline LP’s partners, except as otherwise provided in the Skyline LP Agreement, and (iv) amounts set aside as reserves at the end of such period, all as calculated without duplication and for such purposes, “cash” includes credit balances in bank accounts and funds invested in marketable securities or other readily liquid assets.

The GP Share calculation is prepared on a per Property basis in order to incent the General Partner and its management companies to ensure that each Property is performing optimally.

On a trailing quarterly basis, the GP Share calculation is applied to each Property to determine if any the GP Share is payable. For each Property where the Payback Date has been reached, the Property is further reviewed internally to ensure that major capital expenditure initiatives are not forthcoming or have been delayed. If it is determined that capital expenditures are forthcoming or were postponed for operational reasons, the GP Share payment will be deferred and the GP Share calculations will be reviewed on a monthly basis thereafter until the capital expenditures are completed and recouped through distributions. Further, capital expenditures have the effect of delaying or suspending payment of the GP Share until the Property pays additional Distributable Cash in the amount of the capital expenditures.

The GP Share calculation is subject to audit and adjustment upon completion of year end external audit by the REIT’s auditors. Fourth quarter calculations are not processed for payment until the external audit is

complete and any required reconciliation of the GP Share calculation and/or payments have been completed.

2.2 Our Business

Properties

Existing Properties

At March 31, 2020, Skyline Apartment REIT owned 197 multi-unit residential properties and 6 commercial properties (the “**Existing Properties**”) located in the Provinces of Alberta, British Columbia, Ontario, New Brunswick, Nova Scotia, Quebec and Saskatchewan, consisting of 17,203 suites and approximately 663,061 square feet of commercial space.

Recent Property Acquisitions

Since January 1, 2019, Skyline Apartment REIT acquired 18 multi-unit residential properties (the “**Recent Property Acquisitions**”) of which 9 properties are located in the Province of Ontario, 3 properties are located in British Columbia, 2 properties are located in Nova Scotia, 3 properties are located in Manitoba, and 1 property is located in Quebec, consisting of 1,403 suites and 4,355 square feet of commercial space.

Properties Under Contract

Skyline Apartment REIT has entered into agreements to purchase 4 multi-unit residential properties (the “**Properties Under Contract**”), 2 in British Columbia and two 2 in Ontario, comprised of 616 suites, for an aggregate purchase price of approximately \$140 million. The acquisitions are expected to close between Q2 and Q3 2020. Skyline Apartment REIT expects that the purchase price will be paid with the proceeds from this Offering, proceeds from refinancing of maturing debt on existing properties and through the assumption of, or placement of a first mortgage on closing. The Apartment REIT has waived all conditions to closing of the Properties Under Contract.

Land Under Contract

Skyline Apartment REIT has entered into agreements to purchase 1 vacant parcel of future development land (the “**Land Under Contract**”), in Ontario, for an aggregate purchase price of approximately \$1.3 million. The acquisition is expected to close in Q4 2020. Skyline Apartment REIT expects that the purchase price will be paid with the proceeds from this Offering, and/or proceeds from refinancing maturing debt on existing properties. Apartment REIT has waived all conditions to closing of the Land Under Contract.

Land Under Due Diligence

Skyline Apartment REIT currently has 5 vacant parcels of future development land that are in various stages of due diligence conditions (the “**Land Under Due Diligence**”), all 5 of which are in Ontario, and scheduled to close between Q3 2020 and Q1 2021. The Land Under Due Diligence is still within due diligence conditional periods, and as a result, there can be no assurance that the acquisition of the Land Under Due Diligence will be completed as currently contemplated, or at all.

Properties Under Due Diligence

Skyline Apartment REIT currently has 3 multi-residential properties that are in various stages of due diligence conditions (the “**Properties Under Due Diligence**”), 1 in Ontario, 1 in Nova Scotia and 1 in

Quebec, with properties scheduled to close in Q3 and Q4 2020. The remaining Properties Under Due Diligence are still within due diligence conditional periods, and as a result, there can be no assurance that the acquisition of the remaining Properties Under Due Diligence will be completed as currently contemplated, or at all.

The following table summarizes certain aspects of the Existing Properties, the Recent Property Acquisitions, the Properties Under Contract, the Land Under Contract, the Properties Under Due Diligence and the Land Under Due Diligence:

Property	Bachelor	One Bedroom	Two Bedroom	Three or More Bedroom	Total	Commercial Square Feet
Existing Properties (As at March 31, 2020)						
95, 97 & 99 Sidney Street Belleville, ON	2	185	146		333	
335 Dunsdon Street Brantford, ON		62	89		151	
301 Fairview Drive Brantford, ON	1	24	25	6	56	
149 Henry Street Brantford, ON	1	17	53	15	86	
47 Memorial Drive Brantford, ON	8	55	56		119	
67 North Park Street Brantford, ON		29	33	6	68	
555 Park Road Brantford, ON		67	86		153	
575 Park Road Brantford, ON			44		44	
15 & 17 Sympatica Crescent Brantford, ON		99	81		180	
235 Bishop Street South Cambridge, ON		17	12	3	32	

Property	Bachelor	One Bedroom	Two Bedroom	Three or More Bedroom	Total	Commercial Square Feet
Existing Properties (As at March 31, 2020)						
310 Clyde Road Cambridge, ON		11	22	6	39	
392 Dolph Street South Cambridge, ON	1	4	24		29	
202 Hespeler Road Cambridge, ON		23	36	3	62	
1510 Queenston Road Cambridge, ON		6	12		18	
343 Grand Avenue West Chatham, ON		31	45		76	
795 & 805 Grand Avenue West Chatham, ON		137	30	15	182	
150 Mary Street Chatham, ON		67	16	8	91	
100 McFarlane Avenue Chatham, ON	4	34	67		105	
50 Merritt Avenue Chatham, ON		11	46		57	
89 Riverview Drive Chatham, ON		1	55	19	75	
455 Sandys Street Chatham, ON	1	35	22		58	
130 Sheldon Avenue Chatham, ON		21	24		45	
45 Timmins Crescent Chatham, ON	2	19	29		50	
65 Timmins Crescent Chatham, ON	2	19	29		50	
528 Tenth Street Collingwood, ON		18	16	3	37	
610 Tenth Street Collingwood, ON		15	25		40	
625 & 645 Glengarry Boulevard Cornwall, ON			134	16	150	
746, 750 & 754 Laflin Avenue Cornwall, ON	10	70	38		118	
805 Marlborough Street North Cornwall, ON	16	12	12		40	
110 Oriole Parkway, 31 & 35 Flamingo Drive Elmira, ON		34	74		108	
15 Snyder Avenue North Elmira, ON		10	13	6	29	
255, 275, 325, 345 & 375 Belsyde Avenue East Fergus, ON		62	118		180	
380 Forfar Street East Fergus, ON	6	17	15	7	45	
250 Queen Street East Fergus, ON	15	17	15	20	67	
32 Dawson Road Guelph, ON	2	17	20		39	
38 Dawson Road Guelph, ON	4	11	24	3	42	
5 Douglas Street Guelph, ON		3	11	4	18	42,617

Property	Bachelor	One Bedroom	Two Bedroom	Three or More Bedroom	Total	Commercial Square Feet
Existing Properties (As at March 31, 2020)						
70 Fountain Street East, 75 Farquhar Street Guelph, ON					0	21,378
98 Macdonell Street Guelph, ON					0	36,431
128 - 130 Macdonell Street Guelph, ON					0	137,071
649 Scottsdale Drive Guelph, ON					0	81,531
260, 268 & 270 Waterloo Avenue Guelph, ON		15	15	1	31	6,942
6 & 16 Willow Road Guelph, ON		64	71	1	136	
26 Willow Road Guelph, ON		48	22		70	
85 Willow Road Guelph, ON		22	45	1	68	
524 Woolwich Street Guelph, ON		14	52		66	
55 Yarmouth Street Guelph, ON		10	7		17	
367 Sutherland Way Haileybury, ON		24	24		48	8,115
511 7th Avenue Hanover, ON		11	46		57	
158, 160, 162 & 164 11th Avenue Hanover, ON		34	80		114	
271 Thames Street North Ingersoll, ON		7	27		34	
285 Thames Street North Ingersoll, ON		37	66	27	130	
7 & 25 Briceland Street Kingston, ON			70		70	
810 & 820 Castell Road Kingston, ON	3	80		1	84	
87, 93 & 107 Compton Street Kingston, ON		69	198		267	
722, 730 & 766 John Counter Boulevard Kingston, ON		44	169		213	3,000
99 Thomas Street Kingston, ON		3	32		35	
47 & 67 Village Drive Kingston, ON		78	141		219	4,000
234 Erie Street South Leamington, ON		33	25	13	71	
238 Erie Street South Leamington, ON	11	55		16	82	
300 & 304 Sherk Street Leamington, ON		25	58	3	86	
185 & 195 Berkshire Dr London, ON	4	56	62		122	
55, 67, 87 & 99 Cartier Road London, ON	8	40	48		96	

Property	Bachelor	One Bedroom	Two Bedroom	Three or More Bedroom	Total	Commercial Square Feet
Existing Properties (As at March 31, 2020)						
120 Grand Avenue London ON		18	11	18	47	
1203, 1205, 1207, 1209 1211 & 1223 Huron Street London, ON		40	105		145	
1420, 1422, 1424 & 1426 Huron Street London, ON		33	83		116	
1223 Richmond Street London, ON	1	33	26		60	
625, 635 & 645 Village Green Avenue London, ON	11	24	52		87	
151 Marina Park Avenue Midland, ON		27	28		55	
156 Egremont Street North Mount Forest, ON		18	22	5	45	
108, 116, 124, 132, 140 & 148 Hincks Street New Hamburg, ON	8	63	29	60	160	
5552 Heritage Drive Niagara Falls, ON		15	43	11	69	
6515 McLeod Road Niagara Falls, ON		2	56	6	64	
3915 Portage Road Niagara Falls, ON	1	26	30		57	
4613, 4615, 4617 & 4619 Portage Road Niagara Falls, ON	1	28	55		84	
105 Giroux Street & 2690 Trout Lake Road North Bay, ON	1	24	29		54	5,680
295 Lakeshore Road North Bay, ON	7	44	47		98	
2755 5th Avenue West Owen Sound, ON		19	12	12	43	
2760 5th Avenue West Owen Sound, ON		19	12	12	43	
2855 6 th Avenue West Owen Sound, ON		7	11	2	20	
2860 6 th Avenue West Owen Sound, ON	12	20	28	26	86	
955 10th Street East Owen Sound, ON		16	10		26	
995 16 th Street East Owen Sound, ON	3	4	29	49	85	
450 28th Street West Owen Sound, ON	3	19	20	14	56	
575 28th Street West Owen Sound, ON		19	12	12	43	
17 & 19 Barker Street Paris, ON		32	48		80	
380 Armour Road Peterborough, ON					0	93,015
201 & 211 Hunter Street East Peterborough, ON	17	92	41	2	152	
536, 550 & 554 Ivings Drive Port Elgin, ON		10	76	12	98	
764, 780 & 794 Waterloo Street Port Elgin, ON		18	51	27	96	

Property	Bachelor	One Bedroom	Two Bedroom	Three or More Bedroom	Total	Commercial Square Feet
Existing Properties (As at March 31, 2020)						
1045 Waterloo Street Port Elgin, ON			54		54	
1039, 1041 & 1043 Waterloo Street Port Elgin, ON		2	108		110	
10 James Lane Ridgetown, ON		18	17		35	
16 Marsh Street Ridgetown, ON		7	30		37	
45 Victoria Avenue Ridgetown, ON		7	30		37	
620 Berkshire Road Sarnia, ON	1	35	25	1	62	
225 & 233 Capel Street Sarnia, ON		42	28		70	
875 Colborne Road Sarnia, ON	1	15	33		49	
880 Colborne Road Sarnia, ON	1	26	34	15	76	
125 College Avenue South Sarnia, ON		31	32		63	
11 Derby Lane, Sarnia Sarnia, ON		36	48		84	
811 & 817 Devine Street Sarnia, ON		24	34	2	60	
835 Devine Street Sarnia, ON	1	38	54	1	94	
849 Devine Street Sarnia, ON		21	38		59	
396 Exmouth Street Sarnia, ON		17	15		32	
200 London Street Sarnia, ON		22	23	4	49	
1100 Wellington Street Sarnia, ON		11	17	1	29	
325 Willowdale Crescent Sarnia, ON		12	42	3	57	
122 & 142 Allard Street Sault Ste. Marie, ON		12	8	2	22	
130 Allard Street Sault Ste. Marie ON		9	36		45	
352A & 352B Dacey Road Sault Ste. Marie ON		48	48		96	
365-379 Lake Street Sault Ste. Marie, ON	16	56	64		136	
621, 627 & 631 MacDonald Avenue Sault Ste. Marie, ON		105	162	4	271	
23, 26, 27 Terry Fox Place Sault Ste. Marie ON		75	69		144	
242 Linwell Road St. Catharines, ON	1	15	27	6	49	
568 Ontario Street St. Catharines, ON		3	21		24	
570 Ontario Street St. Catharines, ON		6	18	3	27	

Property	Bachelor	One Bedroom	Two Bedroom	Three or More Bedroom	Total	Commercial Square Feet
Existing Properties (As at March 31, 2020)						
576 Ontario Street St. Catharines, ON	4		44		48	
2 & 4 Avon Road St. Thomas, ON	8	50	47		105	
104 Confederation Drive St. Thomas, ON	4	38	76		118	
294, 300 & 330 Talbot Street St. Thomas, ON		91	167		258	42,092
42 Campbell Court Stratford, ON		7	52	19	78	
136 Ontario Street Stratford, ON		17	36		53	11,047
191 & 193 Hull Road Strathroy, ON		16	24		40	
11873 Tecumseh Road East Tecumseh, ON		48	95	6	149	
11886 Tecumseh Road Tecumseh, ON		21	30		51	7,695
11917 Tecumseh Road East Tecumseh, ON	2	26	71		99	
335 Adelaide Street Thunder Bay, ON		33	93	1	127	
355 Adelaide Street Thunder Bay, ON		8	78		86	
625 Beverly Street, Thunder Bay, ON		27	21		48	
625 Fulton Boulevard, Thunder Bay, ON		27	21		48	
777 Kingsway Avenue Thunder Bay, ON		41	47		88	
645 Sherrington Drive, Thunder Bay, ON		35	13		48	
650 Sherrington Drive, Thunder Bay, ON		26	22		48	
65 Fort Street Tilbury, ON			32	18	50	
148 Concession Street East Tillsonburg, ON		23	24		47	
182, 192 & 204 Lisgar Avenue Tillsonburg, ON	6	36	57		99	
641 Cedar Street Timmins, ON	3	28	17		48	
1214 Riverside Drive Timmins, ON	1	11	37		49	
820 Suzanne Street Timmins, ON	1	20		1	22	
860 Suzanne Street Timmins, ON		21	38	10	69	
100 Lancaster Drive Welland, ON		40	66	6	112	
255 & 265 Willson Road Welland, ON	2	18	56	36	112	

Property	Bachelor	One Bedroom	Two Bedroom	Three or More Bedroom	Total	Commercial Square Feet
Existing Properties (As at March 31, 2020)						
275 Askin Avenue Windsor, ON	1	28	31		60	
211 Buckingham Drive Windsor, ON	2	1	31		34	
360 Caron Avenue Windsor, ON	1	15	31		47	
666 Chippawa Street Windsor, ON		31	27		58	
3150 Donnelly Street Windsor, ON		26	27		53	
3170 & 3190 Donnelly Street Windsor, ON	1	56	30		87	
5407-5411 Empress Street Windsor, ON		24	16		40	
3400 Erskine Street Windsor, ON		58	38		96	
274 Giles Boulevard West Windsor, ON	22	27	6		55	
1330 Lauzon Road Windsor, ON		64	120		184	
1071 McDougall Street Windsor, ON	2	10	22		34	
737 Ouellette Avenue Windsor, ON	36	140	34		210	684
1519-1547 Ouellette Avenue Windsor, ON	16	73	33	11	133	5,574
3160 Peter Street Windsor, ON	1	31	15		47	
3410 Peter Street Windsor, ON	2	24	15		41	
3461 Peter Street Windsor, ON	6	53	7		66	
3540 Peter Street Windsor, ON		25	28		53	
3576 Peter Street Windsor, ON		11	22		33	
3590 Peter Street Windsor, ON	1	25	15		41	
260-262 Randolph Place Windsor, ON	8	31	8		47	
8325 Riverside Drive East & 8312-8332 Clairview Ave. Windsor, ON	37	82	24	9	152	
3165 Russell Street Windsor, ON		33	35		68	
3262 Sandwich Street Windsor, ON		19	16		35	
2255 University Avenue West Windsor, ON		32	18		50	
2930 Wildwood Drive Windsor, ON		30	103	2	135	
2932-2992 Wildwood Drive Windsor, ON				31	31	
6600 Wyandotte Street East Windsor, ON		74	1		75	

Property	Bachelor	One Bedroom	Two Bedroom	Three or More Bedroom	Total	Commercial Square Feet
Existing Properties (As at March 31, 2020)						
560, 562 & 564 Durham Cres Woodstock, ON		54	60		114	
400 & 405 Boulevard des Grives Gatineau, QC		8	90		98	
65-71 Boulevard Fournier & 15 Rue Beriault Gatineau, QC		32	144	72	248	
2,4,6,8 & 10 Rue Radison Gatineau, QC	29	251	308	35	623	2,948
17865, 17875 & 17885 boulevard de Versailles Mirabel, QC		6	42		48	
17895 boulevard de Versailles Mirabel, QC		18	37	7	62	
17905 boulevard de Versailles Mirabel, QC		22	42	8	72	
17915 boulevard de Versailles Mirabel, QC		22	43	8	73	
239 Boulevard Deguire Montreal, QC		29	156		185	
16255, 16265 & 16275 51st Street NW Edmonton, AB		11	149		160	
5000-5600 Clover Bar Road Edmonton, AB		76	132		208	
11440 & 11444 Ellerslie Road SW Edmonton, AB		23	217		240	
2703, 2707, 2711 & 2715 James Mowatt Trail SW Edmonton, AB		51	149		200	
39 Van Slyke Way Red Deer, AB		76	156		232	
20 Kingsland Close SE Airdrie, AB		3	189		192	
190 & 196 Carson Drive Moncton, NB		73	137		210	
22-35 Fairlane Drive & 150-260 Mapleton Road Moncton, NB		92	223		315	
230 Mapleton Road Moncton, NB	7	31	52		90	
25, 35 & 55 Primrose Lane, Dieppe, NB		5	58		63	
900, 901 & 904 - 100A Avenue Dawson Creek, BC		35	125		160	
1950, 1955 & 1960 Pacific Court Kelowna, BC		39	69		108	
1979 Pandosy Court Kelowna, BC		18	9		27	
2902 South Main Street Penticton, BC		29	48		77	
3605, 3615, 3625 & 3635 Carrington Road West Kelowna, BC		75	165		240	
3400 Centennial Drive Vernon, BC		18	32	10	60	
1920 College Avenue Regina, SK					0	153,241
80 Holtwood Court Dartmouth, NS		8	94	12	115	
Sub-total (Existing Properties)	390	6,263	9,879	815	17,313	663,061

Property	Bachelor	One Bedroom	Two Bedroom	Three or More Bedroom	Total	Commercial Square Feet
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Recent Property Acquisitions (March 31, 2020)						
39 Seapoint Road Dartmouth, NS		29	60		89	4,355
10 & 20 El Tassi Drive Winnipeg, MB	8	34	61	36	139	
10 Highwater Path & 90 Waterford Green Common Winnipeg, MB	1	47	62	16	126	
11 El Tassi Drive Winnipeg, MB	1	19	36		56	
3330 Barnstead Lane Halifax, NS	5	9	92	18	124	
17925 boulevard de Versailles Mirabel, QC		22	41	8	71	
45 & 65 Oxford Street Stratford, ON		29	30		59	
85 Oxford Street Stratford, ON		29	30		59	
255 Capel Street Sarnia, ON	1	29	32		62	
2699 Peatt Road Langford, BC	3	38	40		81	
728 Meaford Avenue Langford, BC	7	35	58	6	106	
105 Oxford Street Stratford, ON		29	30		59	
1803 31A Street Vernon, BC		11	20	12	43	
145 & 155 Notre Dame Street West Azilda, ON			58		58	
550 Notre Dame Street West Azilda, ON		9	39		48	
560 & 570 Notre Dame Street West Azilda, ON			58		58	
700 Cambrian Heights Drive Sudbury, ON		17	77		94	
10650 Bottom Lake Lake Country, BC		9	62		71	
Sub-total (Recent Property Acquisitions)	26	395	886	96	1,403	4,355

Properties under Contract (March 31, 2020)						
1085 Goldstream Avenue Langford, BC	81	68	17		166	
1693, 1695, 1697 & 1699 Delenheer Road Vernon, BC		50	166		216	
800 Castell Road Kingston, ON	15	55			70	
480 & 485 Canatara Court Kingston, ON		114	50		164	
Sub-total (Properties Under Contract)	96	287	233	0	616	0

Property	Bachelor	One Bedroom	Two Bedroom	Three or More Bedroom	Total	Commercial Square Feet
Land under Contract (March 31, 2020)						
55 & 225 Edward Street and 351-431 Talisman Drive Gravenhurst, ON	Development Site					
Sub-total (Land Under Contract)	0	0	0	0	0	0
Properties under Due Diligence (March 31, 2020)						
86-Unit Building Dartmouth, NS		15	49	22	86	
73-Unit Building Mascouche, QC		22	43	8	73	
59-Unit Building Stratford, ON		29	30		59	
Sub-total (Properties Under Due Diligence)	0	66	122	30	218	0
Land under Due Diligence (March 31, 2020)						
Vacant Land Chatham, ON						
Vacant Land Orillia, ON						
Vacant Land Listowel, ON						
Vacant Land Lindsay, ON						
Vacant Land Chatham, ON						
Sub-total (Land Under Due Diligence)	0	0	0	0	0	0
Total Properties	512	7,011	11,120	941	19,584	667,416

Multi-Unit Residential Real Estate Market

The real estate industry is divided into two segments: (i) residential – where people live, and (ii) commercial – where people work. Skyline Apartment REIT's focus is on multi-residential properties where large numbers of individuals live in either apartment buildings or townhouses. However, Skyline Apartment REIT may invest in commercial properties where attractive opportunities are presented, provided that after giving effect to such proposed investment, the aggregate value of all investments in multi-unit residential properties are still the primary focus. This approach offers Skyline Apartment REIT the ability to diversify the income generated by the portfolio, but, in addition, allows Skyline Apartment REIT the opportunity to acquire properties that are neither exclusively residential nor exclusively commercial.

With the portfolio consisting primarily of multi-residential real estate, Skyline Apartment REIT's portfolio consists primarily of a large number of individual tenants. This is even more evident when property is purchased in communities where the price per unit is much lower than in urban areas. For example:

- a 50-unit building in a large city may cost the same to purchase as a 100-unit building similar to buildings in Skyline Apartment REIT's portfolio;
- the same gross income generated by both properties is further diversified across more tenants in the 100-unit building; and
- economies of scale for items such as repairs and maintenance for common areas are much less per unit on the 100-unit building.

This is due to the fact that a larger number of units on one property allow for a larger budget to be spread across common area maintenance and repairs. Budgets are based on a per door allowance and, therefore, a 100-unit building will have more room in its budget than a 50-unit building although both have parking lots, hallways, lawns and common rooms to be maintained as part of that per door budget allowance.

Skyline Apartment REIT has had great success in acquiring older properties in secondary markets and injecting capital into them in order to achieve a greater return on investment. By injecting capital into its older buildings, the REIT is not only increasing the value of the properties, but also its ability to attract tenants who are willing to pay higher rents. As older tenants turnover and these new tenants move in at higher rents, the REIT will generate higher rental revenues. In turn this will increase the REIT's overall net operating income and return on investment. If there is new construction in secondary markets, it is a strong indicator that there is a high market demand for more rental accommodations. New construction demands higher rents in those buildings, which translates into possible rental rate increases in Skyline Apartment REIT's buildings within that community.

As the population continues to grow, the demand for more rental accommodation has led to an increase in newly constructed apartment buildings. This increase is not only in major cities, but also secondary and tertiary markets. As financially viable opportunities present themselves, Skyline Apartment REIT has increased its percentage of newly constructed properties within the REIT over the past few years. New buildings offer a means to attract a strong quality of tenant and offer protection from the capital expenditures that older properties require. The mix of new and older properties offers diversity with the opportunity to increase income and mitigate exposure of increased expenses and capital requirements.

According to Canada Mortgage and Housing Corporation ("CMHC") reports released for 2019, the vacancy rate in Canada was approximately 4%, while presently the vacancy rate across the Skyline Apartment REIT portfolio is also approximately 4%. While CMHC does not track and report statistics for the smaller markets that Skyline Apartment REIT invests in, the Asset Manager does monitor CMHC statistical data and forecasts as a benchmark tool when developing its investment objectives for Skyline Apartment REIT. As the population in various markets continues to grow and the declining relative costs of renting versus owning increases overall rental demand, the Asset Manager has experienced a demand for multi-residential buildings as a result of new immigrants seeking long-term rental properties and an aging population moving from both rural and overpopulated urban centers. It is the experience of the Asset Manager that by purchasing or repositioning properties to be the 'best in class' in a community, they will attract a higher class of tenant that is respectful and will take pride living in the buildings held by Skyline Apartment REIT.

The Asset Manager believes that its smaller market strategy provides Unitholders with accretive property acquisitions in a value-added approach. The smaller market focus has the Asset Manager focusing on communities that show consistent low vacancy levels and strong population demographics that align with the class of properties that are acquired by Skyline Apartment REIT. Many properties that the Asset Manager is identifying as potential acquisitions are under-managed in terms of rental revenues, operating expenses and capital improvements. Previous or existing private owners may have had less leverage with vendors and utility companies for paring expenses and/or bulk purchasing, which typically results in an

under-managed building below market rental rates from an income perspective. Many of these properties rely upon the cash flow of the building's operations to fund necessary capital improvements and expenditures. This under-management becomes a difficult loop to break without a larger, more stable base of income-producing properties and a strong infrastructure to improve an underperforming building. Skyline Apartment REIT provides this critical mass for economies of scale and the supportive infrastructure to drive added value from its properties.

The Asset Manager views these smaller market buildings as accretive opportunities to bring these niche markets into a stable and expanding Skyline Apartment REIT portfolio with the resulting benefit of collective competitive advantage for the Asset Manager to improve Unitholder returns. Skyline Apartment Unitholders will benefit from the Asset Manager purchasing these buildings at higher cap rates than traditionally would be seen in larger urban centres.

Management of Skyline Apartment REIT

Trustees

The investment policies and operations of Skyline Apartment REIT are subject to the control and direction of the Trustees, a majority of whom must be resident Canadians and a majority of whom must be Independent Trustees. The Declaration of Trust provides for a minimum of seven (7) and a maximum of eleven (11) Trustees. During the term of the Asset Management Agreement (and any renewal thereof) and as long as Skyline Incorporated or any affiliate thereof continues to be the Asset Manager, Skyline Incorporated is entitled to appoint three (3) Trustees, provided that following such appointment a majority of the Trustees are Independent Trustees. The balance of the Trustees are to be elected annually by resolution passed by a majority of the votes cast at a meeting of the Unitholders. Certain decisions respecting the affairs of Skyline Apartment REIT must be made by the Trustees (whether or not Independent Trustees) who have no interest in the subject matter of the approval. The Declaration of Trust provides for the appointment by the Trustees of a Finance Committee, consisting of at least three Trustees, all of whom must be Independent Trustees. The Trustees may also appoint an Investment Committee. In the absence of an appointed Investment Committee, all of the Trustees together will act as the Investment Committee. See Item 2.7 – Material Agreements – Declaration of Trust and Item 3.2 – Management Experience.

The Asset Manager

Skyline Apartment Asset Management Inc. (the “**Asset Manager**”) is a corporation governed by the laws of the Province of Ontario. The Asset Manager is responsible for managing Skyline Apartment REIT and providing advice with respect to Skyline Apartment REIT's real property investment portfolio, subject to the control and direction of the Trustees.

The Asset Manager manages the day-to-day operations of Skyline Apartment REIT (other than property management) and receives fees pursuant to the Asset Management Agreement for an initial term, expiring in May 2021. The Asset Management Agreement will automatically renew for successive five year terms unless terminated by Skyline Apartment REIT or the Asset Manager in accordance with the Asset Management Agreement. Among other duties, the Asset Manager is responsible for: (i) providing and operating Skyline Apartment REIT's and Skyline LP's head offices, including providing the office space, equipment, support services and administrative, clerical and secretarial personnel incidental thereto; (ii) providing the services of the Asset Manager's executives and real estate management team; (iii) managing day-to-day operations of Skyline Apartment REIT and Skyline LP, including making distributions to Unitholders and limited partners, as applicable; (iv) preparing or overseeing the preparation of annual budgets and business plans for presentation to the Trustees for approval and monitoring Skyline Apartment REIT's financial performance; (v) maintaining the books and financial records of Skyline

Apartment REIT and Skyline LP and preparing reports and other disclosure documents for Trustees and Unitholders; (vi) advising the Trustees on strategic matters relating to the Properties, potential acquisitions, dispositions and development, and Unit value maximization; (vii) identifying, structuring and negotiating acquisition, disposition, financing and other transactions and managing due diligence in connection therewith; (viii) providing advice and assistance in connection with Skyline Apartment REIT's and Skyline LP's borrowings, raising of capital and issuance of securities, including representing Skyline Apartment REIT and Skyline LP in its dealings with banks and other lenders, investment dealers, institutions and investors; (ix) conducting day-to-day relations on behalf of Skyline Apartment REIT and Skyline LP with third parties, including property managers, suppliers, joint venturers, lenders, brokers, consultants, advisors, accountants, lawyers, insurers and appraisers; (x) preparing designations, allocations, elections and determinations to be made in connection with the income and capital gains of Skyline Apartment REIT and Skyline LP for tax and accounting purposes; (xi) managing Skyline Apartment REIT's investor relations activities; (xii) managing Skyline Apartment REIT's and Skyline LP's regulatory compliance, including making all required filings; (xiii) managing and providing direction to Skyline Apartment REIT's property managers and negotiating arrangements for any new property managers or the renewal of the arrangements with existing property managers; (xiv) managing all capital improvement and maintenance programs; and (xv) preparing all reports reasonably requested by Skyline Apartment REIT, including operational reporting, such as cash flow by property and by asset type, executive summaries by asset type outlining asset issues along with various other matters, and development reporting costs.

Management of the Properties

Skyline LP manages the Properties and supervises third-party property managers where the Asset Manager believes it is in the best interest of Skyline LP to retain property managers with respect to certain properties.

Additional properties which may be acquired from time to time by Skyline Apartment REIT may, at Skyline Apartment REIT's option, be managed internally or by such other manager as Skyline Apartment REIT, in its discretion, may determine.

The Exempt Market Dealer

Skyline Wealth Management Inc. (the "**Exempt Market Dealer**") is a corporation governed by the laws of the Province of Ontario. Pursuant to the Exempt Market Dealer Agreement, the Exempt Market Dealer is responsible for acting as exempt market dealer on all offerings of REIT Units in each province where the Exempt Market Dealer is registered to act as an exempt market dealer. The Exempt Market Dealer receives fees pursuant to the Exempt Market Dealer Agreement for a term expiring in December 2021. The Exempt Market Dealer Agreement will automatically renew for successive five-year terms unless terminated by Skyline Apartment REIT or the Exempt Market Dealer in accordance with the Exempt Market Dealer Agreement. All of the directors and a majority of the senior officers of the Exempt Market Dealer have been involved in a broad range of real estate activities over at least the past ten years. See Item 2.7 – Material Agreements – Exempt Market Dealer Agreement.

Among other duties, the Exempt Market Dealer is responsible for: (a) coordinating, managing and documenting (other than the preparation of an offering memorandum and subscription agreement) all aspects of each equity raise, including managing third-party service providers retained by the Exempt Market Dealer in connection therewith; (b) assuming responsibility for distributing Units on behalf of Skyline Apartment REIT in each of the provinces of Canada where the Exempt Market Dealer is registered as an exempt market dealer; (c) ensuring anti-money laundering and anti-terrorism compliance; (d) assisting Skyline Apartment REIT in processing distributions to Unitholders; (e) maintaining all books and financial records with respect to Unitholders; (f) calculating Equity Under

Management from time to time; (g) providing advice and assistance in connection with Skyline Apartment REIT's raising of capital and issuance of securities, including advising and assisting Skyline Apartment REIT in its dealings with institutions and investors; (h) facilitating the entering into of offering contracts between Skyline Apartment REIT and investors and maintaining ongoing communication with Unitholders and potential investors about investing in Skyline Apartment REIT, including, but not limited to, holding information sessions, carrying out other investor relations activities and advertising and promoting Skyline Apartment REIT to stimulate investor interest in Skyline Apartment REIT; and (i) assisting Skyline Apartment REIT in making all required filings under applicable law.

Some directors and officers of the Exempt Market Dealer are also Trustees of Skyline Apartment REIT. These persons (as well as other shareholders of the Exempt Market Dealer) are also directors, officers and/or shareholders of the Managers and the General Partner. The Exempt Market Dealer and the Managers provide services to and receive fees from Skyline Apartment REIT. The General Partner receives distributions, including the GP Share, from Skyline LP. Under applicable securities legislation, Skyline Apartment REIT may be considered a connected issuer of the Exempt Market Dealer.

The decision of Skyline Apartment REIT to distribute the REIT Units and the determination of the terms of the Offering were made independently of the Exempt Market Dealer, the Managers and the General Partner. The Asset Manager and the General Partner will not receive any benefit in connection with the Offering. The Exempt Market Dealer will not receive any benefit in connection with the Offering other than the fees payable to the Exempt Market Dealer under the Exempt Market Dealer Agreement by Skyline Apartment REIT. See Item 2.7 - Material Agreements - Exempt Market Dealer Agreement - Exempt Market Dealer's Fees.

Management and Investment Strategy

The personnel of the Asset Manager have significant experience in all aspects of the apartment leasing and management business, including acquisitions and dispositions, finance and administration, property management, construction and renovation, and marketing and sales. These skills will permit Skyline Apartment REIT to capitalize upon many apartment real estate opportunities which may be unavailable to other real estate investors who lack the requisite diversity of real estate experience.

The Asset Manager maintains and enhances the value of Skyline Apartment REIT's properties through a variety of strategies, including: a commitment to customer satisfaction; maintenance and repair programs; strategic debt management; energy reduction programs; enhancement of Skyline Apartment REIT's portfolio; and timely communications and disclosure. The Asset Manager focuses its acquisitions on good quality multi-unit residential properties in strong secondary and tertiary markets across Canada, and will use the strength of its extensive market relationships to obtain more competitive financing, property maintenance, construction and services. The Asset Manager's goal is to build a strong and stable apartment portfolio, enhancing overall portfolio incomes and by diversifying the tenant base and geographic diversity.

The Asset Manager believes that multi-unit residential properties offer an attractive investment opportunity with both stability of yield and growth potential. The ability to acquire good quality, well located apartment assets, with a focus on longer term leases, stronger credit quality national tenants, will allow Skyline Apartment REIT to enhance the underlying portfolio cash flow and investor returns. Skyline Apartment REIT will also look to acquire Properties in markets where the Asset Manager have existing platforms to build off existing market relationships and capitalize on local economies of scale. Through future acquisitions of properties, in compliance with its investment guidelines, Skyline Apartment REIT intends to geographically diversify its portfolio by purchasing properties in strong secondary and tertiary

markets. As well, as Skyline Apartment REIT grows through the acquisition of new properties and the issuance of additional REIT Units, Skyline Apartment REIT will increase the stability of its income stream.

Given current market conditions, the Asset Manager will continue to concentrate on communities that have low vacancy levels, strong tenant demand, good access to major highways and roadways, and overall good economic growth and drivers. See Item 2.2 Our Business - Multi-Unit Residential Real Estate Market. The Asset Manager intends to create mass for Skyline Apartment REIT's portfolio through acquisitions in Canadian markets where the opportunity for value added properties exist.

2.3 Development of Business

Since being created on June 1, 2006, Skyline Apartment REIT has acquired 197 Properties across 7 Canadian provinces which consist of 17,203 units and approximately 663,061 square feet of commercial space. Since April 1, 2018, Skyline Apartment REIT has acquired 34 Properties, consisting of 3,073 residential units and approximately 3,906 square feet of commercial space. The Properties represent a source of stable and secure cash flow to Skyline Apartment REIT and may provide opportunities for capital appreciation. The Properties are located in strategic geographic locations that meet the investment strategy of Skyline Apartment REIT.

2.4 Long Term Objectives

The goals and long term objectives of Skyline Apartment REIT are: (i) to provide Unitholders with stable and growing cash distributions, payable monthly and, to the extent reasonably possible, tax deferred, from investments in a diversified portfolio of income-producing multi-unit residential properties located in Canada; and (ii) to maximize REIT Unit value through the ongoing management of Skyline Apartment REIT's assets and through the acquisition of additional properties. The costs associated with achieving Skyline Apartment REIT's long term objectives include customary costs incurred in connection with the acquisition, financing and management of real property such as the short term costs set out below, distributions payable to the General Partner and fees payable to the Managers and the Exempt Market Dealer. See Item 2.1 – Structure – Skyline LP Agreement – Partnership Distributions and Item 2.7 – Material Agreements – Asset Management Agreement, Lease Documentation Services Arrangement and Leasing Services Arrangement, Leasing Services Arrangement, Arrangement with the Underwriting Manager, Arrangements with the Services Provider, Arrangement with the Solar Asset Manager and Exempt Market Dealer Agreement.

Skyline Apartment REIT cannot guarantee that its long term objectives will be met. Results will vary and are subject to numerous risks. A Unitholder may experience a complete loss of its investment. See Item 8 – Risk Factors.

2.5 Short Term Objectives and How We Intend to Achieve Them

The following outlines Skyline Apartment REIT's short term objectives for the next 12 months and the methods and costs associated with the achievement of those objectives.

What we must do and how we will do it	Target completion date or, if not known, number of months to complete	Our cost to complete
Repayment of Acquisition and Operating Facility – with proceeds of this Offering.	\$19,564,664 to be repaid by the completion of the Offering	\$19,564,664
Acquisition of additional properties, as available funds from mortgage and other financing, as required.	As properties and funding are available	Purchase price plus customary due diligence, legal and accounting costs

2.6 Insufficient Funds

The funds available as a result of this Offering may not be sufficient to accomplish all of the proposed objectives of Skyline Apartment REIT and there is no assurance that alternative financing will be available.

2.7 Material Agreements

The following is a list of all material contracts to which Skyline Apartment REIT is currently a party or with a related party, which have been entered into by Skyline Apartment REIT.

Declaration of Trust

Skyline Apartment REIT is an unincorporated open-end investment trust created by a declaration of trust made as of June 1, 2006 and most recently amended and restated as of December 15, 2015 (the “**Declaration of Trust**”) and governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Trustees

The Declaration of Trust provides that the assets and operations of Skyline Apartment REIT will be subject to the control and authority of a minimum of seven (7) and maximum of eleven (11) Trustees. The number of Trustees may only be changed by the Unitholders or, if authorized by the Unitholders, by the Trustees, provided that the Trustees may not, between meetings of the Unitholders, unless otherwise approved by a majority of the Independent Trustees, appoint an additional Trustee if, after such appointment, the total number of Trustees would be greater than one and one-third times the number of Trustees in office immediately following the last annual meeting of Unitholders. During the term of the Asset Management Agreement (and any renewal thereof) and as long as the Skyline Incorporated or any affiliate thereof continues to be the Asset Manager, Skyline Incorporated is entitled to appoint three (3) Trustees (the “**Skyline Appointees**”) provided that following such appointment a majority of the Trustees are Independent Trustees. The balance of the Trustees are to be elected by resolution passed by a majority of the votes cast at an annual meeting of Unitholders. A vacancy occurring among the Trustees (other than a vacancy resulting from the resignation or removal of the Skyline Appointees) may be filled by resolution of the remaining Trustees so long as they constitute a quorum or by the Unitholders at a meeting of the Unitholders. A vacancy occurring among the Trustees resulting from the resignation or removal of the Skyline Appointees may be filled by an appointment by Skyline Incorporated. There are currently eight (8) Trustees, five (5) of whom are Independent Trustees.

The Declaration of Trust contains additional provisions for the following with respect to Trustees:

- a majority of the Trustees must be Independent Trustees; and
- a Trustee, other than a Skyline Appointee, may be removed at any time with or without cause by a majority of the votes cast at a meeting of Unitholders or by written consent of Unitholders holding in the aggregate not less than a majority of the outstanding REIT Units entitled to vote or with cause by a resolution passed by an affirmative vote of not less than two-thirds of the other Trustees.

The Trustees shall be paid such compensation for their services as the Trustees may from time to time unanimously determine. Each of the Trustees, either directly or indirectly, is also entitled to receive remuneration for services rendered to Skyline Apartment REIT in any other capacity. Such services may include legal, accounting or other professional services or services as a broker, transfer agent or underwriter, whether performed by a Trustee or any Person affiliated with a Trustee. Subject to the foregoing provisions, Trustees who are employees of and who receive a salary from Skyline Apartment REIT or any of its Subsidiaries shall not be entitled to receive any remuneration for their services as Trustees but shall be entitled to reimbursement from Skyline Apartment REIT of their out-of-pocket expenses incurred in acting as a Trustee.

Trustees' Duties

Pursuant to the Declaration of Trust, each Trustee is required to exercise the powers and discharge the duties of his or her office honestly, in good faith with a view to the best interests of Skyline Apartment REIT and the Unitholders and, in connection therewith, to exercise the care, diligence and skill that a reasonably prudent individual would exercise in comparable circumstances.

Conflict of Interest Restrictions and Provisions

The Declaration of Trust contains "conflict of interest" provisions that serve to protect Unitholders without creating undue limitation on Skyline Apartment REIT. Except for the Asset Management Agreement, the Exempt Market Dealer Agreement and the Exchange Agreements, if a Trustee or officer of Skyline Apartment REIT (i) is a party to a material contract or transaction (a "**Material Transaction**") or proposed Material Transaction with Skyline Apartment REIT or any of its Subsidiaries; or (ii) is a director, trustee or officer of, or otherwise has a material interest in, any Person or in any affiliate, Related Party or Subsidiary of any Person who is a party to a Material Transaction or proposed Material Transaction with Skyline Apartment REIT or its Subsidiaries, such Trustee or officer must disclose in writing to the Trustees or request to have entered into the minutes of meetings of the Trustees, the nature and extent of such interest. Such disclosure is required to be made: (i) at the meeting of Trustees at which a proposed Material Transaction is first considered; (ii) in the event that a Trustee was not then interested in a proposed Material Transaction or becomes interested after a Material Transaction is entered into, forthwith after the Trustee becomes so interested; (iii) if the Trustee becomes interested after a Material Transaction is entered into, forthwith after he becomes so interested; or (iv) if any individual who is interested in a Material Transaction later becomes a Trustee, forthwith after he becomes a Trustee. A Trustee who has made the aforementioned disclosure is not entitled to vote on any resolution to approve the Material Transaction unless the Material Transaction is: (i) one relating primarily to his or her remuneration as a Trustee, officer, employee or agent of Skyline Apartment REIT; (ii) one for indemnity under the provisions of the Declaration of Trust or the purchase of liability insurance; or (iii) one relating to the acquisition of property from Skyline Apartment REIT of any affiliate, Related Party or Subsidiary thereof.

Independent Trustee Approval Matters

In addition to any other approvals, the following matters require the approval of not less than a majority of the Independent Trustees who have no interest in the subject matter of the approval:

- to enter into any agreement, other than the Asset Management Agreement, the Exempt Market Dealer Agreement and the Exchange Agreements, or transaction in which any Related Party has a material interest or make a material change to any such agreement or transaction;
- relating to a claim by or against any Related Party;
- relating to a claim in which the interests of a Related Party differ from the interests of Skyline Apartment REIT;
- to permit Skyline LP to acquire any real or other property in which a Related Party has an interest or to sell any interest in any real or other property to a Related Party;
- granting REIT Units under any unit incentive or unit compensation plan approved by the Trustees, and, if required, by the Unitholders or awarding any right to acquire or other right or interest in the REIT Units or securities convertible into or exchangeable for REIT Units under any plan approved by the Trustees and, if required, by the Unitholders;
- to approve or enforce any agreement entered into by Skyline Apartment REIT or its Subsidiaries or Related Parties with a Trustee who is not an Independent Trustee or an associate thereof, with another Subsidiary or Related Party;
- recommending to the Unitholders to increase the number of Trustees serving on the board of Trustees or authorizing the Trustees to change the number of Trustees from time to time; and
- determining the compensation of any officer or employee of Skyline Apartment REIT.

In addition, Skyline Apartment REIT shall not permit Skyline LP to effect a transaction with a Related Party unless the transaction is determined to be on commercially reasonable terms by, and is approved by, a majority of the Independent Trustees who have no interest in such transaction in accordance with the foregoing. The Trustees shall obtain a valuation in respect of any real property that Skyline LP intends: (i) to purchase from or sell to a Related Party; or (ii) to provide financing in respect of to a Related Party, prepared by a valuator engaged by, and prepared under the supervision of, all Trustees or a committee of two or more Independent Trustees holding office at such time who have no interest in such transaction.

Finance Committee

The Declaration of Trust requires the creation of a Finance Committee, consisting of at least three (3) Independent Trustees who are resident Canadians. The Finance Committee's duties are to: (i) review Skyline Apartment REIT's procedures for internal control with the Accountants and Chief Financial Officer; (ii) review the engagement of the Accountants; (iii) review and recommend to the Trustees for their approval annual and quarterly financial statements and management's discussion and analyses of financial condition and results of operation; (iv) assess Skyline Apartment REIT's financial and accounting personnel; and (v) review any significant transactions outside Skyline Apartment REIT's ordinary activities and all pending litigation involving Skyline Apartment REIT. The Trustees have appointed a Finance Committee consisting of five (5) Independent Trustees.

Investment Committee

The Declaration of Trust provides that the Trustees may, in their discretion, appoint from among their number an Investment Committee. If constituted, the Investment Committee will consider whether to approve or reject proposed transactions, including proposed acquisitions, dispositions, financing and refinancing for and on behalf of Skyline Apartment REIT. Currently, the Investment Committee consists of all of the Trustees of Skyline Apartment REIT.

Governance and Compensation Committee

The Declaration of Trust provides that the Trustees may, in their discretion, create such additional committees as they determine to be necessary or desirable for the purposes of properly governing the affairs of Skyline Apartment REIT. If constituted, the Governance and Compensation Committee shall be composed of three (3) or more members of the Board of Trustees with a majority being resident Canadians and Independent Trustees. The mandate of the Governance and Compensation Committee is to review, oversee and evaluate the governance, compensation and nominating practices and policies of Skyline Apartment REIT. The Committee will act in an advisory role to the Board of Trustees with the Board of Trustees making the final decision. The Trustees have appointed a Governance and Compensation Committee consisting of three (3) Independent Trustees.

Investment Guidelines

The Declaration of Trust provides for certain investment guidelines which may be made by Skyline Apartment REIT. Notwithstanding anything contained herein to the contrary, the assets of Skyline Apartment REIT may be invested only, and Skyline Apartment REIT shall not permit the assets of any Subsidiary to be invested otherwise than, in accordance with the following investment guidelines:

- (a) Skyline Apartment REIT shall focus its activities primarily on the acquisition, holding, maintaining, improving, leasing or managing of multi-unit residential revenue producing properties and ancillary real estate ventures ("**Focus Activities**") in Canada and the United States;
- (b) notwithstanding anything herein contained to the contrary, no investment shall be made that would result in:
 - (i) Units of Skyline Apartment REIT being disqualified for investment by registered retirement savings plans, registered retirement income funds, registered education savings plans, deferred profit-sharing plans, registered disability savings plans, or tax-free savings accounts at any time after the date on which Skyline Apartment REIT has over 150 Unitholders; or
 - (ii) Skyline Apartment REIT ceasing to qualify as a "mutual fund trust" or a "registered investment" for purposes of the Tax Act;
- (c) no single asset (other than the Operating Trust Units, Operating Trust Notes and units of interest in Skyline LP) shall be acquired if the cost of such acquisition (net of the amount of debt secured by such asset) will exceed 15% of Gross Book Value, provided that where such asset is the securities of or an interest in an entity, the foregoing tests shall be applied individually to each asset of such entity;
- (d) investments may be made in a joint venture arrangement only if:

- (i) the arrangement is in connection with a Focus Activity;
 - (ii) the arrangement is with others (“**joint venturers**”) either directly or through the ownership of securities of or an interest in an entity (“**joint venture entity**”);
 - (iii) Skyline Apartment REIT has the ability to provide input in the management decisions of the joint venture entity; and
 - (iv) without limitation, any joint venture arrangement with a Related Party for the purposes of the related party provisions of the Declaration of Trust has been entered into in accordance with such provisions;
- (e) unless otherwise permitted in this section and except for (i) temporary investments held in cash, (ii) deposits with a Canadian or U.S. chartered bank or trust company registered under the laws of a province of Canada, (iii) short-term government debt securities or in money market instruments of, or guaranteed by, a schedule I Canadian chartered bank maturing prior to one year from the date of issue, Skyline Apartment REIT, directly or indirectly, may not hold securities other than (i) currency or interest rate futures contracts for hedging purposes to the extent that such hedging activity complies with National Instrument 81-102 *Investment Funds* or any successor instrument or rule; (ii) securities of a joint venture entity, or any entity formed and operated solely for the purpose of carrying on ancillary activities to any real estate owned, directly or indirectly, by Skyline Apartment REIT, or an entity wholly-owned, directly or indirectly, by Skyline Apartment REIT formed and operated solely for the purpose of holding a particular real property or real properties; and (iii) securities of another issuer provided either (A) such securities derive their value, directly or indirectly, principally from real property, or (B) the principal business of the issuer of the securities is the owning or operating directly or indirectly, of real property, and provided in either case the entity whose securities are being acquired are engaged in a Focus Activity;
- (f) no investment will be made, directly or indirectly, in operating businesses unless such investment is incidental to a transaction:
 - (i) where revenue will be derived, directly or indirectly, principally from a Focus Activity; or
 - (ii) which principally involves the ownership, maintenance, improvement, leasing or management, directly or indirectly, of real property;
- (g) notwithstanding any other provisions of this section, the securities of a reporting issuer in Canada may be acquired provided that the activities of the issuer are focused on Focus Activities;
- (h) no investments will be made in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;
- (i) no investments will be made in a mortgage, mortgage bonds, Notes or debentures (“**Debt Instruments**”) (including participating or convertible) unless:
 - (i) the real property which is security therefor is real property which otherwise meets the provisions of this section;

- (ii) the security therefore includes a first mortgage registered on title to the real property which is security therefor; and
- (iii) the aggregate value of the investments of Skyline Apartment REIT in Debt Instruments, after giving effect to the proposed investment, will not exceed 15% of the Adjusted Unitholders' Equity,

provided that, notwithstanding the foregoing, an investment may be made in a Debt Instrument if the sole intention is to use such investment as a method of acquiring control of a revenue producing real property which would otherwise be a permitted investment pursuant to this section and provided that the aggregate value of the investments in such Debt Instruments will not exceed 15% of Adjusted Unitholders' Equity;

- (j) no investment shall be made in raw land (except for the acquisition of properties adjacent to Existing Properties of Skyline Apartment REIT for the purpose of renovation or expansion of existing facilities where the total cost of all such investments does not exceed 10% of Gross Book Value); and
- (k) notwithstanding any other provisions hereof, investments may be made which do not comply with the provisions of this section provided (i) the aggregate cost thereof (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any indebtedness assumed or incurred in connection with the acquisition and secured by a mortgage on such property) does not exceed 20% of the Adjusted Unitholders' Equity; and (ii) the making of such investment would not contravene subsection (b) above.

For the purpose of the foregoing restrictions, the assets, liabilities and transactions of a Person wholly or partially owned by Skyline LP will be deemed to be those of Skyline LP on a proportionate consolidated basis. In addition, any references in the foregoing to an investment in real property will be deemed to include an investment in a joint venture arrangement that holds real property.

Operating Policies

The operations and affairs of Skyline Apartment REIT shall be conducted in accordance with the following operating policies and Skyline Apartment REIT shall not permit any Subsidiary to conduct its operations and affairs other than in accordance with the following policies:

- (a) the construction or development of real property may be engaged in order to maintain its real properties in good repair or to enhance the revenue-producing potential of real properties in which it has an interest;
- (b) title to each real property shall be held by and registered in the name of (i) a corporation or other entity wholly-owned by Skyline LP, (ii) the General Partner, or (iii) a corporation or other entity wholly-owned indirectly by Skyline Apartment REIT or jointly owned indirectly by Skyline Apartment REIT with joint venturers;
- (c) no indebtedness shall be incurred or assumed if, after giving effect to the incurring or assumption thereof of the indebtedness, the total indebtedness including amounts drawn under an acquisition and operating facility but not including mortgage insurance fees incurred in connection with the incurrence or assumption of such indebtedness as a percentage of Gross Book Value, would be more than 70%;

- (d) Skyline Apartment REIT will not directly or indirectly guarantee any indebtedness or liabilities of any Person unless such guarantee is given in connection with or incidental to an investment that is otherwise permitted under the foregoing investment guidelines or these operating policies, or in circumstances where the guarantee would result in Skyline Apartment REIT ceasing to qualify as a mutual fund trust pursuant to the Tax Act;
- (e) at all times insurance coverage will be obtained and maintained in respect of potential liabilities of Skyline Apartment REIT and the accidental loss of value of the assets of Skyline Apartment REIT from risks, in amounts and with such insurers, in each case as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties and, for clarity, Skyline Apartment REIT is not required to title insure; and
- (f) a Phase I environmental audit shall be conducted or obtained for each real property to be acquired and, if the Phase I environmental audit report recommends that further environmental audits be conducted or obtained, such further environmental audits shall be conducted or obtained, in each case by or from an independent and experienced environmental consultant.

Amendments to Investment Guidelines and Operating Policies

Subject to the Declaration of Trust, any of the investment guidelines set forth above may be amended only by the vote of a two-thirds majority of the votes cast at a meeting of the Unitholders called for that purpose and the operating policies set forth above may be amended by the vote of a majority of the votes cast at a meeting of the Unitholders called for that purpose.

Notwithstanding the foregoing, the Trustees may amend, or, with respect to any one transaction override, any of the investment guidelines set forth above (other than those set out in subsections (a), (b) and (h)), provided that they unanimously agree that to do so is in the best interests of Skyline Apartment REIT, and provided that the Trustees forthwith notify all Unitholders of the amendment(s).

Notwithstanding any provisions of the Skyline LP Agreement, it shall not be mandatory that the shares of the General Partner be owned by Skyline Apartment REIT, nor shall it be mandatory that all of the Trustees be directors of the General Partner, provided, in each case, that under the Skyline LP Agreement, the limited partners of Skyline LP have the ability to remove the General Partner, at their sole discretion.

Amendments to Declaration of Trust

A majority of all Trustees including a majority of the Independent Trustees may, without the approval of the Unitholders, make certain amendments to the Declaration of Trust. In no event may the Trustees amend the Declaration of Trust if such amendment would: (i) amend the amending provisions of the Declaration of Trust; (ii) amend the Unitholders' voting rights; or (iii) cause Skyline Apartment REIT to fail or cease to qualify as a "mutual fund trust", or "registered investment" under the Tax Act or be subject to tax under Part XII.2 of the Tax Act.

Subject to certain exceptions in the Declaration of Trust, the Declaration of Trust may be amended only by the vote of at least a two-thirds majority of the votes cast at a meeting of the Unitholders called for that purpose. Without limiting the generality of the foregoing, the following amendments will require the approval of at least two-thirds of the votes cast by all Unitholders at said meeting:

- (a) an exchange, reclassification or cancellation of all or part of the Units;

- (b) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Units, including, without limiting the generality of the foregoing,
 - (i) the removal or change of rights to distributions; or
 - (ii) the addition or removal of or change to conversion privileges, redemption privileges, voting, transfer or pre-emptive rights;
- (c) the creation of new rights or privileges attaching to the Units; and
- (d) any change to the existing constraints on the issue, transfer or ownership of the Units.

Term of Skyline Apartment REIT

Unless Skyline Apartment REIT is sooner terminated as otherwise provided by the Declaration of Trust, Skyline Apartment REIT shall continue in full force and effect so long as any property of Skyline Apartment REIT is held by the Trustees, and the Trustees shall have all the powers and discretions, expressed and implied, conferred upon them by law or by the Declaration of Trust. Notwithstanding the foregoing, Skyline Apartment REIT will terminate on the date which is 21 years after the date of the death of the last survivor of the issue alive at the date of the Declaration of Trust of Her Majesty Queen Elizabeth II. Skyline Apartment REIT may be terminated by the vote of at least two-thirds of the votes cast at a meeting of the Unitholders called for that purpose.

Upon the termination of Skyline Apartment REIT, the liabilities of Skyline Apartment REIT shall be discharged with due speed, the net assets of Skyline Apartment REIT shall be liquidated and the proceeds distributed to the Unitholders in accordance with their entitlements as provided in the Declaration of Trust. Such distribution may be made in cash or in kind or partly in each, all as the Trustees in their sole discretion may determine.

Asset Management Agreement

The Asset Management Agreement was entered into amongst Skyline Incorporated, Skyline Equities Limited Partnership and Skyline Apartment REIT on June 1, 2006 and subsequently assigned to the Asset Manager. Pursuant to the Asset Management Agreement, the Asset Manager has been engaged by Skyline Apartment REIT for the purpose of managing the day-to-day operations of Skyline Apartment REIT. See Item 2.2 – Our Business – Management of Skyline Apartment REIT – The Asset Manager. The main provisions of the Asset Management Agreement are summarized below:

The Asset Management Agreement had an initial term of five (5) years, which automatically renewed for further five-year terms and will continue to renew unless terminated by Skyline Apartment REIT or the Asset Manager in accordance with the Asset Management Agreement. The current term will automatically renew in June 2021. The Asset Management Agreement may be terminated at any time by Skyline Apartment REIT (by a decision of a majority of the Independent Trustees) in the event of a material breach by the Asset Manager of its obligations under the Asset Management Agreement that is not cured, the commission by the Asset Manager or any of its agents or employees of any act constituting fraud, misconduct, breach of fiduciary duty, gross negligence or a wilful breach of applicable laws, or an event of insolvency occurring with respect to the Asset Manager. The Asset Management Agreement may be terminated by the Asset Manager on 60 days' notice to Skyline Apartment REIT as a result of a material breach by Skyline Apartment REIT of its obligations under the Asset Management Agreement that is not cured or an event of insolvency with respect to Skyline Apartment REIT.

All of the directors and senior officers of the Asset Manager have been involved in a broad range of real estate activities over at least the past ten years. The name and municipality of residence, office held with the Asset Manager and principal occupation of each director and senior officer of the Asset Manager are as follows:

Name and Municipality of Residence	Office	Principal Occupation
Jason Castellan – Centre Wellington	Vice President and Director	Chief Executive Officer of the Skyline Group of Companies
Martin Castellan – Township of Eramosa	Secretary and Director	Chief Administrative Officer of the Skyline Group of Companies
Roy (Jason) Ashdown – Centre Wellington	Vice President and Director	Chief Sustainability Officer of the Skyline Group of Companies
Wayne Byrd – Centre Wellington	Treasurer and Director	Chief Financial Officer of the Skyline Group of Companies
Matthew Organ– Centre Wellington	President	President of the Asset Manager

Asset Manager's Duties

Among other duties, the Asset Manager is responsible for: (i) providing and operating Skyline Apartment REIT's and Skyline LP's head offices, including providing the office space, equipment, support services and administrative, clerical and secretarial personnel incidental thereto; (ii) providing the services of the Asset Manager's executives and real estate management team; (iii) managing day-to-day operations of Skyline Apartment REIT and Skyline LP, including making distributions to Unitholders and limited partners, as applicable; (iv) preparing or overseeing the preparation of annual budgets and business plans for presentation to the Trustees for approval and monitoring Skyline Apartment REIT's financial performance; (v) maintaining the books and financial records of Skyline Apartment REIT and Skyline LP and preparing reports and other disclosure documents for Trustees and Unitholders; (vi) advising the Trustees on strategic matters relating to the Properties, potential acquisitions, dispositions and development, and Unit value maximization; (vii) identifying, structuring and negotiating acquisition, disposition, financing and other transactions and managing due diligence in connection therewith; (viii) providing advice and assistance in connection with Skyline Apartment REIT's and Skyline LP's borrowings, raising of capital and issuance of securities, including representing Skyline Apartment REIT and Skyline LP in its dealings with banks and other lenders, investment dealers, institutions and investors; (ix) conducting day-to-day relations on behalf of Skyline Apartment REIT and Skyline LP with third parties, including property managers, suppliers, joint venturers, lenders, brokers, consultants, advisors, accountants, lawyers, insurers and appraisers; (x) preparing designations, allocations, elections and determinations to be made in connection with the income and capital gains of Skyline Apartment REIT and Skyline LP for tax and accounting purposes; (xi) managing Skyline Apartment REIT's investor relations activities; (xii) managing Skyline Apartment REIT's and Skyline LP's regulatory compliance, including making all required filings; (xiii) managing and providing direction to Skyline Apartment REIT's property managers and negotiating arrangements for any new property managers or the renewal of the arrangements with existing property managers; (xiv) managing all capital improvement and maintenance programs; and (xv) preparing all reports reasonably requested by Skyline Apartment REIT, including operational reporting, such as cash flow by property and by asset type, executive summaries by asset type outlining asset issues along with various other matters, and development reporting costs.

Asset Manager's Fees

In consideration for the services to be provided by the Asset Manager to Skyline Apartment REIT, the Asset Manager will be entitled to an asset management fee, payable monthly, equal to two percent (2%) of the Adjusted Gross Revenues calculated and paid on the last Business Day of each month with respect to the prior monthly period.

If the Asset Manager is to provide any services in addition to those referred to under "Asset Manager's Duties", above, then before the provision of such services, Skyline Apartment REIT and the Asset Manager will negotiate and agree upon the scope of any such services and the fees for any such services.

Under the Asset Management Agreement, the Asset Manager must pay all of its operating and administrative expenses and other cost, including without limitation: (i) employment expenses of its personnel, including, but not limited to, salaries, wages and the costs of employee benefit plans and temporary help; (ii) rent, telephone, utilities, office furniture, equipment and machinery and other office expenses; and (iii) miscellaneous administrative expenses related to the performance by the Asset Manager of its functions as Asset Manager.

Skyline Apartment REIT and Skyline LP, as applicable, are responsible for all expenses not assumed by the Asset Manager, including: (i) interest and other costs of borrowed money; (ii) fees and expenses of lawyers, accountants, auditors, appraisers and other agents or consultants employed by or on behalf of Skyline Apartment REIT or Skyline LP; (iii) fees and expenses of the Trustees; (iv) fees and expenses connected with the acquisition, disposition, financing and ownership of real property interests or mortgage loans or other property; (v) insurance as considered necessary by the Trustees, including directors' and officers' liability insurance; (vi) expenses in connection with payments or distributions on REIT Units; (vii) expenses in connection with the communications to Unitholders, including annual reports, and the other bookkeeping and clerical work necessary in maintaining relations with Unitholders; (viii) expenses in connection with any employees or independent contractors employed or retained by Skyline Apartment REIT or Skyline LP, including all compensation costs, benefits and severance costs; (ix) expenses of changing or terminating Skyline Apartment REIT; (x) fees and charges of transfer agents, registrars, indenture trustees and other trustees and custodians; (xi) all fees, expenses, taxes and other costs incurred in connection with the issuance, distribution, transfer and qualification for distribution to the public of REIT Units and other required government filings; and (xii) all costs and expenses in connection with the incorporation, organization and maintenance of any corporation or partnership formed to hold real property or other property of Skyline Apartment REIT or Skyline LP.

Exempt Market Dealer Agreement

The Exempt Market Dealer Agreement was entered into between the Exempt Market Dealer and Skyline Apartment REIT on January 1, 2012 and amended and restated as of November 26, 2018. Pursuant to the Exempt Market Dealer Agreement, the Exempt Market Dealer is responsible for acting as exempt market dealer on all offerings of REIT Units in each province where the Exempt Market Dealer is registered to act as an exempt market dealer, as described below. See Item 2.2 – Our Business – Management of Skyline Apartment REIT – The Exempt Market Dealer. The main provisions of the Exempt Market Dealer Agreement are summarized below.

The Exempt Market Dealer Agreement has a term of five (5) years. The Exempt Market Dealer Agreement will automatically renew for a further five-year term unless either party sends written notice to the other party at least 6 months before the end of the then current term terminating the Exempt Market Dealer Agreement as at the last day of the end of the term or the Exempt Market Dealer Agreement otherwise terminates as set out below. The current term will renew on January 1, 2022. The Exempt Market Dealer Agreement may be terminated at any time by Skyline Apartment REIT (by a decision of a majority of the

Independent Trustees) in the event of a material breach by the Exempt Market Dealer of its obligations under the Exempt Market Dealer Agreement that is not cured; a breach of certain representations made by the Exempt Market Dealer in the Exempt Market Dealer Agreement; the commission by the Exempt Market Dealer of any act constituting fraud, willful misconduct, breach of fiduciary duty, gross negligence or a willful breach of applicable laws; an event of insolvency occurring with respect to the Exempt Market Dealer; or the Exempt Market Deal fails to obtain and keep in good standing any necessary registration, licence or other qualification in any jurisdiction required to effect the purpose of the Exempt Market Dealer Agreement. The Exempt Market Dealer Agreement may be terminated by the Exempt Market Dealer on 60 days' notice to Skyline Apartment REIT as a result of a material breach by Skyline Apartment REIT of its obligations under the Exempt Market Dealer Agreement that is not cured; a breach of the certain representations made by Skyline Apartment REIT in the Exempt Market Dealer Agreement; an event of insolvency with respect to Skyline Apartment REIT; or if a securities commission or administrator or other regulatory authority or individual having authority over Skyline Apartment REIT makes an order to cease trade any securities issue by Skyline Apartment REIT.

All of the directors and a majority of the senior officers of the Exempt Market Dealer have been involved in a broad range of real estate activities over the past ten years. The name and municipality of residence, office held with the Exempt Market Dealer and principal occupation of each director and senior officer of the Exempt Market Dealer are as follows:

Name and Municipality of Residence	Office	Principal Occupation
Jason Castellan – Centre Wellington	Vice President and Director	Chief Executive Officer of the Skyline Group of Companies
Martin Castellan – Township of Eramosa	Secretary and Director	Chief Administrative Officer of the Skyline Group of Companies
Roy (Jason) Ashdown – Centre Wellington	Vice President and Director	Chief Sustainability Officer of the Skyline Group of Companies
Wayne Byrd – Centre Wellington	President and Director	Chief Financial Officer of the Skyline Group of Companies
Vivian Salonga – Town of Milton	Chief Compliance Officer	Chief Compliance Officer of the Exempt Market Dealer

Exempt Market Dealer's Duties

Among other duties, the Exempt Market Dealer is responsible for: (a) coordinating, managing and documenting (other than the preparation of an offering memorandum and subscription agreement) all aspects of each equity raise, including managing third-party service providers retained by the Exempt Market Dealer in connection therewith; (b) assuming responsibility for distributing Units on behalf of Skyline Apartment REIT in each of the provinces of Canada where the Exempt Market Dealer is registered as an exempt market dealer; (c) ensuring anti-money laundering and anti-terrorism compliance; (d) assisting Skyline Apartment REIT in processing distributions to Unitholders; (e) maintaining all books and financial records with respect to Unitholders; (f) calculating Equity Under Management from time to time; (g) providing advice and assistance in connection with Skyline Apartment REIT's raising of capital and issuance of securities, including advising and assisting Skyline Apartment REIT in its dealings with institutions and investors; (h) facilitating the entering into of offering contracts between Skyline Apartment REIT and investors and maintaining ongoing

communication with Unitholders and potential investors about investing in Skyline Apartment REIT, including, but not limited to, holding information sessions, carrying out other investor relations activities and advertising and promoting Skyline Apartment REIT to stimulate investor interest in Skyline Apartment REIT; and (i) assisting Skyline Apartment REIT in making all required filings under applicable law.

Exempt Market Dealer's Fees

In consideration for the services to be provided by the Exempt Market Dealer to Skyline Apartment REIT, the Exempt Market Dealer will be entitled to an exempt market dealer fee, payable monthly, equal to 1/12 of 0.3% of Skyline Apartment REIT's Equity Under Management. The Exempt Market Dealer will also be entitled to an equity raise fee equal to a maximum of 1.0% on the capital raised in offerings of REIT Units, subject to certain reductions in the subscription fee in respect of investors who make follow-on investments. The Exempt Market Dealer may be required to repay all or a portion of the subscription fee paid by Skyline Apartment REIT in respect of REIT Units tendered for redemption within two (2) years of the date of issuance.

Arrangement with Underwriting Manager

Pursuant to a longstanding arrangement that has been confirmed by the Independent Trustees, Skyline Mortgage Financing Inc. (the "**Underwriting Manager**") provides certain services (described below) to Skyline Apartment REIT and Skyline LP.

All of the directors and senior officers of the Underwriting Manager have been involved in a broad range of real estate, mortgage and/or business activities over at least the past ten years. The name and municipality of residence, office held with the Underwriting Manager and principal occupation of each director and senior officer of the Underwriting Manager are as follows:

Name and Municipality of Residence	Office	Principal Occupation
Jason Castellan – Centre Wellington	President and Director	Chief Executive Officer of the Skyline Group of Companies
Martin Castellan – Township of Eramosa	Secretary and Director	Chief Administrative Officer of the Skyline Group of Companies
Roy (Jason) Ashdown – Centre Wellington	Vice President and Director	Chief Sustainability Officer of the Skyline Group of Companies
Wayne Byrd – Centre Wellington	Treasurer and Director	Chief Financial Officer of the Skyline Group of Companies
Peter Roden – Elora	Vice President	Vice President of the Underwriting Manager

Underwriting Manager's Duties

The Underwriting Manager assists Skyline Apartment REIT, Skyline LP and its Subsidiaries to obtain mortgage financing for the Properties upon terms and at rates that are commercially competitive.

Underwriting Manager's Fees

Skyline LP pays the Underwriting Manager the following fees for providing services:

1. For assumptions of mortgages on acquisition: \$5,000.00
2. For all other mortgages: 35bps on the mortgage principal.

From January 1, 2019 to December 31, 2019 Skyline LP paid the Underwriting Manager \$1,252,042, plus HST, for the above-described services.

The parties are in the process of putting a formal agreement in place that will substantially reflect the above terms.

Arrangement with Solar Asset Manager

Pursuant to an arrangement that has been confirmed by the Independent Trustees, Skyline Clean Energy Asset Management Inc. (the “**Solar Asset Manager**”) provides certain services (described below) to Skyline Apartment REIT and Skyline LP.

All of the directors and senior officers of the Solar Asset Manager have been involved in a broad range of solar asset management, real estate and/or business activities over at least the past ten years. The name and municipality of residence, office held with the Solar Asset Manager and principal occupation of each director and senior officer of the Solar Asset Manager are as follows:

Name and Municipality of Residence	Office	Principal Occupation
Jason Castellan – Centre Wellington	Vice President and Director	Chief Executive Officer of the Skyline Group of Companies
Martin Castellan – Township of Eramosa	Secretary and Director	Chief Administrative Officer of the Skyline Group of Companies
Roy (Jason) Ashdown – Centre Wellington	Vice President and Director	Chief Sustainability Officer of the Skyline Group of Companies
Wayne Byrd – Centre Wellington	Treasurer and Director	Chief Financial Officer of the Skyline Group of Companies
Robert Stein – Puslinch Township	President	President of the Solar Asset Manager
Mike Bonneveld – Centre Wellington	Vice President	Vice President of the Services Provider

Solar Asset Manager’s Duties

The Solar Asset Manager provides the following services as are reasonably required by Skyline LP and its Subsidiaries:

- Creating annual operating budgets for each of the rooftop solar assets
- Advising Skyline LP on the opportunity to build new solar assets and other energy opportunities
- Visiting 20% of all solar sites for spot check on an annual basis (i.e. each solar asset will be spot checked at least once every 5 years)

- Providing monthly, quarterly and annual performance reports
- Keeping maintenance logs
- Real time monitoring of each solar asset
- Spare parts management
- Dispatching and supervising service providers and managing projects, including removal and replacement of existing systems

Solar Asset Manager's Fees

Skyline LP shall pay the Solar Asset Manager the following fees:

1. \$1,000 per annum for each solar system; and
2. 10% service charge on the cost of any work for dispatching service providers and project management, including removal and replacement of existing solar systems and unscheduled work.

From January 1, 2019 to December 31, 2019 Skyline LP paid the Solar Asset Manager no fee for the above-described services.

The parties are in the process of putting a formal agreement in place that will substantially reflect the above terms.

Solar Refurbishment

As a capital project, in 2019 Skyline LP engaged the Solar Asset Manager to refurbish certain solar energy assets owned by Skyline LP (the "**Refurbishment**"). The Solar Asset Manager engaged Anvil Crawler Development Corp. ("**ACDC**"), as a subcontractor to aid in the Refurbishment. Trustees Jason Castellan, Martin Castellan and R. Jason Ashdown are indirect shareholders and officers and/or directors of ACDC.

The Solar Asset Manager was paid a fee of \$123,500 for its services.

ACDC was paid a fee of \$243,300 plus HST for its services.

Arrangements with the Services Provider

Skyline Asset Management Inc. (the "**Services Provider**") provides certain services (described below) to Skyline Apartment REIT and Skyline LP.

All of the directors and senior officers of the Services Provider have been involved in a broad range of real estate and/or related business activities over at least the past ten years. The name and municipality of residence, office held with the Services Provider and principal occupation of each director and senior officer of the Services Provider are as follows:

Name and Municipality of Residence	Office	Principal Occupation
Jason Castellan – Centre Wellington	President and Director	Chief Executive Officer of the Skyline Group of Companies
Martin Castellan – Township of Eramosa	Secretary and Director	Chief Administrative Officer of the Skyline Group of Companies
Roy (Jason) Ashdown – Centre Wellington	Vice President and Director	Chief Sustainability Officer of the Skyline Group of Companies
Wayne Byrd – Centre Wellington	Treasurer and Director	Chief Financial Officer of the Skyline Group of Companies
Mike Bonneveld – Center Wellington	Vice President	Vice President of the Services Provider

Legal Services Management Arrangement

Pursuant to a long-standing arrangement that has been confirmed by the Independent Trustees, on a cost recovery basis the Services Provider provides advice to Skyline Apartment REIT, Skyline LP and its Subsidiaries on the use of external legal counsel and manages external legal counsel on behalf of Skyline Apartment REIT, Skyline LP and its Subsidiaries. The Services Provider also makes available its support staff to Skyline Apartment REIT, Skyline LP and its Subsidiaries.

From January 1, 2019 to December 31, 2019 Skyline LP and/or Skyline Apartment REIT paid the Services Provider \$1,215,000, plus HST, for the above-described services.

The parties are in the process of putting a formal agreement in place that will substantially reflect the above terms.

Capex Services Arrangement

Pursuant to a longstanding arrangement that has been confirmed by the Independent Trustees, the Services Provider, on a cost recovery basis, made available its employees to Skyline Apartment REIT, Skyline LP and its Subsidiaries to provide the below-referenced services. Effective January 1, 2020, the Services Provider assigned all of its rights, title and interest in the arrangement to Skyline Capital Projects Management Inc. (the “**Capex Provider**”) who has assumed the duties and obligations of the Services Provider under the arrangement.

The Capex Provider provides the following services. A reference below to Skyline Apartment REIT includes a reference to Skyline LP and its Subsidiaries:

- Conducting due diligence on the capital needs of proposed acquisitions, including providing a proposed budget and, if the proposed acquisition is purchased, procuring contractors and managing the capital improvements
- On an annual basis, proposing a 10-year capital plan for Skyline Apartment REIT’s entire portfolio

- Once an annual capital budget is approved, procuring contractors and managing the capital improvements approved in such budget, as well as liaising with staff and tenants about capital improvements that will affect them
- Responding to unplanned capital needs across the entire portfolio, including emergency situations

From January 1, 2019 to December 31, 2019, Skyline LP paid the Services Provider \$636,000, plus HST, for the above-described services.

From January 1, 2020 to March 31, 2020, Skyline LP paid the Capex Provider \$75,573.00, plus HST for the above-described services.

The parties are in the process of putting a formal agreement in place that will substantially reflect the above terms.

All of the directors and officers of the Capex Provider have been involved in a broad range of real estate and/or related business activities over at least the past ten years. The name and municipality of residence, office held with the Capex Provider and principal occupation of each director and officer of the Capex Provider are as follows:

Name and Municipality of Residence	Office	Principal Occupation
Jason Castellan – Centre Wellington	President and Director	Chief Executive Officer of the Skyline Group of Companies
Martin Castellan – Township of Eramosa	Secretary and Director	Chief Administrative Officer of the Skyline Group of Companies
Roy (Jason) Ashdown – Centre Wellington	Vice President and Director	Chief Sustainability Officer of the Skyline Group of Companies
Wayne Byrd – Centre Wellington	Treasurer and Director	Chief Financial Officer of the Skyline Group of Companies
Mike Bonneveld – Center Wellington	Vice President	Vice President of the Services Provider
Gregory Jones - Toronto	Vice President	President of Skydevco Inc.
Andrew Coutts – Guelph	Vice President	Vice President of the Capex Provider

Lease Documentation Services Arrangement and Leasing Services Arrangement

All of the directors and senior officers of the Leasing Services Manager have been involved in a broad range of business and real estate activities over at least the past ten years. The name and municipality of residence, office held with the Leasing Services Manager and principal occupation of each director and senior officer of the Leasing Services Manager are as follows:

Name and Municipality of Residence	Office	Principal Occupation
Jason Castellan – Centre Wellington	President and Director	Chief Executive Officer of the Skyline Group of Companies
Martin Castellan – Township of Eramosa	Secretary and Director	Chief Administrative Officer of the Skyline Group of Companies
Roy (Jason) Ashdown – Centre Wellington	Vice President and Director	Chief Sustainability Officer of the Skyline Group of Companies
Wayne Byrd – Centre Wellington	Treasurer and Director	Chief Financial Officer of the Skyline Group of Companies
Maria Duckett – Guelph	Vice President	Vice President of the Leasing Services Manager

Lease Documentation Services Arrangement

Pursuant to an arrangement that has been confirmed by the Independent Trustees, the Leasing Services Manager provides the following services to Skyline Apartment REIT and Skyline LP: upon receipt from Skyline Apartment REIT or Skyline LP or their respective representatives, as the context requires, of required details, the Leasing Services Manager provides drafting services in respect of leases and like documents entered into (or to be entered into) by or on behalf of Skyline Apartment REIT and/or Skyline LP and tenants (or prospective tenants), including drafting: (a) new leases; (b) amendment/renewal/extension agreements; (c) surrender/termination agreements; and (d) estoppel certificates.

In consideration for providing such services, Skyline LP pays the Leasing Services Manager the following fees: (a) \$1,000 per lease for a new lease; (b) \$350 per lease for an amendment/renewal/extension to an existing lease; (c) \$200 per lease for a surrender or termination agreement; and (d) \$200 per estoppel certificate.

From January 1, 2019 to December 31, 2019, Skyline Apartment REIT paid the Leasing Services Manager \$19,450, plus HST, for the above-described services.

The parties are in the process of putting a formal agreement in place that will substantially reflect the above terms.

Leasing Services Arrangement

Pursuant to an arrangement that has been confirmed by the Independent Trustees, the Leasing Services Manager provides the following services to Skyline Apartment REIT and Skyline LP: (a) building strong relationships within the brokerage community to ensure brokers introduce their clients to the Skyline Apartment REIT and Skyline LP as prospective tenants; (ii) building strong relationships with prospective national and regional tenants; (iii) negotiating all renewals, extensions and new tenancies with current and prospective tenants; and (iv) building strong relationships with Skyline Apartment REIT's and Skyline LP's current large priority tenants.

In consideration for providing the above services, Skyline Apartment REIT or Skyline LP, as applicable, shall pay the Leasing Services Manager the following fees: (a) \$1.00 per square foot for new leases; and (b) \$0.50 per square foot for renewals of existing tenants.

From January 1, 2019 to December 31, 2019, Skyline LP paid the Leasing Services Manager no fees for the above-described services.

The parties are in the process of putting a formal agreement in place that will substantially reflect the above terms.

Arrangements with Other Related Entities

From time to time Skyline Apartment REIT and/or Skyline LP may enter into agreements with various entities that are owned or controlled by one or more Trustee (as more fully described below).

Skydevco Inc.

Skyline Apartment REIT Trustees Jason Castellan, R. Jason Ashdown and Martin Castellan are officers, directors and indirect shareholders of Skydevco Inc. ("**Skydevco**"). Skydevco may from time to time provide development consulting services to Skyline LP. The terms of any services provided by Skydevco to Skyline LP will be commercially reasonable and approved by the Independent Trustees.

From January 1, 2019 to December 31, 2019, Skyline LP paid \$175,000 to Skydevco for the above-described services.

Cambridge Hotel and Conference Centre Limited Partnership

Cambridge Hotel and Conference Centre Limited (the "**Hotel GP**") is the general partner of Cambridge Hotel and Conference Centre Holdings Limited Partnership (the "**Hotel LP**"). Skyline Apartment REIT Trustees Jason Castellan, R. Jason Ashdown and Martin Castellan are indirect shareholders, officers and directors of the Hotel GP. The Hotel LP may from time to time provide conference space, catering and/or hotel services to Skyline Apartment REIT and Skyline LP. The terms of any services provided by the Hotel LP to Skyline Apartment REIT and/or Skyline LP will be commercially reasonable and approved by the Independent Trustees.

From January 1, 2019 to December 31, 2019, Skyline Apartment REIT and/or Skyline LP paid no fees to the Hotel LP for the above-described services.

Caspri Ventures Inc.

Skyline Apartment REIT Trustee Jason Castellan is an officer, director and indirect shareholder of Caspri Ventures Inc. ("**Caspri**"). Caspri may from time to time directly or indirectly provide chartered airline services to Skyline Apartment REIT and/or Skyline LP. The terms of any services provided by Caspri to Skyline Apartment REIT and/or Skyline LP will be commercially reasonable and approved by the Independent Trustees.

From January 1, 2019 to December 31, 2019, Skyline Apartment REIT and/or Skyline LP paid no fees to Caspri for the above-described services.

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

3.1 Compensation and Securities Held

The following table sets out specified information about each Trustee, officer and promoter of Skyline Apartment REIT and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of Skyline Apartment REIT. A person who is employed by and receives salary from Skyline Apartment REIT, its Subsidiaries, the Managers or the Exempt Market Dealer will not receive any remuneration from Skyline Apartment REIT for serving as a Trustee or senior officer.

Name and municipality of principal residence	Positions held (e.g., trustee, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by issuer or related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the issuer held after completion of max. offering
Jason Scott Castellan Centre Wellington	Chief Executive Officer and Trustee ⁽²⁾ (June 21, 2006)	\$230,000/\$230,000 ⁽⁴⁾	7,807.464 REIT Units (0.012% of REIT Units)
Wayne Brian Byrd Centre Wellington	Chief Financial Officer (June 21, 2006)	\$230,000/\$230,000 ⁽⁴⁾	8,768.658 REIT Units (0.013% of REIT Units)
Roy (Jason) Ashdown Centre Wellington	Chief Operating Officer and Trustee ⁽²⁾ (June 21, 2006)	\$230,000/\$230,000 ⁽⁴⁾	257,287.552 REIT Units (0.384% of REIT Units)
Martin Julian Castellan Township of Eramosa	Chief Administrative Officer and Trustee ⁽²⁾ (June 21, 2006)	\$230,000/\$230,000 ⁽⁴⁾	141,890.740 REIT Units (0.212% of REIT Units)
Jonathan Aaron Halpern City of Vaughan	Trustee ⁽¹⁾⁽²⁾⁽⁴⁾ (June 1, 2006)	\$77,970 / \$77,970	12,740.758 REIT Units (0.019% of REIT Units)
Robert Vernon Breadner City of Kitchener	Trustee ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ (July 15, 2009)	\$49,720 / \$49,720	513,136.081 REIT Units (0.766% of REIT Units)
Edward (Ted) Mark Perlmutter City of Toronto	Trustee ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ (January 31, 2013)	\$56,392 / \$56,392	2,091.952 REIT Units (0.003% of REIT Units)
Jeffrey Bruce Neumann City of Guelph	Trustee ⁽¹⁾⁽²⁾⁽⁴⁾ (August 4, 2016)	\$49,720 / \$49,720	76,388.813 REIT Units (0.114% of REIT Units)
Susan Evelyn Taves Township of Woolwich	Trustee ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ (November 3, 2016)	\$45,095 / \$49,720	38,259.375 REIT Units (0.057% of REIT Units)

Name and municipality of principal residence	Positions held (e.g., trustee, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by issuer or related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the issuer held after completion of max. offering
Skyline Management Incorporated	Principal Holder of Special Voting Units ⁽⁶⁾ (January 1, 2014)	\$0 / \$0	2,482,638.89 Special Voting Units (81.292 % of Special Voting Units)

Notes:

- (1) Member of Finance Committee
- (2) Member of Investment Committee
- (3) Member of Governance and Compensation Committee
- (4) Independent Trustee
- (5) The compensation paid to the Officers/Managers of Skyline Apartment REIT is not paid by Skyline Apartment REIT. The compensation is paid by the management companies external to Skyline Apartment REIT.
- (6) In connection with the internalization of the property management function in January 2014, by way of a purchase of the assets of Skyline Management Incorporated (the “Assets”), Special Voting Units were issued by Skyline Apartment REIT to Skyline Management Incorporated contemporaneously with the issuance of a corresponding number of Class B LP Units by Skyline LP, as partial payment of the purchase price of the Assets. Trustees Jason Castellan, Martin Castellan and Roy Jason Ashdown are indirect shareholders and officers and directors of Skyline Management Incorporated.

3.2 Management Experience

The following table sets forth the principal occupations of the Trustees and executive officers of Skyline Apartment REIT during the past five years and the nature and extent of their related real estate experience.

Name	Principal occupation and related experience
Jason Castellan	Chief Executive Officer of the Skyline Group of Companies ⁽¹⁾
Wayne Byrd	Chief Financial Officer of the Skyline Group of Companies ⁽²⁾
Roy (Jason) Ashdown	Chief Sustainability Officer of the Skyline Group of Companies ⁽³⁾
Martin Castellan	Chief Administrative Officer of the Skyline Group of Companies ⁽⁴⁾
Jonathan Halpern	Chartered Professional Accountant; President, Metropolitan Equities Limited ⁽⁵⁾
Robert Breadner	President of Breadner Trailer Sales Amalgamated ⁽⁶⁾
Edward (Ted) Perlmutter	Lawyer and former Senior Partner of Blake, Cassels & Graydon LLP ⁽⁷⁾
Jeffrey Neumann	Broker Owner of Coldwell Banker Neumann Real Estate ⁽⁸⁾
Susan Taves	Chartered Professional Accountant; Business Advisor and former Senior Partner, BDO Canada LLP ⁽⁹⁾

Notes:

- (1) Jason Castellan is co-founder and Chief Executive Officer of the Skyline Group of Companies. Since 1991, Mr. Castellan has been an owner and manager of investment real estate, starting out with a student rental portfolio and gradually moving to larger apartment buildings. Since 1999, Mr. Castellan has been an officer and director of 15 corporations which owned properties managed by Skyline Incorporated. He is active in the acquisition and finance portion of the portfolio. Mr. Castellan holds degrees from both the University of Guelph and York University.
- (2) Wayne Byrd has been involved in the accounting and finance field since 1995 and has been Chief Financial Officer of the Skyline Group of Companies since 2005. From 1998 to 2005, Mr. Byrd held the position of Controller of All Treat Farms Limited where he was responsible for financial planning, accounting, reporting and management of organizational investment, expansion and acquisition decisions. Mr. Byrd is a member of the Chartered Professional Accountants of Ontario and graduated with a Bachelor of Accounting Degree (Honours) from Brock University.
- (3) Roy (Jason) Ashdown is co-founder and Chief Sustainability Officer of the Skyline Group of Companies. Mr. Ashdown has in depth experience in construction and building systems. Since 1996, Mr. Ashdown has been an owner and manager of residential and commercial real estate. Since 1999, Mr. Ashdown has been devoted to managing Skyline and properties managed by Skyline. He is a member of the asset management team and conducts due diligence on purchases, assesses current holdings and works closely with Skyline Apartment REIT to enhance the quality and profitability of the Properties. Mr. Ashdown has a Bachelor of Arts degree from the University of Waterloo.
- (4) Martin Castellan is co-founder and Chief Administrative Officer of the Skyline Group of Companies. Martin has been investing and working in real estate for over 20 years. He holds an honours Bachelor of Commerce degree from the University of Guelph, majoring in Management Economics in Industry and Finance. With the significant growth of Skyline since its inception, to now over 900 employees, Martin focuses on the commitment toward Skyline's guiding principles and instilling the grassroots culture that has been a part of Skyline from its beginning. He currently oversees Human Resources; Information Systems; and the Corporate Office while fostering an environment of team work, customer service, and respect.
- (5) Jonathan Halpern is currently the President of Metropolitan Equities Limited, a privately owned family office and real estate investment company. Prior thereto, Mr. Halpern was a senior manager with an international accounting firm specializing in real estate and small business. Mr. Halpern has also served on the management committee of a national commercial flooring distributor. Mr. Halpern is a member of the Institutes of Chartered Professional Accountants of Manitoba and Ontario, and holds a Bachelor of Commerce (Honours) degree with Distinction from the University of Manitoba.
- (6) Robert Breadner is President and Owner of Breadner Trailer Sales Amalgamated, a private holding and investment company which maintains equity positions in various private businesses. A 1977 BBA graduate of Sir Wilfrid Laurier University, Robert was the former President and Owner of Breadner Trailer Sales Limited, North America's largest transport trailer distributor with dealerships across Canada, whose sales exceeded \$250 million in 2000. After being awarded Ontario's Entrepreneur of the Year in 1996, as well as having Breadner Trailer Sales named one of Canada's 50 best companies four years in a row, Robert sold the business in 2001.
- (7) Edward (Ted) Perlmutter is a seasoned commercial real estate lawyer and was a partner for 25 years in one of Canada's preeminent law firms: Blake, Cassels & Graydon LLP. Having an in-depth experience in leading highly complex transactions in the public and private sectors including development financing of infrastructure, Mr. Perlmutter built a reputation for developing and successfully executing innovative approaches. Mr. Perlmutter is a sought-after speaker, presenter and counsel on complex real estate issues. He holds a Master of Laws degree from the London School of Economics.
- (8) Jeffrey Neumann is the broker owner of Coldwell Banker Neumann Real Estate in Guelph, ON. Since 1996, Mr. Neumann has developed Coldwell Banker Neumann Real Estate into a local industry leader, with over 65 full-time salespeople averaging over \$400 million in sales per year. Mr. Neumann has been an active real estate investor in both the apartment and office sectors. His experience and breadth of knowledge in a broad range of real estate matters— including acquisitions, financing, management, development, and dispersal—leaves him uniquely positioned to serve on the Skyline Apartment REIT Board of Trustees.

(9) Susan Taves is a Chartered Professional Accountant, having spent years as an active senior partner at BDO Canada LLP. Her 30-year career in public practice crossed many sectors, including manufacturing, banking/lending, estate administration, agriculture, and real estate. Her expertise extends to the fields of finance, merger and acquisition transactions, leadership, and governance. She is a member of the Chartered Professional Accountants of Ontario (1987), holds the ICD.D designation from the Institute of Corporate Directors (2015), and is a graduate of the University of Waterloo (1984). In addition to serving as a Skyline Apartment REIT Trustee, Susan currently sits on the boards of Kindred Credit Union, where she is Board Chair, and TSX Trust Company, where she is Chair of the Audit Committee.

3.3 Penalties, Sanctions and Bankruptcy

In March 2011, an order of the Ontario Securities Commission (the “**Commission**”) was issued against Skyline Apartment REIT, the Exempt Market Dealer and Skyline Incorporated regarding the settlement of proceedings relating to the sale of units by Skyline Apartment REIT where the exemptions from the prospectus and registration requirements of applicable securities legislation were not available. Jason Castellon, Wayne Byrd, Roy (Jason) Ashdown, and Martin Castellon were trustees or directors and/or officers of Skyline Apartment REIT, the Exempt Market Dealer and/or Skyline Incorporated at the time. In accordance with the order, Skyline Apartment REIT, the Exempt Market Dealer and Skyline Incorporated paid an administrative penalty of \$300,000 in the aggregate and an additional \$150,000, representing a portion of the Commission staff’s costs in the matter. Under the order, as a term and condition to the registration of the Exempt Market Dealer, within 90 days of the approval of the Settlement Agreement, approximately 216 investors in Skyline Apartment REIT who did not qualify for any of the registration/prospectus exemptions, were required to be divested of their investment, by having Skyline Apartment REIT purchase for cancellation or otherwise redeem the units held by these investors, and by providing to them: (i) the amounts originally invested, capital growth and any amounts arising from the distribution reinvestment plan (approximately \$15M); and (ii) any amounts owing with respect to the stated distribution amount for the units at the time for the period from the last distribution on March 15, 2011 to the time of payment.

3.4 Loans

As of the date of this Offering Memorandum, Skyline Apartment REIT does not have any debenture or loan due to or from the Trustees, management, promoters and principal holders of Skyline Apartment REIT.

ITEM 4 CAPITAL STRUCTURE

4.1 Equity Securities

The following is a description of the equity securities of Skyline Apartment REIT (other than the Initial Unit).

The beneficial interests in Skyline Apartment REIT, other than the Initial Unit, are divided into two classes described as “REIT Units” and “Special Voting Units” (collectively, the “**Units**”). The number of Units of any class which Skyline Apartment REIT may issue is unlimited. Units shall be issued only as fully paid and non-assessable. Each Unit when issued shall vest indefeasibly in the holder thereof. The issued and outstanding Units may be subdivided or consolidated from time to time by the Trustees with the approval of the majority of the Unitholders, or as otherwise provided in the Declaration of Trust. Unitholders have the right to receive notice of, to attend and to vote at all meetings of Unitholders. Each Unit shall entitle the holder thereof to one vote at all meetings of Unitholders.

Description of security	Number authorized to be issued	Price per security	Number outstanding as at March 31, 2020	Number outstanding after max. offering
REIT Units ⁽¹⁾⁽²⁾	Unlimited	\$21.00	61,764,584	67,002,679
Special Voting Units ⁽³⁾	Unlimited	\$0	3,053,992	3,053,992

Notes:

(1) Each REIT Unit shall represent an undivided beneficial interest in distributions by Skyline Apartment REIT, whether of net income, net realized capital gains or other amounts, and, in the event of a liquidation, dissolution, winding-up or other termination of Skyline Apartment REIT, in the net assets of Skyline Apartment REIT remaining after satisfaction of all liabilities.

(2) In connection with the internalization of the property management function in January 2014 by way of a purchase of the assets of Skyline Management Incorporated (the “Assets”), Special Voting Units were issued by Skyline Apartment REIT to Skyline Management Incorporated contemporaneously with the issuance of a corresponding number of Class B LP Units by Skyline LP, as partial payment of the purchase price of the Assets. As part of the agreement of purchase and sale, Skyline Management Incorporated has agreed that it will not directly or indirectly sell, transfer, exchange, distribute, redeem, encumber or otherwise dispose of 90% of the Class B LP Units prior to June 30, 2021 without prior written consent of Skyline LP. Special Voting Units shall have no rights or entitlements in respect of distributions, whether of Distributable Income, or on a liquidation, dissolution or winding-up of Skyline Apartment REIT or otherwise. As Exchangeable LP Units are exchanged for REIT Units in accordance with the respective Exchange Agreement, the corresponding Special Voting Units, if any, shall automatically be cancelled for no consideration and shall no longer be outstanding.

4.2 Long Term Debt

Mortgages

The mortgages are secured by a combination of first, second and third registered charges over specific investment properties and a combination of first, second and third general assignments of leases, insurance and registered property specific GSA’s. The following table summarizes certain aspects of debt obligations of such indebtedness (in thousands) as of March 31, 2020:

	Scheduled Principal Payments	% of Total	Scheduled Maturities	% of Total	Total Mortgages	Percentage of Total Mortgages	Weighted Average Interest Rate
2020	25,323,735	1.58%	112,812,461	7.03%	138,136,196	8.61%	3.12%
2021	33,274,398	2.07%	105,239,240	6.56%	138,513,638	8.63%	3.05%
2022	29,006,407	1.81%	208,368,854	12.98%	237,375,261	14.79%	2.97%
2023	23,290,240	1.45%	147,470,371	9.19%	170,760,611	10.64%	2.89%
2024	18,648,241	1.16%	102,936,928	6.41%	121,585,169	7.58%	2.87%
2025	16,317,263	1.02%	130,829,005	8.15%	147,146,268	9.17%	2.84%
2026	13,062,184	0.81%	99,163,041	6.18%	112,225,225	6.99%	2.82%
2027	10,974,851	0.68%	75,997,483	4.74%	86,972,334	5.42%	2.84%
2028	8,497,430	0.53%	153,722,063	9.58%	162,219,493	10.11%	2.57%
2029	5,764,467	0.36%	151,429,790	9.44%	157,194,257	9.80%	2.40%
2030	2,179,022	0.14%	130,509,691	8.13%	132,688,713	8.27%	2.40%
Total	186,338,237	11.61%	1,418,478,927	88.39%	1,604,817,164	100.00%	
Estimated Weighted Average Interest Rate				3.12%			
Estimated Weighted Average Years to Maturity				5.37 years			

Acquisition and Operating Facility

Skyline Apartment REIT has arranged an Acquisition and Operating Facility (the “**Acquisition and Operating Facility**”) to fund working capital and mortgage principal repayments in an amount of up to \$35,000,000 and a second revolving credit facility of up to \$50,000,000. The Acquisition and Operating Facility is a revolving credit facility and amounts drawn thereunder will not, after giving effect to the incurring of such indebtedness, cause the total amount of indebtedness of Skyline Apartment REIT and the amount then advanced under the Acquisition and Operating Facility, to exceed 70% of the Gross Book Value. Skyline Apartment REIT intends to use the net proceeds of the Offering to pay down the Acquisition and Operating Facility. See Item 2.5 – Short Term Objectives and How We Intend to Achieve Them. The Acquisition and Operating Facility facilitates acquisitions by Skyline Apartment REIT by enabling it to enter into negotiations for the purchase of properties without the need for an equity financing condition. As at the date hereof, there is currently \$19,564,664 in total outstanding under the Acquisition and Operating Facility.

The following table summarizes amounts secured against Existing Properties under the Acquisition and Operating Facility (in thousands).

Property	Secured Operating Facility	LOC Rate %
201-211 Hunter St. East Peterborough, ON	\$ 14,742	5.45%
75 Farquhar Street Guelph, ON	2,010	5.45%
3262 Sandwich St. Windsor, ON	2,000	5.45%
2855 6th Avenue Owen Sound, ON	956	5.45%
Total	\$ 19,708	4.95%

4.3 Prior Sales

As of the date of this Offering Memorandum, there are 61,764,584 REIT Units and 3,053,992 Special Voting Units of Skyline Apartment REIT issued and outstanding. Upon the Final Closing of this Offering (assuming the full Offering is subscribed for), there will be 67,002,679 REIT Units and 3,053,992 Special Voting Units outstanding.

The following table sets forth REIT Units issued by Skyline Apartment REIT within the twelve months prior to the date of this Offering Memorandum.

Period of Issuance	Type of Security Issued	Number of Securities Issued	Price per Security	Total Funds Received
April 2019	REIT Units	1,519,723	\$17.25	\$26,215,222
May 2019	REIT Units	636,149	\$17.25	\$10,973,571
June 2019	REIT Units	275,898	\$17.25	\$4,759,233
July 2019	REIT Units	656,510	\$17.25	\$11,324,804
August 2019	REIT Units	588,720	\$17.25	\$10,155,423
September 2019	REIT Units	377,655	\$17.25	\$6,514,545
October 2019	REIT Units	140,391	\$17.25	\$2,421,753
November 2019	REIT Units	118,339	\$17.25	\$2,041,349
December 2019	REIT Units	118,951	\$17.25	\$2,051,907
January 2020	REIT Units	117,914	\$17.25	\$2,034,010
February 2020	REIT Units	95,167	\$17.25	\$1,998,500
March 2020	REIT Units	333,918	\$21.00	\$7,012,271

4.4 Redemption History

The following table sets forth information concerning redemption requests received and REIT Units redeemed by Skyline Apartment REIT during the periods indicated.

Period	Opening Balance of Outstanding Redemption Requests		Redemption Requests Received During Period		Redemption Requests Fulfilled During Period		Closing Balance of Outstanding Redemption Requests	
	Number of Units	Value ⁽¹⁾ (\$)	Number of Units	Value ⁽¹⁾ (\$)	Number of Units	Value ⁽¹⁾ (\$)	Number of Units	Value ⁽¹⁾ (\$)
January 1, 2018 to December 31, 2018	Nil	Nil	3,041,940	\$39,590,300	3,041,940	\$39,590,300	Nil	Nil
January 1, 2019 to December 31, 2019	Nil	Nil	1,299,132	\$16,953,436	1,299,132	\$16,953,436	Nil	Nil
January 1, 2020 to March 31, 2020	Nil	Nil	259,551	\$3,352,006	259,551	\$3,352,006	Nil	Nil

(1) Represents the aggregate Redemption Price of the REIT Units tendered for redemption. See Item 5.1 - Terms of Securities - Redemption of REIT Units.

In an effort to preserve capital in response to the COVID-19 coronavirus pandemic, the Trustees of Skyline Apartment REIT have determined that the Monthly Limit of \$50,000 provided for in the Declaration of Trust will apply in respect of all REIT Units tendered for redemption, including pursuant to pending requests for redemption. **As a result, until the Trustees otherwise determine, the Redemption Amount to which redeeming Unitholders will be entitled to receive on redemption of REIT Units is expected to**

be paid and satisfied by a combination of cash and an interest-bearing Trust Note in accordance with the Declaration of Trust. See Item 5.1 – Terms of Securities – Redemptions of REIT Units.

ITEM 5 SECURITIES OFFERED

5.1 Terms of Securities

The following is a description of the material terms of the REIT Units offered pursuant to this Offering.

The Declaration of Trust provides that the beneficial interests in Skyline Apartment REIT, other than the Initial Unit, are divided into two classes described as “REIT Units” and “Special Voting Units” (collectively, the “Units”). The number of Units of any class which Skyline Apartment REIT may issue is unlimited. Units shall be issued only as fully paid and non-assessable. Each Unit when issued shall vest indefeasibly in the holder thereof. The issued and outstanding Units may be subdivided or consolidated from time to time by the Trustees with the approval of the majority of the Unitholders, or as otherwise provided in the Declaration of Trust. Unitholders have the right to receive notice of, to attend and to vote at all meetings of Unitholders. Each Unit shall entitle the holder thereof to one vote at all meetings of Unitholders.

Each REIT Unit shall represent an undivided beneficial interest in Skyline Apartment REIT and distributions by Skyline Apartment REIT, whether of net income, net realized capital gains or other amounts, and, in the event of a liquidation, dissolution, winding-up or other termination of Skyline Apartment REIT, in the net assets of Skyline Apartment REIT remaining after satisfaction of all liabilities. The distribution entitlement of each REIT Unit is intended to and will be derived from the same sources.

Except as described below in respect of the Monthly Limit applicable to REIT Units tendered for redemption, no REIT Unit shall have preference or priority over any other.

Purchase of REIT Units

Skyline Apartment REIT shall be entitled to purchase for cancellation at any time the whole or from time to time any part of the outstanding REIT Units, at a price per REIT Unit and on a basis determined by the Trustees in compliance with all applicable securities laws.

Redemption of REIT Units

Pursuant to the Declaration of Trust, each Unitholder shall be entitled to require Skyline Apartment REIT to redeem at any time or from time to time at the demand of the Unitholder all or any part of the REIT Units registered in the name of the Unitholder at the prices determined and payable in accordance with the following conditions.

To exercise a Unitholder’s right to require redemption, a duly completed and properly executed notice requiring Skyline Apartment REIT to redeem said REIT Units, in a form approved by the Trustees, specifying the number of REIT Units to be so redeemed, shall be sent to Skyline Apartment REIT at its head office.

Upon receipt by Skyline Apartment REIT of the notice to redeem REIT Units, the Unitholder shall thereafter cease to have any rights with respect to the REIT Units tendered for redemption (other than to receive the redemption payment therefor) including ceasing to have the right to receive any distributions thereon which are declared payable to the Unitholders of record on a date which is subsequent to the day of receipt by Skyline Apartment REIT of such notice. REIT Units shall be considered to be tendered for redemption on the date that Skyline Apartment REIT has, to the satisfaction of the Trustees, received

the notice, other documents and any evidence with respect to the identity, capacity or authority of the Person giving such notice as the Trustees may reasonably require.

Upon receipt by Skyline Apartment REIT of the notice to redeem REIT Units, in accordance with the Declaration of Trust, the holder of the REIT Units tendered for redemption shall be entitled to receive a price per REIT Unit (the “**Redemption Price**”) equal to 100% of the most recent Market Value of the REIT Units. Subject to the provisions of the Declaration of Trust set out below, the Redemption Amount is payable by cheque to or to the order of the Unitholder who exercised the right of redemption, on or before the last day of the calendar month following the month in which the Unitholder tendered the REIT Units for redemption. For the purposes of the Declaration of Trust, “**Market Value**” means the market value of the REIT Units which shall be determined by the Trustees at least annually or more frequently as the Trustees may determine and “**Redemption Amount**” means the Redemption Price times the number of REIT Units that a Unitholder tenders for redemption.

The Trustees determine the Market Value of the REIT Units at least annually using an IFRS/ Net Asset Value (NAV) pricing model. This iterative calculation is driven by the IFRS values of the Properties; calculated as: (a) portfolio IFRS value less total debt obligations; (b) less a discounted net present value of future tax implications; (c) less a discounted net present value of future General Partner sharing; (d) divided by the total number of Units outstanding; and the result of which is a discounted IFRS/NAV value per Unit.

The foregoing payment terms shall not be applicable to REIT Units tendered for redemption by a Unitholder, if the total amount payable by Skyline Apartment REIT in respect of such REIT Units and all other REIT Units tendered for redemption prior thereto in the same calendar month exceeds \$50,000 (the “**Monthly Limit**”); provided that the Trustees may, in their sole discretion, increase such Monthly Limit in respect of all REIT Units tendered for redemption in any calendar month provided further that the Monthly Limit shall not apply to a redemption of a REIT Unit by a person who acquired such REIT Unit upon exchange of a Class C LP Unit or a Class D LP Unit. Where the Monthly Limit is exceeded, the Redemption Amount to which the Unitholder would otherwise be entitled shall be paid and satisfied as follows:

- (a) a portion of the Redemption Amount equal to the Monthly Limit divided by the total number of REIT Units tendered by all Unitholders for redemption in the month times the number of REIT Units tendered for redemption by a Unitholder shall be paid and satisfied in cash, in accordance with the Declaration of Trust; and
- (b) subject to receipt of all necessary regulatory approvals, the remainder of the Redemption Amount shall be paid and satisfied by way of issuance by Skyline Apartment REIT to the Unitholder of a promissory note (a “**Trust Note**”), in accordance with the Declaration of Trust, having a principal amount equal to the Redemption Amount minus the cash paid or payable to the Unitholder pursuant to subsection (a) above. Any such Trust Note shall mature and be payable not later than ten (10) years following the date of issue, shall be repayable at any time at the option of Skyline Apartment REIT and shall bear interest at the Prime Rate plus 2%.

Upon the payment by Skyline Apartment REIT of the Redemption Amount in accordance with the Declaration of Trust, Skyline Apartment REIT shall be discharged from all liability to the Unitholder or former Unitholder in respect of the REIT Units so redeemed.

In an effort to preserve capital in response to the COVID-19 coronavirus pandemic, the Trustees of Skyline Apartment REIT have determined not to increase the Monthly Limit in respect of REIT Units tendered for redemption, including pursuant to pending requests for redemption, as was their prior practice. **As a result, until the Trustees in their discretion otherwise determine, the Monthly Limit set out above will**

apply in respect of all REIT Units tendered for redemption, and the Redemption Amount to which redeeming Unitholders will be entitled to receive on redemption of REIT Units is expected to be paid and satisfied by a combination of cash and an interest-bearing Trust Note, as more particularly described above.

All REIT Units which are redeemed pursuant to the Declaration of Trust shall be cancelled and such REIT Units shall no longer be outstanding and shall not be reissued.

Some or all of the income of Skyline Apartment REIT, the net realized capital gains of Skyline Apartment REIT and the net recapture income of Skyline Apartment REIT for a year may, for purposes of computing the net income of Skyline Apartment REIT and the net realized capital gains of Skyline Apartment REIT under the Tax Act or other tax legislation, be treated as having been paid in the year by Skyline Apartment REIT to the Unitholders redeeming REIT Units in such year and, to the extent of the amount thereof so treated has been designated as taxable capital gains or income to such Unitholders, the holder's redemption proceeds shall be reduced accordingly. Any such amounts shall be determined at the discretion of a majority of the Trustees; however in all cases, a redeeming Unitholder will only be treated as having been paid an amount to which the Unitholders of the REIT Units redeemed would be entitled to receive.

Take-Over Bids

If there is a take-over bid for all of the outstanding REIT Units and, within the time limit in a take-over bid for its acceptance, or 120 days after the date of such take-over bid, whichever period is the shorter, the take-over bid is accepted by the holders of not less than 90% of the REIT Units (including REIT Units issuable upon the surrender or exchange of any securities for REIT Units but not including any such securities held at the date of the take-over bid by or on behalf of the offeror or affiliates or associates of the offeror), other than REIT Units held at the date of the take-over bid by or on behalf of the offeror or an affiliate or an associate of the offeror, the offeror is entitled, on complying with the Declaration of Trust, to acquire the REIT Units held by the dissenting offerees.

Meetings of Unitholders

Unitholders have the right to receive notice of, to attend and to vote at all meetings of Unitholders. Each Unit entitles the holder thereof to one vote at all meetings of Unitholders. Unitholders may attend and vote at all meetings of Unitholders either in person or by proxy, and a proxyholder need not be a Unitholder.

There shall be an annual meeting of the Unitholders, at such time and place in Canada as the Trustees shall prescribe, for the purpose of electing Trustees (except for the Skyline Appointee(s)), appointing or changing the accountants of Skyline Apartment REIT and Skyline LP and transacting such other business as the Trustees may determine or as may properly be brought before the meeting. The annual meeting of the Unitholders shall be held after delivery to the Unitholders of the financial information referred to in the Declaration of Trust and, in any event, within 180 days after the end of each fiscal year of Skyline Apartment REIT.

The Trustees have the power at any time to call special meetings of the Unitholders at such time and place in Canada as the Trustees may determine. The Unitholders holding in the aggregate not less than 5% of the votes attaching to all outstanding Units (on a fully-diluted basis) may requisition the Trustees in writing to call a special meeting of the Unitholders for the purposes stated in the requisition. The requisition must state in reasonable detail the business proposed to be transacted at the meeting and shall be sent to each of the Trustees and to the principal office of Skyline Apartment REIT. The Unitholders have the right to obtain a list of the Unitholders to the same extent and upon the same conditions as those which apply to shareholders of a corporation governed by the *Business Corporations Act* (Ontario).

Issuance of REIT Units

The Trustees may allot and issue REIT Units at such time or times and in such manner (including pursuant to any plan from time to time in effect relating to reinvestment by the Unitholders of distributions of Skyline Apartment REIT in REIT Units) and to such Person, Persons or class of Persons as the Trustees in their sole discretion shall determine. The price or the value of the consideration for which REIT Units may be issued and the terms and conditions of issuance of the REIT Units shall be determined by the Trustees in their sole discretion, generally (but not necessarily) in consultation with investment dealers or brokers who may act as underwriters in connection with offerings of REIT Units. In the event that REIT Units are issued in whole or in part for a consideration other than money, the resolution of the Trustees allotting and issuing such REIT Units shall express the fair equivalent in money of the other consideration received.

Limitation on Non-Resident Ownership

Notwithstanding any provision of this Offering Memorandum or the Declaration of Trust to the contrary, at no time may more than 49% of the REIT Units or the Special Voting Units then outstanding be held by or for the benefit of Persons who are not resident in Canada for the purposes of the Tax Act ("**Non-Resident Beneficiaries**"). The Trustees may require declarations as to the jurisdictions in which beneficial owners of REIT Units or Special Voting Units, as the case may be, are resident or declarations from holders of REIT Units or Special Voting Units, as the case may be, as to whether such REIT Units or Special Voting Units, as the case may be, are held for the benefit of Non-Resident Beneficiaries. If the Trustees become aware that more than 49% of the REIT Units or Special Voting Units then outstanding are, or may be, held by or for the benefit of Non-Resident Beneficiaries or that such a situation is imminent, the Trustees may make a public announcement thereof and shall not accept a subscription for such REIT Units or Special Voting Units, as the case may be, from or issue or register a transfer of such REIT Units or Special Voting Units, as the case may be, to a Person unless the Person provides a declaration that the Person is not a non-resident for the purposes of the Tax Act (or, in the discretion of the Trustees, that the Person is not a Non-Resident Beneficiary) and does not hold his REIT Units or Special Voting Units, as the case may be, for a Non-Resident Beneficiary. If, notwithstanding the foregoing, the Trustees determine that more than 49% of the REIT Units or Special Voting Units then outstanding are held by or for the benefit of Non-Resident Beneficiaries, the Trustees may send a notice to non-resident holders of REIT Units or Special Voting Units, as the case may be, and holders of REIT Units or Special Voting Units, as the case may be, for Non-Resident Beneficiaries chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustees may consider equitable and practicable, requiring them to sell or redeem their REIT Units or Special Voting Units, as the case may be or a portion thereof within a specified period of not more than 60 days (unless the Canada Revenue Agency has confirmed in writing that a longer period is acceptable). If the Unitholders receiving such notice have not sold or redeemed the specified number of REIT Units or Special Voting Units, as the case may be, or provided the Trustees with satisfactory evidence that they are not non-residents for the purpose of the Tax Act and do not hold their REIT Units or Special Voting Units for the benefit of Non-Resident Beneficiaries within such period, the Trustees may sell or redeem such REIT Units or Special Voting Units, as the case may be, on behalf of such Unitholders (and the Trustees shall have the power of attorney of such Unitholders to do so) and, in the interim, the voting and distribution rights, if any, attached to such REIT Units or Special Voting Units, as the case may be, shall be suspended. Upon such sale the affected holders shall cease to be holders of REIT Units or Special Voting Units, as the case may be, and their rights shall be limited to receiving the net proceeds of sale upon surrender of such REIT Units or Special Voting Units, as the case may be. In any situation where it is unclear whether REIT Units or Special Voting Units are held for the benefit of Non-Resident Beneficiaries, the Trustees may exercise their discretion in determining whether such REIT Units or Special Voting Units, as the case may be, are or are not so held, and any such exercise by them of their discretion shall be binding for the purposes of the Declaration of Trust.

Distribution Policy

The Declaration of Trust provides that Skyline Apartment REIT may distribute to Unitholders on or about each Distribution Date such percentage of the Distributable Income for the calendar month then ended as the Trustees determine in their discretion.

In addition, the Trustees may declare to be payable and make distributions, from time to time, out of income of Skyline Apartment REIT, net realized capital gains of Skyline Apartment REIT, the net recapture income of Skyline Apartment REIT, the capital of Skyline Apartment REIT or otherwise, in any year, in such amount or amounts, and on such dates on or before December 31 of that year as the Trustees may determine, to the extent such income, capital gains and capital has not already been paid, allocated or distributed to the Unitholders.

Distributions may be adjusted for amounts paid in prior periods if the actual Distributable Income for the prior periods is greater than or less than the Trustees' estimates for the prior periods. Distributions shall be made in cash or may be invested in similar REIT Units pursuant to any distribution reinvestment plan or unit purchase plan adopted by the Trustees.

Where the Trustees determine that Skyline Apartment REIT does not have available cash in an amount sufficient to make payment of the full amount of any distribution which has been declared to be payable on the due date for such payment, the payment may, at the option of the Trustees, include the issuance of additional REIT Units or fractions of such REIT Units, as the case may be, if necessary, having a fair market value as determined by the Trustees equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Trustees to be available for the payment of such distribution in the case of REIT Units.

Notwithstanding anything to the contrary, for greater certainty, no amounts will be distributed to holders of Special Voting Units.

Distribution Reinvestment Plan ("DRIP")

Skyline Apartment REIT has implemented a DRIP pursuant to which Unitholders may elect to convert cash distributions payable on REIT Units owned by the Unitholders into additional REIT Units in accordance with the DRIP. On each Distribution Date, Unitholders who so elect to participate will receive that number of additional REIT Units which is equal to the amount of the cash distribution to be reinvested divided by an amount equal to the Market Value of a REIT Unit on that date. No interest will be paid to plan participants on any funds held under the DRIP. There are no commissions, service charges or brokerage fees payable by a Unitholder in connection with the issuance of REIT Units under the DRIP and all administrative costs will be borne by Skyline Apartment REIT. However, plan participants who enroll in the DRIP through a registered dealer or trust company may nevertheless be subject to the fees imposed under the terms governing their relationship with that dealer or trust company, as the case may be. Unitholders resident outside of Canada are not entitled to participate in the DRIP. Upon ceasing to be a resident of Canada, a Unitholder must terminate the Unitholder's participation in the DRIP.

5.2 Subscription Procedure

In order to subscribe for REIT Units, Subscribers must complete, execute and deliver the following to the Exempt Market Dealer at 5 Douglas Street, Suite 301, Guelph, Ontario, N1H 2S8:

1. one fully completed and signed copy of the Subscription Agreement, including the schedules and all other documentation contemplated by the Subscription Agreement; and

2. a cheque, bank draft or evidence of completed wire transfer in an amount equal to the aggregate subscription price payable for the REIT Units subscribed for by the Subscriber (as set forth in the Subscription Agreement).

Skyline Apartment REIT has the right to accept or reject the Subscriber's subscription in whole or in part. If the subscription is rejected in whole or in part, all or a portion of the purchase price, as the case may be, will be promptly delivered to the Subscriber, without interest.

The subscription funds will be held in trust until midnight of the second business day subsequent to the date that each Subscription Agreement is signed by a Subscriber.

Representations of Subscribers

Each Subscriber for REIT Units under this Offering will be required to represent to Skyline Apartment REIT, the Exempt Market Dealer and any dealer who sells the REIT Units to such Subscriber that: (a) the offer and sale of REIT Units was made exclusively through the Offering Memorandum; (b) such Subscriber has reviewed and acknowledges the terms referred to below under the section entitled "Resale Restrictions"; and (c) such Subscriber is entitled under applicable Canadian securities laws to purchase such REIT Units without the benefit of a prospectus, because such Subscriber is an "accredited investor" as defined in NI 45-106 or the *Securities Act* (Ontario) or is purchasing the REIT Units in reliance on another exemption from the prospectus requirement in NI 45-106.

In addition, each purchaser of REIT Units will be required to represent to Skyline Apartment REIT, the Exempt Market Dealer and each dealer from whom a purchase confirmation was received, that such Subscriber: (a) has been notified by Skyline Apartment REIT (i) that Skyline Apartment REIT is required to provide certain personal information ("**personal information**") pertaining to the Subscriber to the securities regulatory authority or regulator in each Canadian jurisdiction in which investors reside, or in circumstances where a subscription for securities is otherwise subject to such a reporting requirement under applicable securities law (including its name, residential address, telephone number, the number and value of any REIT Units purchased and the prospectus exemption relied upon); (ii) that such personal information is collected by the securities regulatory authority or regulator under the authority granted to it under, and for the purposes of the administration and enforcement of, the securities legislation of the local jurisdiction; and (iii) of the title, business address and business telephone number of the public official in each jurisdiction of Canada who can answer questions about the securities regulatory authority or regulator's indirect collection of such information; and (b) by purchasing REIT Units, such Subscriber has authorized the indirect collection of the personal information by securities regulatory authority or regulator. Each Subscriber will also acknowledge that while the information in the report described above is currently not expected to be placed on the public file of any Canadian securities regulatory authority or regulator, freedom of information legislation may require the securities regulatory authority or regulator to make this information available, if requested.

Proceeds of Crime (Money Laundering) Legislation

In order to comply with Canadian legislation aimed at the prevention of money laundering and terrorism, the Exempt Market Dealer may require additional information concerning Canadian investors and by signing the Subscription Agreement, the Subscriber agrees to provide such information.

If as a result of any information or other matter which comes to its attention of the Exempt Market Dealer, any director, officer or employee of the Exempt Market Dealer, or its professional advisers, such person knows or suspects that a Canadian investor is engaged in money laundering or terrorism, such person is required to report such information or other matter to applicable law enforcement and securities regulatory authorities, including the Financial Transactions and Reports Analysis Centre of Canada and such report

shall not be treated as a breach of any restriction upon the disclosure of information imposed by Canadian law or otherwise.

ITEM 6 INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY

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

In the opinion of Aird & Berlis LLP, counsel to Skyline Apartment REIT, the following summary fairly presents the principal Canadian federal income tax considerations generally applicable to prospective subscribers of REIT Units pursuant to this Offering Memorandum who, for the purposes of the Tax Act, are resident in Canada, deal at arm's length with, and are not affiliated with, Skyline Apartment REIT and will hold their REIT Units as capital property. Generally, the REIT Units will be considered to be capital property to a Unitholder provided that the Unitholder does not hold the REIT Units in the course of carrying on a business and has not acquired them in a transaction considered to be an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their REIT Units as capital property may, in certain circumstances, be entitled to have them and all other "Canadian securities" (as defined in the Tax Act) owned by them treated as capital property by making the irrevocable election under subsection 39(4) of the Tax Act.

This summary is not applicable to (i) a Unitholder that is a "financial institution", as defined in the Tax Act for the purposes of the mark-to-market rules, (ii) a "specified financial institution" as defined in the Tax Act, (iii) a Unitholder where an interest in such Unitholder would be a "tax shelter" or a "tax shelter investment" as defined in the Tax Act, (iv) a Unitholder that is exempt from tax under Part I of the Tax Act, (v) a Unitholder who has elected to report its Canadian tax results in a currency other than the Canadian currency in accordance with the rules in the Tax Act, or (vi) a Unitholder who enters into, or has entered into, a "derivative forward arrangement" with respect to the REIT Units, as that term is defined in the Tax Act, nor does this summary address the tax consequences to a Unitholder who has borrowed funds in connection with the acquisition of REIT Units.

This summary is based upon the facts set out in this Offering Memorandum and a certificate of an officer of Skyline Apartment REIT provided to Aird & Berlis LLP by Skyline Apartment REIT with respect to certain factual matters (the "**Officer's Certificate**"). This summary assumes that the representations in the Officer's Certificate are true and correct. This summary assumes that Skyline Apartment REIT will at all times comply with the provisions of the Declaration of Trust, and that Skyline Apartment REIT currently qualifies as, and will at all times continue to qualify as, a mutual fund trust under the provisions of the Tax Act and will not be a SIFT trust (as defined below) for purposes of the Tax Act. This summary is based upon the current provisions of the Tax Act and the regulations thereunder, the specific proposals to amend the Tax Act and regulations thereunder, publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**"), and counsel's understanding of the current published administrative practices and assessing policies of the Canada Revenue Agency.

This summary is not exhaustive of all possible Canadian federal income tax consequences applicable to acquiring, holding or disposing of REIT Units pursuant to this Offering Memorandum and, except for the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations. Moreover, the income and other tax consequences of acquiring, holding or disposing of REIT Units pursuant to this Offering Memorandum will vary depending on the Unitholder's particular circumstances. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any prospective Unitholder. Accordingly, prospective Unitholders should consult with their tax advisors for advice with respect to the tax consequences to them having regard to their own particular circumstances.

SIFT Rules

The Tax Act contains legislation relating to the federal income taxation of publicly-listed or traded trusts (such as income trusts and real estate investment trusts) and partnerships (the “**SIFT Rules**”).

The SIFT Rules apply to a publicly-listed or traded trust that is a specified investment flow-through entity (a “**SIFT trust**”) and to its investors. Certain distributions attributable to a SIFT trust’s “non-portfolio earnings” are not deductible in computing the SIFT trust’s income and the SIFT is subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. Provided that investments in Skyline Apartment REIT are not listed or traded on a stock exchange or other public market, Skyline Apartment REIT will not be subject to the SIFT Rules. If investments in Skyline Apartment REIT become publicly-listed or traded, there can be no assurance that Skyline Apartment REIT will not be subject to the SIFT Rules at that time.

Taxation of Skyline Apartment REIT

The taxation year of Skyline Apartment REIT is the calendar year. In each taxation year Skyline Apartment REIT will be subject to tax under Part I of the Tax Act on its income for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of amounts paid or payable in the year to Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by Skyline Apartment REIT or if the Unitholder is entitled in that year to enforce payment of the amount.

In computing its income for the purposes of the Tax Act for a particular taxation year, Skyline Apartment REIT must include rents in respect of Skyline Apartment REIT’s portfolio of properties, any taxable capital gains and any recapture of capital cost allowance arising on the disposition of properties owned by Skyline Apartment REIT and any other income earned by Skyline Apartment REIT in such taxation year.

In computing its income for purposes of the Tax Act, Skyline Apartment REIT may deduct reasonable administrative costs and other reasonable expenses incurred by it for the purpose of earning income, generally including a reasonable amount of interest on borrowed funds. Skyline Apartment REIT generally may also deduct in computing its income for the year a portion of the reasonable expenses incurred by Skyline Apartment REIT to issue Units. The portion of the issue expenses deductible by Skyline Apartment REIT in a taxation year is 20% of the total issue expenses, pro-rated where Skyline Apartment REIT’s taxation year is less than 365 days.

The Declaration of Trust generally requires Skyline Apartment REIT to claim the maximum amount of deductions available to it in computing its income for tax purposes unless the Trustees determine otherwise.

Skyline Apartment REIT may also deduct in computing its income for purposes of the Tax Act the aggregate amount paid or made payable to Unitholders in the year. Losses incurred by Skyline Apartment REIT cannot be allocated to Unitholders but may be deducted by Skyline Apartment REIT in future years in accordance with the detailed rules in the Tax Act.

The Tax Act includes “loss restriction event” (“**LRE**”) rules that could potentially apply to Skyline Apartment REIT. In general, a trust is subject to an LRE if a person (or group of persons) acquires more than 50% of the fair market value of the units of the trust. If an LRE occurs (i) a trust will be deemed to have a year-end for tax purposes immediately before the LRE occurs, (ii) unless any net income and net realized capital gains of the trust at such year-end is distributed or otherwise made payable to unitholders of the trust to the extent required for the trust not to be liable for income taxes, the trust would be subject to tax

under Part I of the Tax Act, and (iii) the trust will be restricted in its ability to use tax losses (including any unrealized capital losses) that exist at the time of the LRE.

Part XII.2 of the Tax Act imposes a special 40% tax on the designated income (which includes income from real property in Canada) of certain trusts with respect to distributions to designated beneficiaries (which include non-resident persons and certain tax-exempt persons). Part XII.2 will not apply to Skyline Apartment REIT in a taxation year provided that Skyline Apartment REIT qualifies as a mutual fund trust throughout the taxation year.

Taxation of Unitholders

A Unitholder is required to include in computing income for tax purposes in each year the portion of the amount of net income and net taxable capital gains of Skyline Apartment REIT, determined for the purposes of the Tax Act, paid or payable to such Unitholder in the year that Skyline Apartment REIT deducts in computing its income for tax purposes.

The Declaration of Trust provides that net income, including net taxable capital gains for purposes of the Tax Act, will be allocated to Unitholders in the same proportion as distributions received by Unitholders, subject to the discretion of the Trustees to adopt an allocation method which the Trustees consider to be more reasonable in the circumstances.

The amount distributed to Unitholders in a year may exceed the income of Skyline Apartment REIT for tax purposes for that year. Distributions in excess of Skyline Apartment REIT's taxable income in a year will not be included in computing the income of the Unitholders from Skyline Apartment REIT for tax purposes. However, a Unitholder is required to reduce the adjusted cost base of such holder's REIT Units by the portion of any amount paid or payable to such holder by Skyline Apartment REIT (other than the non-taxable portion of certain capital gains) that was not included in computing such holder's income. A Unitholder will realize a capital gain in the year to the extent the adjusted cost base of the holder's REIT Units would otherwise be a negative amount. Skyline Apartment REIT will designate to the extent permitted by the Tax Act the portion of the taxable income distributed to Unitholders as may reasonably be considered to consist of net taxable capital gains of Skyline Apartment REIT. Any such designated amount will be deemed for tax purposes to be received by Unitholders in the year as a taxable capital gain.

A Unitholder that is a Canadian-controlled private corporation (as defined in the Tax Act) may be liable to pay an additional refundable tax on its aggregate investment income (as defined in the Tax Act) for the year, including taxable capital gains.

Disposition of REIT Units

Upon the disposition or deemed disposition by a Unitholder of a REIT Unit, a capital gain (or a capital loss) will generally be realized to the extent that the proceeds of disposition of the REIT Unit exceed (or are exceeded by) the aggregate of the adjusted cost base to the Unitholder of the REIT Unit immediately before the disposition and any reasonable costs of the disposition. The adjusted cost base to a Unitholder of a REIT Unit will be determined by averaging the cost base of all REIT Units owned by a Unitholder as capital property at a particular time. Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a Unitholder will be included in the Unitholder's income for the year of disposition. One-half of any capital loss so realized (an "**allowable capital loss**") may generally be deducted against taxable capital gains of the Unitholder for the year of disposition. Any excess of allowable capital losses over taxable capital gains of the Unitholder for the year of disposition may be carried back up to three taxation years or forward indefinitely and deducted against net taxable capital gains in those other years to the extent and in the circumstances prescribed in the Tax Act.

Capital gains realized by an individual or trust, other than certain trusts, may give rise to alternative minimum tax under the Tax Act. A Unitholder that is a Canadian-controlled private corporation (as defined in the Tax Act) may be liable to pay an additional refundable tax on taxable capital gains.

Since the net income of Skyline Apartment REIT will be distributed on a monthly basis, a purchaser of a REIT Unit may become taxable on a portion of the net income of Skyline Apartment REIT accrued or realized by Skyline Apartment REIT in a month before the time the REIT Unit was purchased but which was not paid or made payable to Unitholders until the end of the month and after the time the REIT Unit was purchased. A similar result may apply on an annual basis in respect of a portion of capital gains accrued or realized in a year before the time the REIT Unit was purchased, but which is paid or made payable to Unitholders at year-end and after the time the REIT Unit was purchased.

Eligibility for Investment

In the opinion of Aird & Berlis LLP, counsel to Skyline Apartment REIT, provided that Skyline Apartment REIT qualifies as a “mutual fund trust” for purposes of the Tax Act at a particular time, the REIT Units will be qualified investments for a trust governed by a registered retirement savings plan (“RRSP”), registered retirement income fund (“RRIF”), registered disability savings plan (“RDSP”), registered education savings plan (“RESP”), deferred profit sharing plan or a tax-free savings account (“TFSA”) at such time.

Notwithstanding the foregoing, if the REIT Units are “prohibited investments” for a trust governed by an RRSP, RRIF, RDSP, RESP or TFSA which acquired REIT Units pursuant to this Offering Memorandum, the annuitant, holder or subscriber will be subject to a penalty tax in respect of such REIT Units. A REIT Unit will generally be a “prohibited investment” if the annuitant, holder or subscriber does not deal at arm’s length with Skyline Apartment REIT for purposes of the Tax Act or has a significant interest (within the meaning of the Tax Act) in Skyline Apartment REIT. For these purposes, an annuitant, holder or subscriber will have a significant interest in Skyline Apartment REIT at a particular time if the annuitant, holder or subscriber, or the annuitant, holder or subscriber together with persons or partnerships with which the annuitant, holder or subscriber does not deal at arm’s length, holds at the time interests as a beneficiary under Skyline Apartment REIT that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under Skyline Apartment REIT. The REIT Units will generally not be a “prohibited investment” if the REIT Units are “excluded property” (as defined in the Tax Act) for trusts governed by an RRSP, RRIF, RDSP, RESP or TFSA.

Holders, annuitants or subscribers should consult their own tax advisors with respect to whether REIT Units would be prohibited investments in their particular circumstances, including with respect to whether the REIT Units would be “excluded property”.

ITEM 7 COMPENSATION PAID TO SELLERS AND FINDERS

The Exempt Market Dealer Agreement was entered into between the Exempt Market Dealer and Skyline Apartment REIT on November 26, 2018. Pursuant to the Exempt Market Dealer Agreement, the Exempt Market Dealer is responsible for acting as exempt market dealer on all offerings of REIT Units and providing other services to Skyline Apartment REIT. See Item 2.2 – Our Business – Management of Skyline Apartment REIT – The Exempt Market Dealer.

In consideration for the services to be provided by the Exempt Market Dealer to Skyline Apartment REIT, the Exempt Market Dealer will be entitled to a wealth management fee, payable monthly, equal to 1/12 of 0.3% of Skyline Apartment REIT’s Equity Under Management (calculated as the product of the outstanding REIT Units multiplied by the then market value of one REIT Unit). The wealth management fee is estimated to be \$33,000 per month, assuming the maximum Offering. The Exempt Market Dealer will also be entitled

to an equity raise fee equal to a maximum of 1.0% on the capital raised in offerings of REIT Units, subject to adjustment (\$1,100,000, assuming the maximum Offering).

Under the Exempt Market Dealer Agreement, the Exempt Market Dealer is responsible for employment expenses of its personnel, rent and other office expenses of the Exempt Market Dealer in connection with providing services to Skyline Apartment REIT under the Exempt Market Dealer Agreement.

ITEM 8 RISK FACTORS

There are certain risk factors inherent in an investment in the REIT Units and in the activities of Skyline Apartment REIT, including the following, which subscribers should carefully consider before subscribing for the REIT Units. If any such risks actually occur, the financial condition and results of operations of Skyline Apartment REIT could be materially adversely affected and the financial performance of Skyline Apartment REIT and the ability of Skyline Apartment REIT to make cash distributions or satisfy requests for redemptions of Units could be materially adversely affected.

COVID-19 Coronavirus Pandemic

The COVID-19 coronavirus pandemic may adversely affect trade and local, national or global economies, and could result in a general or acute decline in economic activity in the markets in which Skyline Apartment REIT operates. In weak economic environments, Skyline Apartment REIT's tenants may be unable to meet their rental payments, which could have a material and adverse effect on Skyline Apartment REIT. Contagion in one of Skyline Apartment REIT's properties, or a market in which it operates, could negatively impact Skyline Apartment REIT's business and results of operations. In addition, fluctuation in interest rates or other financial market volatility may adversely affect Skyline Apartment REIT's ability to refinance existing indebtedness on its maturity or on terms that are as favourable as the terms of existing indebtedness, which may impact negatively on Skyline Apartment REIT's performance, or may adversely affect the ability of Skyline Apartment REIT to complete acquisitions on financially desirable terms. The extent to which COVID-19 impacts Skyline Apartment REIT will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain COVID-19 or its impact, among others. If the outbreak of COVID-19 and related developments lead to a prolonged or significant impact on global, national or local markets or economic growth, Skyline Apartment REIT's cash flows, financial condition or results of operations, its ability to raise additional financing and its ability to make cash distributions to Unitholders may be materially and adversely affected. Further, the COVID-19 coronavirus pandemic may cause disruptions to Skyline Apartment REIT's business and operational plans. These disruptions may severely impact Skyline Apartment REIT's ability to carry out its business plans for 2020 in accordance with the Use of Available Funds section above.

Real Property Ownership

All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, demand for apartment premises, competition from other apartment premises and various other factors.

Certain significant expenditures, including property taxes, capital repair and replacement costs, 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 any income. If Skyline Apartment REIT is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit Skyline Apartment REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If Skyline Apartment REIT were required to liquidate its real property investments, the proceeds to Skyline Apartment REIT might be significantly less than the aggregate value of its properties on a going concern basis.

Skyline Apartment REIT will be subject to the risks associated with debt financing, including the risk that existing mortgage indebtedness secured by the Properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness.

Tenant Terminations and Financial Stability

Skyline Apartment REIT's Distributable Income would be adversely affected if a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the Existing Properties and any additional properties in which Skyline Apartment REIT acquires an interest were not able to be leased on economically favourable lease terms. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Skyline Apartment REIT than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting Skyline Apartment REIT's investment may be incurred. Furthermore, at any time, a tenant of any of Skyline Apartment REIT's properties may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the cash flow available to Skyline Apartment REIT. The ability to rent unleased space in the properties in which Skyline Apartment REIT will have an interest will be affected by many factors. Costs may be incurred in making improvements or repairs to property required by a new tenant. The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on Skyline Apartment REIT's financial condition.

Future Property Acquisitions

The acquisition by Skyline Apartment REIT of the Properties Under Due Diligence and the Land Under Due Diligence is not conditional upon completion of this Offering. There can be no assurance that Skyline Apartment REIT will acquire the Properties Under Due Diligence or Land Under Due Diligence or be able to acquire, other properties with the net proceeds to Skyline Apartment REIT of this Offering allocated for such purpose.

Revenue Producing Properties

The Properties generate income through rental payments made by the tenants thereof. Upon the expiry of any lease, there can be no assurance that such lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Skyline Apartment REIT than the existing lease.

Competition for Real Property Investments

Skyline Apartment REIT competes for suitable real property investments with individuals, corporations and institutions (both Canadian and foreign) and other real estate investment trusts which are presently seeking, or which may seek in the future, real property investments similar to those desired by Skyline Apartment REIT. A number of these investors may have greater financial resources than those of Skyline Apartment REIT, or operate without the investment or operating restrictions of Skyline Apartment REIT or according to more flexible conditions. An increase in the availability of investment funds, and an increase

in interest in real property investments, may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

Competition for Tenants

The real estate business is competitive. Numerous other developers, managers and owners of properties compete with Skyline Apartment REIT in seeking tenants. The existence of competing developers, managers and owners and competition for Skyline Apartment REIT's tenants could have an adverse effect on Skyline Apartment REIT's ability to lease space in its properties and on the rents charged.

Interest Rates

It is anticipated that the market price for the REIT Units at any given time may be affected by the level of interest rates prevailing at that time. A rise in interest rates may have a negative effect on the market price of the REIT Units. Changes in interest rates may also have effects on vacancy rates, rent levels, refurbishing costs and other factors affecting Skyline Apartment REIT's business and profitability.

General Economic Conditions

Skyline Apartment REIT is affected by general economic conditions, local real estate markets, competition from other available rental premises, including new developments, and various other factors. The existence of competing developers, managers and owners and competition for Skyline Apartment REIT's tenants could have an adverse effect on Skyline Apartment REIT's ability to lease space in its properties and on the rents charged, increased leasing and marketing costs and increased refurbishing costs necessary to lease and release space, all of which could adversely affect Skyline Apartment REIT's revenues and, consequently, its ability to meet its obligations. In addition, any increase in the supply of available space in the markets in which Skyline Apartment REIT operates or may operate could have an adverse effect on Skyline Apartment REIT.

General Uninsured Losses

Skyline Apartment REIT carries comprehensive general liability, fire, flood, extended coverage, rental loss and pollution insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as from wars) which are either uninsurable or not insurable on an economically viable basis. Skyline Apartment REIT has insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements, and will continue to carry such insurance if economical to do so. Should an uninsured or underinsured loss occur, Skyline Apartment REIT could lose its investment in, and anticipated profits and cash flows from, one or more of its Properties, but Skyline Apartment REIT would continue to be obligated to repay any recourse mortgage indebtedness on such Properties.

Availability of Cash Flow

Distributable income may exceed actual cash available to Skyline Apartment REIT from time to time because of items such as principal repayments of debt, tenant inducements, leasing commissions and capital expenditures, if any. Skyline Apartment REIT may be required to use part of its debt capacity or reduce distributions in order to accommodate such items.

Access to Capital

The real estate industry is highly capital intensive. Skyline Apartment REIT will require access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There is no assurance that capital will be available when needed or on favourable terms.

Environmental and Climate Change Risk

Environmental and ecological legislation and policies have become increasingly important, and generally restrictive, in recent years. Under various laws, Skyline Apartment REIT could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, may adversely affect an owner's ability to sell such real estate or to borrow using such real estate as collateral, and could potentially also result in claims against the owner by private plaintiffs. Environmental laws and regulations may change and Skyline Apartment REIT may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on Skyline Apartment REIT's business, financial condition or results of operation. It is the Asset Manager's policy that where a property is purchased and new financing is obtained, Phase I Environmental Assessments are performed by an independent and experienced environmental consultant. In the case of mortgage assumption, the vendor will be asked to provide a satisfactory Phase I and/or Phase II Environmental Assessment that the Asset Manager will rely upon and/or determine whether an update is necessary. Skyline Apartment REIT is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of the Properties or any pending or threatened claims relating to environmental conditions at the Properties.

Natural disasters and severe weather such as floods, blizzards and rising temperatures may result in damage to the Properties. The extent of Skyline Apartment REIT's casualty losses and loss in operating income in connection with such events is a function of the severity of the event and the total amount of exposure in the affected area. Skyline Apartment REIT is also exposed to risks associated with inclement winter weather, including increased need for maintenance and repair of Skyline Apartment REIT's buildings. In addition, climate change, to the extent it causes changes in weather patterns, could have effects on Skyline Apartment REIT's business by increasing the cost of property insurance, and/or energy at the Properties. As a result, the consequences of natural disasters, severe weather and climate change could increase the Skyline Apartment REIT's costs and reduce Skyline Apartment REIT's cash flow.

Unitholder Liability

Because of uncertainties in the law relating to investment trusts, there is a risk, which is considered by counsel to be remote in the circumstance, that a Unitholder could be held personally liable for obligations of Skyline Apartment REIT (to the extent that claims are not satisfied by Skyline Apartment REIT) in respect of contracts which Skyline Apartment REIT enters into and for certain liabilities arising other than out of contract including claims in tort, claims for taxes and possibly certain other statutory liabilities. The Trustees intend to cause Skyline Apartment REIT's operations to be conducted in such a way as to minimize any such risk including by obtaining appropriate insurance and, where feasible, attempting to have every material written contract or commitment of Skyline Apartment REIT contain an express disavowal of liability against Unitholders.

Dependence on Key Personnel

The management of Skyline Apartment REIT depends on the services of certain key personnel. The termination of employment by the Asset Manager of any of these key personnel could have a material adverse effect on Skyline Apartment REIT.

Potential Conflicts of Interest

Skyline Apartment REIT may be subject to various conflicts of interest because of the fact that the Trustees and senior officers of Skyline Apartment REIT and the senior officers of the Asset Manager and the Exempt Market Dealer are engaged in a wide range of real estate and other business activities. Skyline Apartment REIT may become involved in transactions which conflict with the interests of the foregoing.

The Trustees may from time to time deal with persons, firms, institutions or corporations with which Skyline Apartment REIT may be dealing, or which may be seeking investments similar to those desired by Skyline Apartment REIT. The interests of these persons could conflict with those of Skyline Apartment REIT. In addition, from time to time, these persons may be competing with Skyline Apartment REIT for available investment opportunities.

The Skyline Apartment REIT Declaration of Trust contains “conflicts of interest” provisions requiring Trustees to disclose material interests in material contracts and transactions and to refrain from voting thereon.

Tax Related Risks

There can be no assurance that income tax laws and the treatment of mutual fund trusts will not be changed in a manner which adversely affects Skyline Apartment REIT or the Unitholders.

In addition, Unitholders may become subject to provincial taxes, such as Ontario Land Transfer Tax, in respect of their REIT Units.

If Skyline Apartment REIT fails or ceases to qualify as a mutual fund trust for purposes of the Tax Act, the tax consequences described under Item 6 “Income Tax Consequences and RRSP Eligibility” would in some respects be materially and adversely different. Such adverse differences would include that if Skyline Apartment REIT did not qualify as a mutual fund trust throughout a taxation year, it would be subject to a special tax under Part XII.2 of the Tax Act for such taxation year to the extent that its designated income (which includes income from real property) is distributed to a designated beneficiary (which includes non-resident persons and certain tax-exempt persons).

If investments in Skyline Apartment REIT become publicly listed or traded, there can be no assurances that Skyline Apartment REIT will not be subject to the SIFT Rules, as described under “Income Tax Consequences and RRSP Eligibility – SIFT Rules”, at that time.

Skyline Apartment REIT or its subsidiaries may be reassessed for taxes from time to time. Such reassessments together with associated interest and penalties could adversely affect Skyline Apartment REIT.

Since the net income of Skyline Apartment REIT will be distributed on a monthly basis, a purchaser of a REIT Unit may become taxable on a portion of the net income of Skyline Apartment REIT accrued or realized by Skyline Apartment REIT in a month before the time the REIT Unit was purchased but which was not paid or made payable to Unitholders until the end of the month and after the time the REIT Unit was purchased. A similar result may apply on an annual basis in respect of a portion of capital gains accrued or realized in a year before the time the REIT Unit was purchased, but which is paid or made payable to Unitholders at year-end and after the time the REIT Unit was purchased.

The LRE Rules could potentially apply to Skyline Apartment REIT if a person (or group of persons) was to acquire more than 50% of the fair market value of the REIT Units, with the consequences described under Item 6 “Income Tax Consequences and RRSP Eligibility – Taxation of Skyline Apartment REIT”.

Dilution

The number of REIT Units that Skyline Apartment REIT is authorized to issue is unlimited. The Skyline Apartment REIT Trustees have the discretion to issue additional REIT Units in other circumstances, pursuant to Skyline Apartment REIT's various incentive plans. Any issuance of additional REIT Units may have a dilutive effect on the holders of REIT Units.

Liquidity

An investment in REIT Units is an illiquid investment. There is currently no market through which REIT Units may be sold and redemptions are subject to restrictions imposed in the Declaration of Trust and applicable securities regulation. Skyline Apartment REIT is not a "reporting issuer" in any jurisdiction, and a prospectus has not qualified the issuance of REIT Units. Accordingly, investors will be unable to sell their REIT Units, subject to some limited exceptions. See Item 10 – Resale Restrictions. Consequently, holders of REIT Units may not be able to liquidate their investment in a timely manner.

Restrictions on Potential Growth and Reliance on Credit Facilities

The payout by Skyline Apartment REIT of a substantial part of its operating cash flow could adversely affect Skyline Apartment REIT's ability to grow unless it can obtain additional financing. Such financing may not be available, or renewable, on attractive terms or at all. In addition, if current credit facilities were to be cancelled or could not be renewed at maturity on similar terms, Skyline Apartment REIT could be materially and adversely affected.

Financing

Skyline Apartment REIT is subject to the risks associated with debt financing, including the risk that Skyline Apartment REIT may be unable to make interest or principal payments or meet loan covenants, the risk that defaults under a loan could result in cross defaults or other lender rights or remedies under other loans, and the risk that existing indebtedness may not be able to be refinanced or that the terms of such refinancing may not be as favourable as the terms of existing indebtedness. A portion of the Acquisition and Operating Facility is at floating interest rates, and accordingly, changes in short-term borrowing will affect Skyline Apartment REIT's costs of borrowing.

Nature of REIT Units

The REIT Units are not the same as shares of a corporation. As a result, the Unitholders will not have the statutory rights and remedies normally associated with share ownership, such as the right to bring "oppression" or "derivative" actions.

The REIT Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that act or any other legislation. Furthermore, Skyline Apartment REIT is not a trust company and, accordingly, it is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Unexpected Costs or Liabilities Related to Acquisitions

A risk associated with acquisitions is that there may be an undisclosed or unknown liability concerning the acquired property, and Skyline Apartment REIT may not be indemnified for some or all of these liabilities. Following an acquisition, Skyline Apartment REIT may discover that it has acquired undisclosed liabilities, which may be material. The due diligence procedures performed by the Asset Manager are designed to address this risk. The Asset Manager performs what it believes to be an appropriate level of investigation

in connection with the acquisition of properties by Skyline Apartment REIT and seeks through contract to ensure that risks lie with the appropriate party.

Cybersecurity Risk

The efficient operation of Skyline Apartment REIT's business is dependent on computer hardware and software systems. Information systems are vulnerable to cybersecurity incidents. A cybersecurity incident is considered to be any material adverse event that threatens the confidentiality, integrity or availability of Skyline Apartment REIT's information resources. A cybersecurity incident is an intentional attack or an unintentional event including, but not limited to, malicious software, attempts to gain unauthorized access to data or information systems, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. Skyline Apartment REIT's primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to its reputation, damage to its business relationships with tenants, the disclosure of confidential information including personally identifiable information, potential liability to third parties, loss of revenue, additional regulatory scrutiny and fines, as well as litigation and other costs and expenses. Skyline Apartment REIT has cybersecurity insurance in place to mitigate cybersecurity risk. These measures, as well as its increased awareness of a risk of a cyber incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

ITEM 9 REPORTING OBLIGATIONS

Prior to each annual meeting of the Unitholders, Skyline Apartment REIT will deliver audited consolidated financial statements (along with notice of such meeting) to Unitholders. The annual financial statements shall be audited by Skyline Apartment REIT's auditors in accordance with IFRS.

On or before March 31 in each year, Skyline Apartment REIT will provide to Unitholders who received distributions (including amounts treated as having been paid) from Skyline Apartment REIT in either the prior calendar year or on or before January 15 of such year, such information regarding Skyline Apartment REIT required by Canadian law to be submitted to Unitholders for income tax purposes to enable Unitholders to complete their tax returns in respect of the prior calendar year.

ITEM 10 RESALE RESTRICTIONS

10.1 General Statement

For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Quebec and Saskatchewan

These securities 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 securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

10.2 Restricted Period

For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Quebec and Saskatchewan

Unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the date Skyline Apartment REIT becomes a reporting issuer in any province or territory of Canada.

10.3 Manitoba Resale Restrictions

Unless permitted under securities legislation, you must not trade the securities without the prior written consent of the regulator in Manitoba unless:

- (a) Skyline Apartment REIT has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or
- (b) you have held the securities 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.

ITEM 11 PURCHASERS' RIGHTS

If you purchase these securities you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

- (1) **Two Day Cancellation Right** - You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the agreement to buy the securities.
- (2) **Statutory Rights of Action in the Event of a Misrepresentation**

Securities legislation in certain of the Canadian provinces provides certain purchasers of securities pursuant to an offering memorandum with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, where the offering memorandum and any amendment thereto contains a "misrepresentation", as defined in the applicable securities legislation. A "misrepresentation" is generally defined in the applicable securities legislation to mean 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 any statement not misleading in light of the circumstances in which it was made. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by applicable securities legislation.

The following is a summary of the rights of action for damages or rescission, or both, available to certain purchasers resident in British Columbia, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Alberta, Newfoundland and Labrador and Prince Edward Island. Each purchaser should refer to the complete text of the relevant provisions of the applicable securities legislation for the particulars of these rights or consult with a legal advisor.

British Columbia

In British Columbia, where there is reliance on the exemption from the prospectus requirements contained in section 2.9 of NI 45-106 (the "offering memorandum exemption"), if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) Skyline Apartment REIT to cancel your agreement to buy these securities, or
- (b) for damages against Skyline Apartment REIT, every trustee of Skyline Apartment REIT at the date of this Offering Memorandum; and every person who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. You must commence your action for damages within the earlier of 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action and 3 years after the date of the transaction that gave rise to the cause of action.

Saskatchewan

If there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) Skyline Apartment REIT to cancel your agreement to buy these securities, or
- (b) for damages against:
 - (i) Skyline Apartment REIT;
 - (ii) every promoter and trustee of Skyline Apartment REIT at the time the Offering Memorandum or an amendment to the Offering Memorandum was sent or delivered;
 - (iii) every person or company whose consent has been filed in connection with the Offering Memorandum, but only with respect to reports, opinions or statements that have been made by them;
 - (iv) every person who or company that, in addition to the persons or companies mentioned in clauses (i) to (iii), signed the Offering Memorandum or the amendment to the Offering Memorandum; and
 - (v) every person who or company that sells securities on behalf of Skyline Apartment REIT under the Offering Memorandum or amendment to the Offering Memorandum.

Similar rights are provided in respect of advertising or sales literature and verbal statements. This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. You must commence your action for damages within the earlier of one year after the plaintiff first had knowledge of the facts giving rise to the cause of action and six years after the date of the transaction that gave rise to the cause of action.

Manitoba

If there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) Skyline Apartment REIT to cancel your agreement to buy these securities, or

- (b) for damages against Skyline Apartment REIT, every trustee of Skyline Apartment REIT at the date of this Offering Memorandum; and every person or company who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the day of the transaction that gave rise to the cause of action. You must commence your action for damages within the earlier of 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action and 2 years after the day of the transaction that gave rise to the cause of action.

Ontario

Under Ontario securities legislation, a purchaser resident in Ontario who purchases securities offered by this Offering Memorandum during the period of distribution will have, subject to certain limitations and statutory defences, a statutory right of action for damages or, while still the owner of the securities, for rescission against the issuer in the event that the Offering Memorandum contains a misrepresentation, without regard to whether the purchaser relied on the misrepresentation. Skyline Apartment REIT is not liable for a misrepresentation in forward-looking information if certain requirements are satisfied. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first has knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the securities. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the securities. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages. In no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, no person will be liable. In the case of an action for damages, the issuer will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the securities as a result of the misrepresentation relied upon.

Nova Scotia

If there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) Skyline Apartment REIT to cancel your agreement to buy these securities, or
- (b) for damages against Skyline Apartment REIT, every trustee of Skyline Apartment REIT at the date of this Offering Memorandum; and every person who signed this Offering Memorandum.

Similar rights are provided in respect of advertising or sales literature, on which a purchaser is deemed to have relied. This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement or your action for damages within 120 days after the date on which payment was made for the securities or after the date on which the initial payment for

the securities was made, where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to or concurrently with, the initial payment of the transaction that gave rise to the cause of action.

New Brunswick

If there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) Skyline Apartment REIT to cancel your agreement to buy these securities, or
- (b) for damages against Skyline Apartment REIT, every trustee of Skyline Apartment REIT at the date of this Offering Memorandum; and every person who signed this Offering Memorandum.

Similar rights are provided in respect of advertising or sales literature and verbal statements. This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. You must commence your action for damages within the earlier of one year after the plaintiff first had knowledge of the facts giving rise to the cause of action and six years after the date of the transaction that gave rise to the cause of action.

Alberta, Newfoundland and Labrador and Prince Edward Island

In Alberta, where there is reliance on the exemption from the prospectus requirements contained in section 2.9 of NI 45-106 (the “offering memorandum exemption”) or section 2.10 of NI 45-106 (the “minimum amount investment exemption”), and in Newfoundland and Labrador and Prince Edward Island, if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) Skyline Apartment REIT to cancel your agreement to buy these securities, or
- (b) for damages against Skyline Apartment REIT, every trustee of Skyline Apartment REIT at the date of this Offering Memorandum; and every person or company who signed this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. You must commence your action for damages within the earlier of 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action and 3 years after the date of the transaction that gave rise to the cause of action.

(3) **Contractual Rights of Action in the Event of a Misrepresentation**

British Columbia, Alberta and Quebec

In British Columbia, Alberta and Quebec, where there is reliance on the exemption from the prospectus requirements contained in section 2.3 of NI 45-106 (the “accredited investor exemption”) or, in British Columbia and Quebec, in section 2.10 of NI 45-106 (the “minimum amount investment exemption”), securities legislation does not provide or require an issuer to provide to purchasers resident in these jurisdictions any rights of action in circumstances where an offering memorandum contains a misrepresentation. Skyline Apartment REIT hereby grants to such purchasers in British Columbia, Alberta and Quebec the following rights of action.

If there is a misrepresentation in this Offering Memorandum, you have a contractual right to sue Skyline Apartment REIT:

- (a) to cancel your agreement to buy these securities, or
- (b) for damages.

This contractual right to sue is available to you whether or not you relied on the misrepresentation. However, in an action for damages, the amount you may recover will not exceed the price that you paid for your securities and will not include any part of the damages that Skyline Apartment REIT proves does not represent the depreciation in value of the securities resulting from the misrepresentation. Skyline Apartment REIT has a defence if it proves that you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and 3 years after you signed the agreement to purchase the securities. The foregoing contractual rights of action are in addition to, and do not detract from, any other rights you may have.

ITEM 12 FINANCIAL STATEMENTS

The audited consolidated financial statements of Skyline Apartment REIT as at December 31, 2019 are included on the following pages.

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST

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YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of: Skyline Apartment Real Estate Investment Trust

Opinion

We have audited the accompanying financial statements of Skyline Apartment Real Estate Investment Trust, which comprise the consolidated statement of financial position as at December 31, 2019 and December 31, 2018 and the consolidated statements of income and comprehensive income, changes in unitholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Skyline Apartment Real Estate Investment Trust as at December 31, 2019 and December 31, 2018 and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Skyline Apartment Real Estate Investment Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing Skyline Apartment Real Estate Investment Trust's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate Skyline Apartment Real Estate Investment Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Skyline Apartment Real Estate Investment Trust's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located at RLB LLP's website at: www.rlb.ca/additional-auditor-responsibilities-consolidated. This description forms part of our auditor's report.

Guelph, Ontario
March 24, 2020

Handwritten signature of RLB LLP in black ink.

Chartered Professional Accountants
Licensed Public Accountants

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

(in thousands of Canadian dollars)

	2019	2018
ASSETS		
Investment properties (note 6)	\$ 2,928,181	\$ 2,249,919
Property, plant and equipment (note 8)	4,413	321
Inventory (note 3(h))	3,293	3,495
Other assets (note 9)	5,276	4,126
Mortgages and notes receivable (note 16)	44	47
Due from related parties (note 11)	18	1,021
Accounts receivable (note 15)	3,300	3,155
	<u>\$ 2,944,525</u>	<u>\$ 2,262,084</u>
LIABILITIES AND UNITHOLDERS' EQUITY		
Mortgages payable (notes 10, 15)	\$ 1,497,309	\$ 1,172,504
Limited partnership units (notes 15, 19)	52,681	49,035
Due to related parties (note 11)	21,819	376
Tenant deposits	16,542	14,426
Accounts payable and accrued liabilities (note 15)	13,834	18,709
Bank overdraft (note 15)	2,136	598
Revolving credit facilities (note 15)	71,090	24,009
	<u>1,675,411</u>	<u>1,279,657</u>
Unitholders' equity (page 6)	<u>1,269,114</u>	<u>982,427</u>
	<u>\$ 2,944,525</u>	<u>\$ 2,262,084</u>

Trustee

Trustee

See notes to the consolidated financial statements

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019
(in thousands of Canadian dollars)

	2019	2018
OPENING BALANCE	\$ 982,427	\$ 882,281
Proceeds from units issued (note 18)	57,792	45,310
Units issued through distribution reinvestment plan (note 18)	24,414	50,887
Exchange of Class B, C and D limited partnership units (notes 11, 18)	185	3,204
Income and comprehensive income for the year	283,954	131,730
Issuance costs (note 11)	(672)	(477)
Redemptions (note 18)	(22,476)	(51,783)
Distributions paid	(56,510)	(78,725)
CLOSING BALANCE	\$ 1,269,114	\$ 982,427

See notes to the consolidated financial statements

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019
(in thousands of Canadian dollars)

	2019	2018
PROPERTY REVENUES		
Residential rent	\$ 218,436	\$ 199,713
Commercial rent	18,300	18,181
Condominium sales	305	575
	<u>237,041</u>	<u>218,469</u>
DIRECT PROPERTY EXPENSES		
Property taxes	31,524	30,374
Other direct property costs	48,310	44,049
Utilities	25,628	25,441
Condominium cost of sales	209	405
	<u>105,671</u>	<u>100,269</u>
NET PROPERTY INCOME	<u>131,370</u>	<u>118,200</u>
OTHER INCOME AND EXPENSES		
Financing costs (note 12)		
Interest paid on debt	52,297	46,900
Distributions on partnership units	10,545	27,936
Administrative expenses	4,452	3,940
Asset management fees (note 11)	5,196	4,815
Wealth management fees (note 11)	3,680	3,163
Amortization	422	188
Interest and other income (note 11)	(79)	(1,129)
	<u>76,513</u>	<u>85,813</u>
INCOME BEFORE THE UNDERNOTED	<u>54,857</u>	<u>32,387</u>
Fair value gain (note 13)	232,928	102,509
Fair value loss on LP units	(3,831)	(3,166)
	<u>229,097</u>	<u>99,343</u>
INCOME AND COMPREHENSIVE INCOME for the year	<u>\$ 283,954</u>	<u>\$ 131,730</u>

See notes to the consolidated financial statements

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

(in thousands of Canadian dollars)

	2019	2018
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Income and comprehensive income for the year	\$ 283,954	\$ 131,730
Items not requiring an outlay of cash		
Amortization (note 8)	422	188
Amortization of financing costs (note 12)	4,134	3,610
Financing costs in operations (note 12)	58,534	70,485
Fair value gain (note 13)	(232,928)	(102,509)
Fair value loss on LP units	3,831	3,166
	<u>117,947</u>	<u>106,670</u>
Changes in non-cash working capital		
Inventory	202	405
Other assets	(1,150)	1,223
Accounts receivable	(145)	866
Tenant deposits	2,116	1,012
Accounts payable and accrued liabilities	(4,875)	2,674
	<u>114,095</u>	<u>112,850</u>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Advances (to) from related parties (note 11)	22,446	0
Mortgages payable (net repayments and advances) (note 10)	324,390	125,253
Mortgages discharged due to sale of investment properties (note 10)	(3,719)	(90,657)
Interest on mortgages payable (note 12)	(45,498)	(41,634)
Distributions paid on partnership units (notes 11, 12, 19)	(10,545)	(27,936)
Net revolving credit facility (repayments) proceeds (note 15)	47,081	24,009
Interest paid on revolving credit facility (note 12)	(2,081)	(800)
Bank overdraft (repayments) proceeds (note 15)	1,538	(4,132)
Interest paid on short term loan (note 12)	(410)	(115)
Proceeds from units issued (net of distribution reinvestment plan) (note 18)	57,792	45,310
Proceeds from limited partnership units issued (note 19)	0	1,488
Issuance costs (note 11)	(672)	(477)
Redemption of units (note 18)	(22,476)	(51,783)
Distributions paid (net of distribution reinvestment plan)	(32,096)	(27,838)
	<u>335,750</u>	<u>(49,312)</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to investment properties (note 6)	(472,532)	(238,905)
Proceeds on disposition of investment properties (note 6)	23,480	165,628
Proceeds on reclassification of owner-occupied property to property, plant and equipment (note 8)	3,718	0
Additions to property, plant and equipment (note 8)	(4,514)	(154)
Notes receivable (net repayments and advances) (note 16)	3	8,479
	<u>(449,845)</u>	<u>(64,952)</u>
DECREASE IN CASH for the year	0	(1,414)
CASH, beginning of year	0	1,414
CASH, end of year	\$ 0	\$ 0

See notes to the consolidated financial statements

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(in thousands of Canadian dollars, except per unit amounts)

1. NATURE OF BUSINESS

Skyline Apartment Real Estate Investment Trust ("Skyline Apt. REIT") is an unincorporated, open-ended private real estate investment trust established under the laws of the Province of Ontario that was created pursuant to a Declaration of Trust dated June 1, 2006. During the year, Skyline Apt. REIT issued an additional 4,786,011 (2018 - 6,228,340) units for an aggregate issue price of \$82,206 (2018 - \$96,197). Skyline Apt. REIT used some of the proceeds it received to redeem 1,309,849 (2018 - 3,242,629) units for an aggregate redemption price of \$22,476 (2018 - \$51,783). The remaining proceeds were used to invest in Skyline Operating Trust. Skyline Operating Trust then used the proceeds to invest in Skyline Real Estate Limited Partnership ("RELP"). RELP used part of the proceeds it received on the subscription of its partnership units, together with mortgage financing and a line of credit, to invest in multi-residential investment properties. As of December 31, 2019, RELP owned two hundred and three (2018 - one hundred and eighty-five) multi-residential investment properties and six (2018 - six) commercial investment properties, all of which are located in Canada.

RELP was created on June 1, 2006 as a limited partnership under the laws of the Province of Ontario. The general partner is Skyline Incorporated and the majority limited partner is Skyline Operating Trust. Skyline Operating Trust has issued 100% of its units to Skyline Apt. REIT, and is 100% controlled by Skyline Apt. REIT.

Skyline Apt. REIT is domiciled in Ontario, Canada. The address of Skyline Apt. REIT's registered office and its principal place of business is 5 Douglas Street, Suite 301, Guelph, Ontario, N1H 2S8.

2. BASIS OF PRESENTATION

(a) STATEMENT OF COMPLIANCE

The consolidated financial statements of Skyline Apt. REIT for the year ended December 31, 2019 are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies set out below were consistently applied to all the years presented, unless otherwise noted.

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying Skyline Apt. REIT's accounting policies.

The consolidated financial statements are presented in accordance with IAS 1 - Presentation of consolidated financial statements ("IAS 1"). Skyline Apt. REIT has elected to present the Statement of Income and Comprehensive Income in one statement.

The consolidated financial statements for the year ended December 31, 2019 (including comparatives) were approved for issue by the Board of Trustees on March 24, 2020.

(b) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on a historical cost basis modified to include the fair value measurement of investment properties and assets held for sale, as set out in the relevant accounting policies.

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(in thousands of Canadian dollars, except per unit amounts)

2. BASIS OF PRESENTATION (continued)

(c) FUNCTIONAL CURRENCY AND PRESENTATION

The consolidated financial statements are presented in Canadian dollars, which is also Skyline Apt. REIT's functional currency. All financial information presented in Canadian dollars is rounded to the nearest thousand.

Skyline Apt. REIT presents its consolidated statement of financial position based on the liquidity method, where all assets and liabilities are presented in the ascending order of liquidity.

(d) USE OF ESTIMATES

The preparation of these consolidated financial statements requires Skyline Apt. REIT to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimates are revised and the revision affects both current and future periods.

Significant estimates and assumptions include the fair values assigned to investment properties, useful lives of assets to calculate amortization, and allowances for doubtful accounts. Valuation of investment properties is one of the principal estimates and uncertainties of these consolidated financial statements. Refer to note 6 for further information on estimates and assumptions made in the determination of the fair value of investment properties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRS and include the following significant accounting policies:

Accounting standards implemented in 2019

Effective January 1, 2019, Skyline Apt. REIT has adopted IFRS 16 - Leases ("IFRS 16") which replaces existing lease guidance in IAS 17 - Leases and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability for all leases, with exception for short-term leases and leases of low value assets. The requirements for lessor accounting have been carried forward substantially unchanged from IAS 17. The adoption of IFRS 16 was applied using the modified retrospective approach and thus there was no restatement of comparative information. Instead, the cumulative effect of applying this standard was recognized at the date of initial application, January 1, 2019. There was no material impact from the adoption of IFRS 16.

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(in thousands of Canadian dollars, except per unit amounts)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) INVESTMENT PROPERTIES

Investment properties are properties held to earn rental income and are accounted for using the fair value model, in accordance with IFRS 13 - Fair Value Measurement ("IFRS 13"). Rental income and operating expenses from investment properties are reported within 'revenue' and 'expenses' respectively.

Properties that are held for long term rental yields or for capital appreciation or both, and that are not occupied by Skyline Apt. REIT, are classified as investment properties, in accordance with IAS 40 - Investment Properties ("IAS 40")

In accordance with IFRS 3 - Business Combinations, when Skyline Apt. REIT acquires properties or a portfolio of properties and does not take on or assume employees or does not acquire an operating platform, it classifies the acquisition as an asset acquisition.

In accordance with IAS 40, investment properties are measured initially at cost, including related transaction costs. After initial recognition, investment properties are carried at fair value. Fair value is determined using a combination of external valuation processes and internal valuation techniques that are in accordance with IFRS 13. For properties purchased within one year of the reporting date, the purchase price is considered fair value, unless significant events or changes have occurred to the property that would significantly alter its fair value. Properties appraised by qualified third party appraisers within the past twelve months are not revalued, unless significant changes or events have occurred to the property since the appraisal date. A minimum of 20% of the total number of investment properties that account for at least 25% of the preceding year's total fair value of investment properties are appraised on an annual basis, such that each property is appraised by an independent third party at least once every five years. All other investment properties are valued internally, using market supported financial metrics that are in accordance with IFRS 13, in tandem with current property details including, among other things, rent rolls from current leases and assumptions about rental income from future leases in light of current market conditions, and, any cash outflows that could be expected in respect of the property except for those outflows that relate to liabilities recognized on the statement of financial position. Skyline Apt. REIT also uses extensive market comparable sales to support valuation capitalization rates for different types of assets in different markets. These valuations form the basis for the carrying amounts in the financial statements.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Investment properties that are being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Subsequent expenditures are capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to Skyline Apt. REIT and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(in thousands of Canadian dollars, except per unit amounts)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) **INVESTMENT PROPERTIES (continued)**

Skyline Apt. REIT uses the concept of stabilizing and value enhancing capital expenditures to understand when repairs and maintenance should be capitalized. A "stabilized property" is one that has been owned for a period of at least twenty-four months. All properties owned for a period of less than twenty-four months are referred to as "unstabilized".

While a property is classified as unstabilized, costs incurred for repairs and maintenance in excess of \$300 (not in thousands of Canadian dollars) per annum per suite may be allocated from repairs and maintenance to be capitalized to the cost of the respective building. Once a property is classified as stabilized, costs incurred for repairs and maintenance in excess of \$800 (not in thousands of Canadian dollars) per annum per suite may be allocated from repairs and maintenance to be capitalized to the cost of the respective building.

Included in the determination of repairs and maintenance are costs incurred in incremental administrative wages for resident managers or on-site staff. Amounts in excess of \$30 (not in thousands of Canadian dollars) per month per suite are allocated from resident manager's wages to repairs and maintenance.

Changes in fair values are recognized in the consolidated statement of income and comprehensive income. Investment properties are derecognized when they have been disposed.

Where Skyline Apt. REIT disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income within the fair value adjustment on investment property.

Investment properties are reclassified to "Assets Held for Sale" when the criteria set out in IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations ("IFRS 5") are met (see note 3(b)).

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

As investments are measured at fair value, they are implicitly tested for impairment annually. There is no specific impairment test relating to investment properties other than the fair value methodology.

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) INVESTMENT PROPERTIES (continued)

The initial cost of properties under development includes the acquisition cost of the property, direct development costs, realty taxes and borrowing costs attributable to the development. Borrowing costs associated with direct expenditures on properties under development are capitalized. The amount of capitalized borrowing costs is determined by reference to borrowings specific to the project. Borrowing costs are capitalized from the commencement of the development until the date of practical completion where the property is substantially ready for its intended use. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Practical completion is when the property is capable of operating in the manner intended by Management. Generally, this occurs upon completion of construction and receipt of all necessary occupancy and other material permits. If Skyline Apt. REIT has pre-leased space at or prior to the property being substantially ready for its intended use, and the lease requires tenant improvements which enhance the value of the property, practical completion is considered to occur when such improvements are completed.

(b) ASSETS HELD FOR SALE

In accordance with IFRS 5, non-current assets comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. For this purpose, a sale is highly probable if Management is committed to a plan to achieve the sale; there is an active program to find a buyer; the non-current asset is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification; and it is unlikely there will be changes to the plan.

At the date when an investment property ceases to be classified as held for sale, it is measured at the lower of its carrying amount before it was classified as held for sale, adjusted for any amortization or revaluations that would have been recognized had the investment property not been classified as held for sale, and its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the present value of estimated future cash flows expected to arise from the continuing use and eventual disposal of the investment property.

(c) REVENUE RECOGNITION

Rental revenue includes rents from tenants under leases, property tax and operating cost recoveries, parking income and incidental income. Skyline Apt. REIT has retained substantially all the risks and rewards of ownership of its investment properties and accounts for its rents from tenants as operating leases. Revenue from operating leases is recognized on a straight line basis over the term of the lease.

Tenant inducements are recognized at fair value at the inception of the lease and are amortized through revenue on a straight line basis over the life of the lease.

Sales of condominium units are recognized as revenue as of the date that the sale of the unit is closed.

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(in thousands of Canadian dollars, except per unit amounts)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) **FINANCIAL INSTRUMENTS**

Skyline Apt. REIT's financial instruments and their respective classification and measurement characteristics, are as follows:

<u>Asset/Liability</u>	<u>Classification/Measurement</u>
Accounts receivable	Amortized cost
Mortgages and notes receivable	Amortized cost
Mortgages payable	Amortized cost
Limited partnership units	Fair value through profit or loss
Accounts payable and accrued liabilities	Amortized cost
Bank overdraft	Amortized cost
Revolving credit facilities	Amortized cost

Financial Assets

Financial assets are classified at initial recognition, as either financial assets at FVTPL, or amortized cost. Financial assets that give rise to specified payments of principal and interest are carried at amortized cost when they are held to collect contractual cash flows. All other financial assets are carried at fair value through profit or loss. When financial assets are recognized initially, they are measured at fair value, plus directly attributable transaction costs for those financial assets not subsequently measured at fair value.

Skyline Apt. REIT's financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or substantially all of the risks and rewards of ownership are transferred.

Skyline Apt. REIT's financial assets are all classified as amortized cost and include accounts receivable and mortgages and notes receivable. They are initially recognized at fair value and subsequently measured at amortized cost less provision for impairment.

Provision for impairment is made based on the simplified expected credit loss ("ECL") model. Under the simplified ECL model, Skyline Apt. REIT estimates lifetime expected losses for its receivables at each statement of financial position date based on available information. To measure the expected losses, amounts receivable are grouped based on days past due. The results of the simplified ECL model are used to reduce the carrying amount of the financial asset through an allowance account, and the changes in the measurement of the allowance account are recognized through the profit and loss. Bad debt write-offs occur when RELP determines collection is not possible. If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring in the subsequent period, the impairment loss is reversed to no more than its previous carrying amount by adjusting the allowance. The reversal is recognized through profit and loss. Impaired receivables are derecognized when they become uncollectible.

Financial Liabilities

Financial liabilities are classified at initial recognition as either financial liabilities at FVTPL, or amortized cost, as appropriate. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS
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(in thousands of Canadian dollars, except per unit amounts)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) **FINANCIAL INSTRUMENTS (continued)**

Skyline Apt. REIT's financial liabilities are all classified as amortized cost, and include mortgages payable, bank overdraft, revolving credit facilities and accounts payable and accrued liabilities. These financial liabilities are measured initially at fair value and subsequently at amortized cost. The fair value of a non-interest bearing liability is its discounted payment amount. If the due date of the liability is less than one year, discounting is omitted.

Skyline Apt. REIT's mortgages payable consists of the legal liabilities owing pursuant to loans secured by mortgages and premiums and discounts recognized on loans assumed on acquisition of properties, netted against the transaction costs, and the effective interest method of amortization is applied to the premiums, discounts and transaction costs.

(e) **INCOME TAXES**

Skyline Apt. REIT is taxed as a 'Mutual Fund Trust' for income tax purposes. Skyline Apt. REIT, pursuant to its Declaration of Trust, distributes substantially all of its taxable income to unitholders and does not deduct such distributions or designations for income tax purposes. Accordingly, no provision for income taxes has been made. Income tax obligations relating to the distributions of Skyline Apt. REIT are the obligation of unitholders.

(f) **PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment is recorded at cost and amortized on the basis of its estimated useful life using the following methods and rates:

Computer equipment	- 55% declining balance basis
Equipment	- 20% declining balance basis
Owner-occupied property - building	- 4% declining balance basis

Amortization is recorded at 50% of the above rates in the year of addition.

(g) **JOINT OPERATIONS**

Skyline Apt. REIT considers investments in joint arrangements to be a joint operation when they jointly make operating, financial and strategic decisions over one or more investment property with another party, and have direct rights to the assets and obligations for the liabilities relating to the arrangement. When the arrangement is considered to be a joint operation, Skyline Apt. REIT will include their share of the underlying assets, liabilities, revenue and expenses in their financial results.

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS
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(in thousands of Canadian dollars, except per unit amounts)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) **INVENTORY**

Inventory includes condominium units that are held for sale by Skyline Apt. REIT and are carried at the lesser of cost and net realizable value. Properties that were initially purchased as investment property for leasing and capital appreciation purposes are held as investment property on the statement of financial position until such time that Management develops the property into a condominium building where the units will be individually sold. At the time of development, the units are transferred from investment property to inventory at their deemed cost, being the fair market value at the time of transfer. Subsequent holding costs related to the property including maintenance, property tax and utilities, are not included in the cost of the inventory. The deemed cost of the property is allocated to the individual units that are held for sale and expensed at the time of sale of each unit.

(i) **DISTRIBUTION REINVESTMENT PLAN (DRIP)**

Skyline Apt. REIT has instituted a DRIP whereby unitholders may elect to have their distributions automatically reinvested in additional units. There are no special terms, such as premiums on distribution rates, for plan participants.

(j) **FAIR VALUE MEASUREMENT**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. In estimating the fair value of an asset or a liability, Skyline Apt. REIT considers the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

Assets and liabilities that are measured at fair value in the statement of financial position are categorized by level according to the significance of the inputs used in making the measurements. The levels of inputs are defined as follows:

Level 1 inputs

Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs

Inputs other than quoted prices (included in Level 1) that are observable for the asset or the liability, either directly or indirectly.

Level 3 inputs

Unobservable inputs for the asset or liability.

Skyline Apt. REIT's policy is to recognize transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) **PROVISIONS**

Provisions are recognized when Skyline Apt. REIT has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date. Provisions are measured at their present value by discounting the future cash flows from the expected date the obligation is to be settled. The discount rate used reflects current market assessments of the time value of money adjusted by the risk factor specific to the obligation. The unwinding of the discount due to the passage of time is recognized as interest expense.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective up to the date of issuance of Skyline Apt. REIT's consolidated financial statements, are disclosed below. Skyline Apt. REIT intends to adopt these standards, if applicable, when they become effective.

In March 2018 the IASB issued the revised Conceptual Framework for Financial Reporting (Conceptual Framework). Definitions of financial statement elements were updated, and a new disclosure and presentation section was added. The revised Conceptual Framework is effective for annual periods beginning on or after January 1, 2020.

The IASB issued Definition of Material (Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors) in October 2018. The amendments clarify the definition of "material" and provide guidance to improve consistency for the application of materiality. The amended definition includes the concept of "obscuring" material information and clarifies that materiality is assessed for primary users of general purpose financial statements about a specific reporting entity. Amendments are effective for annual periods beginning January 1, 2020 and are applied prospectively with earlier application permitted.

In October 2018 the IASB issued Definition of a Business (Amendments to IFRS 3 – Business Combinations). The amendments provide guidance to help companies determine if an acquisition is of a business or a group of assets. The amendments confirm that an acquired set of activities and assets must include both an input and a process that contribute to the ability to create outputs but clarify that the process must be substantive. The amendments also introduce an optional concentration test that facilitates determination of whether a company has acquired a business. The amendments apply prospectively to acquisitions that occur on or after January 1, 2020. Earlier application is permitted.

Skyline Apt. REIT does not expect any significant impact as a result of these amendments.

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Skyline Apt. REIT and its subsidiaries, Skyline Operating Trust and RELP.

Subsidiaries are entities over which Skyline Apt. REIT has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. Subsidiaries are fully consolidated from the date control is transferred to Skyline Apt. REIT, and are de-consolidated from the date control ceases. Intercompany transactions between subsidiaries are eliminated on consolidation. All subsidiaries have a reporting date of December 31.

Skyline Apt. REIT carries out a portion of its activities through joint operations and records its proportionate share of assets, liabilities, revenues, expenses and cash flows of all joint operations in which it participates.

6. INVESTMENT PROPERTIES

Changes to the carrying amounts of investment properties presented in the statement of financial position can be summarized as follows:

	2019	2018
Balance at beginning of the year	\$ 2,249,919	\$ 2,074,133
Acquisitions through purchase of investment properties	382,291	225,107
Additions through capital expenditure on existing investment properties	90,241	13,798
Disposals through sale of investment properties	(23,480)	(165,628)
Reclassification due to change in use for the property to owner-occupied by RELP (note 8)	(3,718)	0
Fair value gain on investment properties and disposed properties (note 13)	<u>232,928</u>	<u>102,509</u>
Balance at end of the year	<u><u>\$ 2,928,181</u></u>	<u><u>\$ 2,249,919</u></u>

Asset acquisitions:

During the year ended December 31, 2019, Skyline Apt. REIT acquired twenty-three investment properties (2018 - sixteen) through purchase of assets. The results of these acquisitions are included in these consolidated financial statements from the date of acquisition. The following table outlines the cost, which includes the transaction costs of the assets acquired and the associated liabilities entered into as a result of these acquisitions:

	2019	2018
Acquisition cost of investment properties	\$ 382,291	\$ 225,107
Mortgages payable	<u>(245,399)</u>	<u>(116,148)</u>
Total identifiable net assets settled by cash	<u><u>\$ 136,892</u></u>	<u><u>\$ 108,959</u></u>

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NOTES TO THE CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS
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6. INVESTMENT PROPERTIES (continued)

Future rental income:

Investment properties are subject to operating leases with tenants. Lease contracts are all typically non-cancelable for periods ranging from one year for residential tenants, and one to fifteen years for commercial tenants, from the commencement of the lease. Future minimum rental income from these agreements is as follows:

	2019	2018
Less than one year	\$ 235,549	\$ 200,743
Between one and three years	21,295	24,139
More than three years	<u>393</u>	<u>406</u>
	<u>\$ 257,237</u>	<u>\$ 225,288</u>

Fair value disclosure:

Skyline Apt. REIT uses an income approach to perform internal valuation calculations for the purposes of determining the fair market value of investment properties. The same approach is used for those properties with independent third party appraisals. Significant assumptions used for the valuation of the properties include the capitalization rate and the revenue and expenses for each property. As at December 31, 2019, all of Skyline Apt REIT's investment properties were valued using Level 3 inputs. There were no transfers into or out of Level 3 fair value measurements for investment properties held as at December 31, 2019 and December 31, 2018.

Skyline Apt. REIT categorizes its investment properties by region, and each region has a different range of capitalization rates, depending on the specific risk factors for each property in that region. The weighted average capitalization rates for commercial properties is 7.77% (2018 - 7.57%) and for residential properties is 5.14% (2018 - 5.48%). The overall weighted average capitalization rates for Skyline Apt. REIT's investment properties is 5.22% (2018 - 5.57%).

Overall, the capitalization rates for residential properties and commercial properties fall between:

	Residential		Commercial	
	2019	2018	2019	2018
Minimum	4.08%	4.53%	5.79%	5.94%
Maximum	6.50%	7.11%	9.23%	8.88%

Assumptions related to property revenues and expenses are based on the most recent annual results of each property, and where necessary, industry benchmarks.

In 2019, Skyline Apt. REIT valued \$1,924,076 of its investment properties (including properties held for sale) internally (2018 - \$1,316,779). The remainder of the investment property fair value was obtained through third party appraisals, not including those properties acquired during the year. In the year, this amounted to \$1,004,105 (2018 - \$933,139). Actual results may differ from these estimates and may be subject to material adjustment within the next fiscal year.

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6. INVESTMENT PROPERTIES (continued)

Fair value sensitivity:

Skyline Apt. REIT's investment properties are classified as Level 3 under the fair value hierarchy, as the inputs in the valuations of these investment properties are not based on observable market data. The following table provides a sensitivity analysis for the weighted average capitalization rate applied as at December 31, 2019:

As of December 31, 2019

Capitalization Rate Sensitivity Increase (Decrease)	Overall Capitalization Rate	Fair Value of Investment Properties	Fair Value Variance	% Change
(1.00)%	4.22 %	\$3,622,063	\$ 693,882	23.70 %
December 31, 2019	5.22 %	\$2,928,181	\$ 0	0.00 %
1.00 %	6.22 %	\$2,457,412	\$ (470,769)	(16.08)%

7. JOINT OPERATIONS

Skyline Apt. REIT's interests in co-owned investment properties are accounted for based on RELP's share of interest in the assets, liabilities, revenues and expenses of the investment properties. As of December 31, 2019, Skyline Apt. REIT is in a co-ownership agreement with Upper Montney Limited Partnership where Skyline Apt. REIT has a 50% ownership interest (2018 - 50%) in an investment property in Dawson Creek, British Columbia.

8. PROPERTY, PLANT AND EQUIPMENT

December 31, 2019

	Cost	Accumulated Amortization	Carrying Amount
Computer equipment	\$ 1,408	\$ 819	\$ 589
Equipment	505	278	227
Owner-occupied property by RELP - building	3,215	121	3,094
Owner-occupied property by RELP - land	503	0	503
	<u>\$ 5,631</u>	<u>\$ 1,218</u>	<u>\$ 4,413</u>

December 31, 2018

	Cost	Accumulated Amortization	Carrying Amount
Computer equipment	\$ 758	\$ 558	\$ 200
Equipment	359	238	121
	<u>\$ 1,117</u>	<u>\$ 796</u>	<u>\$ 321</u>

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9. OTHER ASSETS

The components of other assets are as follows:

	2019	2018
Lender holdback	\$ 458	\$ 441
Prepaid expenses	1,296	1,179
Deposits on investment properties	3,522	2,506
	<u>\$ 5,276</u>	<u>\$ 4,126</u>

10. MORTGAGES PAYABLE

The mortgages payable are secured by investment properties and letters of credit, in some cases. Mortgages bearing fixed interest with a contractual weighted average rate of 3.25% (2018 - 3.57%) are \$1,476,771 (2018 - \$1,164,234). Mortgages bearing variable interest rates with an average variable rate of 4.78% (2018 - 4.93%) are \$20,538 (2018 - \$8,270). Included in mortgages payable are second mortgages of \$52,062 (2018 - \$58,025), the majority of which bear fixed interest rates. Also included in mortgages payable is a mezzanine loan of \$16,538 (2018 - \$6,596), which bears a variable interest rate. Mortgages have maturity dates ranging between 2020 and 2029. All mortgages are denominated in Canadian dollars.

Future minimum principal payments on mortgage obligations are as follows:

2020	\$ 164,726
2021	189,586
2022	227,624
2023	164,561
2024	118,310
Thereafter	<u>632,502</u>
	<u>\$ 1,497,309</u>

A reconciliation of movements in mortgages payable to cash flows arising from financing activities is as follows:

	2019	2018
Mortgages payable, beginning of year	\$ 1,172,504	\$ 1,134,298
Proceeds from new mortgages	509,958	310,136
Repayment of existing mortgages	(181,880)	(271,292)
Transaction costs related to mortgages	(7,407)	(4,248)
Total changes from financing cash flows	<u>320,671</u>	<u>34,596</u>
Amortization of financing costs	4,134	3,610
Financing costs included in operations	45,498	41,634
Interest paid	(45,498)	(41,634)
Total liability-related changes	<u>4,134</u>	<u>3,610</u>
Mortgages payable, end of year	<u>\$ 1,497,309</u>	<u>\$ 1,172,504</u>

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11. RELATED PARTY TRANSACTIONS

Related party transactions are measured at fair value.

Skyline Incorporated is the general partner ("GP") of RELP and is entitled to distributions under the limited partnership agreement which commences once the equivalent of the total investors' equity has been effectively distributed on a property by property basis. Once triggered, any future income from operations for the specific property is shared at a ratio of 20% to the general partner and 80% to the LP. In addition, on any disposition, the general partner is entitled to 20% of the equity growth on the property net of any outstanding amounts owing to investors. A provision for the future distributions payable to Skyline Incorporated has not been recorded since the timing and amount of the distributions payable cannot be reasonably estimated. Based on the fair value of the investment properties as at December 31, 2019, a distribution would be payable if the investment properties were sold. At December 31, 2019, there were distributions payable of \$2,135 (2018 - \$1,013) included in due to related parties.

Distributions paid

Skyline Apt. REIT paid the following distributions to related parties:

	2019	2018
Skyline Management Inc. (limited partner)	\$ 2,348	\$ 2,167
Skyline Incorporated (GP) on the sale of investment properties	2,808	20,110
Skyline Incorporated (GP)	<u>4,839</u>	<u>3,607</u>
	<u>\$ 9,995</u>	<u>\$ 25,884</u>

Skyline Apt. REIT has an asset management agreement with Skyline Asset Management Inc., and a wealth management agreement with Skyline Wealth Management Inc. Skyline Asset Management Inc. and Skyline Wealth Management Inc. are controlled by Skyline Incorporated.

Fees payable under the asset management agreement are 2% of adjusted gross revenue. Fees payable under the wealth management agreement include wealth management fees of 0.3% of unitholders' equity, and equity raise fees ranging from 0.5% to 1% of proceeds from units issued and redeemed during the year. Equity raise fees of \$642 (2018 - \$438) were paid under the wealth management agreement during the year and are included in issuance costs.

Fees paid during the year are as follows:

	2019	2018
Asset management fees	\$ 5,196	\$ 4,815
Wealth management fees	<u>3,680</u>	<u>3,163</u>
	<u>\$ 8,876</u>	<u>\$ 7,978</u>

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11. RELATED PARTY TRANSACTIONS (continued)

Due from related parties

Amounts due from related parties are unsecured, non-interest bearing and are due on demand. The balance consists of the following:

	2019	2018
Skyline Equities Inc.	\$ 0	\$ 1,003
Skyline Real Estate Holdings Inc.	18	18
	<u>\$ 18</u>	<u>\$ 1,021</u>

Skyline Real Estate Holdings Inc. is the bare trustee for some of the income producing properties held in Skyline Apt. REIT.

Due to related parties

The balance due to Skyline Clean Energy Fund is unsecured, bears interest at 6%, with a commitment fee of 1% and has no set terms of repayment. The balance due to Skyline Incorporated is unsecured, non-interest bearing and has no set terms of repayment. The balance due to Skyline Commercial Real Estate Investment Trust ("Skyline Commercial REIT") is unsecured, bears interest at 7% and has no set terms of repayment. Skyline Clean Energy Fund and Skyline Commercial REIT are entities that are controlled by a person or persons that qualify as a related person under IAS 24. The balance consists of the following:

	2019	2018
Skyline Clean Energy Fund	\$ 13,686	\$ 0
Skyline Incorporated	2,135	376
Skyline Commercial REIT	5,998	0
	<u>\$ 21,819</u>	<u>\$ 376</u>

Subsequent to year end, substantially all of these balances were repaid.

Class B LP Units

Skyline Management Inc. ("SMI") holds 2,482,639 (2018 - 2,482,639) Class B LP units of RELP, that are exchangeable for Skyline Apt. REIT units and have a market value of \$42,826 at December 31, 2019 (2018 - \$39,722). SMI is required to hold 90% of the exchangeable units (or REIT upon exchange) until 2021, subject to limited exceptions. SMI is controlled by Skyline Incorporated.

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12. FINANCING COSTS

During the year, Skyline Apt. REIT paid the following financing costs:

	2019	2018
Mortgage interest	\$ 45,498	\$ 41,634
Deferred financing costs	4,134	3,610
Interest expense on other loans	410	115
Interest expense on revolving credit facility	2,081	800
Distribution paid on LP Units	2,898	4,219
Distribution paid to GP on the sale of investment properties	2,808	20,110
Distribution paid to GP	4,839	3,607
Interest on tenant deposits	174	741
	<u>\$ 62,842</u>	<u>\$ 74,836</u>

13. FAIR VALUE GAIN

The components of the fair value gain were as follows:

	2019	2018
Fair value gain on investment properties	\$ 230,862	\$ 56,662
Fair value gain on disposed properties	2,066	45,847
	<u>\$ 232,928</u>	<u>\$ 102,509</u>

14. FAIR VALUE MEASUREMENT

Skyline Apt. REIT's financial assets and financial liabilities are carried at amortized costs, which approximate fair value, or FVTPL as applicable. Such fair value estimates are not necessarily indicative of the amounts Skyline Apt. REIT might pay or receive in actual market transactions.

The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements is as follows:

As at	December 31, 2019			December 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Investment properties	\$ 0	\$ 0	\$ 2,928,181	\$ 0	\$ 0	\$ 2,249,919
Liabilities						
Mortgages payable	\$ 0	\$ 1,500,152	\$ 0	\$ 0	\$ 1,160,604	\$ 0
LP Units	0	0	52,681	0	0	49,035
	<u>\$ 0</u>	<u>\$ 1,500,152</u>	<u>\$ 52,681</u>	<u>\$ 0</u>	<u>\$ 1,160,604</u>	<u>\$ 49,035</u>

Transfers between levels in the fair value hierarchy are recognized on the date of the event or change in circumstances that caused the transfer. For investment properties and liabilities measured at fair value as at December 31, 2019 and December 31, 2018, there were no transfers between Level 1, Level 2 and Level 3 assets.

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14. FAIR VALUE MEASUREMENT (continued)

The fair value of the mortgages payable was higher than the recorded value by approximately \$2,843 at December 31, 2019 (December 31, 2018 - fair value was \$11,900 lower than cost) due to changes in the interest rates since the dates on which the individual mortgages were last contracted. The fair value of the mortgages payable has been estimated based on current market rates for mortgages with similar terms and conditions. The fair value of Skyline Apt. REIT's mortgages payable is an amount computed based on the interest rate environment prevailing at December 31, 2019 and December 31, 2018, respectively; the amount is subject to change and the future amounts will converge. There are no additional costs or penalties to Skyline Apt. REIT if the mortgages are held to maturity.

15. FINANCIAL RISK MANAGEMENT

Financial risks are risks arising from the financial instruments to which Skyline Apt. REIT is exposed during or at the end of the reporting period. Financial risk comprises market risk, credit risk, and liquidity risk. Skyline Apt. REIT considers real estate risk as a financial risk as well, even though investment property is not classified as a financial instrument.

Risk management is carried out by Management and the Board of Trustees of Skyline Apt. REIT. Management identifies and evaluates financial risks and the Board provides oversight on overall risk management, including specific areas such as interest rate risk, liquidity, and investing policies.

Key financial risk management reports are produced on a monthly basis and key indicators are reviewed by Management and the Board of Trustees of Skyline Apartment REIT.

i) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Skyline Apt. REIT's market risks arise from open positions in interest bearing assets and liabilities, to the extent that these are exposed to market fluctuations.

a. Interest rate risk

Skyline Apt. REIT is exposed to interest rate risk arising from its fixed and floating rate mortgages payable. Bank overdraft is at floating interest rates and is exposed to changes in interest rates. Bank loan payable is at floating interest rates and is exposed to changes in interest rates. As fixed rate debt matures and as Skyline Apt. REIT uses additional floating rate debt under revolving credit facilities, Skyline Apt. REIT will be further exposed to cash flow risk.

As part of its risk management policies, Skyline Apt. REIT uses fixed and floating rate mortgages for the majority of its borrowings to allow for better cash flow planning. Skyline Apt. REIT attempts to stagger mortgage renewals at appropriate intervals to mitigate significant interest rate shocks in a given year.

The following table illustrates the sensitivity of income and equity to a reasonably possible change in interest rates of +/- 1%.

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15. FINANCIAL RISK MANAGEMENT (continued)

December 31, 2019

	Carrying Amount	Income -1%	Partners' Equity -1%	Income +1%	Partners' Equity +1%
Bank overdraft	\$ 2,136	\$ 21	\$ 21	\$ (21)	\$ (21)
Revolving credit facility	71,090	711	711	(711)	(711)
Mortgages payable, maturing within one year	113,277	1,133	1,133	(1,133)	(1,133)
	<u>\$ 186,503</u>	<u>\$ 1,865</u>	<u>\$ 1,865</u>	<u>\$ (1,865)</u>	<u>\$ (1,865)</u>

December 31, 2018

	Carrying Amount	Income -1%	Partners' Equity -1%	Income +1%	Partners' Equity +1%
Bank overdraft	\$ 598	\$ 6	\$ 6	\$ (6)	\$ (6)
Revolving credit facility	24,009	240	240	(240)	(240)
Mortgages payable, maturing within one year	38,454	385	385	(385)	(385)
	<u>\$ 39,052</u>	<u>\$ 391</u>	<u>\$ 391</u>	<u>\$ (391)</u>	<u>\$ (391)</u>

b. Price risk

Skyline Apt. REIT has no significant exposure to price risk with respect to financial instruments as it does not hold any equity securities or commodities.

c. Foreign exchange risk

Skyline Apt. REIT is not subject to foreign exchange risk. All of its financial instruments are denominated in Canadian dollars.

ii) Credit risk

Credit risk is a risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Skyline Apt. REIT has no significant concentrations of credit risk. Credit risk arises from trade receivables, including rental receivables from lessees, mortgage and notes receivable.

An allowance for doubtful accounts is recognized for estimated losses resulting from tenant default on lease obligations. Skyline Apt. REIT actively reviews receivables and determines the potentially uncollectible accounts on a per-tenant basis. An accounts receivable is written down to its estimated recoverable value when there is reason to believe that the tenant will not be able to fulfil their obligations under the lease agreement. Management reviews tenant receivables on a regular basis and reduces carrying amounts through the use of allowance for doubtful accounts and the amount of any loss is recognized in the statement of income and comprehensive income.

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15. FINANCIAL RISK MANAGEMENT (continued)

ii) Credit risk (continued)

The movement in the allowance for doubtful accounts is reconciled as follows:

	2019	2018
Allowance for doubtful accounts beginning of year	\$ 254	\$ 217
Provision for impairment of trade receivables	92	207
Reversal of provision for impairment	(117)	(170)
Allowance for doubtful accounts end of year	<u>\$ 229</u>	<u>\$ 254</u>

Credit risk is managed by reviewing the credit quality of the tenant through credit ratings and references. The maximum exposure to credit risk at the reporting date is equal to the carrying value of each class of financial asset.

iii) Liquidity risk

Liquidity risk management entails maintaining sufficient cash and credit facilities available to close out market positions. Skyline Apt. REIT ensures flexibility in funding by keeping committed credit lines available, and raising capital from partners when needed.

Skyline Apt. REIT's liquidity position is monitored on a regular basis by Management. A summary table with obligations of financial liabilities presented below is used by key management personnel to manage liquidity risks and is derived from managerial reports at company level. The amounts disclosed in the tables below are the contractual undiscounted cash flows. Undiscounted cash flows in respect of the balances due within twelve months generally equal their carrying amounts in the statement of financial position as the impact of discounting is not significant.

The bank overdraft is secured by a general security agreement over some of the investment properties of Skyline Apt. REIT.

Under a financing agreement, RELP and Skyline Apt. REIT have a revolving credit facility of \$35,000 (2018 - \$35,000) available for use to finance the ongoing working capital requirements of the combined group which is maintained by Skyline Apt. REIT. At December 31, 2019 the total drawn on the operating line of credit was \$21,090 (2018 - \$24,009). The operating line of credit bears interest at prime plus 1.5% (2018 - prime plus 1.5%).

Under another financing agreement, RELP and Skyline Apt. REIT have a revolving credit facility of \$50,000 (2018 - \$nil) available for use to finance the ongoing working capital requirements of the combined group, which is maintained by Skyline Apt. REIT. At December 31, 2019, the total drawn on the revolving credit facility by Skyline Apt. REIT was \$50,000 (2018 - \$nil). The revolving credit facility bears interest at prime plus 1.5% or a fixed rate of 2.3% at the option of the borrower.

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15. FINANCIAL RISK MANAGEMENT (continued)

iii) Liquidity risk (continued)

A reconciliation of movements in revolving credit facility to cash flows arising from financing activities is as follows:

	2019	2018
Revolving credit facility, beginning of year	\$ 24,009	\$ 0
Net proceeds (repayments) to revolving credit facility	<u>47,081</u>	<u>24,009</u>
	<u>71,090</u>	<u>24,009</u>
Financing costs included in operations	2,081	800
Interest paid	<u>(2,081)</u>	<u>(800)</u>
Total liability-related changes	<u>0</u>	<u>0</u>
Revolving credit facility, end of year	<u>\$ 71,090</u>	<u>\$ 24,009</u>

Under the financing agreements, the combined group of RELP and Skyline Apt. REIT are required to maintain a debt service ratio of 1.20 or higher, an interest coverage ratio of at least 2.00 or higher and unitholder equity of at least \$400,000 plus 75% of contributions received during each subsequent fiscal year. The combined group is also required to maintain a funds from operations effective pay-out ratio not exceeding 105%, a total debt to gross book value ratio not exceeding 65% and a mortgage-ability debt service coverage ratio of 1.25 or higher. At December 31, 2019, the combined group was in compliance with the financing agreements.

A reconciliation of movements in bank overdraft to cash flows arising from financing activities is as follows:

	2019	2018
Bank overdraft, beginning of year	\$ 598	\$ 4,730
Net proceeds (repayments) from bank overdraft	<u>1,538</u>	<u>(4,132)</u>
Bank overdraft, end of year	<u>\$ 2,136</u>	<u>\$ 598</u>

Skyline Apt. REIT's long term debt consists of first mortgages payable bearing interest rates ranging from 2.0% to 6.7% per annum, payable in monthly instalments of principal and interest of approximately \$6,703 (2018 - 2.1% to 6.7%, instalments of \$5,146), maturing from 2020 to 2029 and are secured by specific charges against specific properties.

Skyline Apt. REIT's long term debt also includes second mortgages payable bearing interest at rates ranging from 2.4% to 6.1%, payable in monthly instalments of principal and interest of approximately \$298 (2018 - 2.4% to 6.1%, instalments of \$291), maturing from 2020 to 2024, and are secured by specific charges against specific investment properties.

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15. FINANCIAL RISK MANAGEMENT (continued)

iii) Liquidity risk (continued)

Financial liabilities and their obligations are as follows:

December 31, 2019	On demand	Less than one year	One to five years	More than five years	Total
Mortgages payable	\$ 0	\$ 136,726	\$ 682,091	\$ 678,492	\$ 1,497,309
LP units	9,855	0	42,826	0	52,681
Bank overdraft	2,136	0	0	0	2,136
Revolving credit facilities	36,264	34,826	0	0	71,090
Accounts payable and accrued liabilities	0	13,834	0	0	13,834
	<u>\$ 48,255</u>	<u>\$ 185,386</u>	<u>\$ 724,917</u>	<u>\$ 678,492</u>	<u>\$ 1,637,050</u>
December 31, 2018	On demand	Less than one year	One to five years	More than five years	Total
Mortgages payable	\$ 0	\$ 44,694	\$ 218,996	\$ 908,814	\$ 1,172,504
LP units	9,313	0	39,722	0	49,035
Bank overdraft	598	0	0	0	598
Revolving credit facility	24,009	0	0	0	24,009
Accounts payable and accrued liabilities	0	18,709	0	0	18,709
	<u>\$ 33,920</u>	<u>\$ 63,403</u>	<u>\$ 258,718</u>	<u>\$ 908,814</u>	<u>\$ 1,264,855</u>

iv) Real estate risk

Skyline Apt. REIT has identified risks associated with the real estate portfolio. The greatest risk is with respect to the fair values of the portfolio due to changes in real estate market conditions, the economic climate, and overall financial health of its tenants.

Skyline Apt. REIT mitigates its exposure to any one tenant as a majority of its investment properties are multi-suite residential which results in a large number of tenants with minimal financial exposure to each. No single residential tenant accounts for 10% or more of Skyline Apt. REIT's residential rental revenue. Skyline Apt. REIT's commercial portfolio has a concentration of risk with a single tenant that represents 29% (2018 - 62%) of commercial revenue. This tenant is under lease until 2023 with three five-year renewal options.

16. MORTGAGES AND NOTES RECEIVABLE

The balance of \$44 (2018 - \$47) consists of a note receivable and bears interest at a fixed rate of 6% per annum. The mortgage was transferred to the partnership upon purchase of a building whereby a tenant had purchased their specific unit within the building.

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16. MORTGAGES AND NOTES RECEIVABLE (continued)

During 2017, Skyline Apt. REIT advanced notes receivable to two third parties in order to finance two separate projects under development in Brantford, Ontario and Port Elgin, Ontario. These loans finance the construction of two properties and give Skyline Apt. REIT the right to purchase the residential properties after they are developed by the third parties. These loans bear interest at 7.50% per annum. The project under development in Brantford, Ontario was completed in 2017 and the Port Elgin, Ontario project was completed in 2018.

A reconciliation of movements in notes receivable is as follows:

	2019	2018
Notes receivable, beginning of year	\$ 47	\$ 8,526
Repayments	(3)	(8,479)
Notes receivable, end of year	<u>\$ 44</u>	<u>\$ 47</u>

17. CAPITAL RISK MANAGEMENT

Skyline Apt. REIT's objectives when managing capital are to safeguard the entity's ability to continue as a going concern in order to provide returns for unitholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Skyline Apt. REIT has the ability to adjust the amount of distributions paid to partners, return capital to partners, issue additional units, refinance existing debt, or sell investment property to reduce debt.

Skyline Apt. REIT monitors capital primarily using a loan to value ratio, which is calculated as the amount of outstanding debt divided by the valuation of the investment property portfolio. As of December 31, 2019, the loan to value ratio was 51% (2018 - 52%), which is within Skyline Apt. REIT's stated policy of 70% or lower. Subsequent to December 31, 2019, Skyline Apt. REIT is in compliance with the policy.

During the year, Skyline Apt. REIT did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

18. UNITHOLDERS' EQUITY

Skyline Apt. REIT is authorized to issue an unlimited number of REIT units. The REIT units are entitled to distributions as and when declared by the Board of Trustees. On February 5, 2019, Skyline Apt. REIT increased the price per unit for newly issued units and units to be redeemed to \$17.25 from \$16.00. The units issued and outstanding are as follows:

	2019 Units	2018 Units
Units outstanding, beginning of year	58,002,571	55,016,860
Exchange of LP units	10,717	200,689
Units issued	3,351,643	2,832,091
Distribution reinvestment plan	1,423,651	3,195,560
Redemptions during the year	(1,309,849)	(3,242,629)
Units outstanding, end of year	<u>61,478,733</u>	<u>58,002,571</u>

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(in thousands of Canadian dollars, except per unit amounts)

19. LIMITED PARTNERSHIP UNITS

At December 31, 2019 there are 2,520,139 (2018 - 2,520,139) Class B exchangeable partnership units of RELP. RELP's Class B LP units, representing an aggregate fair value of \$43,472 at December 31, 2019 (2018 - \$40,322), are exchangeable on a one-for-one basis into Skyline Apt. REIT units at any time at the option of the holder. Prior to such exchange, distributions will be made on these exchangeable units in an amount equivalent to the distributions which would have been made had the units been exchanged for Skyline Apt. REIT units. Class B LP units are entitled to a pro rata share of the residual net assets remaining after the preferential claims, thereon, of debt holders. RELP's Class C LP units of 179,844 (2018 - 180,714), representing an aggregate fair value of \$3,102 at December 31, 2019 (2018 - \$2,891), and Class D LP units of 354,009 (2018 - 363,856), representing an aggregate fair value of \$6,107 at December 31, 2019 (2018 - \$5,822) share the same characteristics of the Class B LP units described above.

A reconciliation of movements in Class B, C and D LP Units to cash flows arising from financing activities is as follows:

	2019	2018
Class B, C and D LP Units, beginning of year	\$ 49,035	\$ 47,586
Proceeds from issue of Class B, C and D LP Units	0	1,487
Redemptions of Class B, C and D LP Units	(185)	(3,204)
	<u>(185)</u>	<u>(1,717)</u>
Financing costs included in operations	2,898	4,219
Distribution interest paid	(2,898)	(4,219)
Total liability-related changes	<u>0</u>	<u>0</u>
Changes in fair value	<u>3,831</u>	<u>3,166</u>
Class B, C and D LP Units, end of year	<u>\$ 52,681</u>	<u>\$ 49,035</u>

20. SEGMENTED DISCLOSURE

All of Skyline Apt. REIT's assets and liabilities are in, and its revenues are derived from, multi-suite residential and commercial Canadian real estate. Skyline Apt. REIT's investment properties are, therefore, considered by Management to have similar economic characteristics. Thus, Skyline Apt. REIT has one reportable segment for disclosure purposes.

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(in thousands of Canadian dollars, except per unit amounts)

21. SUBSEQUENT EVENTS

Subsequent to year end, RELP acquired one property with an aggregate cost of \$20,000. The property was financed with a mortgage of \$14,521, with an interest rate of 2.85% and a maturity of 2030.

Effective February 11, 2020, the price per unit for newly issued units and units to be redeemed increased to \$21.00 from \$17.25.

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. This global pandemic has disrupted economic activities and has resulted in many organizations implementing system-wide closure of programming and services. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. This may impact the timing and amounts realized on the organization's cash flows and assets.

In response to the effects of COVID-19 mentioned above, on March 19, 2020 the Board of Trustees agreed to apply a monthly redemption limit of \$50 for all requests received, as outlined in Skyline Apt. REIT's Declaration of Trust, in an effort to safeguard the capital of Skyline Apt. REIT, and mitigate its liquidity risk.

ITEM 13 DATE AND CERTIFICATE

Dated April 1, 2020

This offering memorandum does not contain a misrepresentation.

SKYLINE APARTMENT REAL ESTATE INVESTMENT TRUST

"Jason Castellan"

JASON CASTELLAN
Chief Executive Officer

"Wayne Byrd"

WAYNE BYRD
Chief Financial Officer

"Jason Castellan"

JASON CASTELLAN
Trustee

"R. Jason Ashdown"

R. JASON ASHDOWN
Trustee

"Martin Castellan"

MARTIN CASTELLAN
Trustee

"Jonathan Halpern"

JONATHAN HALPERN
Trustee

"Robert Breadner"

ROBERT BREADNER
Trustee

"Edward Perlmutter"

EDWARD PERLMUTTER
Trustee

"Jeffrey Neumann"

JEFFREY NEUMANN
Trustee

"Susan Taves"

SUSAN TAVES
Trustee

**SKYLINE APARTMENT ASSET MANAGEMENT INC.
as Manager**

"Matthew Organ"

Matthew Organ
President
Acting in the capacity of Chief
Executive Officer

"Wayne Byrd"

WAYNE BYRD
Treasurer
Acting in the capacity of Chief
Financial Officer

On behalf of the Board of Directors

"Martin Castellan"

MARTIN CASTELLAN
Director

"R. Jason Ashdown"

R. JASON ASHDOWN
Director



**SKYLINE APARTMENT
REAL ESTATE INVESTMENT TRUST**