

**OFFERING MEMORANDUM  
VIOCITY REAL ESTATE INVESTMENT TRUST**

**DATE:** December 8, 2017

**THE ISSUER:**

*Name:* Viocity Real Estate Investment Trust (“**Viocity REIT**”)

*Head Office:* Address: #1730, 639 5 Avenue SW  
Calgary, AB T2P 0M9  
Email: info@viocity.com  
Tel No.: 1-855-659-5959

*Currently listed or quoted?* **No – These securities do not trade on any exchange or market.**

*Reporting Issuer?* No

*SEDAR Filer?* No

**THE OFFERING:**

*Securities Offered:* Trust units of Viocity REIT (collectively the “Units”)

*Price per security:* Determined by the Trustees of Viocity REIT from time to time and set forth in the subscription agreement(s) entered into between the Subscriber(s) and Viocity REIT. Currently the Price per unit is \$10.00

*Minimum/Maximum offering:* There is no minimum. You may be the only purchaser. There is also no maximum. The REIT will offer an unlimited number of Units on a continuous basis. Funds available under the offering may not be sufficient to accomplish our proposed objectives.

*Minimum Subscription Amount:* \$100

*Payment Terms:* Certified Cheque, Bank Draft or Wire Transfer due on closing.

*Proposed Closing Date:* Periodically, with the next closing date expected to be on or about December 15, 2017.

*Selling Agent:* Yes – See Item 7. Viocity REIT is a connected issuer, and may be considered a related issuer, of Viocity Management Inc. (the “Exempt Market Dealer”), an exempt market dealer in certain jurisdictions, in connection with the distribution of the REIT’s securities hereunder, which may result in potential conflicts of interest. Viocity REIT is a connected issuer of the Exempt Market Dealer due to the factors described in this Offering Memorandum under “Relationship between Viocity REIT, The Exempt Market Dealer and Affiliates of the Exempt Market Dealer”.

*Resale Restrictions* You will be restricted from selling your securities for an indefinite period or for a period of 4 months and a day, depending on your province of residence. See Item 10.

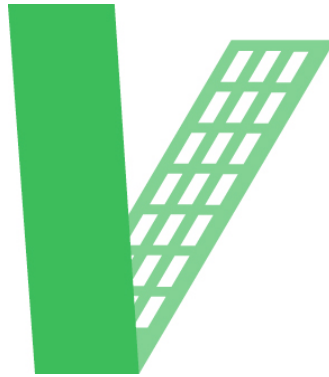
*Purchaser’s Rights* You have 2 business days to cancel your agreement to purchase these securities. If there is a Misrepresentation contained in this offering memorandum, you have the right to sue for damages or to cancel the agreement. See Item 11.

**No securities regulatory authority 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.**

There is not and may not be a market for you to sell your investment and there is no assurance that you will be able to find a buyer for this investment at a later date. This investment is speculative and involves a high degree of risk. Investors should be aware that this investment has not only the usual risks associated with the financial ability of the Issuer to make cash distributions, but also risks associated with purchasing and selling of real estate.

*This Offering is a private placement and is not, under any circumstances, to be construed as a public offering of the securities described herein. The securities are being offered in reliance upon exemptions from the registration and prospectus requirements set forth in applicable securities legislation. This Offering Memorandum is not, and under no circumstances is it to be construed as, a prospectus or advertisement or a public offering of securities. No securities commission or similar authority in Canada or in any other jurisdiction has reviewed this Offering Memorandum or in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. Persons who will be acquiring securities pursuant to this Offering Memorandum will not have the benefit of the review of this material by a securities commission or similar authority.*

## VIOCITY REAL ESTATE INVESTMENT TRUST



*This Offering Memorandum is intended for use by investors solely in connection with the consideration of the purchase of these securities. No person is authorized to give any information or to make any representation not contained in this Offering Memorandum in connection with the offering of these securities and, if given or made, no such information or representation may be relied upon. This Offering Memorandum is confidential. By accepting a copy of this Offering Memorandum, the recipient agrees that neither it nor any of its representatives or agents shall use the Offering Memorandum or the information contained herein for any other purpose or divulge it to any other party and shall return all copies of the Offering Memorandum to the Issuer promptly upon request.*

*The Offered Units have not been and will not be registered under the U.S. Securities Act (as defined herein), or any applicable state securities laws. Accordingly, except pursuant to an exemption from the registration requirements of the U.S. Securities Act and state securities laws, the Offered Units may not be offered or sold within the United States or to, or for the account of benefit of, "U.S. persons" (as such term is defined in Regulation S under the U.S. Securities Act) unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.*

## HOW TO READ THIS OFFERING MEMORANDUM

This offering of Units (the “Offering”) is being made by Viocity REIT pursuant to an exemption (the “Offering Memorandum Exemption”) from the prospectus requirements of applicable securities laws. The Units are sold only through investment dealers, exempt market dealers or other securities registrants who are permitted to offer and sell the Units.

The Offering Memorandum Exemption requires that Viocity REIT provide investors with a prescribed form of offering memorandum. Issuers are permitted to “wrap” the prescribed form of offering memorandum around another disclosure document by attaching that other disclosure document and referring to the disclosure contained in it.

Viocity REIT is not a “reporting issuer” within the meaning of applicable securities laws and therefore it is not required to publish, disseminate or file ongoing continuous disclosure regarding its operations and affairs. However, management of Viocity REIT has provided web links in selected sections of this Confidential Offering Memorandum to where (unaudited) updates of the information in these sections are periodically posted in an effort to keep holders of Units informed of developments involving Viocity REIT. Such information is provided for ongoing purposes and does not form a part of this Offering Memorandum.

## FORWARD-LOOKING STATEMENTS

Certain statements contained in this Offering Memorandum (and any provisions of the Offering Memorandum incorporated by reference herein) constitute forward-looking statements. All statements, other than statements of historical fact, that address activities, events or developments that Viocity REIT believes, expects, or anticipates will or may occur in the future (including, without limitation, statements regarding any objectives and strategies of Viocity REIT) are forward-looking statements. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks (including the risks identified under “Item 8: Risk Factors”), uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Viocity REIT (and its affiliates, as applicable) believe that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Offering Memorandum (and any provisions of the Offering Memorandum incorporated by reference herein) should not be unduly relied on. These statements speak only as of the date of this Offering Memorandum or as of the date specified in such statements, as the case may be and, except as may be required by applicable securities laws, Viocity REIT (and its affiliates) disclaim any intent or obligation to update any forward-looking statements whether as a result of new information, future events, or results or otherwise.

## MARKET AND INDUSTRY DATA

Unless otherwise indicated, the economic and industry data contained in this Offering Memorandum is based upon information from independent industry and government publications. While Viocity REIT believes this data to be reliable, market and industry data is subject to variation and cannot be verified due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. Neither Viocity REIT nor the Trustees have independently verified the accuracy or completeness of such information contained herein.

## NON-IFRS MEASURES

Viocity REIT uses the terms Distributable Income, Normalized Net Operating Income (or “NNOI”) and Property Net Income as defined in the Glossary. Management of Viocity REIT considers such non-IFRS measures to be a valuable measure for evaluating its operating performance and in achieving its objectives. Such measures are not defined under IFRS nor should any of these measures be viewed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Readers should be further cautioned that Distributable Income, NNOI and Property Net Income as calculated by Viocity REIT may not be comparable to similar measures presented by other issuers.

## TABLE OF CONTENTS

SUBSCRIPTION PROCEDURE AND CHECKLIST .....	6
GLOSSARY .....	7
ITEM 1      USE OF AVAILABLE FUNDS .....	7
1.1      Net Proceeds .....	7
1.2      Use of Available Funds.....	8
1.3      Reallocation .....	8
1.4      Working Capital Deficiency .....	8
ITEM 2      BUSINESS OF VIOCITY REIT .....	9
2.1      Structure.....	9
2.1.1 <i>Description of Viocity REIT</i> .....	9
2.1.2 <i>Organizational Structure of Viocity REIT</i> .....	10
2.1.3 <i>Operating Policies of Viocity REIT</i> .....	10
2.1.4 <i>Investment Guidelines of Viocity REIT</i> .....	12
2.1.5 <i>Amendments to Investment Guidelines and Operating Policies</i> .....	15
2.1.6 <i>Management and Operation of Viocity REIT</i> .....	15
2.2      Our Business .....	18
2.2.1 <i>Markets in which Viocity REIT Invests</i> .....	18
2.2.2 <i>Properties</i> .....	20
2.2.3 <i>Mortgages</i> .....	21
2.2.4 <i>Acquisition and Operating Facilities</i> .....	21
2.2.5 <i>Investment Strategy of Viocity REIT</i> .....	21
2.3      Development of Our Business .....	23
2.4      Long Term Objectives of Viocity REIT .....	23
2.5      Short Term Objectives and How We Intend to Achieve Them .....	23
2.6      Insufficient Funds .....	23
2.7      Material Agreements.....	24
ITEM 3      INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS      26	
3.1      Compensation and Securities Held .....	26
3.2      Management Experience.....	28
3.3      Penalties, Sanctions and Bankruptcies.....	29
3.4      Loans.....	29
ITEM 4      CAPITAL STRUCTURE .....	30
4.1      Share Capital.....	30
4.2      Long Term Debt.....	30
4.3      Current Liabilities .....	30
4.4      Prior Sales .....	31
ITEM 5      SECURITIES OFFERED .....	32
5.1      Terms of Securities .....	32
5.1.1 <i>Trust Units</i> .....	32
5.1.2 <i>Purchase of REIT Units</i> .....	32
5.1.3 <i>Redemption of REIT Units</i> .....	32
5.1.4 <i>Repurchase of Units</i> .....	33
5.1.5 <i>Take-Over Bids</i> .....	34
5.1.6 <i>Meetings of Unitholders</i> .....	34
5.1.7 <i>Issuance of Units</i> .....	34
5.1.8 <i>Limitation on Non-Resident Ownership</i> .....	34

5.1.9	<i>Amendments to Declaration of Trust</i> .....	35
5.1.10	<i>Term of Viocity REIT</i> .....	36
5.1.11	<i>Valuation Policy</i> .....	36
5.1.12	<i>Distribution Policy</i> .....	39
5.2	Subscription Procedure .....	43
5.3	Offering Jurisdictions .....	43
ITEM 6	INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY .....	44
6.1	Eligibility for Investment.....	44
6.2	Canadian Income Tax Considerations .....	44
6.3	Status and Taxation of the Trust .....	45
6.4	Taxation of REIT Unitholders .....	46
ITEM 7	COMPENSATION PAID TO SELLERS AND FINDERS .....	48
7.1	Purchase Option .....	48
7.2	Relationship between Viocity Management Inc. & Viocity REIT .....	48
ITEM 8	RISK FACTORS.....	49
8.1	Investment Risks.....	49
8.2	Issuer Risks.....	50
8.3	Industry Risks .....	59
8.4	Conflicts of Interest .....	61
ITEM 9	REPORTING OBLIGATIONS .....	62
9.1	Delivery of Financial Statements.....	62
9.2	Audited Financial Statements and Auditors .....	62
ITEM 10	RESALE RESTRICTIONS .....	63
10.1	General Statement.....	63
10.2	Restricted Period.....	63
10.3	Manitoba Resale Restrictions .....	63
ITEM 11	PURCHASERS' RIGHTS .....	64
11.1	Two-Day Cancellation Right.....	64
11.2	Statutory Rights of Action in the Event of a Misrepresentation.....	64
11.3	General.....	69
ITEM 12	FINANCIAL STATEMENTS .....	70
ITEM 13	DATE AND CERTIFICATE.....	85
	Schedule "A" - GLOSSARY .....	86

## SUBSCRIPTION PROCEDURE AND CHECKLIST

Applicable Canadian securities laws prescribe certain of the documentation that must be completed in order to subscribe for Units. The documentation that you must complete will depend on the jurisdiction in which you are resident and the prospectus exemption on which you are relying.

**IMPORTANT: The following items must be completed and executed in connection with your subscription for Units (the “Subscription Agreement”). All references to pages and schedules below are references to the applicable page or schedule of the Subscription Agreement.**

### All Purchasers:

Complete and execute all applicable lines on pages 1 and 2 of the Subscription Agreement.

Provide a certified or personal cheque, or bank draft or proof of wire transfer (bank receipt required), made payable to “Viocity Management Inc., In Trust” for the Total Subscription Price indicated on page 1 of the Subscription Agreement. Provide a cheque marked “VOID” from the account to which distributions are to be made, if you have selected cash distributions.

If an “**Accredited Investor**”, complete and execute Schedule A – Accredited Investor Status Certificate, indicating which category is applicable. You do not need to complete Schedule B, C or D if Schedule A is completed.

If relying on the “**Family, Friends and Business Associates**” exemption, complete and execute Schedule B – Family, Friends and Business Associates Status Certificate, indicating which category is applicable. You do not need to complete Schedule A, C or D if Schedule B is completed. This exemption is not available to residents of Quebec.

If relying on the “**Minimum Amount Investment**” exemption, complete and execute Schedule C – Minimum Amount Investment Status Certificate. You do not need to complete Schedule A, B or D if Schedule C is completed. This exemption is not available to residents of Quebec.

If relying on the “**Offering Memorandum**” exemption, complete and execute Schedule D – Eligible Investor Status Certificate and Exhibit A attached thereto. You do not need to complete Schedule A, B or C if Schedule D is completed unless Schedule D specifically provides that you must complete one of Schedule A or Schedule B. You must also complete Exhibit A to Schedule D. If you are resident in Alberta, New Brunswick, Nova Scotia, Ontario or Saskatchewan you must also complete Appendix A and Appendix B to Exhibit A to Schedule D. This exemption is not available to residents of Quebec.

**All investors, regardless of exemption relied upon, will be required to execute the Risk Acknowledgment Form contained in your subscription package materials.**

**All purchasers must provide a completed and originally executed copy of the Subscription Agreement, including this instruction sheet and the items required to be completed as set out above.**

## OFFERING MEMORANDUM

### GLOSSARY

Capitalized terms used and not otherwise defined herein have the meanings set out in **Schedule “A”** of this Offering Memorandum. See **“Glossary”** attached hereto as **Schedule “A”**.

### ITEM 1 USE OF AVAILABLE FUNDS

#### 1.1 Net Proceeds

The table below sets forth the estimated total available funds to Viocity REIT after giving effect to the Offering:

		Assuming Minimum Offering (1)	Assuming Maximum Offering (1)	Notes
A.	Amount to be raised by this Offering	\$0	\$10,000,000	
B.	Selling commission and fees	\$0	\$200,000	(2)
C.	Estimated costs of the Offering (e.g. legal, accounting, audit, etc.)	\$0	\$75,000	
D.	Available funds: $D = A - (B + C)$	\$0	\$9,725,000	(2)
E.	Additional sources of funding	\$0	\$0	(3)
F.	Working capital deficiency	\$0	\$98,929	(4)
G.	Total: $G = (D+E) - F$	\$0	\$9,626,071	

**Notes:**

1. There is no minimum or maximum Offering. Viocity REIT will offer an unlimited number of Units on a continuous basis. There is no assurance that the Maximum Offering will be completed. See Item 2.6 – Insufficient Funds.
2. Viocity REIT sells Units directly through its affiliated Exempt Market Dealer, Viocity Management Inc. It is expected that Viocity REIT will pay compensation to Viocity Management Inc. up to a maximum of 2% of the subscription proceeds. Occasionally Viocity REIT may also engage other non-affiliated securities dealers, it is expected that Viocity REIT will pay compensation to such other securities dealers, up to a maximum of approximately 5% of the subscription proceeds. To the extent that Viocity REIT is responsible for the payment of compensation to securities dealers, the funds available to Viocity REIT will be reduced. As at the date of this Offering Memorandum, Viocity REIT does not anticipate selling Units through other securities dealers. See Item 7 - Compensation Paid to Sellers and Finders.
3. Viocity REIT does not expect to require additional funds from other sources to advance its business objectives.
4. Viocity REIT has a working capital deficiency of \$98,929. See **Item 1.4 – Working Capital Deficiency**.

## 1.2 Use of Available Funds

The following table provides a detailed breakdown of how Viocity REIT will use the available funds:

Description of Intended Use of Available Funds Listed in Order of Priority	Assuming Maximum Offering (1)	Assuming minimum Offering (1)
Acquire additional Rental Property Units(2)	\$0	\$7,000,000
Issue additional mortgages(3)	\$0	\$2,626,071
<b>Total:</b>	\$0	\$9,626,071

**Notes:**

1. There is no minimum or maximum Offering. Viocity REIT will offer an unlimited number of Units on a continuous basis. There is no assurance that the Maximum Offering will be completed.
2. Viocity REIT will be acquiring additional Rental Properties throughout Canada based on our investment guidelines. See **Item 2.1.4 - Investment Guidelines of Viocity REIT** and **Item 2.2.1 – Markets in which Viocity REIT Invests**.
3. Viocity REIT will be issuing additional mortgages to qualified lenders to grow our assets in this category. See **Item 2.1.4 – Investment Guidelines of Viocity REIT** and **Item 2.2.1 – Markets in which Viocity REIT Invests**.

## 1.3 Reallocation

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

## 1.4 Working Capital Deficiency

As of the date of this offering memorandum, Viocity REIT has a working capital deficiency of \$98,929 on a consolidated basis for costs incurred in connection with the establishment of Viocity REIT and legal, advertising, marketing and accounting costs associated with the Offering. Viocity REIT anticipates that it will fund its working capital requirements through a combination of Available Funds, future earning and future financing efforts. There is no assurance that Viocity REIT will have adequate working capital to meet the anticipated requirements described in this offering memorandum. See **Item 8 – Risk Factors**.



## **ITEM 2 BUSINESS OF VIOCITY REIT**

### **2.1 Structure**

#### **2.1.1 Description of Viocity REIT**

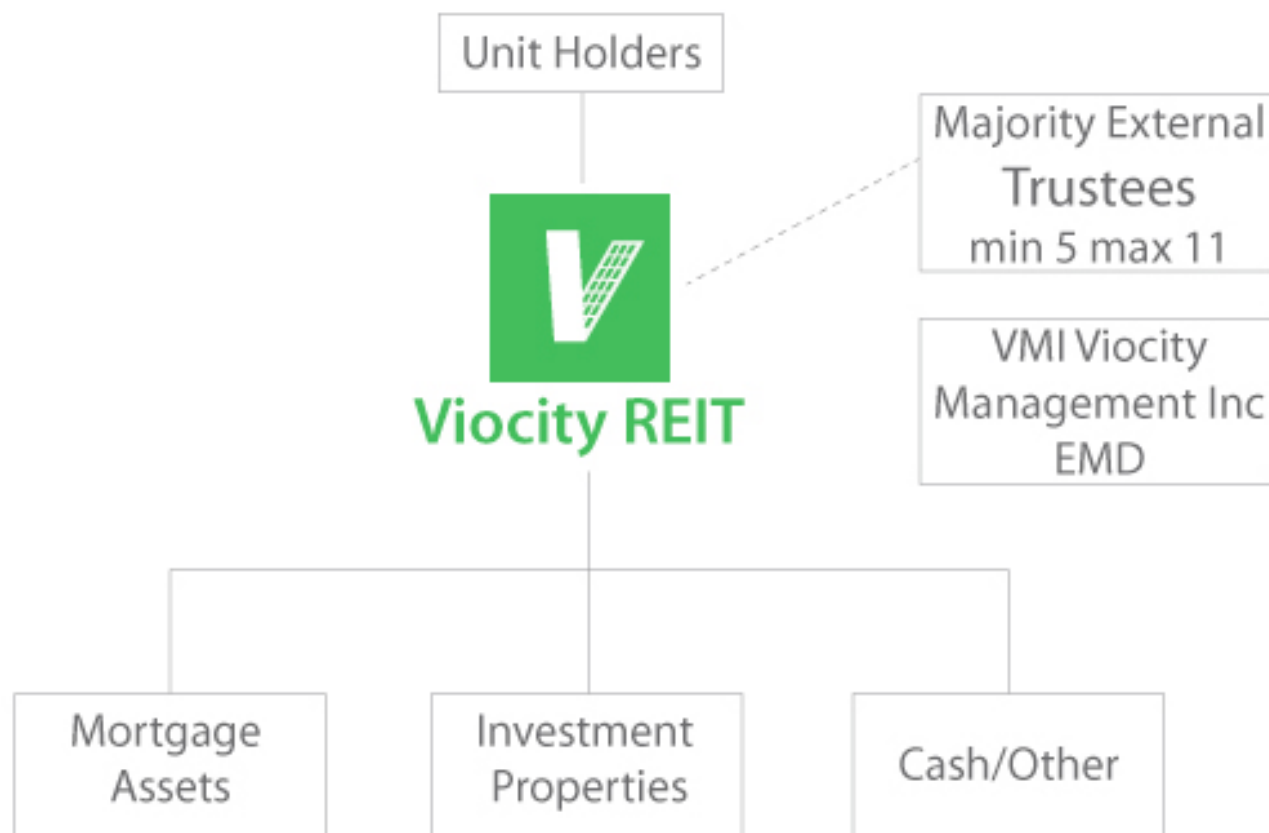
Viocity Real Estate Investment Trust (“Viocity REIT”) is an unincorporated open-end investment trust created by a declaration of trust on January 3, 2017 (the “Declaration of Trust”) and governed by the laws of the Province of Alberta and the federal laws of Canada applicable therein. Although Viocity REIT qualifies as a “mutual fund trust” for the purposes of the Tax Act, Viocity REIT is not a mutual fund under applicable securities laws.

Viocity REIT is responsible for all of its expenses, including, but not limited to the following:

- Salaries of employees of the REIT;
- Expenses related to operating the Head Office of the REIT;
- interest and other costs of borrowed money;
- fees and expenses of lawyers, accountants, auditors, appraisers and other agents or consultants employed by or on behalf of the Trust or the Trustees;
- fees and expenses of the Trustees;
- any fees and expenses payable internally by the Trust to the Asset Manager;
- fees and expenses connected with the acquisition, disposition and ownership of real property interests or mortgage loans or other property;
- insurance as considered necessary by the Trustees;
- expenses in connection with payments of distributions of Units of the Trust;
- expenses in connection with communications to Unitholders and the other bookkeeping and clerical work necessary in maintaining relations with Unitholders;
- expenses of changing or terminating the Trust;
- fees and charges of stock exchanges, transfer agents, registrars, indenture trustees and other trustees and custodians;
- all fees, expenses, taxes and other costs incurred in connection with the issuance, distribution, transfer and qualification for distribution to public or private investors as the case may be, of Units and other required governmental filings;
- all costs and expenses in connection with the incorporation or establishment, organization and maintenance of corporations and other entities formed to hold real property or other property of the Trust;
- all reasonable costs and expenses in connection with marketing and building the brand of the Trust; and
- all other costs and expenses that the Trustees, acting reasonably, determine to be the costs and expenses of the Trust.

### 2.1.2 Organizational Structure of Viocity REIT

The following diagram sets out the organizational structure of Viocity REIT following the Closing of the Offering:



### 2.1.3 Operating Policies of Viocity REIT

The operations and affairs of Viocity REIT shall be conducted in accordance with the following operating policies:

- a) the Trust may engage in construction or development of real property in order to maintain its real properties in good repair or to enhance the income-producing potential of properties that are capital property of Viocity REIT;
- b) title to each real property shall be held by and registered in the name of a corporation or other entity wholly-owned directly or indirectly by the Trust or jointly owned directly or indirectly by the Trust with joint arrangement partners; provided, that where land tenure will not provide fee simple title, a corporation or other entity wholly-owned, directly or indirectly by the Trust or jointly owned, directly or indirectly, by the Trust with joint arrangement partners shall hold a land lease as appropriate under the land tenure system in the relevant jurisdiction;
- c) no indebtedness shall be incurred or assumed if, after giving effect to the incurring or assumption thereof of the indebtedness, the total indebtedness as a percentage of Gross Book Value would be more than 75% for indebtedness, including amounts drawn under an acquisition facility;

- d) except for any indebtedness existing at Closing, no new indebtedness (otherwise than by the assumption of existing indebtedness) will be incurred or renewed or refinanced or secured by a mortgage on any of the real property of the Trust unless, at the date of the proposed incurring of the indebtedness, the aggregate of: (i) the amount of all indebtedness secured by such real property, and (ii) the amount of additional indebtedness proposed to be incurred, does not exceed 75% of the market value of such real property, on or after that date which is 12 months from the acquisition date thereof, in either case not including mortgage insurance fees incurred in connection with the incurrence or assumption of such indebtedness, which amount shall be added to the amount of the permitted indebtedness;
- e) subject to the approval of the Trustees, the Trust may not, directly or indirectly, guarantee any indebtedness, liabilities or other obligations of any kind of a third party, where such indebtedness, liabilities or other obligation, if granted, incurred or assumed by the Trust directly, would not cause the Trust to otherwise contravene the restrictions set out in Section 4.1 of the Declaration of Trust (Investment Guidelines). For greater certainty, the Trust will not directly or indirectly guarantee any indebtedness, liabilities or other obligations of any Person if doing so would contravene restriction (b) of the Investment Guidelines;
- f) an engineering survey or physical review by an experienced third party consultant will be obtained for each real property intended to be acquired with respect to the physical condition thereof;
- g) at all times insurance coverage will be obtained and maintained in respect of potential liabilities of the Trust and the accidental loss of value of the assets of the Trust 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;
- h) a Phase I environmental audit shall be conducted for each real property to be acquired and, if the Phase I environmental audit report recommends that further environmental audits be conducted, such further environmental audits shall be conducted, in each case by an independent and experienced environmental consultant;
- i) at least 8.5% of gross consolidated annual rental revenues generated from properties where the associated mortgage financing is insured by the Canadian Mortgage and Housing Corporation (“insured properties”) as determined pursuant to IFRS shall be expended annually on sustaining capital expenditures, repairs and maintenance, all determined on a portfolio basis for all insured properties. For this purpose, capital expenditures and repairs and maintenance include all onsite labour costs and other expenses and items associated with such capital expenditures, repairs and maintenance; and
- j) the Trust may engage service providers, including asset managers and mortgage managers under terms and conditions acceptable to the Trustees.

For greater certainty the operating policies set out in (a) through (j) are intended to set out generally the parameters under which the Trust (and subsidiaries in which the Trust is permitted to invest) will operate. References to the Trust in those paragraphs shall be read as applying to such subsidiary where the actual activity that is the subject of the policy is carried on by such subsidiary (with the exception of policy (c) above which is only intended to apply to the Trust). Further, any determinations in respect of the operating policies that are determinations reserved to the Trustees, where the actual activity is carried on by a subsidiary, will be made by the trustees or directors of the relevant subsidiary. Nothing in (a) through (j) empowers or entitles the Trust or the Trustees to carry on business or otherwise undertake any activity that would violate the Trust’s requirement to maintain its status as a “mutual fund trust”.

For the purposes of the foregoing investment guidelines and operating policies, the assets, indebtedness, liabilities and transactions of a corporation, partnership or other entity wholly or partially owned by the Trust will be deemed to be those of the Trust on a proportionate, consolidated basis. In addition, any references in the foregoing investment guidelines and operating policies to investment in real property will be deemed to include an investment in a joint arrangement. A “joint arrangement” means an arrangement through which two or more parties have joint control that has the following characteristics: (a) the parties to the arrangement are bound by a contractual agreement, (b) the contractual agreement gives two or more of those parties joint control of the arrangement, and (c) is either a joint operation or a joint arrangement.

In addition, the term “indebtedness” means (without duplication):

- i. any obligation of the Trust for borrowed money;
- ii. any obligation of the Trust incurred in connection with the acquisition of property, assets or business other than the amount of future income tax liability arising out of indirect acquisitions;
- iii. any obligation of the Trust issued or assumed as the deferred purchase price of property;
- iv. any capital lease obligation of the Trust; and
- v. any obligation of the type referred to in clauses i. through iv. of another person, the payment of which the Trust has guaranteed or for which the Trust is responsible for or liable;

provided that (A) for the purposes of i through iv, an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of the Trust in accordance with generally accepted accounting principles and (B) obligations referred to in clauses i through iii exclude trade accounts payable, distributions payable to Unitholders and accrued liabilities arising in the ordinary course of business.

#### **2.1.4 Investment Guidelines of Viocity REIT**

The Declaration of Trust provides for certain guidelines on investments which may be made by Viocity REIT. Notwithstanding anything contained herein to the contrary, the assets of Viocity REIT may be invested only in accordance with the following investment guidelines:

- (a) the Trust may invest in interests (including fee ownership and leasehold interests) in income producing Real Estate properties and mortgages in Canada;
- (b) the Trust may invest in mortgages if the Trust intends to use the acquisition of the mortgages as a method of acquiring control of an income-producing real property which would otherwise comply with the investment restrictions, investment guidelines and operating policies established in accordance with the Declaration of Trust;
- (c) the Trust may invest in interests (including fee ownership and leasehold interests) in income producing office, retail or residential properties and Properties Under Development in the United States;
- (d) the Trust shall not make any investment, take any action or omit to take any action that would result in Units not being units of a “mutual fund trust” within the meaning of the Tax Act, that would result in Units being disqualified for investment by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans or registered education savings plans, that would result in the Trust being liable under the Tax Act to pay a tax as a result of holdings by the Trust of foreign property as defined in the Tax Act or that would result in Units being foreign property for the purpose of the Tax Act;

- (e) the Trust may invest in a joint venture or co-ownership arrangement (a “joint venture arrangement”) only if:
- i. the joint venture arrangement is one pursuant to which the Trust holds an interest in real property jointly or in common with others (“joint venturers”) either directly or through the ownership of securities of a corporation (a “joint venture entity”);
  - ii. the Trust’s interest in the joint venture arrangement and the joint venture arrangement’s interest in the particular real property or properties, is not subject to any restriction on transfer other than a right of first refusal, if any, in favour of the joint venturers and the requirement that the transferee enter into an assumption agreement;
  - iii. the Trust has a right of first refusal to buy the interests of the other joint venturers;
  - iv. the joint venture arrangement provides an appropriate buy-sell mechanism to enable a joint venturer to purchase the other joint venturers’ interests or to sell its interest;
  - v. the joint venture arrangement provides that the liability of the Trust to third parties is several and not joint and several (and contains an express disavowal of Trustee and Unitholder liability); provided, however, that subject to any remedies that each joint venturer may have against the other joint venturers, a joint venturer may be required to give up its interest in any particular property owned by the joint venture entity as a result of another joint venturer’s failure to honour its proportionate share of the obligations relating to such property;
  - vi. the joint venture arrangement permits, but does not require, the Trust or its designee to participate fully in the management thereof;
  - vii. the joint venture arrangement is approved by a majority of the Independent Trustees or, if the number of Independent Trustees is less than three, by all the Independent Trustees; and
  - viii. the Trust receives and opinion from counsel to the effect that the Trust is not exposed to any additional or unusual liabilities as a result of the joint venture arrangement;
- (f) the Trust shall not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes where, for the purposes hereof, the term “hedging” shall have the meaning ascribed thereto by National Instrument 81-102 adopted by the Canadian Securities Administrators, as amended from time to time;
- (g) except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province or of Canada, short-term government debt securities, or money market instruments of, or guaranteed by, a Schedule 1 Canadian bank maturing within one year of date of issue or except as permitted pursuant to paragraphs (c), (d), (g), (i), (j) and (k), under the heading “Investment Guidelines and Operating Policies - Investment Guidelines”, the Trust shall not hold securities of another issuer unless either (i) such securities derive their value, directly or indirectly, principally from real property, or (ii) the principal business of the issuer of the securities is the ownership or operation, directly or indirectly, of real property; or (iii) shares of a corporation which carries on a business which is ancillary or incidental to an income producing Investment Property in Canada in which the Trust holds an interest (in each case as determined by the Trustees);

- (h) the Trust shall not invest 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) the Trust shall not acquire interests in general partnerships or limited partnerships provided that the Trust may invest in a limited partnership if:
  - i. the limited partnership is formed and operated solely for the purpose of acquiring, owning, maintaining, improving, leasing or managing a particular real property or properties or interests therein;
  - ii. the Trust's interest in the limited partnership is not subject to any restriction on transfer other than a right of first offer or right of first refusal, if any, in favour of any other partner or any affiliate thereof and a requirement that the transferee enter into an assumption agreement;
  - iii. the Trust has a right of first offer or right of first refusal to buy the interests of the other partners;
  - iv. the limited partnership arrangement provides an appropriate buy-sell mechanism to enable a limited partner to purchase the other limited partners' interests or to sell its interests; and
  - v. the limited partnership arrangement is approved by a majority of the Independent Trustees or, if the number of Independent Trustees is less than three, by all the Independent Trustees; provided that, notwithstanding the foregoing, the Trust may from time to time enter into any limited partnership arrangement which does not comply with any of subparagraphs (ii), (iii) or (iv) above if the Trustees determine that the investment is desirable for the Trust and otherwise complies with the investment restrictions, investment guidelines and operating policies established in accordance with the Declaration of Trust and in effect at such time;
- (j) the Trust shall not invest in raw land, except raw land:
  - i. which is ancillary to property which the Trust is otherwise permitted to purchase or already owns; or
  - ii. for the purpose of developing new properties which will be or are expected to be upon completion income producing;
- (k) the Trust shall not invest in or acquire securities of a Canadian real estate investment trust unless:
  - i. the activities of the real estate investment trust are focused on acquiring, holding, maintaining, improving, leasing or managing primarily income-producing real properties; and
  - ii. in the case of any proposed investment or acquisition which would result in the Trust owning beneficially more than 10% of the outstanding units of such real estate investment trust (the "acquired trust"), the investment is made for the purpose of subsequently effecting the merger or combination of the operations and assets of the Trust and the acquired trust or for otherwise ensuring that the Trust will control the undertaking and operations of the acquired trust;

For the purpose of the foregoing guidelines, the assets, liabilities and transactions of a corporation or other entity wholly or partially owned by the Trust will be deemed to be those of the Trust on a proportionate consolidated basis. In addition, any references in the foregoing to investment in real property will be deemed to include an investment in a joint venture arrangement. Nothing in the guidelines prohibits the Trust from holding some or all of the receivables due pursuant to the instalment receipt agreements.

## **2.1.5 Amendments to Investment Guidelines and Operating Policies**

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

## **2.1.6 Management and Operation of Viocity REIT**

The investment policies and operations of Viocity REIT are subject to the control and direction of the Trustees, a majority of whom have had at least twenty (20) years of substantial experience in the real estate industry and a majority of whom are Independent Trustees. REIT Management manages the day-to-day operations of Viocity REIT. The REIT manages the Properties and supervises third-party property managers where the REIT believes it is in its best interest to retain property managers on certain properties.

### *The REIT Management*

The REIT Management is responsible for the day-to-day operations of the REIT. As at the date of this Offering Memorandum, Derek Fairbrother and Marc Loustau manage the day-to-day administrative operation of Viocity REIT.

### *Trustees*

The Declaration of Trust provides that the assets and operations of Viocity REIT will be subject to the control and authority of a minimum of five (5) 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, 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. A vacancy occurring among the Trustees may be filled by resolution of the remaining Trustees as long as they constitute a quorum, or by the Unitholders at a meeting of the Unitholders. There are currently five (5) Trustees, three (3) of whom are Independent Trustees.

The Declaration of Trust provides for the appointment by the Trustees of an audit committee (the Audit Committee). 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 Viocity 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 not less than a majority of the outstanding 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.

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

The name and municipality of residence, office held with Viocity REIT and principal occupation of each Trustee and senior officer of Viocity REIT are as follows:

**List of Trustees and Officers**

Name and Municipality of Residence	Office	Principal Occupation
Marc Loustau Tsawwassen, British Columbia	Trustee, President & CEO	Executive Client Relations and Strategic Programs Director
Derek Fairbrother Surrey, British Columbia	Trustee, Asset Manager, Mortgage Manager	Real Estate Agent, Chief Compliance Officer
Heather McQueen Surrey, British Columbia	Trustee	Manager – Program Office
Gilles Pinto Republic of Malta	Trustee	Chief Financial Officer
Christopher P. Knight Calgary, Alberta	Trustee	Lawyer

*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 Viocity REIT. Given that the Trustees and senior officers of Viocity REIT are engaged in a wide range of real estate and other activities, the Declaration of Trust contains provisions that require if a Trustee or an officer of the Trust is a party to a Material Contract or transaction or proposed material contract or transaction with the Trust or its subsidiaries, or is a director or officer or employee of, or otherwise has a material interest in, any person who is a party to a Material Contract or transaction or proposed material contract or transaction with the Trust or its subsidiaries, such Trustee or officer of the Trust, as the case may be, shall disclose in writing to the Trustees or request to have entered in the minutes of meetings of Trustees or a committee of the Trustees, as the case may be, the nature and extent of such interest.

*Independent Trustee Matters*

Notwithstanding anything to the contrary, in addition to requiring the approval of a majority of the Trustees, the approval of not less than a majority of the Independent Trustees holding office at such time who have no interest in the matter (given by vote at a meeting of Trustees or by written consent) shall be required with respect to any decision regarding Independent Trustee Matters. As at the date of this offering memorandum, Heather McQueen, Gilles Pinto and Christopher Knight are independent trustees of Viocity REIT.

*The Asset Manager*

The Asset Manager is Derek Fairbrother and additional REIT employees as required and is engaged for the purpose of managing the day-to-day operations of Viocity REIT. Derek Fairbrother has been involved in a broad range of real estate and/or investment management activities over the past twenty years. The Asset Manager, along with the REIT Management, is responsible for sourcing and conducting due diligence on acquisitions and dispositions of investments for the REIT and to provide advice and guidance to REIT management. As Viocity REIT is a newly established Trust, the Asset Manager has undertaken the role of the Mortgage Manager and Mortgage Servicer until it is economically feasible for additional employees to be acquired by Viocity REIT. The Asset Manager’s Fees are outlined under **Item 3.1 – Compensation and Securities Held** and **Item 2.7 – Material Agreements**.



### Relationship Between Viocity REIT, The Asset Manager and Affiliates of the Asset Manager

Viocity REIT is a connected issuer, and may be considered to be a related issuer, of Viocity Management Inc. (the “Exempt Market Dealer”), an exempt market dealer and investment fund manager in certain jurisdictions, in connection with the distribution of the REIT’s securities hereunder.

Viocity REIT is a connected issuer of the Exempt Market Dealer due to various factors, including the fact that Derek Fairbrother is the President and owns all of the shares of the Exempt Market Dealer and its affiliates. Derek Fairbrother has been retained by Viocity REIT to act as Asset Manager.

### Property Manager

All property management functions are performed within the REIT structure. In some locations where the REIT does not yet have sufficient scale to manage the property internally, the REIT may outsource to a 3<sup>rd</sup> party property manager.

### Mortgage Manager

The Mortgage Manager is an employee of the REIT or an independent 3<sup>rd</sup> party contracted by the REIT. The Mortgage Manager is an affiliate of the Asset Manager. As Viocity REIT is a newly established Trust, the Mortgage Manager role is carried out by the Asset Manager or 3<sup>rd</sup> party contracted by the REIT. The role of the Mortgage Manager is to conduct on the behalf of the Asset Manager any activities related to the sourcing of mortgages. For activities that specifically require a mortgage brokerage license, Viocity REIT will contract with a 3<sup>rd</sup> party registered with the Registrar of Mortgage Brokers. Senior management of the Mortgage Manager includes Derek Fairbrother. See “Management of Viocity REIT”.

### Mortgage Servicer

The Mortgage Servicer is an employee of the REIT or an independent 3<sup>rd</sup> party contracted by the REIT. The Mortgage Servicer is an affiliate of the Asset Manager. As Viocity REIT is a newly established Trust, the Mortgage Servicer role is carried out by the Asset Manager. The role of the Mortgage Servicer is to, where required, collect mortgage payments and conduct any enforcement activities where a licensed third party mortgage administrator isn’t already providing such services. Where there are third parties servicing mortgages of Viocity REIT that charge fees, these fees will be paid by Viocity REIT and the Mortgage Servicer will not charge any markup on these fees if so incurred. Senior management of the Mortgage Servicer includes Derek Fairbrother. See “Management of Viocity REIT”.

### Audit Committee

The Declaration of Trust requires the creation of an Audit Committee, consisting of at least three (3) Trustees, the majority of who shall be Independent Trustees. The Trustees have appointed Derek Fairbrother, Heather McQueen, and Gilles Pinto as Audit Committee for Viocity REIT.

The Audit Committee will assist the Trustees in fulfilling their responsibilities of oversight and supervision of the Trust's accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, and the quality and integrity of its financial statements. In addition, the Audit Committee will be responsible for directing the auditors' examination of specific areas, for the selection of the Trust's independent auditors and for the approval of all non-audit services for which the auditors may be engaged. All members of the Audit Committee will be financially literate within the meaning of applicable securities laws.

The Audit Committee will be responsible for monitoring compliance with a Code of Conduct and Ethical Behaviour to be adopted by the Trustees and for establishing a procedure for the anonymous and confidential

receipt and treatment of concerns or complaints received regarding accounting and related financial reporting matters (a "whistle blowing" procedure).

The Auditors are entitled to receive notice of every meeting of the Audit Committee and, at the expense of the Trust, to attend and be heard thereat and, if so requested by a member of the Audit Committee, shall attend any meeting of the Audit Committee held during the term of office of the Auditors. Questions arising at any meeting of the Audit Committee shall be decided by a majority of the votes cast. Decisions may be taken by written consent signed by all of the Independent Trustees who are members of the Audit Committee. The Auditors or a member of the Audit Committee may call a meeting of the Audit Committee on not less than 48 hours' notice.

#### Additional Committees

The Declaration of Trust provides that the Trustees may create such Additional Committees as they, in their discretion, determine to be necessary or desirable for the purposes of properly governing the affairs of the Trust, provided that the Trustees may not delegate to any committee any powers or authority in respect of which a board of directors of a corporation governed by the Canada Business Corporations Act may not so delegate.

## **2.2 Our Business**

### **2.2.1 Markets in which Viocity REIT Invests**

#### *(A) Multi-Family Residential Real Estate*

The real estate industry in Canada is divided into two segments: (i) residential – where people live, and (ii) commercial – including office, retail and industrial properties. Viocity REIT's focus is primarily on multi-family residential rental properties where large numbers of individuals live either in apartment buildings, townhouses or land lease communities.

The REIT Management believes that multi-family residential properties offer an attractive investment opportunity with both stability of yield, inflation protection characteristics and growth potential. Focusing on predominantly one asset class will enable Viocity REIT to acquire a critical mass of residential units. It will also enable Viocity REIT to bolster its market presence, thereby enhancing Viocity REIT's opportunities for future multi-family residential property acquisitions at attractive prices. Through future acquisitions of properties, in compliance with its investment guidelines, Viocity REIT intends to geographically diversify its portfolio by purchasing properties in thriving communities that will continue to strengthen and insulate Viocity REIT from concerns that may arise in any community. As well, as Viocity REIT grows through the acquisition of new properties and the issuance of additional REIT Units, Viocity REIT will increase the stability of its income stream and provide Unitholders with increased liquidity.

Viocity REIT generally focuses acquisition efforts in outer lying areas that have a lower cost per unit than in urban areas, where tighter markets present relative pricing barriers. Viocity REIT also realizes that communities which are too small offer unwanted volatility and will ideally target "TEIR II" size cities which support multiple industries and growing populations.

Given current market conditions, the REIT Management will continue to concentrate on communities that have relatively low vacancy levels, and strong population demographics that align with the class of multi-unit residential properties that are acquired by Viocity REIT. The REIT Management intends to create mass for Viocity REIT's portfolio through acquisition and consolidation of Canadian markets where the opportunities exist.

## *(B) Mortgage Investments*

Viocity REIT, within the parameters set in the Investment Guidelines makes investments in mortgages on an opportunistic basis. The primary focus of the mortgage investment program is to (where possible) create potential future acquisition opportunities for the REIT. As the Asset Manager currently believes that there are opportunities in new construction rental apartments, the Asset Manager has been sourcing mortgage investment opportunities for the REIT where the REIT may be granted purchase options upon the completion and/or stabilization of the properties. The Asset Manager believes that providing funding to apartment developers and securing related purchase options (where possible) positions Viocity REIT to earn income during construction and to build a future acquisition pipeline. In addition to apartment and commercial development mortgages, the REIT has also made other mortgage investments consistent with the Investment Guidelines to further diversify the portfolio.

The market conditions for mortgage investment are reasonably favourable. Conventional lenders remain somewhat cautious but active and there are constraints on the availability of development funding for both multi-units residential and commercial, which are the REIT's key markets. Developers are attracted to the REIT to assist with construction financing particularly, given the REIT's unique market position in being able to finance the construction, providing rental market experience and being a potential end purchaser of the completed product.

The traditional sources of real estate mortgage financing include Schedule I and II banks, trust companies, insurance companies and pension funds ("Institutional Lenders"). The larger Institutional Lenders in Canada are generally focused on mortgage loans that comply with the often-restrictive lending criteria established by the Canadian banks. These criteria became much more restrictive after the 2008 credit crisis, resulting in a pullback by traditional lending sources from the mortgage market in general and in particular the commercial mortgage market. Due to the focus of large financial institutions on limited types of mortgage loans and increasingly conservative loan exposure levels, quality lending opportunities exist in some segments of the mortgage market at premium interest rates secured by high quality mortgage loans. Below are the areas of focus for Viocity REIT in the mortgage market.

### Construction loans for purpose built rental apartments and commercial buildings

Mortgage financing to support the construction of purpose built rental apartments and commercial buildings is provided on a strictly limited basis by only a few large financial institutions, primarily a few of the Schedule I and Schedule II Banks and some Trust Companies. In spite of vacancy rates upon completion and stabilization for these types of projects remaining extremely low, these lending institutions are very conservative and limited in the amount of financing they will provide. This allows Viocity REIT to potentially find abundant lending opportunities on high quality projects, typically structured as either first or second mortgages, in particular for those projects which Viocity REIT may have an interest in acquiring upon completion. The loan exposure levels provided by the Company are typically well within the price point at which Viocity REIT would be interested in acquiring the completed projects.

### Multi-Family Residential, Investment Properties and Commercial Mortgages

Mortgage lending in the income producing investment property market is dominated by a few large Institutional Lenders. These institutions tend to be more conservative and focus only on the highest quality of income producing properties owned by large real estate investors. As a result, Viocity REIT is able to find attractive lending opportunities providing first and second mortgage financing on other income producing properties and owners, including attractive lending opportunities on purpose built multifamily rental and student housing.

## Developer and Builder Pre-Construction Loans

Builders and developers require loans to acquire land to build low rise and high rise developments. The Institutional Lenders lend on a very limited basis on land, presenting potentially attractive lending opportunities to Viocity REIT.

## Mezzanine and Subordinated Debt Financing

Mezzanine or subordinated debt financing for residential and commercial development projects is highly fragmented. Institutional Lenders typically do not provide this type of specialized financing for developers, and the capital providers are typically small private entities with limited access to capital. Given the lack of participation from the larger financial institutions, there is less competition in this market segment, which provides Viocity REIT with opportunities to underwrite well-structured, secure mortgage loans with attractive pricing.

## Residential Mortgages

The single family conventional mortgage market in Canada is dominated by the Schedule I Banks which are aggressive in underwriting single family Conventional Mortgage loans provided they strictly comply in all aspects with rigid underwriting criteria. The five largest Schedule I Banks are generally less aggressive in pursuing single family Conventional Mortgage loans where (i) the borrower is self-employed, (ii) the borrower lacks a well-developed domestic credit history due to having recently immigrated to Canada, (iii) the borrower intends to substantially renovate the property, or (iv) the borrower or the loan is otherwise outside the strict lending guidelines of the Schedule I Banks. Consequently, the borrowers who do not meet the rigid underwriting criteria of the Schedule I Banks find it more difficult to obtain financing from traditional financial institutions, regardless of loan-to-value ratios or security offered, presenting attractive lending opportunities to Viocity REIT.

### *(C) Other Asset Classes and Markets*

Viocity 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 remains the primary focus. This offers Viocity REIT the ability to diversify the income generated by the portfolio, but, in addition, allows Viocity REIT the opportunity to acquire properties that are neither exclusively residential nor commercial, but may be complimentary to an existing location or the existing portfolio in improving the overall value proposition. Often these properties are overlooked because of their mixed use, but because of that they are often available at attractive prices.

### **2.2.2 Properties**

As at the date hereof, Viocity REIT is a newly established investment trust and does not own any properties. Viocity REIT does, however, have a contract in place to purchase Turnock Manor in Maple Ridge, British Columbia. Turnock Manor will be 4 stories high with underground parkade containing 66 condo quality apartment rental units with a good mix of Studio, 1 Bedroom, 1 Bedroom + Den, and 2 Bedroom rental units. Viocity REIT has agreed to purchase the property from the developer once construction is complete in late 2018, early 2019 for a price of \$19.47M if all terms and conditions are met. This opportunity represents significant value for Viocity REIT to acquire the property at current market pricing and will make an excellent revenue producing addition to Viocity REIT's residential apartment portfolio.

### 2.2.3 Mortgages

As of the date of this offering memorandum, Viocity REIT holds the following mortgages:

Property under Mortgage (1)	Location	Priority ranking	Loan Rate %	Repayment Terms	Principal Amount (\$)	LTV Note % *
Residential	Richmond, BC	3 <sup>rd</sup>	10.0%	IO	100,000.00	52.85%
Residential	Hope, BC	2 <sup>nd</sup>	10.0%	IO	100,000.00	86.75%
Residential	Delta, BC	2 <sup>nd</sup>	10.0%	IO	365,000.00	82.48%
<b>Total</b>					565,000.00	

Terms: P= Principal, IO = Interest Only, P&I = Principal and Interest

\*The loan-to-value ratio (LTV) is at the date the loan was approved.

1. Viocity REIT registers mortgages in the name of all Trustees of Viocity REIT “in trust” on behalf of the Trust. The legal ownership of trust property and right to conduct the affairs of the Trust is vested exclusively in the Trustees of Viocity REIT. See **Item 2.7 – Material Contracts**.

The accompanying audited financial statements represent a discussion of the mortgage holdings of Viocity REIT as at September 30, 2017, which were as follows:

Property under Mortgage (1)	Location	Priority ranking	Loan Rate %	Repayment Terms	Principal Amount (\$)	LTV Note % *
Residential	Richmond, BC	3 <sup>rd</sup>	10.0%	IO	100,000.00	52.85%
Residential	Hope, BC	2 <sup>nd</sup>	10.0%	IO	100,000.00	86.75%
Residential	Delta, BC	2 <sup>nd</sup>	10.0%	IO	340,000.00	81.48%
<b>Total</b>					540,000.00	

Terms: P= Principal, IO = Interest Only, P&I = Principal and Interest

\*The loan-to-value ratio (LTV) is at the date the loan was approved.

1. Viocity REIT registers mortgages in the name of all Trustees of Viocity REIT “in trust” on behalf of the Trust. The legal ownership of trust property and right to conduct the affairs of the Trust is vested exclusively in the Trustees of Viocity REIT. See **Item 2.7 – Material Contracts**.

### 2.2.4 Acquisition and Operating Facilities

Once Viocity REIT has some history it intends to open an Acquisition and Operating Facilities account (the “Acquisition and Operating Facilities”) to fund working capital, acquisitions and mortgage principal repayments. The Acquisition and Operating Facilities are revolving credit facilities and amounts drawn thereunder will not, after giving effect to the incurring of such indebtedness, cause the total amount of indebtedness of Viocity REIT and the amount then advanced under the Acquisition and Operating Facilities, to exceed 70% of the Gross Book Value, unless a majority of the Trustees, in their discretion, determine that the maximum amount of indebtedness will be based on the appraised value of the real properties of Viocity REIT. Periodic equity financing will be used to pay down the Acquisition and Operating Facilities. The Acquisition and Operating Facilities will also facilitate acquisitions by Viocity REIT by enabling it to enter into negotiations for the purchase of properties without the need for an equity financing condition.

### 2.2.5 Investment Strategy of Viocity REIT

The personnel of the REIT and the Asset Manager have significant experience in all aspects of the rental housing business (including acquisitions and dispositions, finance and administration, property management,

construction and renovation, and marketing and sales) and the mortgage business (including origination, underwriting, administration, collection, syndication and default management). These skills should permit Viocity REIT to capitalize upon many real estate opportunities which may be unavailable to other real estate investors who lack the requisite diversity of real estate experience. The Asset Manager will enhance the value of Viocity REIT's properties through a number of distinct and well executed strategies, including:

- **Customer Satisfaction.** The REIT Management strives to keep all customers satisfied and as long-term tenants by creating an environment that is clean and comfortable. By developing a sense of community within the properties through various programs, it will reduce turnover and vacancy which will create demand for people wanting to live in Viocity REIT's buildings. Through the reduction in costs associated with turnover and through higher demand allowing increasing rents, net income will grow accordingly.
- **Maintenance and Repair Programs.** The REIT Management is fundamentally driven by efficiencies and cost effective programs that are accretive to Viocity REIT's short- term and long-term value. Through the portfolio's conversion to a real estate investment trust, the Asset Manager has positioned Viocity REIT to take full advantage of efficiency programs and capital investments that will attract tenants and enhance the value of the portfolio.
- **Quality On-Site Building Staff.** The REIT Management believes that success of a property from both financial and customer satisfaction standpoints starts with the attitudes and work ethic from the on-site building staff. From being the first point of contact, to the ongoing attention to the customer's needs, the building staff represents Viocity REIT. As well as being attentive and dedicated, the Property Manager will seek on-site staff that is skilled in many areas in order to reduce the requirement for outside trades to be required for ordinary day-to-day repairs and maintenance.
- **Detailed Financial Reporting.** The REIT Management utilizes sophisticated financial tools to maximize Viocity REIT's income and measure the effectiveness of cost control and efficiency programs. The Property Manager and the Asset Manager disclose financial reporting to those involved who have a direct impact on the financial success and control of those particular incomes and expenses.
- **Strategic Mortgage Liability Management.** The REIT Management will work diligently to seek out financing opportunities to optimize Viocity REIT's leveraged returns. The REIT Management believes that staggered maturities and terms, at leverage amounts set out by the Declaration of Trust, will ensure Viocity REIT's exposure to fluctuating interest rates over the short and long term are both minimized and utilized to benefit Viocity REIT. The REIT Manager will make use of operating lines for capital expenditures and acquisitions to improve the returns of Viocity REIT.
- **Strategic Mortgage Investments.** The REIT Management, in conjunction with the Asset Manager will evaluate mortgage investment opportunities which provide the potential for a combination of yield, capital growth, a potential acquisition pipeline or be of strategic value to Viocity REIT.
- **Strategic Partnerships, Joint Ventures, Divestitures and Relationships.** The REIT Management will explore strategic partnerships, joint ventures, divestitures and relationships that meet Viocity REIT's investment objectives.
- **Enhancement of Viocity REIT's Portfolio.** The REIT Management is always evaluating opportunities to maximize Viocity REIT's portfolio. The REIT Management may evaluate/assess whether using its call centre, condominium conversion, utility retrofits, sub metering and strategic upgrades, among other things as part of this strategy. Properties that are "mature" and are no longer adding value to Viocity REIT may be sold or repositioned if there is a market for an enhanced property. The REIT Management will continue to diversify the portfolio by purchasing properties in

thriving communities that will continue to strengthen and insulate Viocity REIT from concerns that may arise in any one community.

- **Communications.** The REIT Management will deliver concise and current information to existing Unitholders with respect to the activities within Viocity REIT's portfolio.

## **2.3 Development of Our Business**

Viocity REIT was formed under the laws of the Province of Alberta on January 3, 2017 and is governed by the Declaration of Trust. Viocity REIT is in a start-up phase of development and has carried on limited business prior to this Offering and has limited financial and development history. Viocity REIT did not carry out any commercial activities prior to the Trust being declared, but did incur start-up related expenses and activities including: Putting a management team in place, seeking out appropriate Trustees, consulting with lawyers, accountants, and real estate experts, and preparing the supporting documents including OM, Trust Declaration, Risk Acknowledgment, and Subscription Agreement.

Since launching on January 3rd, 2017 Viocity has Issued 3 residential mortgages and secured an interest in purchasing a new construction rental apartment building in Maple Ridge, BC. See **Item 2.2.2 – Properties, Item 2.2.3 – Mortgages** and **Item 2.7 – Material Agreements** for further information. Viocity REIT has also been completing due diligence on a few existing residential apartment buildings in the Red Deer, AB and Charlottetown, PEI regions for possible acquisition in late 2017. There are no assurances the acquisition of properties currently under due diligence will be completed as contemplated or at all.

## **2.4 Long Term Objectives of Viocity REIT**

The objectives of Viocity REIT are: (i) to provide REIT 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 and mortgage investments located in Canada; and (ii) to maximize REIT Unit value through the ongoing management of Viocity REIT's assets and through the future acquisition of additional properties and mortgage investments.

## **2.5 Short Term Objectives and How We Intend to Achieve Them**

Viocity REIT's objectives over the next 12 months is to raise sufficient funds to complete the acquisition of a series of several small short term mortgages, followed by a few smaller multi-family investment properties, make property capital improvements, build its pipeline of future property acquisitions and leverage its mortgage lending capabilities to increase investment opportunities.

## **2.6 Insufficient Funds**

The funds raised by Viocity REIT pursuant to the Offering may not be sufficient to accomplish all of Viocity REIT's proposed objectives and there is no assurance that alternative financings will be available.

## 2.7 Material Agreements

The only material agreements entered into by Viocity REIT and which can reasonably be regarded as presently being material to Viocity REIT or a prospective purchaser of Units in Viocity REIT are as summarized below:

- (a) Declaration of Trust - The Declaration of Trust dated January 3, 2017, and as amended on January 24, 2017, between the Trustees and the settlor creating the Trust under the laws of the Province of Alberta. The Declaration of Trust is described below in **Item 5.1 – Terms of Securities**.
- (b) Subscription Agreement - The Agreement by which investors will subscribe for and acquire REIT Units on the terms and conditions described in this Offering Memorandum. The Subscription Agreement is described at **Subscription Agreement and Checklist** and **Item 5.2** of this Offering Memorandum.
- (c) Risk Acknowledgment Form - In reliance on the Offering Memorandum exemption under applicable securities laws, investors will be asked to complete a Risk Acknowledgement Form. The risks associated with purchasing REIT Units is described at **Item 8 – Risk Factors**.
- (d) Asset & Mortgage Manager Agreement

In consideration for the provision of certain services relating to the properties and mortgages of Viocity REIT, Derek Fairbrother, the Asset Manager, has entered into an employment agreement with Viocity REIT. The Asset Manager is entitled to compensation from Viocity REIT in accordance with the Asset & Mortgage Manager Agreement, which will include: (i) an acquisition fee of 1.0% of the purchase price of real estate assets acquired, (ii) an acquisition fee of 1.0% of the placement of mortgages held by Viocity REIT, (iii) a 3.0% equity interest in the Net Asset Value of the Units of Viocity REIT (a further discussion of this incentive is described at **Item 3.1 – Asset Manager Fees**), and (iv) reimbursement of expenses and costs incurred in connection with the management and operation of Viocity REIT. The Asset Manager has waived all compensation owed to it for the period of January 3, 2017 to December 31, 2017. Mr. Fairbrother is also entitled to Executive Compensation (defined below) in the amount of \$50,000 for the period of January 3, 2017 to December 31, 2017. Executive Compensation is calculated monthly and paid in arrears. Executive compensation has been calculated for Mr. Fairbrother using the following formula:

$$\text{NAV} \times 0.005 / 12 = \text{Monthly Executive Compensation}$$

Mr. Fairbrother has waived all Executive Compensation and Asset Manager Fees owed to him for the period of January 3, 2017 to December 31, 2017. See **Item 3.1 – Compensation and Securities Held** and, more specifically, the “**Asset Manager Fees**” discussion.

- (e) Executive Compensation Agreement

In consideration for the provision of day-to-day administrative services to Viocity REIT, Marc Loustau, Trustee, has entered into an executive compensation agreement with Viocity REIT. Mr. Loustau is entitled to Executive Compensation from Viocity REIT in accordance with the Executive Compensation Agreement, which includes: (i) Mr. Loustau is entitled to Executive Compensation in the amount of \$20,000 for the period of January 3, 2017 to December 31, 2017. Executive Compensation is calculated monthly and paid in arrears. Executive compensation has been calculated for Mr. Loustau using the following formula:

$$\text{NAV} \times 0.002 / 12 = \text{Monthly Executive Compensation}$$

Mr. Loustau has waived all compensation owed to him for the period of January 3, 2017 to December 31, 2017. See **Item 3.1 – Compensation and Securities Held**.



- (f) Turnock Manor - Contract of Purchase and Sale. See **Item 2.2.2 – Properties** for a further discussion on Viocity REIT's investment objectives and the contract in place to purchase Turnock Manor in Maple Ridge, British Columbia. A discussion of the risk factors with respect to the Turnock Manor acquisition is found at **Item 8 – Risk Factors**.

All Material Contracts are available for review by potential investors at the management office of Viocity REIT located at #202 15388 24<sup>th</sup> Ave, Surrey, British Columbia. Items (a) – (c) of the Material Contracts are available at [www.viocity.com](http://www.viocity.com).

## ITEM 3 INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

### 3.1 Compensation and Securities Held

A person who is employed by and receives salary from Viocity REIT, or an affiliate does not receive any remuneration from Viocity REIT for serving as a Trustee or executive officer. The following chart discloses the names, municipalities of residence, positions, compensation and securities held by each of the Trustees, executive officers and principal holders of Units of Viocity REIT.

Name and Municipality of Residence	Positions Held (e.g. director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation Paid by Viocity REIT or a Related Party in the Most Recently Completed Financial Year and the Compensation Anticipated to be Paid in the Current Financial Year(2)	Number, Type and Percentage of Securities of Viocity REIT Held (Note: all are Class "A" Units) (1)
Marc Loustau Tsawwassen, British Columbia	Principal, January 2017	Previous Year – N/A Current Year - \$0.00 (3)	3,970.8791 6.75%
Derek B. Fairbrother Surrey, British Columbia	Principal & Asset Manager, January 2017	Previous Year – N/A Current Year - \$0.00 (3)	10,534.5973 17.90%
Heather McQueen Surrey, British Columbia	Trustee, January 2017	Previous Year – N/A Current Year - \$3,300	2,064.1494 3.51%
Christopher P. Knight Calgary, Alberta	Trustee, January 2017	Previous Year – N/A Current Year - \$3,300	511.4833 0.87%
Gilles Pinto Republic of Malta	Trustee, January 2017	Previous Year – N/A Current Year - \$3,300	0 0.00%

**Notes:**

1. There is no minimum or maximum Offering. Viocity REIT will offer an unlimited number of Units on a continuous basis. At present time as a newly established REIT fund both Principals and all Trustees are currently acquiring units on an on-going basis throughout the year. Percentage of ownership of units shown above is based on the current holdings as of December 8, 2017.
2. Current year anticipated Financial Compensation is based on growth projections and the fund successfully growing to a size of approx. \$10,000,000. Actual Compensation paid may be higher or lower based on actual performance.
3. For the period of January 3, 2017 – December 31, 2017, Derek Fairbrother and Marc Loustau have agreed to waive all executive compensation owed to them for day-to-day administrative services rendered to Viocity REIT. Further information regarding the waiver of executive compensation is found at **item 2.7 – Material Agreements**.

#### Asset Manager Fees

In consideration for the services provided by the Asset Manager to Viocity REIT, the Asset Manager is entitled to an acquisition fee of 1.0% of the purchase price of any properties bought for Viocity REIT. The Asset Manager is also entitled to a 1.0% acquisition fee of the total of each placement of mortgage investment by Viocity REIT. The acquisition fee for mortgage placements and property acquisitions are due to the Asset Manager upon the closing of the subject acquired property or mortgage. If and to the extent that the Asset

Manager or any person affiliated with the Asset Manager renders services to Viocity REIT in addition to those specifically required, such services will be compensated separately as agreed to by the Independent Trustees on the basis of fees which are at least as favourable to Viocity REIT as those then generally charged for comparable services and activities.

In lieu of performance incentive fees typically associated with a real estate asset management agreement that typically range between 20% and 50% of profits, the Asset Manager is entitled to a 3.0% equity interest in the Net Asset Value of the Units of Viocity REIT. The equity interest will take the form of Units of Viocity REIT and is calculated and paid on a quarterly basis. The Asset Manager is not required to contribute additional capital beyond the Asset Manager's initial subscription for Units of Viocity REIT. The Asset Manager performance incentive fee in the form of the 3% equity interest is calculated using the following formula:

$$\text{NAV} \times 0.03 / 4 \text{ (Quarter)} = \text{Total Dollar Amount} / \text{Cost Per Unit} = \text{Quarterly Equity Interest (Represented in \# of Units)}$$

NAV = Net Asset Value of Viocity REIT Units

The Asset Manager has agreed to waive all compensation owed to it for the period of January 3, 2017 to December 31, 2017.

All cash, equity or other compensation paid to or anticipated to be paid to the Asset Manager services rendered to Viocity REIT is set out in **Item 3.1 – Compensation and Securities Held** and is detailed in the Asset and Mortgage Manager Agreement, dated January 3, 2017, between Derek Fairbrother and Viocity REIT, and outlined at **Item 2.7 – Material Agreements**.

#### Remuneration of Trustees and Senior Officers

A person who is employed by and receives salary from Viocity REIT, the Asset Manager or its affiliated companies will not receive any remuneration from Viocity REIT for serving as a Trustee or senior officer. As at the date hereof, Independent Trustees of the REIT are paid Trustee fees of \$3,300.00 each per annum.

#### Executive Compensation

A person who is employed by and receives a salary from Viocity REIT is not entitled to receive remuneration for serving as a Trustee or officer of the Trust. The salary received by Trustees or officers who are employed by and receive salary from Viocity REIT is determined by the Trustees at their sole and absolute discretion on an annual basis. Executive compensation is calculated monthly and paid in arrears.

As at the date of this offering memorandum, Derek Fairbrother and Marc Loustau are employed by and receive salary from Viocity REIT. For the period of January 3, 2017 to December 31, 2017, Mr. Loustau and Mr. Fairbrother have waived all executive compensation payable to themselves. See **Item 2.7 – Material Agreements**.

#### Remuneration for Legal Services

Viocity REIT has retained the law firm of Knight LLP to act as legal counsel to the Trust. Viocity REIT is directly responsible for all costs, fees, charges and expenses incurred as a result of engaging the legal services of Knight LLP. See **Item 1.1 – Net Proceeds** and **Item 2.1.1 – Description of Viocity REIT**.

### 3.2 Management Experience

Name	Principal Occupation and Related Experience
Marc Loustau	Marc Loustau is the President and CEO of Viocity REIT. Mr. Loustau has a long and established history of experience in the telecommunications industry where he has led multi-million-dollar capital transformation programs that have transformed the technology landscape for millions globally. He is known best for his strong leadership style that has been recognized by numerous leadership awards and accolades. Mr. Loustau has over eighteen years of experience in the real estate and investment industry and is also an experienced executive coach. Mr. Loustau has extensive executive education from UBC Sauder school of business and McGill University.
Derek B. Fairbrother	Derek Fairbrother is the founder and President of Viocity Management Inc. At Viocity Management Inc., Mr. Fairbrother also oversees regulatory compliance as Chief Compliance Officer. Mr. Fairbrother has over twenty years of experience in the real estate and investment industry. Mr. Fairbrother is a licensed real estate agent, dealing representative, and has attended numerous courses from MacEwan University and Sauder Business School.
Heather McQueen	Heather McQueen is the manager of a program office with TELUS Health and leads a team of experienced management professionals who deliver on large scale, high impact programs that support the customer experience for health practitioners and patients. She has over 15 years' experience in customer service, communications and program management in the telecommunications industry and is known for delivering results on high impact, strategic initiatives. She has 12+ years of experience in the real estate industry, serves as a board member for KidCareCanada and has a Bachelor of Commerce degree from the IH Asper School of Business (U of Manitoba).
Christopher P. Knight	Christopher Knight serves as general counsel for Viocity Management Inc. Mr. Knight was called to the bar in 2008 and is a member of the Law Societies of Alberta and British Columbia. Mr. Knight founded the law firm of Knight Litigation in 2012, which has since become the partnership of Knight LLP. Mr. Knight divides his time between Knight LLP and a Vancouver start-up technology company, Attendease Software Corporation, as general counsel. Mr. Knight holds a BA from Simon Fraser University and LLB from Western University.
Gilles Pinto	Gilles Pinto is an MBA, CPA, high performing, commercially orientated CFO with a strong strategic focus. Covering all financial disciplines in large public companies and high growth small to medium companies in a broad range of industries: Technology, Defense, Professional Services, Construction, Real Estate and Consumers Products. Extensive experience in capital market and financing, mergers and acquisitions, strategic planning, managing financial accounting, taxes, auditing, and procurement function. A track record for delivering performance improvement in international environments. Focus on solving business challenges and developing a finance function that is geared to business needs. Valued for bringing leadership and coaching skills to team orientated cross functional projects.

### **3.3 Penalties, Sanctions and Bankruptcies**

As at the date hereof, or within the ten years prior to the date of this Offering Memorandum, no Trustee, executive officer or control person has been a director, executive officer or control person of any company (including Viocity REIT) that:

- (a) was subject to:
  - i. a cease trade (including any management cease trade order which applied to directors or executive officers of a company, whether or not the person is named in the order);
  - ii. an order similar to a cease trade order; or
  - iii. an order that denied the relevant company access to any exemption under securities legislation;
  - iv. that was in effect for a period of more than 30 consecutive days (an “Order”); or
- (b) was subject to an Order that was issued after the director, executive officer or control person ceased to be a director, executive officer or control person and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or control person.

Other than as disclosed below, as at the date hereof, no director, executive officer or control person is, or within the ten years prior to the date of this prospectus has:

- (a) been a director, executive officer or control person of any entity (including Viocity REIT), that while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver manager or trustee appointed to hold the assets of the director, executive officer or control person.

### **3.4 Loans**

As at a date not more than 30 days prior to the date of this offering memorandum, Viocity REIT owes \$6,824 to its Trustee, Derek Fairbrother, for advances made in relation to start-up and establishment of the Trust. The balances owing are non-interest bearing, unsecured and have no set repayment terms.

## ITEM 4 CAPITAL STRUCTURE

### 4.1 Share Capital

The following table sets forth the issued and outstanding equity securities of Viocity REIT as of the date hereof.

Description of Security	Number Authorized to be Issued	Price per security	Number Outstanding as at December 8, 2017
REIT Units	Unlimited	\$10.00	58,854.7415 (1)

**Notes:**

1. Each REIT Unit represents an undivided beneficial interest in distributions by Viocity 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 Viocity REIT, in the net assets of Viocity REIT remaining after satisfaction of all liabilities.

### 4.2 Long Term Debt

As at the date of this offering memorandum, Viocity REIT has no long-term debt.

The operating policies of Viocity REIT include a policy that no indebtedness shall be incurred or assumed if, after giving effect thereto, the total indebtedness as a percentage of Gross Book Value would be more than 70% for indebtedness, including amounts drawn under an acquisition credit facility.

### 4.3 Current Liabilities

The following table sets forth information about the current liabilities of Viocity REIT as at September 30, 2017.

Description of Current Liabilities	Interest Rate	Repayment Terms	Amount outstanding as at September 30, 2017
Viocity Management Inc. for start-up and Offering related costs	0%	Due on Demand (1)	\$49,985
Derek Fairbrother, for start-up and Offering related costs	0%	Due on Demand (2)	\$6,824

**Notes:**

1. Viocity Management Inc. is the related exempt market dealer for Viocity REIT and as such has agreed to flexible repayment terms of initial startup costs. The balances are unsecured, non-interest bearing and have no other fees being charged beyond the actual costs of documents and other related REIT costs incurred prior to the Trust Declaration. The balance is due on demand.
2. Viocity REIT owes \$6,824 to a related party, Derek Fairbrother, Trustee of the REIT, for advances made in relation to start-up and establishment of the Trust. The balances owing are non-interest bearing, unsecured and have no set repayment terms. The balance is due on demand.

#### 4.4 Prior Sales

As of the date of this offering memorandum, there are 58,855 (rounded) REIT Units of Viocity REIT issued and outstanding. The following table sets forth REIT Units issued by Viocity REIT since its inception and within the 11 months prior to the date of this offering memorandum.

<b>Date of Issuance</b>	<b>Type of Security Issued</b>	<b>Number of Securities Issued</b>	<b>Price per Security</b>	<b>Total Funds Received</b>
3-Jan-2017	REIT Units	10,000	\$10.00	\$100,000
15-Jan-2017	REIT Units	5,586	\$10.00	\$55,860
15-Feb-2017	REIT Units	4,430	\$10.00	\$44,300
15-Mar-2017	REIT Units	1,070.9183	\$10.00	\$10,709.18
15-Apr-2017	REIT Units	4,626.7599	\$10.00	\$46,267.60
15-May-2017	REIT Units	7,118.007	\$10.00	\$71,180.07
15-Jun-2017	REIT Units	3,939.9965	\$10.00	\$39,399.97
15-Jul-2017	REIT Units	3,551.518	\$10.00	\$35,515.18
15-Aug -2017	REIT Units	2,704.5013	\$10.00	\$27,045.01
15-Sep -2017	REIT Units	10,417.2187	\$10.00	\$104,172.19
15-Oct-2017	REIT Units	1,678.2598	\$10.00	\$16,782.60
15-Nov-2017	REIT Units	3,731.5615	\$10.00	\$37,315.62
<b>Total:</b>		<b>58,854.7415</b>		<b>\$588,547.42</b>

## ITEM 5

## SECURITIES OFFERED

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

The material terms of the REIT Units are summarized below. Other rights, privileges, restrictions, conditions and characteristics attaching to each REIT Unit are contained in the Declaration of Trust.

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

### 5.1 Terms of Securities

#### 5.1.1 Trust Units

An unlimited number of Units are issuable pursuant to the Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of termination or winding-up of the Fund. All Units are of the same class with equal rights and privileges. The Units are not subject to future calls or assessments, and entitle the holder thereof to one vote for each whole Unit held at all meetings of Unitholders. Except as set out under "*Redemption of REIT Units*" and "*Repurchase of Units*" below, the Units have no conversion, retraction, redemption or pre-emptive rights.

#### 5.1.2 Purchase of REIT Units

Viocity 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.

#### 5.1.3 Redemption of REIT Units

Pursuant to the Declaration of Trust, each REIT Unitholder shall be entitled to require Viocity REIT to redeem at any time all or any part of the REIT Units registered in the name of the REIT Unitholder. The monthly redemption date ("Redemption Date") will be the 15th day of each and every month. If the 15th day of the month is not a Business Day, the Redemption Date for that month will be the next succeeding Business Day.

To exercise a REIT Unitholder's right to require redemption, a duly completed and properly executed notice requiring Viocity REIT to redeem REIT Units, in a form approved by the Trustees (the "Redemption Form"), specifying the number of REIT Units to be so redeemed, shall be sent to Viocity REIT at its head office. The Notice must be received 20 days before the Redemption Date to be considered for that particular Redemption Date. If 20 days' notice is not given, the Trustees will not be required to consider redeeming the Unit(s) until the next subsequent Redemption Date. No form or manner of completion or execution is sufficient unless the same is in all respects satisfactory to the Trustees and is accompanied by any evidence that the Trustees may reasonably require with respect to the identity, capacity or authority of the person giving such Notice. The Trustees shall be entitled in their sole discretion to accelerate the Redemption Date specified by the Unitholder in the Notice.



As of the date a Redemption Form is received by Viocity REIT the units being redeemed will cease be eligible for any further distributions. The Redeeming unit holder also waves all voting rights associated with the units being redeemed as of the date the Redemption Form is received.

As of the Redemption Date, the Unitholder will not cease to have any rights with respect to the Units tendered for redemption until the Unit Redemption Price therefore (as defined below), plus the pro rata share of any unpaid distributions declared thereon and paid prior to the Redemption Date has been paid in full. Units will be considered to be tendered for redemption on the Redemption Date, provided that the Trustees have, to their satisfaction, received the Notice, together all required documents or evidence as aforesaid; and subject to the following paragraph below, the holder of a Unit properly tendered for redemption will be entitled to receive a price per Unit equal to the Fair Market Value of the Unit to be redeemed calculated at the "Valuation Date" immediately preceding the Redemption Date, plus the pro rata share of any unpaid distributions thereon which have been declared payable to Unitholders but remain unpaid as at the Redemption Date to the extent same are not otherwise included in the Fair Market Value of the Unit(s) to be redeemed (the "Unit Redemption Price").

Subject to the provisions set out in the following paragraph, the Unit Redemption Price payable in respect of Unit(s) tendered for redemption will be paid in cash by direct deposit or cheque, drawn on a Canadian chartered bank or trust company in lawful money of Canada, payable at par to, or deposited to the account of the registered Unitholder of the Unit tendered for redemption, or payable or deposited as otherwise instructed in writing by such registered Unitholder. Cash payments of the Unit Redemption Price made by Viocity REIT are conclusively deemed to have been made when deposited by direct deposit or upon the mailing of a cheque in a postage pre-paid envelope addressed to the payee unless such cheque is dishonoured upon presentment. Upon such payment as set out herein or otherwise in accordance with the Declaration of Trust, the Trustees and Viocity REIT will be discharged from all liability to the former registered Unitholder in respect of the Units so redeemed.

All Notices shall be time and date stamped on receipt by Viocity REIT. Viocity REIT will not pay the Unit Redemption Price in cash as set out above on a particular Redemption Date if the total cash payable on that Redemption Date by the Fund, and its affiliates and Subsidiaries, to Unitholders who have previously tendered their Units for redemption, and which Unit Redemption Prices remain unpaid on said Redemption Date, exceeds \$25,000 (the "Monthly Limit"), without approval by the Trustees. Cash payments being paid pursuant to Notices shall be paid on a pro-rated basis. Payments shall be made to a maximum of \$25,000 of the aggregate Fair Market Value of Units outstanding on the Valuation Date immediately preceding any Redemption Date. Those Units for which Notices have been received but not paid out on any given Redemption Date shall be paid out on a prorated basis on the Redemption Date. Additionally, the Trustees shall be entitled in their sole discretion to extend the time for payment of any Unit Redemption Prices, if in the reasonable opinion of the Trustees such payment would be materially prejudicial to the interests of the remaining Unitholders in the Fund. The Trustees in their sole discretion may waive the Monthly Limit for any given Redemption Date.

Redemptions in excess of \$25,000 per month may at the discretion of the Trustees be paid via a Viocity REIT 10 year note payable at 6% and can be paid off in partial or in full at any time by Viocity REIT at the sole discretion of the Board of Trustees. Once such Note has been issued to a subscriber in accordance with the Declaration of Trust, the Trustees and Viocity REIT will be discharged from all liability to the former registered Unitholder in respect of the Units so redeemed.

#### **5.1.4 Repurchase of Units**

Viocity REIT is allowed, from time to time, to purchase Units for cancellation in accordance with applicable securities legislation.

### **5.1.5 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 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.

### **5.1.6 Meetings of Unitholders**

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 Viocity Appointees), appointing or changing the accountants of Viocity REIT 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 information referred to in the Declaration of Trust and, in any event, prior to September 30th of each fiscal year of Viocity REIT.

The Trustees shall have 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 10% 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. A requisition must state in reasonable detail the business proposed to be transacted at the meeting. Unitholders have the right to obtain a list of 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 (Alberta). Unitholders may attend and vote at all meetings of Unitholders either in person or by proxy and a proxy need not be a Unitholder.

### **5.1.7 Issuance of 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 Viocity 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.

### **5.1.8 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 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 are resident or declarations from holders of REIT Units as to whether such REIT Units are held for the benefit of Non-Resident Beneficiaries. If the Trustees become aware that more than 49% of the REIT 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

from or issue or register a transfer of such REIT Units to a Person unless the Person provides a declaration that the Person is not a non-resident for the purposes of the Tax Act and does not hold his REIT Units for a Non-Resident Beneficiary. If, notwithstanding the foregoing, the Trustees determine that more than 49% of the REIT 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 and holders of REIT Units 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 a portion thereof within a specified period of not more than 60 days.

#### **5.1.9 Amendments to Declaration of Trust**

The Declaration of Trust may only be amended by a vote of a majority of the votes cast at a meeting of Unitholders duly called for that purpose, provided that the provisions of the Declaration of Trust may be amended by the Trustees without the consent, approval or ratification of the Unitholders or any other person for the following purposes:

- to ensure continuing compliance with applicable laws (including the Tax Act and maintaining the Trust's status as a mutual fund trust under the Tax Act), regulations, requirements or policies of any governmental or other authority, having jurisdiction over the Trustees, the Trust or over the distribution of Trust Units;
- to provide additional protection, in the opinion of the Trustees, for the Unitholders;
- to remove any conflicts or inconsistencies in the Trust Indenture or making minor corrections
- including the rectification of any ambiguities, defective provisions, errors, mistakes or omissions which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Unitholders;
- to make amendments which, in the opinion of the Trustees, are necessary or desirable to remove conflicts or inconsistencies between the disclosure in the Circular and the Trust Indenture;
- to make amendments which, in the opinion of the Trustees, are necessary or desirable as a result of changes in generally accepted accounting principles (including accounting guidelines) or taxation or other laws or the administration or enforcement thereof;
- to enable the Trust to issue Units for which the purchase price is payable in installments;
- to create one or more additional classes of units solely to provide voting rights to holders of shares, units or other securities that are exchangeable for Units entitling the holder thereof to a number of votes not exceeding the number of Units into which the exchangeable shares, units or other securities are exchangeable or convertible but that do not otherwise entitle the holder thereof to any rights with respect to the Trust's property or income other than a return of capital; or
- for any purpose (except one in respect of which a Unitholder vote is specifically otherwise required) if the Trustees are of the opinion that the amendment is not prejudicial to Trust Unitholders and is necessary or desirable;

but notwithstanding the foregoing, no such amendment shall modify the right to vote attached to any Unit or the entitlement to distributions from the Trust provided hereunder represented by any Unit without the consent of the Unitholders, and no such amendment shall reduce the percentage of votes required to be cast at a meeting of the Unitholders without the consent of the holders of all of the Units then outstanding or cause the Trust to fail or cease to qualify as a "mutual fund trust" under the Tax Act.

Notwithstanding the above, no action or authorization and no amendment may be made to the Declaration of Trust by the Trustees without a "Special Resolution Vote" with respect to:

- the termination of the Trust;
- these provisions of Declaration of Trust
- an exchange, reclassification or cancellation of all or part of the Trust Units;
- the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Trust Units and, including, without limiting the generality of the foregoing:
  - (a) the removal or change of rights to distributions;
  - (b) the addition or removal of or change to conversion privileges, options, voting, transfer or preemptive rights; or
  - (c) the reduction or removal of a distribution preference or liquidation preference;
  - (d) the creation of new rights or privileges attaching to certain of the Trust Units; or
  - (e) the constraint on the issue, transfer or ownership of Trust Units or the change or removal of such constraint, except as otherwise provided herein;

except in each case with the approval of Unitholders given by the affirmative vote of at least two-thirds of the votes cast at a meeting of Unitholders duly called for that purpose.

#### **5.1.10 Term of Viocity REIT**

Unless Viocity REIT is sooner terminated as otherwise provided by the Declaration of Trust, Viocity REIT shall continue in full force and effect so long as any property of Viocity 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, Viocity 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. The Viocity 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 Viocity REIT, the liabilities of Viocity REIT shall be discharged with due speed, the net assets of Viocity REIT shall be liquidated and the proceeds distributed to the REIT Unitholders in accordance with their entitlements as provided in the Declaration of Trust.

#### **5.1.11 Valuation Policy**

**As set forth in the definitions of "Fair Market Value", the value of the REIT Units is determined by the Trustees, in their sole discretion, using reasonable methods of determining fair market value. Fair Market Value may or may not be equal to the net asset value of the Units. The description of the methodology of investment property valuations and the calculation of Fair Market Value and Post Prices of REIT Units reflects the methodology used by the Trustees as at the date hereof in calculating Fair Market Value. The Trustees may, in their discretion, adopt alternative methodologies to calculate investment property values and Fair Market Value from time to time, without notice to, or approval by, REIT Unitholders.**

## *Investment Property Valuation*

Viocity REIT accounts for its investment properties using the fair value model in accordance with IAS 40 – Investment Properties. Investment property is defined as property held to earn rentals or for capital appreciation or both. Investment properties are initially recorded at cost, including related transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the reporting date.

Viocity REIT applies judgment in determining if the acquisition of an individual property qualifies as a business combination in accordance with IFRS 3 or as an asset acquisition. Transaction costs (including commissions, land transfer tax, appraisals, legal fees and third party inspection reports associated with a purchase) related to property acquisitions not considered business combinations are capitalized in accordance with IAS 40. Transaction costs are expensed in accordance with IFRS 3 where such acquisitions are considered business combinations.

The fair value of investment properties is determined using a detailed valuation framework developed by Viocity REIT's internal and external valuation teams. Each of these teams includes experts in the industry. The valuation teams considered the following approaches in determining the fair value:

1. Consideration of recent prices of similar properties within similar market areas;
2. The direct capitalization method, which is based on the conversion of current and future normalized earnings potential directly into an expression of market value. The Normalized Net Operating Income ("NNOI") for the year is divided by an overall capitalization rate (inverse of an earnings multiplier) to arrive at the estimate of fair value.

The External Team, comprised of the auditors and valuers, are responsible for:

Quarterly by the valuers:

- Determining the capitalization rates that would be used in valuing the properties
- Providing charts of comparable sales and supporting relevant market information

Annually by the valuers:

- Determining the capitalization rates that would be used in valuing the properties
- Providing charts of comparable sales and supporting relevant market information
- Determining the appropriate industry standard "set off" and normalization assumptions used in the calculation of NNOI.
- Reviewing the valuation framework to determine whether any changes or updates are required
- Reviewing, for the audited year-end financial statements, the resultant values for reasonableness, compliance with the valuation framework and compliance with IAS 40
- Supplying a "Fair Value" Report for financial statement purposes

Annually by the auditors:

- Reviewing the valuation framework to determine whether any changes or updates are required
- Evaluating the work of the valuator including assumptions and comparisons to market
- Reviewing of the controls over the underlying data provided to the valuator from the REIT's accounting system
- Reviewing the "Fair Value" Report prepared by the valuers
- Reviewing, for the audited year-end financial statements, the resultant values for reasonableness, compliance with the valuation framework and compliance with IAS 40

The Internal Team, comprised of the REIT Management and the Asset Manager, is responsible quarterly and annually for:

- Assembling the property specific data used in the valuation model based on the process set forth in the valuation framework
- Reviewing the valuation framework to determine whether any changes or updates are required
- Inputting the capitalization rates, “set offs” and normalization assumptions provided by the valuers
- Delivering the completed valuation framework to the external team for review at year-end for the audited financial statements

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the income statement in the year of retirement or disposal.

#### *Mortgage Investment (Mortgage Assets) Valuation*

Mortgage investments are classified as loans and receivables for accounting purposes. Such investments are recognized initially at cost plus any directly attributable transaction costs. Subsequent to initial recognition, the mortgage investments are measured at amortized cost using the effective interest method, less any impairment losses.

The investments are assessed at each reporting date or Valuation Date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of an asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of investments measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the statement of comprehensive income and reflected in an allowance account against the investments. Interest on the impaired asset continues to be recognized through the unwinding of the allowance if it is considered collectable. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statement of comprehensive income.

There is no quoted price in an active market for the mortgage investments. Management determines fair value based on its assessment of the current lending market for mortgage investments of same or similar terms. This includes the analysis of market interest rates and credit spreads for similar loans. The Trust will consider, but not be limited in considering, payment history, value of underlying property securing the loan or mortgage, overall economic conditions, status of construction or property development and other applicable conditions. Typically, the fair value of these mortgage investments approximate their carrying values given the short term nature of the loans.

For investments with participating loan interests, the participating loan interest will be valued at the fair market value based on specific valuation methodologies and models developed by the REIT Management and Asset Manager, which incorporate both internal and external data.

#### *Development Equity Investments Valuation*

Development equity investments will be carried at book value less any impairments plus the anticipated increase, if any, to fair market value upon completion multiplied by the percentage of completion plus or minus adjustments (i.e. Development Equity Valuation = book value – impairments + (fair market value

increase upon completion x percentage completion) +/- adjustments). Adjustments can be, but are not limited to discounts for the time value of money, leasing costs, stabilization costs and discretionary risk adjustments.

#### *Other Investment Valuation*

Other Investments will be carried at fair value.

#### **5.1.12 Distribution Policy**

One of Viocity REIT's main objectives is to provide REIT Unitholders with reliable and, over time, growing distributions. The Declaration of Trust provides that Viocity REIT may distribute to REIT Unitholders such percentage of the Distributable Income for the calendar month then ended as the Trustees determine in their discretion for the period.

In addition, the Trustees may declare to be payable and make distributions, from time to time, out of income of the Viocity REIT, net realized capital gains of Viocity REIT, the net recapture income of Viocity REIT, the capital of Viocity 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 REIT 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 and may be invested in similar REIT Units pursuant to any distribution reinvestment plan (DRIP) or unit purchase plan adopted by the Trustees.

Each year Viocity REIT shall deduct in computing its income for purposes of the Tax Act such portion of the amounts paid or payable to the REIT Unitholders for the year as is necessary to ensure that Viocity REIT is not liable for income tax under Part I of the Tax Act for that taxation year. The Trustees shall deduct or withhold from distributions payable to any REIT Unitholder amounts required by law to be deducted or withheld from such REIT Unitholder's distributions.

Where the Trustees determine that Viocity 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.

The closing date for new subscriptions is the 15th of each month. Subscribers will be considered unitholders as of the 15th day of the month, provided that their completed subscription documents have been received on or before this date.

For example, an investor that submits their completed subscription forms on May 25, 2017, will become a unitholder of Viocity REIT on June 15th, 2017 with their first distribution being paid on August 15, 2017. A unitholder must be invested for a full calendar month before receiving a distribution. An investor that submits their completed subscription forms on June 16th, 2017 will have missed the cut-off of June 15th, 2017 and will become a unitholder as of July 15th, 2017 with their funds held in a segregated subscription trust account until the next closing.

Please note distributions are paid out on the 15th of each month, except when the 15th falls on a weekend or legal holiday, in which case distributions are paid out on the first business day following the 15th of the month.

Unitholders are entitled to a distribution in a given month if they are unitholders on the first business day of the preceding month.

*Distribution Rates per REIT Unit*

It is Viocity REIT's current intention to distribute \$0.70 per REIT Unit per annum, payable on a 1/12<sup>th</sup> monthly basis to Unitholders. As at the date of this Offering Memorandum, Viocity REIT has made a monthly distributions to its Unitholders of \$0.0583 per REIT Unit. A detailed breakdown of the distribution rates for Viocity REIT since its inception and for the last nine (9) months are as follows:

<b>Date</b>	<b>Viocity REIT Class 'A' Unit Price</b>	<b>Distribution Paid per Unit (Monthly)</b>	<b>Targeted Investor Distribution Return per Annum per REIT Unit (1)</b>
15-Jan-2017	\$10.00	\$0.0583	7.00%
15-Feb-2017	\$10.00	\$0.0583	7.00%
15-Mar-2017	\$10.00	\$0.0583	7.00%
15-Apr-2017	\$10.00	\$0.0583	7.00%
15-May-2017	\$10.00	\$0.0583	7.00%
15-Jun-2017	\$10.00	\$0.0583	7.00%
15-Jul-2017	\$10.00	\$0.0583	7.00%
15-Aug-2017	\$10.00	\$0.0583	7.00%
15-Sep-2017	\$10.00	\$0.0583	7.00%
15-Oct-2017	\$10.00	\$0.0583	7.00%
15-Nov-2017	\$10.00	\$0.0583	7.00%

1. Viocity REIT is a newly declared REIT and as such, has limited historical distribution data. It is the current intention of Viocity REIT to pay Unitholders \$0.70 per REIT Unit annually, which equals to \$0.0583 payable monthly per REIT Unit. It is Viocity REIT's current intention to pay \$0.70 per REIT Unit annually, which represents a 7% annual return on each \$10.00 issued and outstanding REIT Unit. There is no assurance or guarantee that Viocity REIT and, accordingly, REIT Unitholders will earn a return on their investment. REIT Unitholders could lose the entire amount of their investment. See "**Item 8.1 - Investment Risks**".



### *Discussion of Distributed Cash*

The following table provides a summary of distributions relative to cash flow from operating activities in the audited financial statements:

		<b>Three months ended September 30, 2017</b>	<b>Nine months ended September 30, 2017</b>
<b>A.</b>	Cash flows from operating activities	\$(166,233)	\$(527,296)
<b>B.</b>	Profit or loss	\$(28,166)	\$(86,228)
<b>C.</b>	Actual cash distributions paid or payable relating to the period	\$(7,007)	\$(13,729)
<b>D.</b>	<b>Excess (shortfall) of cash flows from operating activities over cash distributions paid (A) – (C)</b>	\$(173,240)	\$(541,025)
<b>E.</b>	<b>Excess (shortfall) of profit or loss over cash distributions paid (B) – (C)</b>	\$(35,173)	\$(99,957)

Viocity REIT is a newly declared Trust and has limited operational and financial reporting history. As a result, the issuance of units represents the primary source of funds to pay total distributions of \$13,729 for the nine months ended September 30, 2017. For the nine months ended September 30, 2017, cash provided by operations was less than distributions paid or payable.

It is Management's sole discretion to determine the utilization of available assets or property of Viocity REIT, including the making of distributions. The declaration of a distribution and the amount of such distribution is at the sole discretion of the Trustees of Viocity REIT and takes into consideration the Trust's results of operations, financial condition, cash requirements, applicable law and other factors that Viocity REIT may consider relevant. Viocity REIT may fund distributions from cash flow from business and operations of Viocity REIT, debt, issuance of units or return of capital.

The Management of Viocity REIT have chosen to make distributions from issuance of further units because it is a newly declared Trust and is in a startup phase of development. Management expects that in general, cash provided by operating activities will exceed cash distributions paid or payable in future periods. This assertion is based off forward-looking cash flow information, including forecasts and budgets, and the impact of future acquisitions of Viocity REIT. See **Item 2.7 – Material Agreements**, **Item 2.2.2 – Properties** and **Item 2.2.3 – Mortgages** for further information on Viocity REIT's future acquisitions.

It is Viocity REIT's intention that distributions be primarily paid from cash flow from the business and operations of the Trust in future periods. However, investments in which Viocity REIT invests are subject to volatility in underlying cash flows. Therefore, Viocity REIT may at certain times elect to maintain distributions in amounts greater than the cash flow available from the business and operations of the Trust. Distributions are not assured or guaranteed and Viocity REIT may determine to reduce distributions from current levels in certain circumstances. For example, a reduction of Viocity REIT's distributions may be required if Viocity REIT determine that any reduction in cash flow from the business and

operations of the Trust is permanent and is not expected to recover over the foreseeable future. Since inception, Viocity REIT has targeted an annual rate of return for investors of 7.0%.

For three months ended September 30, 2017, cash flows from operating activities was less than cash distributions paid or payable by \$173,240 and net earnings was less than distributions paid and payable by \$35,173.

For nine months ended September 30, 2017, cash flows from operating activities was less than cash distributions paid or payable by \$541,025 and net earnings was less than distributions paid and payable by \$99,957.

Management expects to be able to meet all the Trust's ongoing obligations and to finance future growth through the issuance of units, as well as by using conventional mortgages, short term financing from the bank, net proceeds from assets, and Viocity REIT's future operating cash flow. Viocity REIT is not in default or in arrears on any of its obligations including distribution payments, interest or principal payments on debt.

#### *Distribution Reinvestment Plan (DRIP)*

Viocity REIT permits Unitholders to receive distributions in the form of cash, or optionally they can choose to have all or a portion of their distribution reinvested to purchase additional REIT units. In the future, at the sole discretion of the REIT Trustees, a discounted purchase price for REIT units purchased through the DRIP program may be offered.

#### *Calculation of REIT Unit Fair Market Value and Posted Prices*

The Fair Market Value ("FMV") of the REIT Unit is currently calculated monthly based on the IFRS balance sheet carrying values plus certain adjustments ("Adjustment Factors").

The REIT currently conducts monthly closings for new subscriptions and redemptions of REIT Units at the posted FMV. The Investment Property Portfolio is valued on a quarterly basis. The FMV may change in between quarters, at quarter ends or not at all unless there are material changes or considerations that would impact the posted REIT Unit FMV including but not limited to changes in capitalization rates or acquisitions and dispositions of Investment Properties.

The REIT Unit FMV is calculated by adding IFRS Balance Sheet Assets, subtracting IFRS Balance Sheet Liabilities, adding appropriate non-IFRS Adjustment Factors and dividing by the total number of outstanding REIT Units. Thus, FMV can be summarized as:

$$\text{FMV} = (\text{IFRS Balance Sheet Assets} - \text{IFRS Balance Sheet Liabilities (1)} + \text{Adjustment Factors}) / \text{Total Number of Outstanding REIT Units}$$

#### *(1) Excluding Exchangeable Units*

The Adjustment Factors include, but are not limited to:

- a) portfolio premiums (2), if any; plus
- b) capitalization of certain capital expenses, whose benefits accrue over a long period of time and should be allocated between exiting, remaining and incoming Unitholders but may be written off or effectively written off under IFRS, or where the value of such expense isn't as yet reflected, in whole or in part in the Investment Portfolio valuation due to timing lags, if any; plus
- c) portfolio inter-quarter timing adjustments, if any; less
- d) discretionary adjustments, if any.

(2) portfolio premium means an adjustment to IFRS valuations to account for the difference that buyers may pay for a portfolio of properties over individual component properties considered on their own. The IFRS valuation approach evaluates each property on a standalone basis, without considering the value of economies

of scale, clustering advantages, the time, expense and difficulty of assembling a portfolio and the attractiveness of a portfolio to potential buyers.

The calculation of the REIT Unit FMV involves critical estimates, assumptions and judgements as part of the process. The REIT Unit FMV is currently determined as per the above methodology and approved on a monthly basis by the Trustees for posting to the website of the REIT and for use in, but not limited to processing redemptions, new subscriptions, financial statements of the REIT and account statements for Unitholders.

## **5.2 Subscription Procedure**

For a detailed summary of the subscription procedures, see “Subscription Procedure and Checklist” of this Offering Memorandum.

Where Units are being issued in reliance on the Offering Memorandum Exemption, the consideration will be held in trust pending the closing of the Offering (and in any event until midnight on the date that is two business days following the date your completed and signed subscription documentation and funds are received by Viocity REIT), which will occur on a date determined by Viocity REIT. In the event that a closing does not occur in respect of a subscription, Viocity REIT will return the subscription funds to the subscriber, without interest or deduction.

## **5.3 Offering Jurisdictions**

The Offering is being made pursuant to the following exemptions from the prospectus requirements contained in the applicable securities laws:

- (i) In Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Quebec, Saskatchewan or Yukon pursuant to the exemptions from the prospectus requirements afforded by Section 2.9 of NI 45-106 (the “Offering Memorandum Exception”); and
- (ii) In Ontario pursuant to the exemption from the prospectus requirements afforded by Section 2.3 of NI 45-106 (the “Accredited Investor Exception”)

The Offering Memorandum Exception is available for distributions to Subscribers resident in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Quebec, Saskatchewan or Yukon purchasing as principals, who receive this Offering Memorandum prior to signing the Subscription Agreement and who sign a Risk Acknowledgment Form (provided that, with respect to Quebec, the Offering Memorandum is available in both French and English languages).

The Accredited Investor Exception is available for distributions to Subscribers resident in Ontario who are purchasing as principal and who are “accredited investors” as defined in NI 45-106.

The foregoing exemptions relieve Viocity REIT from the provisions of the applicable Canadian securities laws of each of the Offering Jurisdictions which otherwise would require Viocity REIT to file and obtain a receipt for a prospectus. Accordingly, prospective Subscribers will not receive the benefits associated with subscription for securities issued pursuant to a field prospectus, including the review of material by any securities regulatory authority.

## ITEM 6 INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY

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

### 6.1 Eligibility for Investment

In the opinion of Knight LLP, counsel to the Trust, provided that, at all times, the Trust qualifies as a “mutual fund trust” within the meaning of the Tax Act, the Units will be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan (“RRSP”), a registered retirement income Trust (“RRIF”), a deferred profit sharing plan, a registered disability savings plan, a registered education savings plan and a tax-free savings account (“TFSA”) (each a “Registered Plan”). In Specie Distributions received as a result of a redemption in *specie* of Units may not be qualified investments for Registered Plans, and this may give rise to adverse consequences to the Registered Plan or to the holder of or annuitant or beneficiary under that Registered Plan. Registered Plans that own Units should consult their own tax advisers before deciding to exercise the redemption rights attached to the Units.

Notwithstanding the foregoing, a penalty tax will apply if a Unit held in a RRSP, RRIF or TFSA is a “prohibited investment” under the Tax Act. The Units will generally not be a prohibited investment for these purposes provided that the annuitant of the RRSP or RRIF or the holder of the TFSA (i) deals at arm’s length with the Trust and (ii) does not have a “significant interest” (within the meaning of subsection 207.01(4) of the Tax Act) in the Trust. In addition, the Units will generally not be a “prohibited investment” if the Units are “excluded property” as defined in the Tax Act for TFSAs, RRSPs, or RRIFs. Annuitants of an RRSP or RRIF and holders of a TFSA that hold Units in such Registered Plans should consult their own tax advisors in this regard.

### 6.2 Canadian Income Tax Considerations

In the opinion of Knight LLP, counsel to the Trust, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the holding and disposition of Units by a Unitholder. This summary is applicable to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act, is resident in Canada, deals at arm’s length and is not affiliated with the Trust, and holds Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided that the Unitholder does not hold the Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have them and every other “Canadian security” (within the meaning of the Tax Act) owned or subsequently owned by them treated as capital property by making an irrevocable election in accordance with the Tax Act. This summary does not apply to a Unitholder who enters into, or has entered into, a “derivative forward agreement” with respect to Units, as that term is defined in the Tax Act.

This summary is based on the current provisions of the Tax Act, counsel’s understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the “CRA”) and Tax Proposals. This summary assumes that the Tax Proposals will be enacted in the form currently proposed and does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account provincial or foreign income tax legislation or considerations. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Unitholder, and no representations with respect to the income tax consequences to any particular Unitholder are made. Accordingly, Unitholders should consult their own tax advisors for advice

with respect to the income tax consequences of holding and disposing of Units based on their particular circumstances.

### **6.3 Status and Taxation of the Trust**

This summary is based on the assumption that the Trust will qualify, at all times, as a “mutual fund trust” within the meaning of the Tax Act. In order to qualify as a mutual fund trust, the Trust must, among other things, comply on a continuous basis with certain minimum requirements respecting the ownership and dispersal of Units. If the Trust were not to qualify as a mutual fund trust, the income tax considerations described below would, in some respects, be materially different.

This summary is also based on the assumption that the Trust will at no time be a SIFT Trust. Provided that the Units are not listed or traded on a stock exchange or other “public market”, as defined in the Tax Act, the Trust will not be subject to the SIFT Rules. See “Item 8: Risk Factors – Tax-Related Risks”.

The Trust will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the taxation year less the portion thereof that it deducts in respect of the amount paid or payable to Unitholders in the taxation year. The Trust intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each taxation year and therefore, the Trust does not generally expect to be liable in such taxation year for income tax under Part I of the Tax Act.

The Trust will be required to include in its income for a taxation year with respect to debt obligations held by the Trust all interest that accrues or is deemed to accrue to the Trust to the end of that taxation year, or that becomes receivable or is received by it before the end of that year, except to the extent that such interest was included in the Trust’s income for a preceding taxation year. Upon the actual or deemed disposition of a debt obligation, the Trust will be required to include in computing its income for the year of disposition all interest that accrued on such debt obligation from the last interest payment date to the date of disposition, except to the extent such interest was included in computing the Trust’s income for that or another taxation year and such income inclusion will be excluded in computing the proceeds of disposition for purposes of computing any capital gain or capital loss.

One-half of the amount of any capital gain (a “taxable capital gain”) realized by the Trust in a taxation must be included in computing the Trust’s income for the year, and one-half of the amount of any capital loss (an “allowable capital loss”) realized by the Trust in a taxation year is required to be deducted against any taxable capital gains realized by the Trust in the year. Any excess of allowable capital losses over taxable capital gains for a taxation year may be deducted against taxable capital gains realized by the Trust in any of the three preceding taxation years or in any subsequent taxation year to the extent and under the circumstances described in the Tax Act.

In computing its income for tax purposes, the Trust may deduct reasonable administrative and other expenses incurred to earn income in accordance with the detailed rules in the Tax Act.

The Trust will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the taxation year (a “capital gains refund”). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the tax liability of the Trust for such taxation year.

## 6.4 Taxation of REIT Unitholders

### *Distributions*

A Unitholder will generally be required to include, in computing income for a taxation year, the amount of the Trust's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year, whether paid in cash or additional Units. The non-taxable portion of the Trust's net realized capital gains paid or payable (whether in cash or in Units) to a Unitholder in a taxation year will not be included in the Unitholder's income for the taxation year. Any other amount in excess of the Trust's net income for a taxation year paid or payable to a Unitholder in the taxation year will generally not be included in the Unitholder's income. Such amount, however, will generally reduce the adjusted cost base of the Unitholder's Units. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and his or her adjusted cost base will be increased by the amount of such deemed gain. Any losses of the Trust for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Unitholder. Provided that appropriate designations are made by the Trust, such portion of: (i) the net realized taxable capital gains of the Trust; and (ii) the taxable dividends, if any, received or deemed to be received by the Trust on shares of taxable Canadian corporations, as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules will apply, including the enhanced gross-up and dividend tax credit rules in respect of eligible dividends paid by taxable Canadian corporations.

### *Disposition of Units*

On the disposition or deemed disposition of a Unit, the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Unit to the Unitholder immediately before the disposition and any reasonable costs of disposition.

In general terms, the adjusted cost base to a Unitholder of newly acquired Units will be averaged with the adjusted cost base of all Units held by the Unitholder as capital property immediately before that time. The cost of Units acquired as a distribution or as a reinvestment of a distribution of income or capital gains from the Trust will generally be equal to the amount of the distribution. If a Unitholder participates in a distribution reinvestment plan and acquires a Unit from the Trust at a price that is less than the fair market value of the Unit, it is the CRA's administrative position that the Unitholder must include the difference in income and increase the cost of such Unit by a corresponding amount. A consolidation of Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Units.

Any taxable capital gain realized on the disposition of Units in a taxation year will be included in the Unitholder's income and any allowable capital loss realized will be required to be deducted from taxable capital gains of the Unitholder for that taxation year. Allowable capital losses for a taxation year in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains in accordance with the provisions of the Tax Act.

### *Alternative Minimum Tax*

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

### *Tax Implications of the Trust's Distribution Policy*

The Fair Market Value per Unit will reflect any income and gains of the Trust that have accrued or have been realized but have not been made payable at the time Units are acquired. A Unitholder who acquires Units may become taxable on the Unitholder's share of income and gains of the Trust that accrued before the Units were acquired notwithstanding that such amounts may have been reflected in the price paid by the Unitholder for the Units. Since the Trust intends to make monthly distributions as described under "Item 4: Capital Structure – 4.1 Share Capital – Distribution Policy", the consequences of acquiring Units late in a calendar year will generally depend on the amount of monthly distributions throughout the year and whether one or more special distributions to Unitholders are necessary late in the calendar year to ensure that the Trust will not be liable for non-refundable income tax on such amounts under the Tax Act.

### *Taxation of Registered Plans*

Amounts of income and capital gains included in a Registered Plan's income are generally not taxable under Part I of the Tax Act, provided that the Units are qualified investments for the Registered Plan. See "Item 6: Income Tax Consequences and RRSP Eligibility – Eligibility for Investment".

Unitholders should consult their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Registered Plan.

## **ITEM 7            COMPENSATION PAID TO SELLERS AND FINDERS**

### **7.1            Purchase Option**

Viocity REIT has created a single purchase option for Subscribers to purchase REIT Units. Subscribers may purchase through a registered dealer or through Viocity Management Inc.

Subscribers may only purchase REIT Units through a “Front Load Option”. The “Front Load Option” means that the registered dealer or Viocity Management Inc. will negotiate a commission (if any) that the Subscriber will pay directly. This commission fee is negotiable with your registered dealer between 2% and 5%. The maximum commission fee to be charged when subscribing through Viocity Management Inc. will be 2%.

Subscribers may elect to purchase Units either direct from Viocity Management Inc. or through another registered dealer. Subscribers may only purchase REIT Units under the Front Load Option. Unitholders may not switch their method of holding Units unless the Trustees believe in their discretion that it doesn't materially adversely impact the REIT and the Unitholder has been adequately informed.

**Applicable securities laws in certain jurisdictions prohibit a fee or commission from being paid to persons other than securities registrants in connection with sales made pursuant to the offering memorandum exemption in section 2.9 of National Instrument 45-106. The REIT will not pay any commissions to persons to whom the REIT is not permitted to pay a commission, notwithstanding the purchase option selected by the purchaser.**

### **7.2            Relationship between Viocity Management Inc. & Viocity REIT**

Viocity REIT is a connected issuer, and may be considered to be a related issuer, of Viocity Management Inc. (the “Exempt Market Dealer”), its exempt market dealer in certain jurisdictions, in connection with the distribution of the REIT's securities hereunder.

Viocity REIT is a connected issuer of the Exempt Market Dealer due to various factors, including the fact that Derek Fairbrother is the President and owns all the shares of the Exempt Market Dealer. Viocity REIT has retained Derek Fairbrother as Asset Manager to provide asset management services internally to the REIT.



## ITEM 8 RISK FACTORS

An investment in Viocity REIT involves a number of significant risks. Prospective purchasers should carefully consider, among other factors, the matters described below, each of which could have an adverse effect on the value of the REIT Units. As a result of these factors, as well as other risks inherent in any investment, there can be no assurance that Viocity REIT will meet their business objectives. Viocity REIT's returns may be unpredictable and, accordingly, REIT Units are not suitable as a sole investment vehicle for an investor or an investor that is looking for a predictable source of cash flow. Based on, among others, the factors described below, the possibility of partial or total loss of capital will exist and investors should not subscribe unless they can readily bear the consequences of such loss.

### 8.1 Investment Risks

#### *No Review by Regulator*

Subscribers under this Offering will not have the benefit of a review of this Offering Memorandum by any securities regulatory authority or regulator.

#### *No assurance on Investment Return*

An investment in Viocity REIT requires a long-term commitment, with no certainty of return. Investments made by Viocity REIT may not generate current income. The success of Viocity REIT, accordingly, a return on investment for a purchaser of REIT Units, is entirely dependent upon the success of the REIT's real estate investment strategy. There is no assurance or guarantee that Viocity REIT and, accordingly, REIT Unitholders will earn a return on their investment. REIT Unitholders could lose the entire amount of their investment.

Viocity REIT is targeting annualized returns of 7.0%. However, such targeted returns are not guaranteed and are subject to performance assumptions and risk factors, which may cause actual results to vary materially. Excess cash flow will be re-invested into Viocity REIT, utilized to pay down any excess working capital of Viocity REIT and/or distributed to REIT Unitholders. The return on an investment in REIT Units is not comparable to a return on an investment in fixed-income securities. Cash distributions are not guaranteed and are not a fixed obligation of Viocity REIT.

#### *Cash Distributions in Declared Excess of Cash Flow*

It is Viocity REIT intention that distributions be primarily paid from cash flow from the business and operations of the Trust in future periods. However, investments in which Viocity REIT invests are subject to volatility in underlying cash flows. Therefore, Viocity REIT may at certain times elect to maintain distributions in amounts greater than the cash flow available from the business and operations of the Trust. Distributions are not assured or guaranteed and Viocity REIT may determine to reduce distributions from current levels in certain circumstances. A reduction or cessation of Viocity REIT's distributions may be required if the Trustees determine that any reduction in cash flow from the business and operations of the Trust is permanent and is not expected to recover over the foreseeable future.

#### *Restrictions on redemption and transfer; Illiquidity of Units*

The REIT Units are not listed on an exchange. There is currently no secondary market through which the REIT Units may be sold, there can be no assurance that any such market will develop and the REIT has no current plans to develop such a market. Accordingly, the sole method of liquidation of an investment in REIT Units is by way of a redemption of the REIT Units. Aggregate redemptions are limited to \$25,000 per month unless approved by the Board of Trustees. Redemptions in excess of \$25,000 per month may at the discretion of the Trustees be paid via a Viocity REIT 10 year note payable at 6% and can be paid off in partial or in full at any time by Viocity REIT at the sole discretion of the Board of Trustees. Once such Note has been issued to

a subscriber in accordance with the Declaration of Trust, the Trustees and Viocity REIT will be discharged from all liability to the former registered Unitholder in respect of the Units so redeemed. In the event that the REIT experiences a large number of redemptions, the REIT may not be able to satisfy all of the redemption requests.

### *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.

### *Critical Estimates, Assumptions and Judgements*

The preparation of financial statements as per IFRS requires management to make judgments, assumptions and estimates that affect the reported amounts in the consolidated financial statements. Actual results could differ from these estimates. Financial statement carrying values, in addition to other factors (See “VALUATION POLICY”), serve as the basis for the calculation of the Fair Market Value of REIT Units. If such carrying values should prove to be incorrect, the Fair Market Value of the REIT Units could be different. To the extent that the carrying values or critical estimates, assumptions and judgements are inaccurate, and given that property portfolio values, which comprise the vast majority of the REITs assets, are calculated quarterly on a lagging basis, the Posted Price per REIT Unit in any given month may be understated or overstated as the case may be. In light of the foregoing, there is a risk that a Unitholder who redeems all or part of its Units will be paid an amount less than it would otherwise be paid if the critical estimates, assumptions and judgements were different and that the calculation of property values wasn’t calculated on a quarterly basis and thus potentially lagging the market. Similarly, there is a risk that such Unitholder might, in effect, be overpaid if the actual Fair Market Value is lower than the calculated Fair Market Value. In addition, there is a risk than an investment in the REIT by a new Unitholder (or an additional investment by an existing Unitholder) could dilute the value of such investments for the other Unitholders if the Posted Price of the REIT Units is higher than the actual Fair Market Value of the REIT Units. Further, there is a risk that a new Unitholder (or an existing Unitholder than makes an additional investment) could pay more than it might otherwise if the actual Fair Market Value of the REIT Units is lower than the Posted Price. Viocity REIT does not intend to adjust the Fair Market Value of the REIT retroactively.

As set forth in the definitions of “Fair Market Value”, the value of the REIT Units is determined by the Trustees, in their sole discretion, using reasonable methods of determining fair market value. Fair Market Value may or may not be equal to the net asset value of the Units. The description of the methodology of investment property valuations and the calculation of Fair Market Value and Post Prices of REIT Units reflects the methodology used by the Trustees as at the date hereof in calculating Fair Market Value. The Trustees may, in their discretion, adopt alternative methodologies to calculate investment property values and Fair Market Value from time to time, without notice to, or approval by, REIT Unitholders.

## **8.2 Issuer Risks**

### *Short Operating History*

Viocity REIT is in the early stages of its business and is therefore subject to the risks associated with early stage entities including start-up losses, uncertainty of revenues, markets and profitability, the need to raise additional funding, the evolving and unpredictable nature of their business and the ability to identify, attract and retain qualified personnel. There can be no assurance that Viocity REIT will be successful in doing what they are required to do to overcome these risks. No assurance can be given that Viocity REIT’s business activities will be successful. Total loss of an investment in REIT Units is possible.

### *Past Performance not a Predictor of Future Results*

The track record of senior management does not imply or predict (directly or indirectly) any level of future performance of Viocity REIT. Management's performance and the performance of Viocity REIT is dependent on future events and is, therefore, inherently uncertain. Past performance cannot be relied upon to predict future events for a variety of factors, including, without limitation, varying business strategies, different local and national economic circumstances, different supply and demand characteristics relevant to buyers and sellers of assets, varying degrees of competition and varying circumstances pertaining to the capital markets.

#### *Dependence on Key Personnel*

The success of Viocity REIT will depend in large part upon the services of key personnel employed by Viocity REIT. The loss of any one of these individuals, for any reason, could have a material adverse effect on the prospects of Viocity REIT. The management of Viocity REIT depends on the services of certain key personnel and the Asset Manager. There can be no assurances that such personnel will remain with Viocity REIT.

#### *Availability of Cash for Distributions*

There can be no assurance that ViocityREIT will be able to achieve its distribution targets or that Viocity REIT will make any distributions in any particular month. Distributable income is calculated before deducting items such as principal repayments and capital expenditures and, accordingly, may exceed actual cash available to Viocity REIT from time to time. Viocity REIT may be required to use part of its debt capacity or raise additional equity in order to accommodate such items, and there can be no assurance that funds from such sources will be available on favourable terms or at all. In such circumstances, distributions may be reduced or suspended, which may therefore also have an adverse impact on the market price of the REIT Units. Accordingly, cash distributions are not guaranteed and cannot be assured. Further, Distributable Income can exceed net income and have the result of an erosion of Adjusted Unitholder's Equity. See "Distribution Policy".

Distributable Income is calculated in accordance with Viocity REIT's Declaration of Trust. Distributable Income is not a measure recognized under Canadian generally accepted accounting principles and does not have a standardized meaning prescribed by IFRS. Distributable income is presented herein because management of Viocity REIT believes this non-IFRS measure is a relevant measure of the ability of Viocity REIT to earn and distribute cash returns to REIT Unitholders. Distributable Income as computed by Viocity REIT may differ from similar computations as reported by other similar organizations and, accordingly, may not be comparable to distributable income as reported by such organizations. Distributable income is calculated by reference to the net income of Viocity REIT on a consolidated basis, as determined in accordance with IFRS, subject to certain adjustments as set out in the constating documents of Viocity REIT.

#### *Potential Inability to Fund Investments*

Viocity REIT may commit to making future investments in anticipation of repayment of principal outstanding and/or the payment of interest under existing Mortgage investments and/or in reliance on its credit facilities. In the event that such repayments of principal or payments of interest are not made, or where credit facilities aren't available, Viocity REIT may be unable to advance some or all of the funds required to be advanced pursuant to the terms of its commitments and may be required to obtain interim financing and to fund such commitments or face liability in connection with its failure to make such advances.

#### *Risks Associated with Turnock Manor Property Acquisition*

The acquisition of the Turnock Manor property in Maple Ridge, British Columbia entails risks that it will fail to perform in accordance with expectations. It is not possible to manage all risks associated with such an acquisition in the terms and conditions contained in commercial agreements pertaining to such an acquisition.

The Turnock Manor property may be subject to unknown, unexpected or undisclosed liabilities that may materially and adversely affect its operations and financial condition and results. The representations and warranties, if any, given by the vendors may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. The Turnock Manor property may not achieve anticipated occupancy levels and the estimates of costs of this property may prove inaccurate or may not have intended results. There is no assurance that Viocity REIT will be able to meet its intended investment objective with the acquisition of the Turnock Manor property. There are general investment risks inherent in any real estate investment.

### *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 multi-unit residential premises, competition from other available residential 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 Viocity 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 Viocity REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If Viocity REIT was required to liquidate its real property investments, the proceeds to Viocity REIT might be significantly less than the aggregate value of its properties on a going-concern basis. Viocity 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.

### *Future Property Acquisitions*

While Viocity REIT may enter into non-binding letters of intent with respect to properties under review, there can be no assurance that such properties will be acquired. Accordingly, there can be no assurance that Viocity REIT will be able to acquire Properties at the rates of return that the REIT Management is targeting. No forecast has been made for the acquisition of properties under review.

### *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 favorable to Viocity REIT than the existing lease. Unlike commercial leases which generally are "net" leases and allow a landlord to recover expenditures, residential leases are generally "gross" leases and the landlord is not able to pass on costs to its tenants.

### *Development Risks*

Viocity REIT may, directly or indirectly, invest in real estate development projects. Any existing or future development investments of the REIT will entail certain risks, including the expenditure of funds on and devotion of management's time to evaluating projects that may not come to fruition; the risk that development costs of a project may exceed original estimates, possibly making the project uneconomical; the risk of construction overrun or other unforeseeable delays, during which the interest rate and leasing risk may fluctuate; the risk that occupancy rates and rents at a completed project will be less than anticipated or that there will be vacant space at the project; the risk that expenses at a completed development will be higher than anticipated; and the risk that permits and other governmental approvals will not be obtained. In addition, the

REIT's future real estate development investments may require a significant investment of capital. The REIT may be required to obtain funds for its capital expenditures and operating activities, if any, through cash flow from operations, property sales or financings. If the REIT is unable to obtain such funds, it may have to defer or otherwise limit certain development activities.

#### *Restrictions on Potential Growth and Reliance on Credit Facilities*

The payout by Viocity REIT of a substantial part of its operating cash flow could adversely affect Viocity 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, Viocity REIT could be materially and adversely affected.

#### *No Guarantees or Insurance on Mortgage Investments*

A Mortgage borrower's obligations to the Viocity REIT or any other person are not guaranteed by the Government of Canada, the government of any province or any agency thereof nor are they insured under the National Housing Act (Canada). In the event that additional security is given by the borrower or a third party or that a private guarantor guarantees the Mortgage borrower's obligations, there is no assurance that such additional security or guarantee will be available or sufficient to make Viocity REIT whole if and when resort is to be had thereto.

#### *Risks Related to Mortgage Extensions and Mortgage Defaults*

The REIT Management may from time to time deem it appropriate to extend or renew the term of a Mortgage past its maturity, or to accrue the interest on a Mortgage, in order to provide the borrower with increased repayment flexibility. The REIT Management generally will do so if it believes that there is a very low risk to Viocity REIT of not being repaid the full principal and interest owing on the Mortgage. In these circumstances, however, Viocity REIT is subject to the risk that the principal and/or accrued interest of such Mortgage may not be repaid in a timely manner or at all, which could impact the cash flows of Viocity REIT during and after the period in which it is granting this accommodation. Further, in the event that the valuation of the asset has fluctuated substantially due to market conditions, there is a risk that Viocity REIT may not recover all or substantially all of the principal and interest owed to it in respect of such Mortgage.

When a Mortgage is extended past its maturity, the loan can either be held over on a month-to-month basis, or renewed for an additional term at the time of its maturity. Notwithstanding any such extension or renewal, if the borrower subsequently defaults under any terms of the loan, the Mortgage Servicer has the ability to exercise its Mortgage enforcement remedies in respect of the extended or renewed Mortgage. Exercising Mortgage enforcement remedies is a process that requires a significant amount of time to complete, which could adversely impact the cash flows of Viocity REIT during the period of enforcement. In addition, as a result of potential declines in Real Property values, the priority ranking of the Mortgage and other factors, there is no assurance that Viocity REIT will be able to recover all or substantially all of the outstanding principal and interest owed to it in respect of such Mortgages by the Mortgage Service Provider's exercise of Mortgage enforcement remedies for the benefit of Viocity REIT. Should Viocity REIT be unable to recover all or substantially all of the principal and interest owed to it in respect of such Mortgage loans, the assets of Viocity REIT would be reduced, and the returns, financial condition and results of operations of Viocity REIT could be adversely impacted.

#### *Foreclosure or Power of Sale and Related Costs on Mortgage Investments*

One or more borrowers could fail to make payments according to the terms of their loan, and Viocity REIT could therefore be forced to exercise its rights as mortgagee. The recovery of a portion of Viocity REIT's assets may not be possible for an extended period of time during this process and there are circumstances where there may be complications in the enforcement REIT's rights as mortgagee. Legal fees and expenses

and other costs incurred by Viocity REIT in enforcing its rights as mortgagee against a defaulting borrower are usually recoverable from the borrower directly or through the sale of the mortgaged property by power of sale or otherwise, although there is no assurance that they will actually be recovered. In the event that these expenses are not recoverable they will be borne by Viocity REIT.

Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, Mortgage payments to prior charge holders, insurance costs and related charges must be made through the period of ownership of real property regardless of whether Mortgage payments are being made. Viocity REIT may therefore be required to incur such expenditures to protect its investment, even if the borrower is not honouring its contractual obligations.

### *Litigation Risks*

Viocity REIT may, from time to time, become involved in legal proceedings in the course of its business. The costs of litigation and settlement can be substantial and there is no assurance that such costs will be recovered in whole or at all. During litigation involving a borrower in respect of a Mortgage, Viocity REIT may not be receiving payments of interest on a Mortgage that is the subject of litigation, thereby impacting cash flows. The unfavorable resolution of any legal proceedings could have an adverse effect on the Viocity REIT and its financial position and results of operations that could be material.

### *Debt Financing*

Viocity REIT is subject to the risks associated with debt financing, including the risk that Viocity 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.

### *General Uninsured Losses*

Viocity 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. Viocity 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, Viocity REIT could lose its investment in, and anticipated profits and cash flows from, one or more of its Properties, but Viocity REIT would continue to be obligated to repay any recourse mortgage indebtedness on such Properties.

### *Government Regulation*

Viocity REIT intends to have interests in properties located in various provinces throughout Canada. The nature of apartment construction and operation is such that refurbishment and structural repairs are required periodically, in addition to regular ongoing maintenance. In addition, legislation relating to, among other things, environmental and fire safety standards is continually evolving and changes thereto may give rise to ongoing financial and other obligations of Viocity REIT, the costs of which may not be fully recoverable from tenants. See below for further restrictions in the respective jurisdictions:

#### Alberta

In Alberta, the Residential Tenancies Act, Statutes of Alberta, 2004 (the “RTA”) applies to most people who rent the place where they live. This law sets out the rights and responsibilities that apply to landlords and tenants in the province. In Alberta, residential tenancy agreements may be either

periodic or fixed term. A fixed term tenancy begins and ends on specific dates, while a periodic tenancy has a start date but no end date. Either the landlord or tenant may end a periodic tenancy by giving notice. Landlords cannot increase the rent payable by a tenant under a fixed term or periodic tenancy agreement until a minimum of one year (365 days) has passed since the last rent increase or since the start of the tenancy, whichever is later. There is no limit on the amount by which the landlord may raise the rent. Landlords are entitled to require a security deposit, sometimes called a damage deposit. The RTA limits the maximum amount a landlord may ask for as a security deposit to the equivalent of one month's rent at the time the tenancy starts. Amendments to the Residential Tenancies Act and regulations in 2004 and 2005 allowed for the creation of the Residential Tenancy Dispute Resolution Service (the "RTDRS") which offers landlords and tenants an alternative means of resolving serious disputes outside of court. The RTDRS is designed to be faster, more informal and less expensive than the courts. A tenant or a landlord who has concerns related to termination of a tenancy, unpaid rent/utilities, security deposit, damages, repairs or other common disagreements may use the service. Once someone chooses to use the service they must submit to the RTDRS their completed application form. The RTDRS will file their application and set a date and time for the hearing to take place. The matter will be heard before a Tenancy Dispute Officer who is authorized to make binding decisions on claims up to \$25,000. The decision of the Tenancy Dispute Officer is binding on all parties. Where there is a dispute, the Landlord may pursue the tenant through the RTDRS or Court for any damages not covered by the security deposit. Where an eviction is contemplated, the tenant may object to the reasons stated for the termination and the Landlord must apply to the RTDRS for a court order to terminate the tenancy; until the RTDRS or the Court issues the order, the tenant may remain on the rental premises. As these proceedings may need to be brought before the RTDRS, it may take several months to terminate a residential lease, even where the tenant's rent is in arrears. Further, the applicable legislation may be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of the Trust to realize the full economic potential of any contemplated project or to maintain the historical level of earnings of its development properties.

### British Columbia

In British Columbia, the Residential Tenancies Act, SBC 2002, c78 (the "RTA") applies to tenancy agreements, rental units and residential properties. This law sets out the rights and responsibilities that apply to landlords and tenants in the province. British Columbia has rent control. Landlords can only increase the rent once a year by an amount permitted by law, and must use the approved form "Notice of Rent Increase" providing the tenant 3 months' notice to increase rent. Tenants cannot dispute the rent increase unless the increase is more than the annual allowable amount. The allowable rent increase for 2015 will be set in September of 2014; the allowable rent increase for 2014 was 2.2%. To raise the rent above the annual allowable amount, the landlord must have either the tenant's written agreement or an RTB order. An order approving the increase might be issued where the landlord can demonstrate the rent for a rental unit is significantly lower than that of similar rental units in the area; completed significant repairs or renovations that could not reasonably have been foreseen and will not recur within a reasonable period; incurred a financial loss from an extraordinary increase in operating expenses; incurred a financial loss for the financing costs of purchasing the property that could not reasonably have been foreseen; is the head tenant of a rental unit; or, has received an additional rent increase, and wishes to increase the rent of a sub-tenant. As a result, the Trust may, in the future, incur capital expenditures which may not be fully recoverable from tenants. Disputes under the RTA are sent to a dispute resolution officer ("DRO"); a form of face-to-face administrative tribunal with flexible rules of procedure. The DRO has the right to refuse to hear a dispute which he or she considers to be "frivolous, vexatious, trivial or has not been initiated in good faith". The arbitrator is not bound by legal precedent, but must make his or her decision based on the merits of the matter. As these proceedings may need to be brought before the DRO, it may take an extended period of time to terminate a residential lease, even where the tenant's rent is in arrears. Further, because the arbiter is not bound by legal precedent, any decision could be subject to bias in the interpretation of facts by the

arbitrator. The applicable legislation may also be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of the Trust to realize the full economic potential of any contemplated project or to maintain the historical level of earnings of its development properties.

### Manitoba

In Manitoba, the Residential Tenancies Act, C.C.S.M. c. R119 (the “RTA”) applies to most people who rent the place where they live. This law sets out the rights and responsibilities that apply to landlords and tenants in the province. Manitoba has rent control. In most cases, a landlord can legally increase the rent only once every 12 months. A landlord must give a tenant 3 months' written notice of a rent increase. Each year, the government sets a limit on the amount that rents can be increased. This limit is called a rent increase guideline, and applies to most rental units. Manitoba rent regulations do not apply to new developments. Rental complexes built and occupied after March 7, 2005 are exempt from the guideline for a period of 20 years, so developers who build new units can set their rental rates as they wish and raise them as they wish. After 20 years, they will be bound by the guidelines in place at that time. Rent regulations also currently do not apply to units with monthly rents in excess of \$1,395 (2014). The rent increase guideline for 2015 has yet to be set; the rent increase guideline for 2014 was 2.0%. Landlords wishing to rehabilitate their units can apply for exemptions to allow them to increase rents beyond the rent guidelines after improvements have been made. Landlords who want to increase the rent by more than the guideline must receive approval from the Residential Tenancies Branch (the “RTB”). As a result, the Trust may, in the future, incur capital expenditures which may not be fully recoverable from tenants. Tenants in Manitoba have the right to object to any rent increase, whether the increase is above, below or equal to the guideline, and must do so before the RTB. Decisions made by the RTB can be appealed to the Residential Tenancies Commission if the landlord or the tenant is dissatisfied. As such, it may take an extended period of time to terminate a residential lease, even where the tenant's rent is in arrears. The applicable legislation may also be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of the Trust to realize the full economic potential of any contemplated project or to maintain the historical level of earnings of its development properties.

### Nova Scotia

Changes to Nova Scotia's Residential Tenancies Act, R.S., c. 401, s. 1. (the “RTA”) came into effect on November 15, 2012. The purpose of the Act is to provide landlords and tenants with an efficient and cost-effective means for settling disputes. Landlords may establish fixed-term, month-to-month, or yearly leases, and a Landlord can only increase the rent once every 12 months. Written notice of any increase in rent for fixed-term leases must be stipulated in the agreement; written notices for increases on rent for month-to-month or yearly leases must be provided 4 months prior to the anniversary date. There are no limits on the amount a Landlord can increase the rent. In Nova Scotia, a tenant has immediate Security of Tenure. This means that Landlords cannot terminate the rental agreement unless legal authority can be established. As certain proceedings may need to be brought before Residential Tenancies, it may take several months to terminate a residential lease, even where the tenant's rent is in arrears. The applicable legislation may be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of the Trust to realize the full economic potential of any contemplated project or to maintain the historical level of earnings of its development properties.

### Ontario

The Government of Ontario drafted and finalized new residential tenancy legislation, The Residential Tenancies Act, 2006 (the “RTA”), which it characterized as “effective tenant protection.” The RTA



received Royal Assent June 22, 2006, and is now law, replacing the Tenant Protection Act, 1997 (Ontario) (the “TPA”). The RTA provides restrictions upon the ability of a landlord to increase rents above a prescribed guideline, which is established annually. The rent increase guideline is calculated under the RTA, and is based on the Ontario Consumer Price Index, which is calculated monthly by Statistics Canada. On June 13, 2012, the Government of Ontario passed legislation to amend the RTA, to ensure that the Rent Increase Guideline is capped at 2.5%. There is no prescribed guideline applicable to residential complexes constructed on or after November 1st of 1991, so Landlords can increase the rent on these complexes without limitation on the amount. The guideline increase for 2015 is 1.6%; the 2015 guideline increase has been calculated by averaging the percentage increase in the Alberta Consumer Price Index during the previous 12 months, from June 2013 to May 2014. Since the average CPI was 1.6%, the guideline is 1.6%. By comparison, the guideline increase for 2014 was 0.8%. In order to increase rents above the maximum guideline increase of 1.6% per annum for 2015, a landlord must make an application based on an extraordinary increase in the cost for municipal or utility levies and charges and/or capital expenditures incurred with respect to a residential complex or suite therein. As a result, the Trust may, in the future, incur capital expenditures which may not be fully recoverable from tenants. The RTA also permits tenants to bring proceedings to reduce rent due to reductions or discontinuances in services or facilities or due to a reduction in the applicable municipal taxes. The RTA provides tenants of residential rental properties with a high level of security of tenure and prescribes certain procedures, including mandatory notice periods, which must be followed by a landlord in order to terminate a residential tenancy. As certain proceedings may need to be brought before the Alberta Rental Housing Tribunal, it may take several months to terminate a residential lease, even where the tenant’s rent is in arrears. The applicable legislation may be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of the Trust to realize the full economic potential of any contemplated project or to maintain the historical level of earnings of its development properties.

### Québec

The Government of Québec relies upon the Civil Code of Québec, C.C.Q. (“C.C.Q.”) and the Act Respecting the Régie du logement, R.S.Q. c. R-8.1 (the “Act”) in administering landlord tenant concerns through the Régie du logement (the Régie). Similar to Alberta, there are restrictions upon the ability of a landlord to increase rents above a prescribed guideline, which is established annually. If the method to fix the rent of the Régie is applied, the guideline increase for the period starting after April 1st 2014 but before April 2nd, 2015 ranges between 0.6% and 1.1% depending on the type of heating employed. By comparison, the range for the previous period was between 0.9% and 1.7%. A landlord, which undertakes major repairs or renovations, may make changes to the conditions of a lease, including an increase in the rental rate above the guideline that is based upon a prescribed calculation to justify the increase. Should the tenant, within his or her right, refuse modifications and the new rental rate, the landlord may apply to the Régie (within 1 month of refusal, otherwise the lease is renewed under previous conditions) (1947 C.C.Q.). As a result, the Trust may, in the future, incur capital expenditures which may not be fully recoverable from tenants. In Québec, the cornerstone principle is the tenant’s right to maintain occupancy (1936 C.C.Q.), and barring notice from either party to the contrary, automatic renewal for fixed term leases (maximum 12 months) (1941 C.C.Q.). Further, the landlord must provide notice to any new lessee, presenting the lowest rent paid in the preceding 12 months (1896 C.C.Q.); should the tenant dispute the new rental rate, they may make application to the Régie to set the rent.

### Saskatchewan

The Residential Tenancies Act, 2006 (the “RTA”) and Regulations came into force on March 1, 2007, to help meet the changing needs of residential landlords and tenants in Saskatchewan. The legislation is meant to support a balance between the needs of tenants for safe, secure and affordable living

accommodations, and the legitimate need for landlords to earn reasonable profits from their rental properties. Amendments to the legislation came into effect December 2008 and June 2009 that deal with rent increases, the handling of security deposits and evictions. In Saskatchewan, residential tenancy agreements may be either periodic or fixed term. A fixed term tenancy begins and ends on specific dates, while a periodic tenancy has a start date but no end date. Either the landlord or tenant may end a periodic tenancy by giving notice. In most cases, a landlord can legally increase the rent only once every 12 months. A landlord must give a tenant 12 months' written notice of a rent increase. However, for new tenancies, notice may only be provided after the first 6 months, meaning the first rental increase is not effective until 18 months from the date of residency. Should a Landlord be a member of the Saskatchewan Rental Housing Industry Association ("SRHIA"), the notice period is 6 months, and members may increase the rent once every 6 months, except for new tenancies for which a rent increase is permitted 12 months from the date of residency. There are no limits on the amount a Landlord can increase the rent. The Office of Residential Tenancies (Rentalsman) is responsible for administering the provisions of the RTA in Saskatchewan, providing a forum for residential landlords and tenants to resolve their disputes. A Landlord cannot regain possession unless the tenant vacates or abandons the unit or the landlord obtains an order for possession and writ of possession directed to the Sheriff from the Office of Residential Tenancies. As these proceedings may need to be brought before Residential Tenancies, it may take several months to terminate a residential lease, even where the tenant's rent is in arrears. The applicable legislation may be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of the Trust to realize the full economic potential of any contemplated project or to maintain the historical level of earnings of its development properties.

#### *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 REIT Unitholder could be held personally liable for obligations of Viocity REIT (to the extent that claims are not satisfied by Viocity REIT) in respect of contracts which Viocity REIT enters into and for certain liabilities arising other than out of contracts including claims in tort, claims for taxes and possibly certain other statutory liabilities. The Trustees intend to cause Viocity 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 Viocity REIT contain an express disavowal of liability against Unitholders.

#### *Failure or Unavailability of Computer and Data Processing Systems and Software*

The REIT is dependent upon the successful and uninterrupted functioning of its computer and data processing systems and software. The failure or unavailability of these systems could interrupt operations or materially impact the REIT's ability to collect revenues and make payments. If sustained or repeated, a system failure or loss of data could negatively and materially adversely affect the ability of the REIT to discharge its duties and the impact on Viocity REIT may be material.

#### *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 Viocity REIT or the Unitholders.

If Viocity REIT fails or ceases to qualify as a mutual fund trust for the purposes of the Tax Act, the tax consequences described under "Canadian Federal Income Tax Considerations" and "Eligibility for Investment" would in some respects be materially and adversely different. In addition, REIT Unitholders may become subject to provincial taxes in respect of their REIT Units.

If investments in Viocity REIT become publicly listed or traded, there can be no assurances that Viocity REIT will not be subject to the SIFT Rules, as described under “Canadian Federal Income Tax Considerations – SIFT Rules”, at that time. Viocity REIT or its subsidiaries may be reassessed for taxes from time to time. Such reassessments together with associated interest and penalties could adversely affect Viocity REIT.

#### *Lack of Independent Experts Representing Unitholders*

Viocity REIT has consulted with legal counsel regarding the formation and terms of the REIT and the offering of Units. Unitholders have not, however, been independently represented. Therefore, to the extent that the REIT, Unitholders or this offering could benefit by further independent review, such benefit will not be available. Each prospective investor should consult his or her own legal, tax and financial advisors regarding the desirability of purchasing Units and the suitability of investing in the REIT.

#### *Joint Arrangements*

Viocity REIT may invest in, or be a participant in, joint arrangements and partnerships with third parties in respect of the mortgage investments and/or other real estate investments. A joint arrangement or partnership involves certain additional risks which could result in additional financial demands, increased liability and a reduction in Viocity REIT’s control over the mortgage investments and/or the other real estate investments and its ability to sell the REIT’s interests in a mortgage investment and/or other real estate investments within a reasonable time frame.

#### *Dilution*

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

### **8.3 Industry Risks**

#### *Environmental Matters*

Environmental and ecological legislation and policies have become increasingly important, and generally restrictive. Under various laws, Viocity 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. 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 REIT Management will rely upon and/or determine whether an update is necessary.

#### *Competition for Real Property Investments*

Viocity 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 Viocity REIT. A number of these investors may have greater financial resources than those of Viocity REIT, or operate without the investment

or operating guidelines of Viocity 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/or reducing the yield on them.

### *Competition for Tenants*

The real estate business is competitive. Numerous other developers, managers and owners of properties compete with Viocity REIT in seeking tenants. The existence of competing developers, managers and owners for Viocity REIT's tenants could have an adverse effect on Viocity REIT's ability to lease suites 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. A decrease in interest rates may encourage tenants to purchase condominiums or other types of housing, which could result in a reduction in demand for rental properties. Changes in interest rates may also have effects on vacancy rates, rent levels, refurbishing costs and other factors affecting Viocity REIT's business and profitability.

### *General Economic Conditions*

Viocity 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 competition for tenants also comes from opportunities for individual home ownership, including condominiums, which can be particularly attractive when home mortgage loans are available at relatively low interest rates. The existence of competing developers, managers and owners for Viocity REIT's tenants could have an adverse effect on Viocity REIT's ability to lease suites in its properties and on the rents charged, increased leasing and marketing costs and increased refurbishing costs necessary to lease and re-lease suites, all of which could adversely affect Viocity 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 Viocity REIT operates or may operate could have an adverse effect on Viocity REIT.

## 8.4 Conflicts of Interest

Viocity REIT may be subject to various conflicts of interest because of the fact that the Trustees and senior officers of Viocity REIT, the Asset Manager, the Mortgage Manager and the Mortgage Servicer are engaged in a wide range of real estate and other business activities. Viocity 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 Viocity REIT may be dealing, or which may be seeking investments similar to those desired by Viocity REIT. The interests of these persons could conflict with those of Viocity REIT. In addition, from time to time, these persons may be competing with Viocity REIT for available investment opportunities.

The Asset Manager, the Mortgage Manager, and the Mortgage Servicer (collectively, the “Service Providers”) are related by common management and personnel to Viocity REIT. This could create conflicts of interest between the Asset Manager, the Mortgage Manager and the Mortgage Servicer and Viocity REIT. The Service Providers’ services are not exclusive to the Trust, as each Service Provider may provide services to other clients.

Viocity REIT is a connected issuer, and may be considered a related issuer, of Viocity Management Inc. (the “Exempt Market Dealer”), an exempt market dealer in certain jurisdictions, in connection with the distribution of the REIT’s securities hereunder, which may result in potential conflicts of interest. Viocity REIT is a connected issuer of the Exempt Market Dealer due to the factors described in this Offering Memorandum under “Relationship between Viocity REIT, The Exempt Market Dealer and Affiliates of the Exempt Market Dealer” as a result of the fact that Derek Fairbrother is President and owns all of the shares of the Exempt Market Dealer and its affiliates. Viocity REIT has retained Derek Fairbrother to provide asset management services internal to the REIT. The Viocity REIT Declaration of Trust contains “conflict of interest” provisions requiring Trustees to disclose material interests in Material Contracts and transactions and to refrain from voting thereon.

## **ITEM 9        REPORTING OBLIGATIONS**

### **9.1        Delivery of Financial Statements**

Viocity REIT is not a “reporting issuer” under the *Securities Act* (British Columbia) or applicable securities legislation in any other jurisdiction, and is not subject to continuous disclosure obligations under such legislation.

Viocity REIT will send audited annual financial statements of the Viocity REIT to Unitholders annually within 120 days of the fiscal year end, commencing for the first fiscal year ended December 31, 2017.

### **9.2        Audited Financial Statements and Auditors**

The audited financial statements of Viocity REIT as at September 30, 2017, and since its inception, are included under Item 12 – Financial Statements.

The auditors of Viocity REIT are DMCL LLP, Chartered Accountants, 200-1688 152 Street, Surrey, BC V4A 4N2.

## **ITEM 10      RESALE RESTRICTIONS**

### **10.1          General Statement**

The Units will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the Units unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

### **10.2          Restricted Period**

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

### **10.3          Manitoba Resale Restrictions**

In addition to the above, for subscribers resident in Manitoba, unless permitted under securities legislation, a Unitholder must not trade the Units without prior written consent of the regulator in Manitoba, unless Viocity REIT has filed a prospectus with the regulator in Manitoba with respect to the Units and the regulator in Manitoba has issued a receipt for that prospectus, or the Unitholder has held the Units for at least 12 months. The regulator in Manitoba will consent to such a 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 units you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

### **11.1 Two-Day Cancellation Right**

You can cancel your agreement to purchase these Units. To do so, you must send a notice to Viocity REIT by midnight on the 2<sup>nd</sup> business day after you sign the Subscription Agreement to buy the Units.

### **11.2 Statutory Rights of Action in the Event of a Misrepresentation**

Securities legislation in certain of the provinces of Canada provides purchasers with a statutory right of action for damages or rescission in cases where an offering memorandum or any amendment thereto contains an untrue statement of a material fact or omits to state a material fact that is required to be stated or is necessary to make any statement contained therein not misleading in light of the circumstances in which it was made (a "misrepresentation"). These rights, or notice with respect thereto, must be exercised or delivered, as the case may be, by purchasers within the time limits prescribed and are subject to the defences and limitations contained under the applicable securities legislation. Purchasers of Units resident in provinces of Canada that do not provide for such statutory rights will be granted a contractual right similar to the statutory right of action and rescission described below for purchaser's resident in Ontario and such right will form part of the subscription agreement to be entered into between each such purchaser and the Trust in connection with this Offering.

#### **Rights of Purchasers in British Columbia and Alberta**

A purchaser of Units pursuant to this Offering Memorandum who is a resident in Alberta or British Columbia has, in addition to any other rights the subscriber may have at law, a right of action for damages or rescission against the Viocity REIT if this Offering Memorandum, together with any amendments hereto, contains a Misrepresentation. A purchaser has additional statutory rights of action for damages against every trustee of Viocity REIT at the date of this Offering Memorandum or amendment hereto and every person or company who signed this Offering Memorandum or amendment hereto.

If this Offering Memorandum or any amendment hereto contains a Misrepresentation, which was a Misrepresentation at the time the Units were purchased, the purchaser will be deemed to have relied upon the Misrepresentation and will, as provided below, have a right of action against Viocity REIT for damages or alternatively, if still the owner of any of the Units purchased by that subscriber, for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against Viocity REIT, provided that:

- (a) no person or company will be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- (b) in the case of an action for damages, the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation;
- (c) in no case will the amount recoverable in any action exceed the price at which the securities were purchased by the purchaser under this Offering Memorandum; and
- (d) in the case of a purchaser resident in Alberta, no person or company, other than Viocity REIT, will be liable if such person or company is entitled to rely upon certain statutory provisions set out in subsections 204(3)(a)-(e) of the Securities Act (Alberta).



No action may be commenced more than:

- (a) in the case of an action for rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any other action, other than an action for rescission, more than the earlier of (i) 180 days after the subscriber first had knowledge of the facts giving rise to the cause of action; or (ii) three years after the date of the transaction that gave rise to the cause of action.

### **Rights for Purchasers in Saskatchewan**

The Securities Act, 1988 (Saskatchewan) will provide statutory rights to purchasers of Units in Saskatchewan as described in the Securities Act, 1988 (Saskatchewan) upon their coming into force. Such Act provides that, subject to certain limitations, in the event that this Offering Memorandum and any amendment to this Offering Memorandum contain a Misrepresentation, a purchaser who purchases Units under this Offering Memorandum or an amendment to this Offering Memorandum, has a right of action for damages against Viocity REIT, every promoter of Viocity REIT, every person who signed this Offering Memorandum or the amendment to this Offering Memorandum and every person who or company that sells securities on behalf of Viocity REIT under this Offering Memorandum or amendment to this Offering Memorandum.

Alternatively, where the purchaser purchased Units, the purchaser may elect to exercise a right of rescission against Viocity REIT.

The Securities Act, 1988 (Saskatchewan) also provides that, subject to certain limitations, where any advertising or sales literature (as such terms are defined in The Securities Act, 1988{Saskatchewan}) disseminated in connection with the Offering contains a Misrepresentation, a purchaser who purchases Units referred to in that advertising or sales literature has a right of action against Viocity REIT, every promoter of Viocity REIT and every person who or company that sells Units under the Offering with respect to which the advertising or sales literature was disseminated.

In addition, subject to certain limitations, where an individual makes a verbal statement to a prospective purchaser that contains a Misrepresentation relating to the Units of Viocity REIT and the verbal statement is made either before or contemporaneously with the purchase of Units of Viocity REIT, the purchaser has a right of action for damages against the individual who made the verbal statement.

No action shall be commenced to enforce the foregoing rights:

- (a) in the case of an action for rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any action, other than an action for rescission, more than the earlier of (i) one year after the purchaser first had knowledge of the facts giving rise to the cause of action, or (ii) six years after the date of the transaction that gave rise to the cause of action.

### **Rights for Purchasers in Manitoba**

The Securities Act (Manitoba) provides purchasers of securities under a private placement who receive this Offering Memorandum with certain statutory rights in the event there is a Misrepresentation in this Offering Memorandum. In such event, Purchasers would have a statutory right to sue:

- (a) to cancel the agreement to buy Units; or

- (b) for damages against Viocity REIT, every person who is a Trustee at the date of the Offering Memorandum, and every person or company who signed the Offering Memorandum.

The statutory right to sue is available to a purchaser whether or not the purchaser relied on the Misrepresentation. If a purchaser chooses to rescind a purchase, the purchaser cannot then sue for damages. In addition, in an action for damages, a person will not be liable for all or any portion of damages that the person proves do not represent the depreciation in value of the securities as a result of the Misrepresentation. Furthermore, the amount recoverable in an action for damages will not exceed the price at which the securities were offered. There are various defenses available to the persons that a purchaser has a right to sue. For example, a person has a defense if the purchaser knew of the Misrepresentation when the purchaser purchased the securities. If a purchaser intends to rely on the rights described above in paragraph (a) or (b), the purchaser must do so within strict time limitations. A purchaser must commence an action to cancel the agreement within 180 days after the transaction or commence action for damages within the earlier of (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action; or (ii) two years after the day of the transaction.

### **Rights for Purchasers in New Brunswick**

In the event that this Offering Memorandum, together with any amendments hereto used in connection herewith, delivered to a purchaser of Units resident in New Brunswick, or in any other information provided pursuant to the Offering, contains a Misrepresentation and it was a Misrepresentation at the time of purchase of Units by such purchaser, the purchaser will be deemed to have relied upon the Misrepresentation and will, as provided below, have a right of action against Viocity REIT for damages; or, while still the owner of the Units purchased by that purchaser, for rescission against Viocity REIT, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against Viocity REIT, provided that:

- (a) the right of action for rescission or damages must be exercisable by the purchaser not later than,
  - i. in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
  - ii. to cancel your agreement to buy these securities, or in the case of any action, other than an action for rescission, the earlier of (A) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (B) six years after the date of the transaction that gave rise to the cause of action;
- (b) the defendant will not be liable if it proves that the purchaser purchased the Units with knowledge of the Misrepresentation;
- (c) in the case of an action for damages, the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Units as a result of the Misrepresentation relied upon; and
- (d) in no case will the amount recoverable in any action exceed the price at which the Units were sold to the purchaser.

### **Rights for Purchasers in Nova Scotia**

In the event that this Offering Memorandum, together with any amendments hereto used in connection herewith, delivered to a purchaser of Units resident in Nova Scotia, or in any advertising and sales literature provided with respect to the Offering, contains a Misrepresentation and it was a Misrepresentation at the time of purchase of Units by such purchaser, the purchaser will be deemed to have relied upon the

Misrepresentation and will, as provided below, have a right of action against Viocity REIT, the Trustees and any person executing the certificate to this Offering Memorandum or any amendment hereto for damages; or, while still the owner of the Units purchased by that purchaser, for rescission against Viocity REIT, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against Viocity REIT, the Trustees or any person executing the certificate to this Offering, provided that:

- (a) the right of action for rescission or damages must be exercisable by the purchaser not later than,
  - i. in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
  - ii. in the case of any action, other than an action for rescission, the earlier of, (A) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (B) three years after the date of the transaction that gave rise to the cause of action;
- (b) the defendant will not be liable if it proves that the purchaser purchased the Units with knowledge of the Misrepresentation;
- (c) in the case of an action for damages, the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Units as a result of the Misrepresentation relied upon; and
- (d) in no case will the amount recoverable in any action exceed the price at which the Units were sold to the purchaser.

#### **Rights for Purchasers in Newfoundland and Labrador**

In the event that this Offering Memorandum, together with any amendments hereto used in connection herewith, delivered to a purchaser of Units resident in Newfoundland contains a Misrepresentation and it was a Misrepresentation at the time of purchase of Units by such purchaser, the purchaser will be deemed to have relied upon the Misrepresentation and will, as provided below, have a contractual right of action against Viocity REIT, every Trustee at the date of the Offering Memorandum, and every person who signed the Offering Memorandum, for damages; or, while still the owner of the Units purchased by that purchaser, for rescission against Viocity REIT, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages against Viocity REIT, provided that:

- (a) the right of action for rescission or damages must be exercisable by the purchaser not later than,
  - i. in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
  - ii. in the case of any action, other than an action for rescission, the earlier of, (A) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (B) three years after the date of the transaction that gave rise to the cause of action;
- (b) the defendant will not be liable if it proves that the purchaser purchased the Units with knowledge of the Misrepresentation;
- (c) in the case of an action for damages, the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Units as a result of the Misrepresentation relied upon; and

- (d) in no case will the amount recoverable in any action exceed the price at which the Units were sold to the purchaser.

### **Rights of Purchasers in Prince Edward Island, Northwest Territories, Nunavut or Yukon**

Securities legislation in Prince Edward Island, Northwest Territories, Nunavut or Yukon provides that, where an offering memorandum (such as this Offering Memorandum) contains a Misrepresentation, a purchaser resident in that province who purchases securities offered by the offering memorandum has a right of action for damages against the issuer, the selling security holder on whose behalf the distribution is made, every director of the issuer at the date of the offering memorandum, and every person who signed the offering memorandum, or the purchaser may exercise a right of action for rescission against the issuer or selling security holder, in which case the purchaser will have no right of action for damages against any of the persons listed above.

The foregoing statutory rights are subject to various defences available to a defendant. In particular, the purchaser shall have no right of action for damages or rescission if the defendant proves that the purchaser purchased the securities with knowledge of the misrepresentation, and in an action for damages, the defendant will not be liable for any damages that the defendant proves do not represent the depreciation in value of the securities resulting from the misrepresentation. Moreover, in no event will the amount recoverable by a purchaser exceed the price at which the securities were offered.

If a purchaser intends to rely on the rights described above, they must do so within strict time limitations contained in the securities legislation of Prince Edward Island, Northwest Territories, Nunavut or Yukon, as the case may be.

### **Rights of Purchasers in Quebec**

Notwithstanding that the securities legislation of Quebec does not provide or require Viocity REIT to provide purchasers resident in Quebec any rights of action in circumstances where the Offering Memorandum contains a Misrepresentation, Viocity REIT hereby grants to such purchasers of Units under this Offering Memorandum contractual rights of action in circumstances where the Offering Memorandum contains a Misrepresentation to the same extent as purchasers of Units who are resident in Ontario. See "Rights of Purchasers in Ontario" below.

### **Rights for Purchasers in Ontario**

Securities legislation in Ontario provides purchasers of REIT Units pursuant to this Offering Memorandum with a remedy for damages or rescission, or in both, in addition to any other rights they may have at law, where the Offering Memorandum and any amendment to it contains a "Misrepresentation". Where used herein, "Misrepresentation" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made.

Section 130.1 of the Securities Act (Ontario) provides that every purchaser of securities pursuant to an offering memorandum shall have a statutory right of action for damages or rescission against the issuer and any selling security holder in the event that the offering memorandum contains a Misrepresentation. A purchaser who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the Misrepresentation, a right of action for damages or, alternatively, while still the owner of the securities, for rescission against the issuer and any selling security holder provided that:

- a) if the purchaser exercises its right of rescission, it shall cease to have a right of action for damages as against the issuer and the selling security holders, if any;
- b) the issuer and the selling security holders, if any, will not be liable if they prove that the purchaser purchased the securities with knowledge of the Misrepresentation;
- c) the issuer and the selling security holders, if any, will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and
- d) in no case shall the amount recoverable exceed the price at which the securities were offered.

Section 138 of the Securities Act (Ontario) provides that no action shall be commenced to enforce these rights:

- a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- b) in the case of an action for damages, the earlier of:
  - i. 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or
  - ii. three years after the date of the transaction that gave rise to the cause of action.

This Offering Memorandum is being delivered in reliance on the exemption from the prospectus requirements contained under section 2.3 of NI 45-106 (the “accredited investor exemption”). The rights referred to in section 130.1 of the Securities Act (Ontario) do not apply in respect of an offering memorandum (such as this Offering Memorandum) delivered to a prospective purchaser in connection with a distribution made in reliance on the accredited investor exemption if the prospective purchaser is:

- a) a Canadian financial institution or a Schedule III bank (each as defined in NI 45-106);
- b) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada); or
- c) a subsidiary of any person referred to in paragraphs (a) and (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

### **11.3 General**

The foregoing summaries are subject to the express provisions of the securities legislation applicable in each of the provinces of Canada and the regulations, rules and policy statements thereunder. Purchasers should refer to the securities legislation applicable in their province along with the regulations, rules and policy statements thereunder for the complete text of these provisions or should consult with their legal advisor. The contractual and statutory rights of action described in this Offering Memorandum are in addition to and without derogation from any other right or remedy that purchasers may have at law.

**ITEM 12      FINANCIAL STATEMENTS**

**[See next pages]**

**VIOCITY REAL ESTATE INVESTMENT TRUST**

**Financial Statements**

**(Expressed in Canadian dollars)**

**For the period from the Date of Inception (January 3, 2017) to June 30, 2017**



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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To the Board of Trustees of Viocity Real Estate Investment Trust:

We have audited the accompanying financial statements of Viocity Real Estate Investment Trust, which comprise the statement of financial position as at June 30, 2017 and the statements of loss and comprehensive loss, changes in unitholders' equity and cash flow for the period from inception on January 3, 2017 to June 30, 2017, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Viocity Real Estate Investment Trust as at June 30, 2017, and its financial performance and its cash flows for the period from inception on January 3, 2017 to June 30, 2017 in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describe certain conditions that indicate the existence of a material uncertainty that may cast doubt about Viocity Real Estate Investment Trust's ability to continue as a going concern.

DMCL

Vancouver, BC  
October 19, 2017

DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

An independent firm associated with  
Moore Stephens International Limited

**MOORE STEPHENS**



**VIOCITY REAL ESTATE INVESTMENT TRUST**

**Statement of Financial Position**

**(Expressed in Canadian dollars)**

**June 30, 2017**

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**ASSETS**

**CURRENT ASSETS**

Cash	\$	1,847
Interest receivable		<u>1,288</u>
		3,135

MORTGAGE INVESTMENTS <i>(Note 3)</i>		<u>375,000</u>
	\$	<u>378,135</u>

**LIABILITIES AND UNITHOLDERS' EQUITY**

**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$	4,293
Due to related party <i>(Note 4)</i>		<u>68,994</u>
		<u>73,287</u>

**UNITHOLDERS' EQUITY *(Note 5)***

Common units		369,632
Deficit		<u>(64,784)</u>
		<u>304,848</u>
	\$	<u>378,135</u>

**ON BEHALF OF THE BOARD OF TRUSTEES**

"Derek Fairbrother" *Trustee*

"Christopher Knight" *Trustee*

The accompanying notes are an integral part of these financial statements.

**VIOCITY REAL ESTATE INVESTMENT TRUST**

**Statement of Loss and Comprehensive Loss**

**(Expressed in Canadian dollars)**

**For the Period from the Date of Inception (January 3, 2017) to June 30, 2017**

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<b>REVENUE</b>	<b>\$ <u>15,986</u></b>
<b>EXPENSES</b>	
Advertising and promotion	\$ 180
Interest and bank charges	200
Office and administration	1,474
Professional fees	<u>72,194</u>
	<u>74,048</u>
<b>NET AND COMPREHENSIVE LOSS</b>	<b>\$ <u>(58,062)</u></b>
<b>BASIC AND DILUTED EARNINGS PER UNIT</b>	<b>\$ <u>(2.47)</u></b>
<b>WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING</b>	
<b>- BASIC AND DILUTED</b>	<b><u>23,465</u></b>

The accompanying notes are an integral part of these financial statements.

**VIOCITY REAL ESTATE INVESTMENT TRUST**  
**Statement of Changes in Unitholders' Equity**  
**(Expressed in Canadian dollars)**

	<b>Number of units</b>	<b>Amount</b>	<b>Deficit</b>	<b>Total</b>
<b>BALANCE AT JANUARY 3, 2017 (inception)</b>	-	\$ -	\$ -	\$ -
Issued for cash	36,291	362,910	-	362,910
Issued for reinvested distributions	672	6,722	-	6,722
Comprehensive loss	-	-	(58,062)	(58,062)
Distributions paid	-	-	(6,722)	(6,722)
<b>BALANCE AT JUNE 30, 2017</b>	<b>36,963</b>	<b>\$ 369,632</b>	<b>\$ (64,784)</b>	<b>\$ 304,848</b>

The accompanying notes are an integral part of these financial statements.

# **VIOCITY REAL ESTATE INVESTMENT TRUST**

## **Statement of Cash Flow**

**(Expressed in Canadian dollars)**

**For the Period from the Date of Inception (January 3, 2017) to June 30, 2017**

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<b>OPERATING ACTIVITIES</b>	
Net loss for the period	\$ (58,062)
Non-cash items:	
Accrued interest receivable	(1,288)
Changes in non-cash working capital:	
Mortgages advanced	(375,000)
Due to related parties	68,994
Accounts payable and accrued liabilities	<u>4,293</u>
Cash flow used by operating activities	<u>(361,063)</u>
<b>FINANCING ACTIVITIES</b>	
Distributions declared and paid	(6,722)
Issuance of units	<u>369,632</u>
Cash flow from financing activities	<u>362,910</u>
<b>INCREASE IN CASH FLOW</b>	<b>1,847</b>
Cash – beginning of period	<u>-</u>
<b>CASH – END OF PERIOD</b>	<b>\$ <u>1,847</u></b>
<b>Supplemental Cash Flow Information</b>	
Distributions paid	\$ 6,722

The accompanying notes are an integral part of these financial statements.

# **VIOCITY REAL ESTATE INVESTMENT TRUST**

## **Notes to Financial Statements**

**(Expressed in Canadian dollars)**

**For the Period from the Date of Inception (January 3, 2017) to June 30, 2017**

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### **1. NATURE OF BUSINESS**

Viocity Real Estate Investment Trust ("Viocity" or the "Trust") is an unincorporated real estate investment trust created under, and governed by, the laws of the Province of Alberta. Viocity was created pursuant to the Declaration of Trust dated January 3, 2017 (the "Declaration of Trust"), as most recently amended and restated on January 24, 2017. The purpose of Viocity is to directly, or indirectly, own, manage, lease and (where appropriate) develop primarily residential, apartment buildings, mixed commercial, and industrial properties in Canada. The registered office of Viocity is 1440 - 540 - 5 Avenue SW, Calgary, Alberta, T2P 0M2.

The Declaration of Trust provides that Viocity may make cash distributions to unitholders of the Trust. The amount distributed is set by the Board of Trustees.

These financial statements have been prepared on the assumption that the Trust will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Trust is not expected to continue operations for the foreseeable future. As at June 30, 2017, the Trust has a working capital deficit and is not able to finance day to day activities through operations. These uncertainties cast significant doubt about the Trust's ability to continue as a going concern. The Trust's continuation as a going concern is dependent upon additional revenue generating investments and/or raise equity capital or borrowings sufficient to meet current and future obligations. The Trustees intend to finance operating costs over the next twelve months through unit offerings and/or loans from trustees and companies controlled by trustees.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Statement of compliance with International Financial Reporting Standards

The financial statements of Viocity comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements were authorized for issue on October 19, 2017 by the trustees of Viocity.

#### Basis of presentation

The financial statements of Viocity have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

# **VIOCITY REAL ESTATE INVESTMENT TRUST**

## **Notes to Financial Statements**

**(Expressed in Canadian dollars)**

**For the Period from the Date of Inception (January 3, 2017) to June 30, 2017**

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### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Significant estimates and assumptions

The preparation of Viocity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of net assets, liabilities, and contingent liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reported period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments and the recoverability of mortgage investments. Actual results may differ from those estimates and judgments.

#### Significant judgements

The preparation of financial statements in accordance with IFRS requires Viocity to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applied in preparing Viocity's financial statements include the assessment of Viocity's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty and the classification of financial instruments.

#### Financial instruments

Viocity classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables consist of cash and cash equivalents and mortgage investments.

# **VIOCITY REAL ESTATE INVESTMENT TRUST**

## **Notes to Financial Statements**

**(Expressed in Canadian dollars)**

**For the Period from the Date of Inception (January 3, 2017) to June 30, 2017**

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### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Financial Instruments (continued)

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is Viocity's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. Viocity has no financial assets classified as held-to-maturity investments.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses. Viocity has no financial assets classified as available-for-sale.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Viocity's non-derivative financial liabilities consist of due to related parties.

Regular purchases and sales of financial assets are recognized on the trade date - the date on which Viocity commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and Viocity has transferred substantially all risks and rewards of ownership.

At each reporting date, Viocity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

Viocity does not have any derivative financial assets or liabilities.

#### Revenue recognition

Interest income is recognized as earned at the stated rate in accordance with the terms of the instrument.

Lender fees collected at the beginning of the term of the mortgage are recognized upon collection.

# **VIOCITY REAL ESTATE INVESTMENT TRUST**

## **Notes to Financial Statements**

### **(Expressed in Canadian dollars)**

**For the Period from the Date of Inception (January 3, 2017) to June 30, 2017**

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### Income taxes

Viocity qualifies as a mutual fund trust under the Income Tax Act (Canada) (the "Act") and as such the Trust itself will not be subject to income taxes provided it continues to qualify as a Real Estate Investment Trust ("REIT") for purposes of the Act. A REIT is not taxable and not considered to be a Specified Investment Flow-through Trust provided it complies with certain tests and it distributes all of its taxable income in a taxation year to its unitholders.

The Trust's qualification as a REIT results in no current or deferred income tax being recognized.

### Canadian REIT status and monitoring

Viocity currently qualifies as a real estate investment trust ("REIT") for the purposes of the Income Tax Act (Canada). Accordingly, Viocity continues to be able to flow taxable income through to unitholders on a tax effective basis. Generally, to qualify as a REIT, Viocity's Canadian assets must be comprised primarily of real estate or other qualified investments and substantially all of our Canadian source revenues must be derived from those properties which we have an interest.

Viocity monitors its Canadian REIT status to ensure that it continues to qualify as a Canadian REIT. Accordingly, no net current Canadian income tax expense or deferred income tax assets or liabilities have been recorded in these financial statements.

### Earnings (loss) per unit

Basic earnings (loss) per unit is computed by dividing net earnings (loss) available to unitholders by the weighted average number of units outstanding during the reporting period. Diluted earnings (loss) per unit is computed similar to basic earnings (loss) per unit except that the weighted average units outstanding are increased to include additional units for the assumed exercise of stock options and warrants, if dilutive. The number of additional units is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire units at the average market price during the reporting periods. If these computations prove to be anti-dilutive, diluted loss per unit is the same as basic loss per unit.

### Accounting standards issued but not yet effective

#### **New standard IFRS 9 "Financial Instruments"**

This new standard is a partial replacement of International Accounting Standard ("IAS") 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 31, 2018 with early adoption permitted.



# **VIOCITY REAL ESTATE INVESTMENT TRUST**

## **Notes to Financial Statements**

**(Expressed in Canadian dollars)**

**For the Period from the Date of Inception (January 3, 2017) to June 30, 2017**

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### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Accounting standards issued but not yet effective (continued)

##### *New standard IFRS 15 "Revenue from Contracts with Customers"*

This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or ending after January 1, 2018 with early adoption permitted.

##### *New standard IFRS 16 "Leases"*

The new standard replaces IAS 17 "Leases: and the related interpretive guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and services contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15.

Viocity has not early adopted these new standards and is currently assessing the impact that these standards will have on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on Viocity's financial statements.

### **3. MORTGAGE INVESTMENTS**

Mortgages are secured by real property and bear interest at the weighted average rate of 10.0% and all mature subsequent to the next twelve month period, as such they have been classified as non-current assets. Payments are interest only payments. As at June 30, 2017 there were no defaults or anticipated defaults by the borrowers for the mortgages receivable.

### **4. DUE TO RELATED PARTIES**

As at June 30, 2017, Viocity owes \$4,940 to a Trustee of the Trust for advances made. The balances owing are non-interest bearing, unsecured and have no set repayment terms.

As at June 30, 2017, Viocity owes \$64,054 to a related party, Viocity Management Inc., for expenses paid on behalf of Viocity. The balance payable are non-interest bearing, unsecured and due on demand.

# **VIOCITY REAL ESTATE INVESTMENT TRUST**

## **Notes to Financial Statements**

**(Expressed in Canadian dollars)**

**For the Period from the Date of Inception (January 3, 2017) to June 30, 2017**

### **5. UNITHOLDERS' EQUITY**

Viocity is authorized to issue an unlimited number of Trust Units ("Units"). The Units, which have no par value, are entitled to distributions as and when declared by the Board of Trustees and on liquidation to a pro rata share of the residual net assets remaining after the preferential claims thereon of debtholders.

	<b>Units</b>	<b>Amount</b>
Units outstanding at January 3, 2017 (inception)	-	\$ -
Issued for cash	<b>36,291</b>	<b>362,910</b>
Issued for reinvested distributions	<b>6,722</b>	<b>6,722</b>
Units outstanding at June 30, 2017	<b>36,963</b>	<b>\$ 369,632</b>

### **6. DISTRIBUTIONS**

Viocity intends to make distribution payments to unitholders on a monthly basis. The operating policies of Viocity set out that management of the Trust will determine the amount of the distribution which becomes payable proportionately to persons who are unitholders on the distribution record date selected by the trustees in respect of such distributions. Trustees may in their sole discretion establish a distribution reinvestment plan at any time providing for the voluntary reinvestment by unitholders of distributions. For the period ended June 30, 2017, distributions of \$0.0583 per unit were made monthly and reinvested resulting in 672 additional units being issued and \$6,722 in total distributions in the period.

### **7. CAPITAL MANAGEMENT**

Viocity defines capital as being the funds raised through the issuance of units of the Trust. Viocity's objective when managing capital/equity are to safeguard Viocity's ability to continue as a going concern, so that it can continue to provide returns to unitholders.

Viocity manages the capital/equity structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, Viocity may issue new units.

# **VIOCITY REAL ESTATE INVESTMENT TRUST**

## **Notes to Financial Statements**

**(Expressed in Canadian dollars)**

**For the Period from the Date of Inception (January 3, 2017) to June 30, 2017**

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### **7. CAPITAL MANAGEMENT (continued)**

Viocity's investment guidelines incorporate various guideline restrictions and investment operating policies. Viocity's guideline states that Viocity (i) may invest in interests (including fee ownership and leasehold interests) in income producing Real Estate properties and mortgages in Canada, (ii) may invest in mortgages if the Trust intends to use the acquisition of the mortgages as a method of acquiring control of an income-producing real property, (iii) may invest in interests (including fee ownership and leasehold interests) in income producing office, retail or residential properties and Properties Under Development in the United States, (iv) shall not make any investment, take any action or omit to take any action that would result in units not being units of a "mutual fund trust" within the meaning of the Income Tax Act (Canada), that would result in the units being disqualified for investment by registered plans, (v) may invest in joint venture or co-ownership arrangements, (vi) shall not purchase, sell market or trade in any currency or interest rate futures contracts other than for hedging purposes, (vii) shall not invest in rights to or interest in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property, (viii) shall not acquire interests in general partnerships or limited partnerships, (ix) shall not invest in raw land, and (x) shall not invest in or acquire securities of a Canadian real estate investment trust. Certain investment guidelines allow for exceptions as outlined in the Declaration of Trust.

### **8. FINANCIAL INSTRUMENTS**

The Trust is exposed to various risks through its financial instruments. The following analysis provides a measure of the Trust's risk exposure and concentrations:

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Trust's main credit risks relate to its interest receivables. The Trust provides credit to its clients in the normal course of its operations. Management believes that credit risk related to these amounts is moderate.

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. To manage liquidity, the Trust reviews additional sources of capital to continue its operation and discharge its commitments as they become due. Management believes that liquidity risk is high.

#### Market risk

Market Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Trust is mainly exposed to interest rate risk and other price risk.

# **VIOCITY REAL ESTATE INVESTMENT TRUST**

## **Notes to Financial Statements**

**(Expressed in Canadian dollars)**

**For the Period from the Date of Inception (January 3, 2017) to June 30, 2017**

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### **8. FINANCIAL INSTRUMENTS (continued)**

#### Interest rate risk

Interest rate risk is the risk that an investment's value will change due to a change in the level of interest rates. The Trust's exposure to interest rate risk relates to mortgage investments. While interest rates on the investments are set at a fixed rate, the Trust is subject to interest rate changes on these interests as a 1% change in interest rates would impact the Trusts interest income by approximately \$3,750. Management believes that interest rate risk is moderate.

#### Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Trust is exposed to other price risk through its investment in the real estate section as any adverse change in economic conditions could result in declines in the value of real property securing the Trust's mortgage investments. The Trust mitigates this risk by adhering to its investment and operating policies. Management believes that other price risk is moderate.

**ITEM 13      DATE AND CERTIFICATE**

DATE:            December 8, 2017

TO:              Each applicable purchaser of REIT units (the “Units”) issued by Viocity Real Estate Investment Trust (“Viocity REIT”).

**This Offering Memorandum does not contain a Misrepresentation.** This Certificate is provided solely to those purchasers purchasing Units of Viocity REIT pursuant to the exemption contained in section 2.9 of National Instrument 45-106 *Prospectus Exemptions*.

**VIOCITY REAL ESTATE INVESTMENT TRUST**

Per:    (Signed) Derek Fairbrother  
Derek Fairbrother  
President & CEO

**ON BEHALF OF THE BOARD OF TRUSTEES OF  
VIOCITY REAL ESTATE INVESTMENT TRUST**

Per:    (Signed) Derek Fairbrother  
Derek Fairbrother  
TRUSTEE

Per:    (Signed) Marc Loustau  
Marc Loustau  
TRUSTEE

Per:    (Signed) Christopher Knight  
Christopher Knight  
TRUSTEE

Per:    (Signed) Heather McQueen  
Heather McQueen  
TRUSTEE

## Schedule “A” - GLOSSARY

**“Additional Committees”** means any additional committee created pursuant to the Declaration of Trust.

**“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) any outstanding exchangeable Units, in each case calculated in accordance with IFRS.

**“Apartments”** means Rental Suites **“Apartment Suites”** means Rental Suites

**“Asset Manager”** means an employee internal to Viocity REIT that is engaged for the purpose of marketing and managing the day-to-day operations of Viocity REIT.

**“Audit Committee”** means the audit committee created pursuant to the Declaration of Trust.

**“Bed”** means a single bedroom in a Rental Suite in a Student Residence. Thus a 5-bedroom Rental Suite in a Student Residence would be 5 beds. Beds are a common unit of measurement for Student Residences.

**“Building”** means a single physical site for management purposes which may include one or more physical structures usually acquired at the same time. Thus a single site with 5 apartment buildings owned by the Trust may be considered as a single building for management and/or reporting purposes. It is a discretionary logical grouping made by management. Thus, 2 structures that are close to one another may be considered a single building or may be 2 buildings depending on the Property Managers discretionary judgment of how the structures should be grouped for reporting purposes.

**“Business Day”** means a day, other than a Saturday or Sunday, on which Schedule I chartered banks are open for business in Calgary, Alberta.

**“Conventional Mortgage”** means a mortgage for which the principal amount, at the time of commitment, together with all other equal and prior ranking mortgages: (a) in the case of a property purchase, does not exceed the lower of 75% of the purchase price of the underlying real property securing the mortgage and 75% of the appraised value of the underlying real property securing the mortgage as determined by a qualified appraiser; and (b) in the case of a refinancing, does not exceed 75% of the appraised value of the underlying real property securing the mortgage as determined by a qualified appraiser at the time of such refinancing.

**“Declaration of Trust”** means the declaration of trust made as of January 3, 2017 governed by the laws of the Province of Alberta and the federal laws of Canada applicable therein, pursuant to which Viocity REIT was created, as amended, supplemented or amended and restated from time to time.

**“Diluted” Suites or “Diluted” Rental Units** means the number of Suites or Rental Units as the case may be, considering the portions that are owned by third parties. E.g. a 100 suite building owned 50/50 with a partner would be 50 Diluted Suites and 100 Undiluted Suites. See **“Undiluted” Suites or “Undiluted” Rental Units**.

**“Distributable Income”** means, for any period, the net income of Viocity REIT, including income earned from its proportionate interest under the Rollover Agreement and its applicable consolidated Subsidiaries for such period set out in its consolidated financial statements as determined in accordance with GAAP, 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.

**“Existing Properties”** means properties owned by Viocity REIT either directly or via subsidiaries.

**“Fair Market Value”** means the value the REIT Units determined by the Trustees, in their sole discretion, using reasonable methods of determining fair market value. Fair Market Value may or may not be equal to the net asset value of the Units, depending on the methods used by the Trustees in making a particular determination of Fair Market Value. See “VALUATION POLICY”.

**“Final Closing”** This is a continuous offering and closing will be at the discretion of the Asset Manager.

**“Focus Activity”** means the acquisition, holding, maintaining, improving, leasing or managing of multi- unit residential revenue producing properties and ancillary real estate ventures in Canada.

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

**“IFRS”** means International Financial Reporting Standards.

**“Independent Trustee”** means a trustee who has no direct or indirect material relationship with Viocity REIT which could, in the view of the Board of Trustees, reasonably interfere with a Trustee’s independent judgment.

**“Investor REIT Unit”** means a unit of beneficial interest in the Viocity REIT (other than the Initial Unit) authorized and issued hereunder 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.

**“Joint Venture Properties”** means properties owned by Viocity REIT either directly or via subsidiaries that are partially owned by Viocity REIT and where a joint venture partner(s) is part owner of the properties.

**“Management”** means the management of the REIT responsible for the day to day operations of the REIT.  
**“Mortgage Assets”** means mortgage loan investments and other mortgage assets

**“Mortgage Insurance Fees”** means fees charged by Canada Mortgage and Housing Corporation or similar mortgage insurer.

**“Mortgage Manager”** means an employee(s) of Viocity REIT, or independent third party that is engaged for the purposes of sourcing mortgage investment opportunities for Viocity REIT.

**“Mortgage Servicer”** means an employee(s) of Viocity REIT, or independent third party that is engaged for the purposes of servicing mortgage investments of Viocity REIT that aren’t serviced by another licensed mortgage administrator.

**“New Class of REIT Unit”** means any additional REIT units which may be created by the REIT.

**“Normalized Net Operating Income”** or **“NNOI”** is an estimate of the net operating income of a property which considers certain stabilizing adjustments in its calculation, including but not limited to rent levels, vacancy rates, property taxes, wages, repairs and maintenance and other costs. It is primarily used in the valuation methodology of Viocity REIT. See “VALUATION POLICY”.

**“Note Trustee”** means the trustee under the Note Indenture, including any successor trustee thereunder.

**“Offering”** means the ultimate offering of REIT Units pursuant to this Offering Memorandum and any concurrent offering memorandum.

**“Offering Memorandum”** means this confidential offering memorandum.

**“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.

**“Properties”** means collectively, the Existing Properties, Properties Under Contract and, where the context requires, properties that may be acquired in the future.

**“Properties Under Contract”** means properties that Viocity REIT has unconditionally agreed to acquire or to sell as at the date of this Offering Memorandum pursuant to any Purchase and Sale Agreements.

**“Property Manager”** means a Viocity REIT employee(s) or an independent third party that has the general responsibility for the overall management of the Properties.

**“Property Net Income”** means, with respect to a particular property, the net income earned from the operation thereof, net of all expenses and without deduction of capital cost allowance (as set out in the Tax Act) or depreciation.

**“Property Offer Option”** means an option granted by a debtor in connection with the sourcing and financing of a mortgage loan and/or other investment, as applicable, pursuant to which Viocity REIT is granted a right to make an offer to purchase an interest (whether a pre-determined interest or otherwise) at a price that is to be negotiated upon the completion and/or stabilization of the properties that are the subject of the mortgage loan or that are underlying the other investment, as applicable.

**“Property Purchase Option”** means a purchase option granted by a debtor in connection with the sourcing and financing of a mortgage loan and/or other investment, as applicable, pursuant to which the REIT is granted a right to purchase a pre-determined interest at a specified price or formula upon the completion/stabilization of the properties that are the subject of the mortgage loan or that are underlying the other investment, as applicable.

**“Purchase Agreements”** means agreements entered into by Viocity REIT to acquire the Properties Under Contract.

**“REIT Management”** means the management of the REIT responsible for the day to day operations of the REIT.

**“REIT Unit”** means a unit of beneficial interest in the Viocity REIT (other than the Initial Unit) authorized and issued hereunder 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 Alberta Securities Commission Rule 61-501, as amended from time to time (including any successor rule or policy thereto).

**“Rental Suites”** means a rental apartment, irrespective of the number of bedrooms or rental units in that suite. E.g. a 3-bedroom apartment that rents as a whole unit would be considered as a single suite.



**“Rental Units”** means the number of units for rent adjusted for the number of student tenants renting individual rooms inside a suite. For example, a 5-bedroom student unit would be 1 Rental Suite but is 5 Rental Units as there may be 5 separate leases, each pertaining to a bedroom unit. This distinction only applies to properties classified as Student Residences. Thus an apartment that had a 2-bedroom suite that had roommates sharing an apartment, and where the building isn’t classified as a Student Residence, would be 1 Rental Suite and 1 Rent Unit only. There is no distinction between individual leases on bedrooms and multi-tenant leases with all residents in the suite on a single lease (the two forms of lease in the student rental business)

**“Standard Apartment Building”** means an apartment building not primarily targeted towards students.

**“Student Residence”** means an apartment building primarily targeted towards students. It can be either on campus or off campus.

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

**“Subscription Agreement”** means the subscription agreement to be completed by subscribers for the offered Units.

**“Suites”** means Rental Suites.

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

**“Trustees”** means the trustees of Viocity REIT.

**“Undiluted” Suites or “Undiluted” Rental Units** means that the number of Suites or Rental Units, as the case may be, that doesn’t factor in any portion of a property that may be owned with partners. E.g. a 100 suite building owned 50/50 with a partner would be 100 suites on an undiluted basis and 50 suites on a diluted basis. See “Diluted” Suites or “Diluted” Rental Units

**“Units”** means the REIT Units.

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

**“U.S. Securities Act”** means the United States *Securities Act of 1933*, as amended.

**“Viocity Appointees”** means the Trustees that the Asset Manager is entitled to appoint.

**“Viocity Real Estate Investment Trust”** means **Viocity REIT** which is a trust formed by declaration of trust made as of January 3, 2017, governed by the laws of the Province of Alberta, pursuant to which it was created, as amended, supplemented or amended and restated from time to time.

**“Viocity REIT”** means Viocity Real Estate Investment Trust.

**“Weighted Average Capitalization Rate”** means the NNOI of the property portfolio divided by the market value of the property portfolio both on a proportionate consolidation basis.