

FORM 45-106 F2
Offering Memorandum for Non-Qualifying Issuers



ALL ISLAND EQUITY REIT

Date: May 22, 2019

The Issuer

Name: All Island Equity REIT (the “Trust”)
Head office: 450A Wentworth Street, Nanaimo, British Columbia V9R 3E1
Phone #: 778-350-7348
E-mail address: info@allislandequityreit.com
Currently listed or quoted? No. **These securities do not trade on any exchange or market.**
Reporting issuer? No.
SEDAR filer? Yes.

The Offering

Securities offered: Class A Units and Class F Units of the Trust (each, a “Unit” and together, the “Units”). Each class shall have the attributes and characteristics as set under Item 5.1 - “Securities Offered – Terms of Units”.

Price per security: \$12.36 per Class A Unit.
\$12.36 per Class F Unit. Class F Units are available for managed accounts (as defined herein).

Minimum/Maximum offering: **There is no Minimum Offering. You may be the only purchaser. Funds available under the offering may not be sufficient to accomplish our proposed objectives.** There is no Maximum Offering.

Minimum Subscription: First time Subscribers must make a minimum investment of \$10,000 in any Class of Units, subject to the discretion of the Trustee. Existing Unitholders must make a minimum investment of \$2,500 in any Class of Units and maintain a minimum of \$10,000 in Unit subscriptions, subject to the discretion of the Trustee.

Payment terms: A certified cheque or wire transfer on closing payable to Integral Wealth Securities Limited (the “Agent”).

Proposed closing date(s): This is a continuous offering. Closings will occur from time to time at such times as AIE Services Inc. (the “Trustee”) may determine. The Trustee may terminate the Offering at any time.

Income tax consequences: There are important tax consequences to these securities. See Item 6 - “Summary of Income Tax Consequences and Eligibility.”

Selling Agent? The Trust may pay a sales fee to registered securities dealers and exempt market dealers, or where permitted, non-registrants, assisting with the Offering in an amount not to exceed 3% of the subscription monies obtained by such persons for the Offering, regardless of the Class of Units sold by them, determined by the Trustee in its discretion, acting reasonably or otherwise in accordance with any agreement between the Trust and such parties, payable at the time of the investment. The Trust may also pay an annual trailer fee of up to 1% of the Net Asset Value of the Class A Units, in aggregate, to registered securities dealers and exempt market dealers, or where permitted, non-registrants that sell Class A Units, on each Distribution Record Date (defined herein), payable in any manner determined by the Trustee, in its discretion, including by way of a reduction in the distributions otherwise payable to the affected Class A Unitholders. See Item 7 - “Compensation Paid to Sellers and Finders”. **An affiliate of the Agent owns shares of the Manager (as defined herein) and the Agent has also been engaged by the Trust for certain advisory services for which the Agent is entitled to compensation in connection therewith. Consequently, the Trust may be considered a “connected issuer” of the Agent within the meaning of applicable Canadian securities legislation. See Item 13 “Relationship Among the Trust and the Agent.”**

Resale restrictions: You will be restricted from selling your securities for an indefinite period. See Item 10 - “Resale Restrictions”. However, the Units are redeemable in certain circumstances. The Trust may also retract Units from time to time. See Item 5.1 - “Securities Offered – Terms of Units”.

Purchaser’s rights: You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 11 - “Purchasers’ Rights”.

No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See Item 8 - “Risk Factors”.

The Trust conditionally offers the Units for sale by way of private placement to qualified investors who are residents of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario and in such other jurisdictions where it may be permitted to do so. Subscriptions will be received if, as and when accepted, subject to satisfaction of the conditions set forth under Item 5.2 - "Subscription Procedure" and to the right of the Trustee to close the subscription books at any time without notice. Closings will be held from time to time as determined by the Trustee. See Item 4.3 - "Prior Sales" and Item 5.2 - "Subscription Procedure".

No action has been or will be taken to permit a public offering of the Units in any jurisdiction where action would be required to be taken for such purpose. Accordingly, the distribution or circulation of this Offering Memorandum and the offering and sale of the Units may be restricted by law in certain jurisdictions. This Offering Memorandum does not constitute, and may not be used for or in conjunction with, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. Persons into whose possession this Offering Memorandum may come are directed to inform themselves of and observe such restrictions and all legal requirements of their respective jurisdictions of residence in respect of the acquisition, holding and disposition of the Units.

Prospective Subscribers should thoroughly review this Offering Memorandum and are advised to consult with their own legal, investment, accounting, and tax advisors concerning this investment.

The Units will be issued only on the basis of information contained in this Offering Memorandum and provided by the Trust, and no other information or representation have been authorized nor may be relied upon as having been authorized by the Trust, and no person has been authorized by the Trust to provide prospective investors with information other than as contained in this Offering Memorandum. Any subscription for the Units made by any person on the basis of statements or representations not contained in this Offering Memorandum or so provided, or inconsistent with the information contained herein or therein, shall be solely at the risk of such person.

This is a primarily blind pool Offering. The Trust expects that the available net proceeds of the Offering will be applied by the Trust to indirectly acquire the Contracted Property (as defined herein) and to purchase additional properties, however, the specific additional properties in which the Trust may indirectly invest have not yet been determined.

Industry and Market Data

Unless otherwise indicated, the Trust obtained the industry and market data used throughout this Offering Memorandum from surveys or studies conducted by third parties and industry or general publications. Industry publications and surveys generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. While the Trust believes this data to be reliable, market and industry data is subject to variation and cannot be verified with complete certainty 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. The Trust has not independently verified such data, does not make any representations as to the accuracy of such information, and is not responsible for the accuracy of any of the data from third party sources referred to in this Offering Memorandum.

Forward-Looking Statements

This Offering Memorandum contains forward-looking statements. These statements relate to future events or the Trust's views or predictions of possible future performance, operations, and its strategy. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "targeting", "intend", "could", "might", "continue", or the negative of these terms or other comparable terminology, including by way of example and without limiting the generality of the foregoing, statements with respect to future performance of the Properties. These statements are based on assumptions made by the Trustee about the success of the Trust's investment strategies in certain market conditions, relying on the experience of the Trustee's officers and employees and their knowledge of historical economic and market trends. These statements are only predictions. Even though the Trust believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that the forward-looking statements or information will prove to be accurate. In addition, this Offering Memorandum may contain forward-looking statements attributed to third party industry sources.

Undue reliance should not be placed on these forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur and may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Factors which could cause actual results, events, circumstances, expectations or performance to differ materially from those expressed or implied in forward-looking statements include, but are not limited to, general economic, political, market and business factors and conditions; the ability of the Trust to raise capital, interest rates fluctuations; statutory and regulatory developments; ability to obtain financing; increased competition; loss of key employees; additional funding requirements; catastrophic events; and other factors. The foregoing factors are not intended to represent a complete list of the factors that could affect the Trust. Additional factors are noted under Item 8 - "Risk Factors".

The forward-looking statements contained in this Offering Memorandum are expressly qualified by this cautionary statement. The forward-looking statements are made as of the date of this Offering Memorandum. Except as otherwise required by applicable law, the Trust does not intend to, and assumes no obligation to, update or revise these or other forward-looking statements it may provide, whether as a result of new information, plans or events or otherwise.

Currency

All dollar amounts stated herein, unless otherwise stated, are expressed in Canadian currency.

Documents Incorporated by Reference

The following documents are incorporated by reference as part of this Offering Memorandum:

- (a) the marketing materials, including the annual net asset value calculation letter, quarterly reports and investor presentation dated April 15, 2019 (collectively, the "marketing materials"), related to this Offering prepared as at the date of this Offering Memorandum delivered or made reasonably available to a prospective purchaser; and
- (b) the marketing materials related to this Offering which may be prepared after the date of this Offering Memorandum and delivered or reasonably made available to a prospective purchaser prior to the termination of this Offering.

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SUMMARY

The following is a summary of certain information contained in this Offering Memorandum, and reference should be made to the more detailed and additional information contained elsewhere in this Offering Memorandum. Capitalized terms used in this Summary and not defined herein have the meaning given to them in the Glossary.

Business of the Trust

The Trust is a limited purpose, unincorporated, open-ended investment trust, governed by the terms and conditions of the Trust Declaration and by the general laws of trusts and the laws of British Columbia.

The Trust has been established to issue Units, acquire LP Units, temporarily hold cash and investments for the purposes of paying the expenses and liabilities of the Trust, make other investments as contemplated by the Trust Declaration, pay amounts payable by the Trust in connection with the redemption of any Units and make distributions to Unitholders. Through its ownership of LP Units, the Trust will indirectly acquire, hold, manage, and operate a diversified portfolio of revenue-producing real estate properties in the Trust Region.

Business of the Limited Partnership:

The Trust and AIE Management Inc. (the “**General Partner**”), which also acts as the administrator of the Trust, established the Limited Partnership pursuant to the laws of the Province of British Columbia to, among other things:

- (a) directly or indirectly acquire, own, hold, manage, lease, operate, improve and sell a portfolio of commercial and residential real estate properties, including existing revenue-producing properties and properties developed by the Trust to be held as income-producing real estate for long-term investment, in the Trust Region, or any direct or indirect interests therein, which may include a direct or indirect interest in the properties; and
- (b) conduct any other business or activity incidental, ancillary or related thereto.

Offering:

This is a continuous offering of Class A Units and Class F Units. There is no maximum offering. There is no minimum offering. You may be the only purchaser. This Offering is being made pursuant to exemptions from the prospectus and, where applicable, registration requirements of applicable securities legislation in Canada. See Item 5.2 - “Subscription Procedure”.

Subscription Procedure:

Subscribers may subscribe for Units by returning to the Trustee, or as the Trustee may direct, a completed Subscription Agreement, together with payment by way of certified cheque or wire transfer in the amount of the aggregate Subscription Price for the Subscriber’s Units payable to the Agent. A Subscriber whose subscription is accepted by the Trustee will become a Unitholder. The Trustee may terminate the Offering at any time. See Item 5.2 - “Subscription Procedure”.

Subscription Price:

\$12.36 per Class A Unit. \$12.36 per Class F Unit (for managed accounts).

Minimum Subscription:

First time Subscribers must make a minimum investment of \$10,000 in any Class of Units, subject to the discretion of the Trustee. Existing Unitholders must make a minimum investment of \$2,500 in any Class of Units and maintain a minimum of \$10,000 in Unit subscriptions, subject to the discretion of the Trustee. See Item 5.2 - “Subscription Procedure”.

Selling Agent:

The Trust may pay a sales fee to registered securities dealers and exempt market dealers, or where permitted, non-registrants, assisting with the Offering in an amount not to exceed 3% of the subscription monies obtained by such persons, regardless of the Class of Units sold by them, determined by the Trustee in its discretion, acting reasonably or otherwise in accordance with any agreement between the Trust and such parties, payable at the time of the investment.

The Trust may also pay an annual trailer fee of up to 1% of the Net Asset Value of the Class A Units, in aggregate, to registered securities dealers and exempt market dealers, or where permitted, non-registrants that sell Class A Units, on each Distribution Record Date, payable in any manner determined by the Trustee, in its discretion, including by way of a reduction in the distributions otherwise payable to the affected Class A Unitholders. See Item 7 - "Compensation Paid to Sellers and Finders".

See Item 7 - "Compensation Paid to Sellers and Finders."

Use of Proceeds:

The Net Subscription Proceeds, together with Reimbursable Costs, will be used by the Trust to invest in the acquisition of LP Units. In turn, the Limited Partnership will use the proceeds from the issuance of LP Units to the Trust to acquire the Contracted Property and to purchase additional properties. A portion of the proceeds received by the Limited Partnership from the issuance of LP Units to the Trust may also be used to pay due diligence and documentation costs relating to such property acquisitions, sales commissions where applicable, completion costs and other fees and expenses related to such acquisitions or properties. The specific additional properties in which the Trust may indirectly invest have not yet been determined.

Pending investment in properties, the Net Subscription Proceeds, together with Reimbursable Costs, may be invested in Permitted Investments. The Trustee will use its best efforts to make suitable investments of the Net Subscription Proceeds, and Reimbursable Costs, as soon as possible following each Closing.

**Distributions by
the Trust:**

The Trust will distribute to each Unitholder amounts which it receives from the Limited Partnership as distributions in respect of the LP Units held by the Trust, less all costs and expenses of the Trust for the distribution period and all amounts that relate to the redemption of Units. Subject to the foregoing, the Trust intends to make quarterly distributions to Unitholders of record on the last Business Day of each quarter. Distributions will be paid within a reasonable period of time following the end of each quarter for which a distribution is declared. The Trust may also make additional distributions in excess of quarterly distributions during the year, as the Trustee may determine from time to time.

Each distribution declared pursuant to the Trust Declaration constitutes a binding obligation of the Trust on the date so declared. Consequently, a Unitholder holding Units can demand a payment of a declared distribution on the Declaration Date and upon receipt of such demand, the Trust must pay that amount to the Trust Unitholder forthwith.

To the extent distributions are calculated in respect of a period and payable at the end of such period, if for any reason, including the termination of the Trust, such period is not completed or such amounts are no longer payable, then the distribution will be pro-rated to the end of the shortened period and be payable at the end of such shortened period.

If, on a Distribution Payment Date, the Trust does not have cash in an amount sufficient to pay the cash distribution to be made on such Distribution Payment Date, the Trustee may, in its discretion, borrow sufficient funds on such terms as it deems appropriate to make such cash distributions. In the event that the Trustee is unable to, or determines that it is not in the best interests of, the Trust and the Unitholders to borrow funds in order to make a distribution wholly in cash, the distribution payable to the Unitholders on such Distribution Payment Date will, to the extent necessary to ensure that the Trust does not have an income tax liability under Part I of the Tax Act, be distributed to holders of Units in the form of additional Units, and will include a distribution of additional Units (at the Net Asset Value per Unit), in compliance with securities laws, having a value equal to the cash shortfall.

Redemption:	Units will be redeemable at the request of the Unitholders, subject to applicable laws and certain other conditions set out in the Trust Declaration. See Item 5.1 - "Terms of Units – Right of Redemption by Unitholders".
Retraction:	The Trust has the right to retract Units from Unitholders. See Item 5.1 - "Terms of Units – Trust's Right of Retraction".
Closing:	This is a continuous offering. Closings will occur from time to time at such times as the Trustee may determine. The Trustee may terminate the Offering at any time.
Management Agreement:	<p>The Manager has agreed to provide certain services to the Limited Partnership in connection with: (i) the issuance of the LP Units, (ii) the acquisition, ownership and operation of the Properties, and (iii) the business of the Limited Partnership.</p> <p>In consideration for the provision of the services provided by the Manager, the Limited Partnership will pay to the Manager the Asset Management Fee and the Acquisition Fee.</p> <p>See Item 2.7 - "Material Agreements – Management Agreement".</p>
Administration Agreement:	<p>In consideration for an annual payment of \$10.00 and the reimbursement of costs and expenses of the Manager, the Manager has agreed to provide general administrative services to the Trust in connection with the Trust's business, including establishing and maintaining back accounts, receiving distributions on the LP Units and processing distributions to Unitholders, establishing legal and accounting systems, receiving and delivering notices, structuring the terms and conditions of the Units, overseeing the sale of Units, responding to Unitholder inquiries, delivering tax statements, preparing financial reports, etc.</p> <p>See Item 2.7 - "Material Agreements – Administration Agreement".</p>
Cost Sharing Agreement	<p>Pursuant to the Cost Sharing and Recovery Agreement, the Limited Partnership agreed to pay all costs and expenses in respect of this Offering and the distribution of LP Units, including sales fees and expenses and the costs of legal, accounting and audit services, tax advice, printing, travel and filings.</p> <p>See Item 2.7 - "Material Agreements – Cost Sharing and Recovery Agreement".</p>
Distribution on Termination of Trust:	<p>On the termination of the Trust, the assets of the Trust will be liquidated and the proceeds distributed to pay the liabilities of the Trust and to establish reserves for the contingent liabilities of the Trust. Thereafter, the Trustee will redeem the Units from the Unitholders on a <i>pro rata</i> basis.</p> <p>See Item 5.1 - "Terms of Units – Termination of the Trust".</p>

Residency Requirement:	<p>At no time may “non-residents” of Canada (as defined in the Tax Act) be the beneficial owners of more than 49% of the Units then outstanding. Additionally, at no time shall non-residents hold or beneficially own, directly or indirectly, Units or any other rights or options, including convertible debentures or other securities that may entitle them (conditionally or otherwise) to acquire Units that would result in more than 49% of the Units, at any time, being held or beneficially owned, directly or indirectly, by non-residents.</p> <p>See Item 5.1 - “Terms of the Units – Constraint on Non-Resident Unitholders”.</p>
Eligibility for Investment:	<p>Provided that the Trust is a mutual fund trust, the Units will be a qualified investment for Deferred Plans. See Item 6 - “Summary of Income Tax Consequences and Eligibility”.</p>
Taxation of the Trust and Unitholders:	<p>Subject to various tax considerations (refer to Item 6 - “Summary of Income Tax Consequences and Eligibility”), income (i.e. return on capital) is generally taxed in the hands of a Unitholder as ordinary income, capital gains, or dividends. Amounts in excess of the income of the Trust that are paid or payable by the Trust to a Unitholder (i.e. return of capital) are generally non-taxable to a Unitholder (but reduce the Unitholder’s adjusted cost base in the Unit for purposes of the Tax Act). Subscribers should consult their own professional advisers to obtain advice on the income tax consequences that apply to them. See Item 6 - “Summary of Income Tax Consequences and Eligibility”.</p>
Transferability:	<p>Subject to exceptions set out in the Trust Declaration, Units are transferable only on the register of Unitholders maintained by the Trustee or by a registrar and transfer agent appointed by the Trustee. As well, securities laws requirements may prohibit or restrict transferability of Units. See Item 10 - “Resale Restrictions”.</p>
Risk Factors:	<p>An investment in Units entails a number of risks, including that there is no market for Units and a market for Units is not expected to develop; that an investment in Units is an indirect investment in the Properties acquired by the Trust through its ownership of LP Units, and as such, have attached to them the risks associated with investing in real estate generally, such as interest rate risk, to tenant occupancy levels, environmental risks, competition for real estate properties, changes in economic conditions; risks associated with redemptions and retractions of Units; the possibility of conflicts of interest; and risks associated with changes in income tax regulation.</p> <p>This Offering is not suitable for Subscribers who cannot afford to assume any significant risks in connection with their investments including the total loss of their investment in the Units. These risks are more fully described in Item 8 - “Risk Factors”.</p>

GLOSSARY

The following terms appear throughout this Offering Memorandum. Care should be taken to read each term in the context of the particular provision of this Offering Memorandum in which such term is used.

“Acquisition” means the acquisition of the Properties comprising the Portfolios which occurred on May 15, 2017;

“Acquisition Fee” means a fee payable by the Limited Partnership to the Manager for services related to the acquisition of Properties, in an amount equal to 1% of the gross purchase price of each Property, plus GST if applicable, upon the completion of the purchase of each Property (or interest in such Property);

“Administration Agreement” means the administration agreement dated March 1, 2017, as amended and restated May 1, 2019, between the Manager, as administrator, and the Trust, as described under Item 2.7 – “Material Agreements – Administration Agreement”, as such agreement may be amended, restated or supplemented from time to time;

“Affiliate” or **“Affiliates”** has the same meaning as in the B.C. Securities Act;

“Agent” means Integral Wealth Securities Limited;

“Asset Management Fee” means an annual fee payable by the Limited Partnership to the Manager for services provided pursuant to the Management Agreement, in an amount up to 0.50% of the Gross Asset Value, determined by the Manager from time to time, and payable quarterly no later than the last day of the quarter;

“Asset Manager” means the asset manager, appointed pursuant to the management agreement, whose duties are performed as an officer of the Manager, and whose role is to maximize the return from the Properties, oversee directly employed site management staff, and oversee Devon Properties Ltd., which provides financial administration services and property management services to the Limited Partnership pursuant to the Property Management Agreement;

“Asset Manager Letter Agreement” means the asset manager letter agreement dated May 28, 2018 between the Manager and the Asset Manager, as described under Item 2.7 – “Material Agreements – Asset Manager Letter Agreement”, as such agreement may be amended, restated and or supplemented from time to time;

“Available Cash Flow” means, for any month, all amounts received by the Trust in such month from and in respect of its investment in the LP Units and which arise from or are related to the operation by the Limited Partnership of the Properties;

“B.C. Securities Act” means the *Securities Act* (British Columbia) and regulations thereunder, with all amendments thereto in force from time to time and any statutes or regulations that may be passed which have the effect of supplementing or superseding such statute or regulations;

“Business Day” means a day, other than a Saturday, Sunday or statutory holiday in the City of Nanaimo, British Columbia;

“Canada Five-Year Yield” means on any date the yield to maturity on such date (expressed as a percentage), assuming semi-annual compounding, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on such date with a term to maturity of approximately five years, which Canada Five-Year Yield shall be determined by a major Canadian investment dealer selected by the Trustee;

“Cash Flow” has the meaning ascribed thereto under Item 5.1 - Terms of Units;

“Cash Proceeds” means the subscription price for LP Units, being \$12.36 per LP Unit, as established by the General Partner from time to time, multiplied by the number of LP Units subscribed for;

“Class A Unit” means a Class A unit of the Trust;

“Class F Unit” means a Class F unit of the Trust;

“Closing” means a closing of the sale of Units as the Trustee may determine from time to time;

“Contracted Property” means the 17-unit residential property located at 450 19th Street, Courtenay, British Columbia, in respect of which the Manager, on behalf of the Limited Partnership, entered into a purchase and sale agreement with 645642 BC Ltd. dated March 25, 2019;

“Cost Sharing and Recovery Agreement” means the cost sharing and recovery agreement dated March 29, 2017 between the Trust and the Limited Partnership, as described under Item 2.7 – “Material Agreements – Cost Sharing and Recovery Agreement”, as such agreement may be amended, restated and or supplemented from time to time;

“Debt Securities” means debt securities of any subsidiary of the Trust that may be created and issued from time to time, that are subordinated and unsecured, have a maturity of five years or less, are pre-payable at any time at the option of the issuer prior to maturity, and pay an annual rate of interest equal to the Canada Five-Year Yield, payable monthly in arrears;

“Deferred Plan” means a trust governed by a “registered retirement savings plan”, “registered retirement income fund”, or “tax-free savings account”, as those terms are defined in the Tax Act;

“Distributable Cash Flow” means, in respect of the Trust, the distributable cash flow for, or in respect of, a Distribution Period; and is equal to the Cash Flow for such Distribution Period less any amount that the Trustee may reasonably consider to be necessary to provide for the payment of any costs or expenses, including any tax liability of the Trust, that have been or are reasonably expected to be incurred in the activities and operations of the Trust (to the extent that such costs or expenses have not otherwise been taken into account in the calculation of the Cash Flow of the Trust) and less such reserves or amounts as are, in the opinion of the Trustee, necessary or desirable;

“Distribution Payment Date” in respect of any Distribution Period, means a date on which the Trustee is required to make a distribution of Distributable Cash Flow, which date shall be a date that falls within a reasonable period of time following the end of the Distribution Period, as determined from time to time by the Trustee in its discretion;

“Distribution Period” means each quarter of each calendar year, being any of the periods ending on March 31, June 30, September 30 and December 31 in each year, except for June 30, 2017;

“Distribution Record Date” in respect of any Distribution Period means the last Business Day of such Distribution Period;

“Distribution Reinvestment Plan” or **“DRIP”** means the distribution reinvestment plan of the Trust;

“Existing Unitholder” means a Unitholder prior to any issuance of Units to such Unitholder pursuant to the Offering;

“Extraordinary Distributions” means, in respect of the Limited Partnership, distributions to the Limited Partners arising from or related to funds received by the Limited Partnership on account of matters other than revenues arising from the ordinary course of operations of the Properties, including distributions arising from a refinancing or a sale but excluding normal course distributions of available cash;

“Fair Market Value” means an amount equal to the fair market value of a Property, which shall be determined assuming a fully informed willing buyer and a willing seller dealing at arms'-length with one another and a free and open market for such Property, unless the Manager, upon review of independent evidence such as third party appraisals, property tax assessment information or other third party market information, reasonably determines that any Property has a fair market value other than as described above, in which case the value of such interest in the Property will be deemed to be the value as recommended by the Manager, acting reasonably, for the determination by the Trustee of the Trust;

“Fiscal Year” means each consecutive period of twelve (12) months coinciding with the calendar year and ending on December 31, provided that the first Fiscal Year of the Trust commenced on March 1, 2017 and ended on December 31, 2017;

“General Partner” means AIE Management Inc.;

“Gross Asset Value” means the Fair Market Value of all assets of the Trust, including the Properties, cash, publicly traded securities and any other assets, as measured on the financial statements of the Trust as at the end of each month;

“Income Share” means the allocation to a Limited Partner of a share of the income or loss of the Limited Partnership which shall be his, her or its Proportionate Share thereof subject to adjustments made to allocate revenue and expenses

on a daily incremental basis from the date the LP Units are issued and to fairly allocate expenses on a cumulative, proportionate basis.

"Initial Contribution" means the amount of \$10.00 paid by the Settlor to the Trustee for the purpose of settling the Trust;

"Limited Partner" means a limited partner of the Limited Partnership;

"Limited Partnership" means All Island Equity REIT Limited Partnership;

"Limited Partnership Agreement" means the limited partnership agreement dated March 1, 2017, as amended and restated May 1, 2019, governing the Limited Partnership, as such agreement may be amended, restated or supplemented from time to time;

"LP Units" means the partnership units of the Limited Partnership designated as Limited Partnership units pursuant to the Limited Partnership Agreement;

"managed account" has the meaning given to it in National Instrument 31-103;

"Management Agreement" means the agreement between the Limited Partnership and the Manager dated March 29, 2017, as amended and restated May 1, 2019, as described under Item 2.7 – "Material Agreements – Management Agreement", as such agreement may be amended, restated and or supplemented from time to time;

"Manager" means AIE Management Inc.;

"Mid-Island Area" means the area of Vancouver Island generally encompassing the Comox Valley Regional District and its surrounding areas;

"Minimum Return" means, with respect to the Limited Partnership, an annual amount equal to 5% of the Net Equity, calculated and accumulated on a non-compounded basis from the date of closing in respect of any LP Units, being the date upon which the sale of such LP Units is closed;

"Mortgage Loans" means one or more mortgages, charges, pledges, hypothecs, liens, security interests or other encumbrances of any kind or nature whatsoever of the Properties to be granted by the Limited Partnership (or, if a Property is held by a nominee entity on behalf of the Limited Partnership, by such entity) to one or more lenders, the proceeds of which will be used to finance the purchase, ownership and operation of such Properties;

"Net Asset Value" means, on a particular date, the aggregate value of the Trust Property on the Valuation Date, less the aggregate value of the Trust's liabilities on the Valuation Date and will be subject to valuation rules set by the Trust from time to time;

"Net Asset Value Per Unit" means the Net Asset Value divided by the number of outstanding Units of the Trust (determined before giving effect to any reinvestment of net income, Net Realized Capital Gains or other distributions then payable to Unitholders and before giving effect to any redemptions or issuances of Units to be implemented as of the Valuation Date);

"Net Equity" means at any time, the total of:

- (i) the total proceeds received by the Limited Partnership from subscriptions for LP Units (including subscriptions for LP Units by way of the reinvestment of distributions for LP Units pursuant to a distribution reinvestment plan or otherwise), being the aggregate Cash Proceeds; less
- (ii) the aggregate of any cash distributions, including distributions of distributable cash and extraordinary distributions of the Limited Partnership, made in excess of the Minimum Return by the Limited Partnership to the date in question;

"Net Extraordinary Distributions" means, with respect to the Limited Partnership, the cumulative Extraordinary Distributions distributed to the Limited Partners less the cumulative total of payments made on account of the Mortgage Loans or any refinancing from Extraordinary Distributions;

“Net Income (LP) and Net Loss (LP)” means, for accounting purposes, the net income or net loss of the Limited Partnership for a fiscal year as determined in accordance with IFRS applied on a consistent basis to the extent possible;

“Net Realized Capital Gains” means the amount, if any, by which the aggregate of the capital gains of the Trust realized in any taxation year exceeds the sum of:

- (i) the aggregate of the capital losses of the Trust realized in such year;
- (ii) any capital gains that are realized by the Trust as a result of a redemption of Units pursuant to the Trust Declaration and that are payable to redeeming Unitholders; and
- (iii) each amount determined by the Trustee in respect of any net capital loss for a prior taxation year that the Trust is permitted by the Tax Act to deduct in computing the taxable income of the Trust for such year multiplied by the reciprocal of the fraction applicable in determining the proportion of a capital gain for such prior taxation year that is a taxable capital gain;

“Net Subscription Proceeds” means the gross proceeds to the Trust from the sale of the Units less the costs of this Offering and any applicable fees;

“Offering” means this offering of Units under this Offering Memorandum;

“Ordinary Resolution” means a resolution approved by not less than 50% of the votes cast by those Unitholders who vote in person or by proxy at a duly convened meeting of Unitholders or a written resolution signed by Unitholders entitled, in the aggregate, to not less than 50% of the aggregate number of votes of the Unitholders;

“Permitted Investments” means:

- (i) debt obligations of or guaranteed by the Government of Canada or a province of Canada;
- (ii) commercial paper obligations of a corporation or other person whose commercial paper is rated investment grade by Dominion Bond Rating Service Limited or its successors or assigns or by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., or its successors or assigns;
- (iii) interest-bearing accounts and short term certificates of deposit issued or guaranteed by a Canadian chartered bank or trust company;
- (iv) money market mutual funds; or
- (v) any combination thereof;

“Portfolios” has the meaning given to it in Item 2.3 – “Development of the Business – The Mark Opportunity”;

“Properties” means the various direct, indirect or partial interests in commercial and residential real estate properties, including existing revenue-producing properties and capital properties developed by the Limited Partnership to be held as income-producing real estate for long-term investment, situate in the Trust Region and acquired, owned and operated from time to time by the Limited Partnership, including, but not limited to, the Portfolios;

“Property Management Agreement” means the property management agreement between the Limited Partnership and Devon Properties Ltd. dated January 26, 2019, as described under Item 2.7 – “Material Agreements – Property Management Agreement”, as such agreement may be amended, restated and or supplemented from time to time;

“Proportionate Share” means for each LP Unit or Limited Partner, as the case may be, means that fraction which:

- (i) has as its denominator the aggregate of an amount equal to the total subscription proceeds for LP Units received by the Limited Partnership; and
- (ii) has as its numerator:
 - (A) in the case of a LP Unit, an amount equal to the subscription price of such Unit; and

- (B) in the case of a Limited Partner, an amount equal to the aggregate of the total subscription price paid by such Limited Partner for all of his, her or its LP Units;

“Redemption” means a redemption of Units by a Unitholder;

“Refinancing” means any renewal, extension, increase or refinancing of all or any part of any financing permitted in respect of the Properties, but excluding any ordinary course borrowing for operating purposes;

“Reimbursable Costs” has the meaning given to it under Item 2.7 – “Material Agreements – Cost Sharing and Recovery Agreement”;

“Sale” means the sale by the Limited Partnership of all or part of its interest in a Property or the Properties, the receipt by the Limited Partnership of compensation for the expropriation of, condemnation of or injurious affection to a Property or the Properties or any part thereof or interest therein, or the recovery by the Limited Partnership of damage awards or insurance proceeds (other than business or rental interruption insurance proceeds) in respect thereof;

“Securities Authority” means the British Columbia Securities Commission and any other analogous securities commission in a jurisdiction in which the Units are offered for sale;

“Settlor” means Mr. Patrick Dennis Sullivan;

“Special Resolution” means a resolution approved by not less than 75% of the votes cast by those Unitholders who vote in person or by proxy at a duly convened meeting of Unitholders, or a written resolution signed by Unitholders entitled, in the aggregate, to not less than 75% of the aggregate number of votes of the Unitholders;

“Subscriber” means a subscriber for Units;

“Subscription Agreement” means the subscription agreement executed by a Subscriber to subscribe for Units as provided to the Subscriber along with this Offering Memorandum;

“Subscription Price” means the amount paid by a Subscriber for a Unit, being \$12.36 per Unit;

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

“Trust” means All Island Equity REIT, a limited purpose, unincorporated, open-ended investment trust created pursuant to the Trust Declaration;

“Trust Declaration” means the Declaration of Trust dated March 1, 2017, as amended on May 29, 2018, as may be amended, restated and or supplemented from time to time;

“Trust Income” means for any taxation year of the Trust the income for such year computed in accordance with the provisions of the Tax Act, other than paragraph 82(l)(b) and subsection 104(6) thereof, and taking into account such other amounts and adjustments as are determined in the discretion of the Trustee regarding the calculation of income for the purposes of determining the “taxable income” of the Trust; provided, however, that capital gains and capital losses will be excluded from the computation of Trust Income and, if an amount has been designated by the Trust under subsection 104(19) of the Tax Act, such designation shall be disregarded;

“Trust Liabilities” means:

- (i) the Trust Property or the ownership, use, operation, acquisition or disposition thereof or the exercise or enjoyment of the rights, privileges, conditions or benefits attached thereto, associated therewith or derived therefrom;
- (ii) the obligations, liabilities, activities or affairs of the Trust;
- (iii) any actual or alleged act or omission of the Trustee or any other person in respect of the activities or affairs of the Trust (whether or not authorized by or pursuant to the Trust Declaration);
- (iv) any actual or alleged act or omission of the Trustee or any other person in the performance or exercise, or purported or attempted performance or exercise, of any obligation, power, discretion or authority

conferred upon the Trustee or such other person in respect of the activities or affairs of the Trust (whether or not authorized by or pursuant to the Trust Declaration);

- (v) any transaction entered into by the Trustee or by any other person in respect of the activities or affairs of the Trust (whether or not authorized by or pursuant to the Trust Declaration); or
- (vi) any taxes, levies, imposts or charges or fines, penalties or interest in respect thereof payable by the Trust or by the Trustee or by any other person (except the Unitholder to the extent required by applicable tax laws) on behalf of or in connection with the activities or affairs of the Trust;

“Trust Notes” means promissory notes of the Trust that may be created and issued from time to time that are subordinated and unsecured, have a maturity of five years or less, are pre-payable at any time at the Trust’s option prior to maturity, and pay an annual rate of interest equal to the Canada Five-Year Yield, payable monthly in arrears;

“Trust Property” means the properties and assets held from time to time by the Trust or by the Trustee on behalf of the Trust, including:

- (i) the Initial Contribution;
- (ii) all funds or property derived from the issuance or sale of Units and Trust Notes or other funds or property received by the Trust;
- (iii) any LP Units or other securities of the Limited Partnership or of any other person held from time to time by or on behalf of the Trust;
- (iv) any Permitted Investments held from time to time by or on behalf of the Trust;
- (v) any proceeds of disposition of any of the foregoing property or in respect of the investment or substitution of the properties and assets of the Trust; and
- (vi) all proceeds, income, dividends, interest, profit, return of capital, gains and accretions and all substituted assets, rights and benefits of any kind or nature whatsoever arising directly or indirectly from or in connection with or accruing to such foregoing property or such proceeds of disposition;

“Trust Region” means any part of the Province of British Columbia;

“Trustee” means AIE Services Inc., or any successor trustee appointed pursuant to the Trust Declaration;

“Units” means units of the Trust, including Class A Units and Class F Units, issuable in one or more of such classes of Units, called **“Classes”**;

“Unitholders” means, at any particular time, the persons entered in the register or registers of the Trust as holders of Units and the singular form means one such registered holder, and includes the holders of Units;

“Valuation Date” means each Distribution Record Date;

“Valuation Time” means 4:00 p.m. (Nanaimo time) on such days on which the Trust is required under applicable securities laws or the Trust Declaration to calculate Net Asset Value or Net Asset Value Per Unit;

“VanCity Line of Credit” means the secured line of credit bearing interest at a rate of 4.95% per annum and having a maturity date of April 25, 2019; and

“Vendor” means Glenelle Properties Limited Partnership and R.H. Ash Ltd., the former owners of the Portfolios prior to the Acquisition.

ITEM 1 - USE OF AVAILABLE FUNDS

1.1 Funds

Available Funds of the Trust		
Sources of Funds	Assuming Minimum Offering ⁽¹⁾	Assuming Maximum Offering ⁽²⁾
A. Amount to be Raised by this Offering	\$ -	\$4,326,000
B. Selling Commissions and Fees ⁽³⁾	\$ -	\$129,780
C. Costs of the Offering (e.g., legal, accounting, audit) ⁽⁴⁾	\$50,000	\$50,000
D. Available Funds: D = A – (B + C)	\$(50,000)	\$4,146,220
E. Additional Sources of Funding Required (Available) ⁽⁵⁾ : Cash on Hand ⁽⁶⁾	\$ -	\$ -
F. Working Capital Deficiency	\$ -	\$ -
G. Total: G = D + E + F	\$(50,000)	\$ 4,146,220
H. Reimbursement of Costs by the Limited Partnership ⁽⁷⁾	\$ 50,000	\$179,780
Use of Net Funds by Trust		
I. Investment by Trust in LP Units ⁽⁸⁾	\$ -	\$ 4,326,000
J. Total	\$ -	\$ 4,326,000

Notes:

⁽¹⁾ There is no minimum offering.

⁽²⁾ There is no maximum offering. The amount shown under “Assuming maximum offering” is an estimate based on the sale of 350,000 Units, which the Trust expects to sell pursuant to this Offering, and is used for illustrative purposes only.

⁽³⁾ The Trust may pay a sales fee to registered securities dealers and exempt market dealers, or where permitted, non-registrants, in an amount not to exceed 3% of the subscription monies. The Trust may also pay an annual trailer fee of up to 1% of the Net Asset Value of the Class A Units, in aggregate, to registered securities dealers and exempt market dealers, or where permitted, non-registrants that sell Class A Units, on each Distribution Record Date, payable in any manner determined by the Trustee, in its discretion, including by way of a reduction in the distributions otherwise payable to the affected Class A Unitholders. See Item 7 - “Compensation Paid to Sellers and Finders”. Pursuant to the Cost Sharing and Recovery Agreement, the Limited Partnership will reimburse the Trust for the costs and expenses, including selling commissions and fees and other related costs of the Offering, incurred by the Trust in offering the Units and obtaining subscriptions for Units. See Item 1.2 below, “Use of Available Funds”.

⁽⁴⁾ Estimated Offering costs include expenses of or incidental to the issue, sale and delivery of the Units pursuant to this Offering, including, without limitation, fees and disbursements of legal counsel and accountants, and the reasonable out-of-pocket expenses (including applicable taxes) of the Manager in connection with such issue, sale and delivery.

⁽⁵⁾ The Trust expects the Limited Partnership to finance the acquisition of properties, if any, partially through mortgage funding. There is no guarantee that it will be able to acquire such mortgage funding under reasonable terms.

⁽⁶⁾ As of March 31, 2019.

⁽⁷⁾ Pursuant to the Cost Sharing and Recovery Agreement, the Limited Partnership will reimburse the Trust for the costs and expenses, including selling commissions and fees and other related costs of the Offering, incurred by the Trust in offering the Units and obtaining subscriptions for Units, in consideration of the Trust investing the subscription proceeds in the acquisition of LP Units. See Item 1.2 below, “Use of Available Funds”.

⁽⁸⁾ The net proceeds raised by the Trust from the issuance of the Units, together with Reimbursable Costs, will be invested in LP Units.

1.2 Use of Available Funds

The Trust intends to use the subscription proceeds to acquire LP Units. In turn, the Limited Partnership will use the proceeds from the issuance of LP Units to the Trust to acquire the Contracted Property and to purchase additional properties. A portion of the proceeds received by the Limited Partnership from the issuance of LP Units to the Trust may also be used to pay due diligence and documentation costs relating to such property acquisitions, sales commissions where applicable, completion costs and other fees and expenses related to such acquisitions or properties. The specific additional properties in which the Trust may indirectly invest have not yet been determined.

Pending investment in Properties, the Net Subscription Proceeds, together with Reimbursable Costs, may be invested in Permitted Investments. The Trustee will use its best efforts to make suitable investments of the Net Subscription Proceeds, and Reimbursable Costs, as soon as possible following each Closing.

Sources and Uses of Funds by the Limited Partnership		
Sources of Funds	Assuming Minimum Offering	Assuming Maximum Offering
A. Proceeds from the issuance of LP Units	\$ -	\$4,326,000
B. Reimbursement Costs to the Trust	\$ 50,000	\$179,780
C. Line of Credit	\$5,000,000	\$5,000,000
D. Cash on Hand (as at March 31, 2019)	\$ 929,134	\$ 929,134
E. Net Proceeds: E = A – B + C + D	\$ 5,879,134	\$10,075,354
Uses of Funds		
F. Contracted Property ⁽¹⁾⁽²⁾	\$ 2,125,000	\$2,125,000
G. Purchase additional properties ⁽³⁾	\$ -	\$2,950,354
H. Line of Credit (Unused)	\$3,754,134	\$5,000,000
I. Total:	\$ 5,879,134	\$10,075,354

Notes:

⁽¹⁾ Purchases of sale agreement in place for a 17-unit residential property located at 450 19th Street, Courtenay BC. The sale is expected to close May 31, 2019.

⁽²⁾ As co-listing agent, Dave Hammond, a director of the Trustee and the Manager, will receive a real estate commission of \$6,906.25 as part of the purchase agreement for the Contracted Property.

⁽³⁾ The specific additional properties in which the Trust may indirectly invest have not yet been determined.

1.3 Reallocation

The Trust intends to spend the available funds as stated. Funds will be reallocated only for sound business reasons.

ITEM 2 - BUSINESS OF THE TRUST

2.1 Structure

The Trust – The Trust is limited purpose, unincorporated, open-ended investment created under the laws of the Province of British Columbia, pursuant to the Trust Declaration. The registered and records office of the Trust is located at 1900-885 West Georgia Street, Vancouver, British Columbia V6C 3H4 and the head office of the Trust is located at 450A Wentworth Street, Nanaimo, British Columbia V9R 3E1.

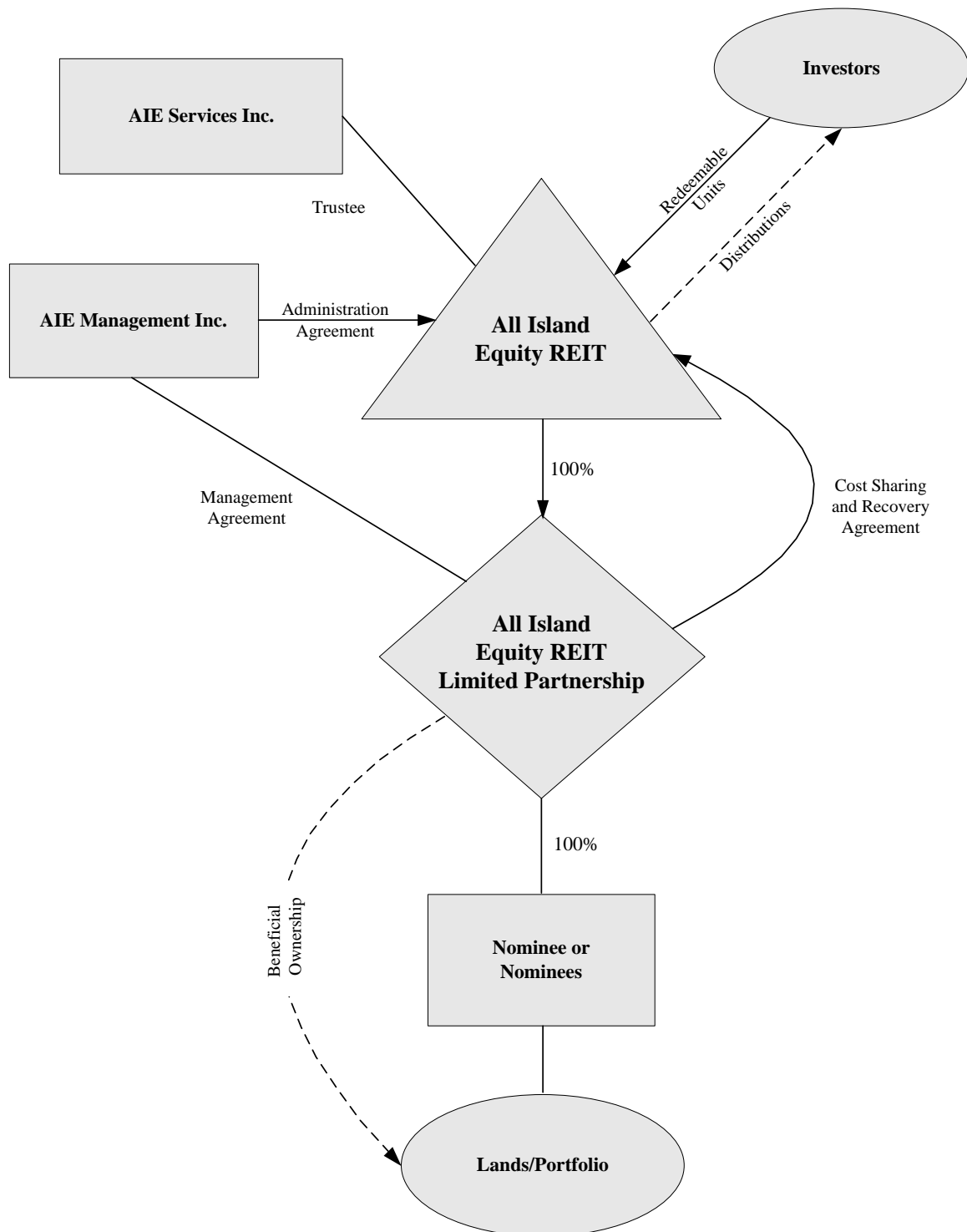
The Manager – The Manager was incorporated pursuant to the *Business Corporations Act* (British Columbia) on February 28, 2017 under incorporation number BC1109051. The registered and records office of the Manager is located at 1900-885 West Georgia Street, Vancouver, British Columbia V6C 3H4 and the head office of the Manager is located at 450A Wentworth Street, Nanaimo, British Columbia V9R 3E1. The directors of the Manager are Patrick Dennis Sullivan, Garth Lyle Busch, David Stewart Hammond and Bernard Adrian Vanderhorst. The Manager acts as the “administrator” of the Trust pursuant to the Administration Agreement. The Manager is the manager of the Limited Partnership pursuant to the Management Agreement. See Item 2.7 – “Material Agreements – Administration Agreement” and Item 2.7 – “Material Agreements – Management Agreement”.

The Trustee – The Trustee was incorporated pursuant to the *Business Corporations Act* (British Columbia) on February 28, 2017 under Incorporation No. BC1109052. The registered and records office of the Trustee is located at 1900-885 West Georgia Street, Vancouver, British Columbia V6C 3H4 and the head office of the Trustee is located at 450A Wentworth Street, Nanaimo, British Columbia V9R 3E1. The directors of the Trustee are Patrick Dennis Sullivan, Garth Lyle Busch, David Stewart Hammond and Bernard Adrian Vanderhorst.

The Limited Partnership – the Limited Partnership was formed by the Trust and the General Partner under the name “All Island Equity REIT Limited Partnership” by a Limited Partnership Agreement dated March 1, 2017 and pursuant to a Certificate of Limited Partnership filed pursuant to the *Partnership Act* (British Columbia) on March 29, 2017 under registration number LP714550. The registered office of the Limited Partnership is located at 800 – 885 West Georgia Street, Vancouver, British Columbia V6C 3H1 and the head office of the Limited Partnership is located at 450A Wentworth Street, Nanaimo, BC V9R 3E1. The Trust is the sole limited partner of the Limited Partnership.

The General Partner – the General Partner was incorporated pursuant to the *Business Corporations Act* (British Columbia) on February 28, 2017 under Incorporation No. BC1109052. The General Partner also acts as the Manager. See Item 2.1 – “Structure – The Trustee”.

ALL ISLAND EQUITY REIT – INVESTMENT STRUCTURE



2.2 The Trust's Business

The Trust – The Trust has been established to invest in and acquire LP Units for the purpose of indirectly owning and operating a portfolio of income-producing commercial and residential real estate Properties in the Trust Region.

The Trustee may also, on behalf of the Trust, temporarily hold cash in interest bearing accounts, short term government debt or short term investment grade corporate debt or money market mutual funds for the purposes of paying the expenses and liabilities of the Trust, pay amounts payable in connection with the redemption of any Units, and make distributions to Unitholders. The principal business of the Trust will be to issue Units and to acquire LP Units. The Trust's long-term objective is to earn income from its investment in LP Units, which will be an indirect investment in the Limited Partnership's portfolio of Properties in the Trust Region. An investment in Units is intended to provide investors with the opportunity to receive cash distributions originating from the ongoing operation of the Properties.

The Limited Partnership – The principal business of the Limited Partnership will be to issue LP Units, to invest the proceeds from such issuance, along with any Mortgage Loans obtained, in the Properties, and to own and operate the Properties. The Limited Partnership intends to concentrate on identifying additional properties for possible acquisition, and to manage the Properties with the view to preserving capital and providing quarterly cash returns to Limited Partners. The Limited Partnership may also develop or re-develop, either on its own, through a third party development company or by way of joint venture agreement, a building or buildings on any of the Properties. It is intended that the Trust will be the sole limited partner of the Limited Partnership.

Investment Objectives – The Limited Partnership's primary investment objectives are as follows:

- A. to invest in a portfolio of quality residential and commercial revenue-producing Properties in the Trust Region with positive cash flow;
- B. to provide quarterly cash flow distributions to the Trust, as the holder of the LP Units, as cash flow permits;
- C. to enhance the Limited Partnership's return on capital and the Unitholders' yield through limited development of capital properties as income-producing real estate for long-term investment; and
- D. to enhance the potential for long-term growth of capital through value-added enhancements to the Properties and organic growth in rental rates.

Guidelines for Property Acquisitions – The General Partner, which has the authority to carry on the business of the Limited Partnership with full power and authority to administer, manage, control, and operate the business of the Limited Partnership, intends to comply with the following general guidelines in acquiring properties:

- (a) to seek out quality residential and commercial revenue-producing properties in the Trust Region with positive cash flow;
- (b) when appropriate, make value-added enhancements to the Properties; and
- (c) when appropriate, to develop capital properties as income-producing real estate for long-term investment. Any such development is expected to be limited to 20% Gross Asset Value.

Title to the Properties – The Limited Partnership intends to have title to each of the Properties registered in the name of a nominee company, which will own such property as nominee, bare trustee and agent for the Limited Partnership.

Management of Properties – To supplement the existing on-site property management staff that the Limited Partnership employs directly, the Limited Partnership intends to engage third party property managers to prepare property level financial reporting and to provide support to the Asset Manager in the operation of the Properties. The Limited Partnership expects that the fee payable to such third party property managers for property management will be commercially reasonable and commensurate with the then-current market rates for such property management services. If for any reason the Limited Partnership is unable to secure the services of a third-party property manager on commercially reasonable terms satisfactory to the Manager in its sole discretion, then the Manager may undertake the day-to-day management and the operation of one or more of the Properties. In such event, the Limited Partnership will

pay the Manager a commercially reasonable fee for such services commensurate with the then-current market rates for such property management services.

The Portfolio has an internal site management team (the “**Staff**”), which the Limited Partnership assumed after the Acquisition of the Portfolios, is unique due to their training and experience. The Staff were hand-picked and trained by the Vendor and are compensated under a bonus system that focuses on occupancy rate, tenant profile and other key metrics which drive long term value creation. The success of this Staff has had a direct impact on the quality and the occupancy of the Portfolios and has been kept in place by the Limited Partnership and the Manager since the Acquisition.

Improvements to Properties – To the extent that improvements to the Properties are required, the Limited Partnership intends to engage third party contractors to undertake and oversee the completion of such improvements. The Limited Partnership expects that the fee payable to such third party contractors for such work will be commercially reasonable and commensurate with the then-current market rates for such services. If for any reason the Limited Partnership is unable to secure the services of third party contractors on commercially reasonable terms satisfactory to the Manager in its sole discretion, then the Manager may undertake and oversee the completion of any necessary improvements to the Properties. In such event, the Limited Partnership will pay the Manager a commercially reasonable fee for such services commensurate with the then-current market rates for such services.

Distribution Reinvestment Plan – The Trust offers to investors to take part in an optional Distribution Reinvestment Plan for all classes of Units, pursuant to which Unitholders are entitled to elect to have all cash distributions from the Trust automatically reinvested in additional Units of the same class. In order to be eligible to participate in the DRIP, the Unitholder must reside in Canada. The DRIP is administered by the Trust. The Trust, or any agent on behalf of the Trust, may from time to time adopt rules and regulations to facilitate the administration of the DRIP.

Full reinvestment of distributions is possible under the DRIP as the Trust will credit to the account of each Unitholder, on each reinvestment made under the DRIP, a fractional interest in a whole Unit (to four decimal places) for any amount that cannot be reinvested in whole Units. If any Units of the Trust are held by a non-resident of Canada, such Unitholder shall not be eligible to participate in the DRIP. Upon ceasing to be a resident of Canada, a Unitholder must forthwith notify the Trust and terminate participation in the DRIP. Other than trailer fees, no brokerage commissions or service charges are payable in connection with the purchase of Units under the DRIP. Units issued under the DRIP are issued by the Trust from its treasury. Participation in the DRIP does not relieve Unitholders of any liability for any income or other taxes that may be payable on or in respect of the distributions that are reinvested for their account under the DRIP. Unitholders who do not enrol in the DRIP will receive regular cash distributions from the Trust, as more particularly described in this Offering Memorandum.

All investors have the option to request enrolment in the DRIP, and enrolment will continue until the investor gives notice to the Trust that the investor no longer wishes to participate in the DRIP. Such notice of termination of enrolment may be given at any time. There are no restrictions on termination of enrolment. The right to participate in the DRIP may not be transferred by a Unitholder without the approval of the Trust.

The Trust reserves the right to amend, suspend or terminate the DRIP at any time, but such action shall have no retroactive effect that would prejudice the interest of a participating Unitholder except as otherwise required by law. Unitholders will be sent written notice of any such amendment, suspension or termination. The Trust reserves the right to terminate the right of a Unitholder to continue in the DRIP where such Unitholder has failed to comply with the terms of the DRIP.

A Unitholder may terminate participation in the DRIP at any time by notice to the Trust. All notices required to be given to Unitholders under the DRIP will be mailed to Unitholders at the address shown on the records of the Trust. The DRIP is governed and construed in accordance with the laws in force of the Province of British Columbia, Canada and the federal laws of Canada applicable therein.

2.3 Development of the Business

Establishment of the Trust and Limited Partnership

The Trust was established on March 1, 2017 to invest in and acquire LP Units. The Limited Partnership will invest the proceeds from the issuance of LP Units, along with any Mortgage Loans, to acquire, own and operate a portfolio of income-producing commercial and residential real estate Properties in the Trust Region.

The Market Opportunity

The Trust has been established to provide investors with consistent returns via the Trust's investment in LP Units, which is an indirect investment in the acquisition, repositioning and holding of commercial and residential real estate properties located in the Trust Region. To date, the Trust, through the Limited Partnership, has acquired a rental apartment portfolio (the "**Residential Portfolio**") and a commercial portfolio (the "**Commercial Portfolio**", and together with the Residential Portfolio, the "**Portfolios**") in the Mid-Island Area.

Waiver of Asset Management Fee under Management Agreement

Under the Management Agreement, the Asset Management Fee is payable by the Limited Partnership to the Manager. The amount paid under the Asset Management Fee for the fiscal year ended December 31, 2017 was nil. The amount paid under the Asset Management Fee for the fiscal year ended December 31, 2018 was nil. The amount expected to be paid under the Asset Management Fee for the fiscal year ending December 31, 2019 is nil. Net income of the Trust for the fiscal year ended December 31, 2018 was affected by the Manager's decision to waive the Asset Management Fee for such period. Net income of the Trust for the fiscal year ending December 31, 2019 is expected to be affected by the Manager's expected decision to waive the Asset Management Fee for such period.

Guarantee of VanCity Line of Credit

In April 2018, the Manager and the Limited Partnership acted as a corporate guarantor to the VanCity Line of Credit obtained by AIE (Residential) Holdings Inc. ("**AIE Residential**"). AIE Residential owns title to the Properties comprising the Residential Portfolio as nominee. The Manager and the Limited Partnership acted as corporate guarantor to allow AIE Residential to obtain the VanCity Line of Credit from the lender. See Item 2.1 – "Structure" and Item 2.2 – "The Trust's Business – Title to the Properties".

Why the Mid-Island Area?

2017 was a favourable year for the Vancouver Island/Coast Development Region (the "**VICDR**"). On Vancouver Island, continued population growth and strong demand for housing contributed to solid growth across the region. Growth in employment has created increasingly tight labour market conditions and there are indications that wages are beginning to rise. Vancouver Island economic growth is expected to continue, albeit at a slower pace than in recent years. Key factors in moderating growth are an expected slowdown in migration from other regions, slowing of residential construction activity, and tight labour market conditions. There are also some indications that forestry production and employment is being affected by reductions in timber supply. The value of building permits continues to grow. In the first half of 2018 the value of residential building permits increased by approximately 45% compared with the same period in 2017.¹

The Trust believes that Vancouver's historically strong real estate market is having ripple effects in the VICDR, as Lower Mainland home owners cash out and relocate to the region. While the real estate market has slowed in the Lower Mainland, high real estate prices in Vancouver are driving homebuyers to areas of Vancouver Island such as Victoria, which is home to a \$4 billion technology industry that employs about 15,000 workers directly, another 3,000 consultants and 5,000 others who work in tech jobs within larger firms and government.² In 2017, British Columbia's employment

¹ "State of the Island Economic Report 2018", Vancouver Island Economic Alliance, October 2018 <http://viea.ca/economic-resources/state-of-the-island-report-download/> (the "**2018 VIEA Report**").

² Andrew Duffy, "Victoria tech sector aims high: \$10 billion in revenues by 2030", Times Colonist, February 24, 2017 <https://www.viatec.ca/articles/victoria-tech-sector-aims-high-10-billion-in-revenues-by-2030>.

grew by 87,300 jobs, with gains largely driven by real estate and consumer spending.³ Of those employment gains Vancouver Island and Coast Development Region added 5,300 goods jobs and 10,400 services jobs (a 5.5% increase over 2016).⁴ The reported increase in job creation indicates that the economy is expanding. Data indicates that due to a lack of supply and rising costs (associated with land, construction labour, and materials) in the South Island region, investor activity is migrating to secondary markets on Vancouver Island in search of available opportunities that deliver higher return levels.⁵

Vancouver Island Population and Labour Force

Population growth continues to be an important factor in the growth of Vancouver Island's economy. Between 2016 and 2017, the population growth rate was approximately 1.3% (2018 VIEA Report). Growth in the working age population continued in 2017 and was accompanied by growth in the number of people under 14 years of age (2018 VIEA Report). This is likely a reflection of the strong economic conditions on Vancouver Island and the affordability of housing relative to the Lower Mainland. Despite those increases, Vancouver Island's population continues to age with 23% of the population 65 years of age or older - an increase of 3% from 2012 (2018 VIEA Report).

Vancouver Island Industry Analysis

Vancouver Island's economy is relatively diverse. Key industries include the public sector, tourism, agriculture and aquaculture, forestry/fishing/mining, manufacturing, high technology, and education (2018 VIEA Report). The contribution of each of these sectors varies by region. Tourism, forestry and manufacturing industries are found in all regions, while agriculture production is primarily found from the Comox Valley to the southern tip of Vancouver Island while most aquaculture production occurs on the west coast and in the northern regions (2018 VIEA Report).

COMOX VALLEY

Location Description

The Comox Valley is situated on the east coast of Vancouver Island, approximately midway between Victoria on the southern tip and Cape Scott at the northern tip of Vancouver Island. It encompasses an area of 1942 square kilometers, which includes Courtenay, Comox, Cumberland and a large area included in the Unorganized Territory under the administration of the Regional District of Comox-Strathcona.

Through recent municipality border expansions, Comox is located immediately adjacent to Courtenay with the downtown cores of each municipality located approximately 6 km from one another. Courtenay is one of the main coastal communities on the east coast of Vancouver Island, north of Nanaimo, and forms the central community in the Comox Valley. Campbell River is located 45 km north; Parksville is located 73 km south; and Nanaimo is located 108 km south.

Courtenay, Comox, and Cumberland comprise the three municipalities of the Comox Valley. All are located within a 22 km radius and serve a population of approximately 63,538.

Economic draws

The economy of the Comox Valley has been historically linked to the forestry industry, with value added wood processing still a contributor. Recently however, the local economy has become much more diversified, with agriculture, tourism, government offices, wholesale and retail trade, education, and construction becoming key contributors. Courtenay is the economic centre for the area, containing approximately 63% of all retail outlets, and providing approximately 75% of all commercial employment.⁶ Canadian Forces Base Comox is located near Comox and employs approximately 1,800 service

³ Regional Check-Up 2018, Chartered Professional Accountants British Columbia, (2018)

https://www.bccpa.ca/CpaBc/media/CPABC/News_Events_Publications/Govt%20Relations/Regional%20Checkup/2018/Regional-Check-Up-2018.pdf.

⁴ Regional Check-Up 2018, Chartered Professional Accountants British Columbia, (2018)

https://www.bccpa.ca/CpaBc/media/CPABC/News_Events_Publications/Govt%20Relations/Regional%20Checkup/2018/Regional-Check-Up-2018.pdf.

⁵ "Greater Victoria Multifamily Market Fourth Quarter 2018 – Research and Forecast Report" Colliers International, (2019) <https://www.collierscanada.com/en/commercial-property-research/thank%20you?MediaId=%7B10B68EAE-E4AA-408C-8987-0A53A767566A%7D&ResearchId=%7BBE3580C8-BC95-43AE-90EC-A4C7E37A9929%7D>. (the "Colliers Report")

⁶ Simon Wainwright, Cunningham & Rivard Appraisals Ltd.: Regional Data.

men and women and related workers. The airport and marina facilities fronting the harbour are also located in Comox. The new Comox Valley Regional Hospital is a \$360 million dollar development that opened in 2017.⁷

Comox Valley is very accessible and the different types of transportation offer options to commute to and from Comox Valley. The Inland Island Highway, completed in 2001, has greatly improved transportation between the Comox Valley south to Victoria and north to Campbell River. It has made the commute very easy to Nanaimo where BC Ferries provides ferries to and from the BC mainland from two separate terminals. BC Ferries also has regularly scheduled sailings to and from Powell River and neighbouring Gulf Islands from Comox. Upon approximately 18 acres of leased land, the Comox Valley Airport Commission has provided a passenger and cargo terminal to replace the former outdated and undersized facility. Comox is home to the second largest airport on the island, which has seen a strong increase in passenger travel over the past several years and served 351,530 passengers in 2015.⁸ The busy and expanding airport implemented daily scheduled service to Vancouver, Calgary, and Edmonton along with seasonal service to Puerto Vallarta.

The Comox Valley provides year-round tourist attractions for sports enthusiasts. Forbidden Plateau is approximately 16 km from downtown Courtenay and provides good hiking trails. The popular two lodge Mount Washington is located to the northwest of Courtenay and continues to expand their mountain development and accommodation as the popularity of this recreational area continues to grow. Summer recreation is also available in Strathcona Park. The Comox Valley also offers excellent salmon and trout fishing as well as many golf courses. Comox Harbour offers protected moorage and clement weather for boating and sailing.

Mid-Island Area rental apartment market and the Residential Portfolio

According to the Canada Mortgage and Housing Corporation survey in October 2018, the private rental apartment market in the Comox Valley totaled 1,583 units. The Residential Portfolio in which the Limited Partnership has invested the proceeds received from its issuance of LP Units to the Trust includes 334 of those units or 21.10% of the total market supply. The current vacancy rate of the Residential Portfolio as of May 2019 is 0% with a waitlist of tenants on specific buildings. The demand for private apartment rental is very high due to the Comox Valley's growth in population and economy.

As with many smaller and medium sized communities in British Columbia, most of the supply of rental apartments in the Mid-Island Area are in older buildings which are usually characterized by deteriorating physical condition, poor management and less than ideal tenants. Building owners have generally not maintained their properties and suffer from a competitive disadvantage with those few properties which are well maintained and well managed. Management believes that the Residential Portfolio has a competitive advantage as its older properties are well maintained and managed, meaning that they have the potential to tap into a higher quality segment of the rental market in the Mid-Island Area.

The Residential Portfolio's properties have been maintained and managed to such a standard that the units are in high demand by high quality tenants. The result has been that the Residential Portfolio's properties have achieved some of the highest rents and lowest vacancies in the market. As of April 2019, the Residential Portfolio's average rent is \$1,035 with a vacancy rate of 0.5% compared to Comox's average rent of \$1,088 and vacancy of 0.5% and Courtenay's average rent of \$1,004 and vacancy of 0.5%. Vacancy has been trending downward to 0.5% in April 2019 in both Comox and Courtenay from 1.2% and 1.7% in October 2014, respectively. Furthermore, the average rent has been trending upwards as both Comox and Courtenay have seen increases since October 2015.

As of October 2018, the supply for private apartment units in Courtenay and Comox has remained fairly constant with a 5.8% decrease since October 2017.⁹ With the low supply of rental apartments, low vacancy rates, and increased rental values a number of new developments have been proposed or are in development.¹⁰ The Trust anticipated the

⁷ Invest Comox Valley, <http://www.discovercomoxvalley.com/invest/>.

⁸ Invest Comox Valley, <http://www.discovercomoxvalley.com/invest/>.

⁹ CMHC Rental Market Report – British Columbia Highlights. Canada Mortgage and Housing Corporation. <https://epdscrmssa01.blob.core.windows.net/cmhcprodcontainer/sf/project/cmhc/pubsandreports/rental-market-reports-canada-provincial-highlights/2018/rental-market-reports-british-columbia-64487-2018-a01-en.pdf?sv=2017-07-29&ss=b&srt=sco&sp=r&se=2019-05-09T06:10:51Z&st=2018-03-11T22:10:51Z&spr=https,http&sig=0Ketq0sPGtnokWOe66BpgguDljVgBRH9wLOCg8HfE3w%3D>

¹⁰ Comox Valley Economic Development Society Interactive Map. <https://downtownmap.discovercomoxvalley.com/>.

development of new build apartment rentals in the Comox Valley market and believes that the Residential Portfolio is well positioned to compete due to higher rents for new build apartments, larger unit size in the Residential Portfolio compared to new build units, and the competitive level of finish and unit upgrades within the Residential Portfolio relative to new build finishes.

Mid-Island Area commercial property market and the Commercial Portfolio

The commercial office market in the Comox Valley is generally very tight. The retail market is also strong for a quality product in prime locations. The Commercial Portfolio provides high quality space in very prime locations and has been rewarded with a very stable and secure tenant clientele. Due to zoning, geographical and political reasons, there are virtually no undeveloped sites available for competing product. This situation is compounded by the costs and bureaucratic hassles inherent in any new developments, which can be a deterrent for many developers. The acquisition strategy employed by the Vendor for the Commercial Portfolio has targeted investments which would be difficult to duplicate.

The Comox Valley has a long established history of a relatively stable and growing real estate market. The area has not experienced the booms and busts which are often associated with smaller and medium sized resource based communities in BC. This has been reflected in a stable, long term occupancy rate in both residential and commercial rental properties.

The Properties Comprising the Portfolios

The Portfolios were acquired from a well-established real estate family who has been one of the largest real estate owners and investors in the Comox Valley for over 50 years. The commercial and residential properties in the Portfolios are all located in the expanding Comox Valley. The Portfolios exhibit extensive maintenance, upgrades, and renovations, as described below, which make the properties comprising the Portfolios very desirable for tenants. The high demand for commercial and residential premises leads to the selection of quality tenants for all of the Properties comprising the Portfolios.

Properties Acquired to Date

The Portfolios are comprised of a total of 27 Properties, as follows: (i) 21 apartment buildings consisting of a total of 334 rental apartment units; and (ii) six commercial properties totaling 59,473 square feet of rental area. A summary of certain financial characteristics of each of the Properties currently comprising the Portfolios is set out below.

Property Summary:

Property Name	Address	Date of Construction	Purchase Price	Value as of December 31, 2018 ⁽¹⁾	Total Units	Average Rent
Residential						
Tradewinds	1600/1610 Comox Ave.	1981 / 82	\$10,761,619	\$12,960,809	68	\$1,082
Glenshee	1800 Comox Ave.	1973	\$3,734,246	\$4,525,553	25	\$1,105
Greenbrier	750 Eighth St.	1993	\$2,638,084	\$2,930,170	16	\$1,044
Villa Montecito	1331 England Ave.	1995	\$2,005,399	\$2,188,723	12	\$1,257
Berkshire Manor	825 Harmston Ave.	1984	\$1,406,221	\$1,531,979	9	\$988
Fairmont	432 11th St.	1983	\$939,213	\$1,020,826	6	\$1,115
Cedar Manor	463 12th St.	1965 (5 suites) 1977 (2 suites)	\$902,514	\$1,027,065	7	\$1,050
Westwater	60 Anderton Ave.	1982	\$6,607,791	\$7,780,000	42	\$1,093
Hycroft	1835 Cliffe Ave.	1976	\$3,968,581	\$4,464,000	33	\$907

Property Name	Address	Date of Construction	Purchase Price	Value as of December 31, 2018 ⁽¹⁾	Total Units	Average Rent
Edgewater	355 Anderton Ave.	1976	\$2,871,916	\$3,479,851	23	\$905
Sandpiper South	1650 Comox Ave.	1965 (12 suites) 1991 (3 suites)	\$2,322,268	\$2,856,340	15	\$1,023
Sandpiper North	1650A Comox Ave.	1981	\$2,277,158	\$2,738,213	15	\$999
Brandywine	675 Cumberland Rd.	1994	\$1,257,290	\$1,497,766	8	\$1,106
Carriage House	1155 England Ave.	1982	\$1,501,605	\$1,700,000	10	\$991
Oakcrest	1155 Stewart Ave.	1981	\$1,419,517	\$1,635,000	10	\$1,020
Capri	1081 Steward Ave.	1968	\$1,281,769	\$1,500,000	10	\$907
Sonoma	1049 Stewart Ave.	1968	\$1,232,148	\$1,352,745	10	\$906
Briarwood	720 Eighth St.	1994	\$729,941	\$813,935	4	\$1,155
Belvedere	1170 Fitzgerald Ave.	1965	\$310,737	\$361,239	3	\$804
Belle Aire	575 14th St.	1956	\$563,072	\$606,217	4	\$1,064
Belle Villa	560 15th St.	1959	\$382,911	\$501,652	4	\$911
Total Residential			\$49,114,000	\$57,472,084	334	
Commercial						
Northgate Plaza	470 Puntelidge Rd.	1995	\$4,160,000	\$4,170,504	6	
Arbour Court	467/491 Cumberland Rd. & 480 Sixth St.	1997 / 95	\$3,200,000	\$3,560,000	2	
1761 Comox	1761 Comox Ave.	1991	\$1,950,000	\$2,180,000	5	
777 Fitzgerald	777 Fitzgerald Ave.	1986	\$1,600,000	\$1,690,991	1	
Fitzgerald Centre	635 Fitzgerald Ave.	1997 / 98	\$1,610,000	\$1,700,000	3	
355 11th St	355 11th St.	1989	\$806,000	\$806,000	1	
Total Commercial			\$13,326,000	\$14,107,496	18	
TOTAL			\$62,440,000	\$71,579,579		

Notes:

⁽¹⁾ Derived from the valuation process of the Portfolios discussed below under “Item 2.3 - “Development of the Business – Valuation of Properties”. Management of the Trust has determined that, as of the date of the Offering Memorandum, there were no significant changes to the assumptions made relating to the valuation of the Portfolios discussed below under “Item 2.3 - “Development of the Business – Valuation of Properties”.

Property Debt Summary:

Property Name	Lender	Amount Outstanding As At May 1, 2019	Maturity	Interest Rate
Residential				
Tradewinds	Peoples Trust	\$12,001,006.18	1-Mar-28	3.22%
Glenshee				
Greenbrier				
Villa Montecito				
Berkshire Manor				
Fairmont				
Cedar Manor				
Westwater	CMLS Financial	\$3,936,758.51	1-Jun-22	3.26%
Hycroft	Industrial Alliance and Financial Services Inc.	\$2,284,458.50	1-Dec-21	3.40%
Edgewater	Industrial Alliance and Financial Services Inc.	\$1,613,629.31	1-Apr-22	3.446%
Sandpiper South	Industrial Alliance and Financial Services Inc.	\$1,298,710.02	1-Mar-20	3.00%
Sandpiper North	Industrial Alliance and Financial Services Inc.	\$1,236,227.72	1-Apr-20	3.00%
Brandywine	Industrial Alliance and Financial Services Inc.	\$682,373.16	1-Mar-20	3.00%
Carriage House	Coast Capital Savings Credit Union	\$1,020,606.25	1-Jun-22	3.39%
Oakcrest	Coast Capital Savings Credit Union	\$935,160.16	1-Jun-22	3.39%
Capri	Coast Capital Savings Credit Union	\$854,461.09	1-Jun-22	3.39%
Sonoma	Coast Capital Savings Credit Union	\$806,991.18	1-Jun-22	3.39%
Briarwood	Coast Capital Savings Credit Union	\$474,700.59	1-Jun-22	3.39%
Belvedere	Coast Capital Savings Credit Union	\$206,969.44	1-Jun-22	3.39%
Belle Aire	Vancouver City Savings Credit Union	\$278,180.18	25-Apr-21	3.99%
Belle Villa	Vancouver City Savings Credit Union	\$233,750.47	25-Apr-21	3.99%
Commercial				
Northgate Plaza	Coast Capital Savings Credit Union	\$2,307,044.98	1-Jun-22	3.39%
Arbour Court	Coast Capital Savings Credit Union	\$2,182,778.33	1-Jun-22	3.15%
1761 Comox	Coast Capital Savings Credit Union	\$837,461.28	1-Jun-22	3.39%
777 Fitzgerald	Coast Capital Savings Credit Union	\$1,021,168.65	1-Jun-22	3.47%
Fitzgerald Centre	Coast Capital Savings Credit Union	\$1,044,341.32	1-Jun-22	3.39%
355 11th St	No Mortgage	N/A	N/A	N/A

The table below sets out all of the secured lines of credit related to the Portfolio and broken down by lender:

Secured Line of Credit			
Lender	Interest Rate	Repayment Terms	Amount Outstanding as as May 1, 2019
Vancouver City Savings Credit Union Line of Credit	4.95%	Maturity: April 25, 2020	\$0

Guarantee of VanCity Line of Credit

In April 2018, the Manager and the Limited Partnership acted as a corporate guarantor to the VanCity Line of Credit that was obtained by AIE Residential. AIE Residential owns title to the Properties comprising the Residential Portfolio as nominee. The Manager and the Limited Partnership acted as corporate guarantor to allow AIE Residential to obtain the VanCity Line of Credit from the lender. See Item 2.1 - "Structure" and Item 2.2 - "The Trust's Business - Title to the Properties".

Valuation of Portfolios

Prior to the Acquisition, Cunningham + Rivard, an independent third party appraisal firm, completed appraisals of 23 of the 28 Properties in the Portfolios. In January 2018, Cunningham + Rivard completed appraisals for nine of the Properties in the Residential Portfolio. In December, 2018, Cunningham + Rivard completed appraisals for eight of the Properties in the Residential Portfolio and five of the Properties in the Commercial Portfolio. Management of the Trust performed a conservative extrapolation of capitalization rates from the December 2018 appraisals by Cunningham + Rivard to the other Properties in the Residential Portfolio. In March 2019, the Trust's independent accounting firm, MNP LLP, reviewed the Trust's valuation process and the net asset value calculation as part of their financial audit. Given the foregoing, the Trust believes that independent work and valuations performed by Cunningham + Rivard and MNP LLP represent a fair value of the Portfolios.

Commercial Portfolio

The Commercial Portfolio includes the following commercial properties: 635 Fitzgerald Avenue, 470 Puntledge Road, 1761 Comox Avenue, 777 Fitzgerald Avenue, 467 & 491 Cumberland Road, and 480 Sixth Street. The properties in the Commercial Portfolio were built between 1977 and 1996.



635 FITZGERALD AVENUE

The two story professional office building located at 635 Fitzgerald Avenue was built in 1996. The 10,742 square foot property has 7,444 square feet of leasable area and is occupied by CIBC Wood Gundy, Island Health, and Krugel and Co. These tenants make up 100% of the leasable area and there are no vacant areas. The property is located in the center of the business/professional district of downtown Courtenay. Some major renovations include updating the common areas,

performing complete exterior painting in 2007 and roof replacement in 1996. The weighted average lease expiry is 3.77 years.

NORTHGATE PLAZA (470 PUNTLEDGE ROAD)

Built in 1995, the property is comprised of a single story retail strip mall in two separate buildings. The 52,265 square foot property has 16,084 square feet of leasable area and is occupied by Hub Insurance, Canadian Western Bank, Sunkissed Beauty Bar, and Novecosky & Associates Chartered Accountants. These tenants make up 69% of the leasable area while the other 31% is currently vacant. The property is located in the commercial strip area at intersection of the Old Island Highway and Ryan Road in Courtenay. The tar and gravel roof was replaced in 2008 and 2016. The weighted average lease expiry is 6.76 years.

1761 COMOX AVENUE

The one story section of this property was built in 1977 and the two story section was built in 1998. The 10,890 square foot property has 8,956 square feet of leasable area and is occupied by a bookstore, Duduza Bed & Bath, Café Amentes and Mercedes Lane. These tenants make up 72% of the leasable area while the other 28% is currently vacant. The property is located at the intersection of Comox Avenue and Port Augusta Street in the very center of the Comox downtown commercial area directly across from Comox Mall. Some major renovations include replacing the lower portion of the roof in 2007, painting the exterior in 2007, installing new awnings in 2007, and painting the parking area in 2011. The weighted average lease expiry is 1.82 years.

777 FITZGERALD AVENUE

The two story commercial office space property was built in 1988. The 10,204 square foot property has 5,977 square feet of leasable area and is solely occupied by RBC which occupies 100% of the leasable space. The property is located on a highly visible and high traffic corner in the central business district of Courtenay. In 2013, some major landscaping renovations were completed including the installation of complete continuous curbing on the parking lot and the addition of landscaping plots. In 2014, some major renovations were completed including a roof replacement, new stone and cedar siding, addition of an elevator and machine room, commercial window replacement, and redecoration of two staircases. The lease with RBC Dominion expires in August 2020.

ARBOUR COURT (467 & 491 CUMBERLAND ROAD AND 480 SIXTH STREET)

467 & 491 Cumberland Road and 480 Sixth Street are connected by walkways/breezeways. The first floor of 467 Cumberland Road was built in 1977 and the second floor was built in 1995. 491 Cumberland Road and 480 Sixth Street were built in 1991 and 1986, respectively. The 21,475 square foot property has 16,746 square feet of leasable area and is occupied by MNP LLP and Swift Datto Law Corporation. These tenants make up 100% of the leasable area and there are no vacant units. The property is located in the heart of Comox Valley and is a very unique property in terms of location, size, and quality. The Trust is of the view that there are no other leasable spaces in the Comox Valley that are comparable to Arbour Courts and that it is a property that is unique and would be difficult to replicate. In 2012, the roof of 491 Cumberland Road was replaced. The roof of 467 Cumberland Road was replaced in 1995 when the second floor was completed. The weighted average lease expiry is 3.58 years.

355 11th Street

The two-story commercial office space property was built in 1989. The 10,018 square foot property has 4,302 square foot of leasable area and is solely occupied by the Vancouver Island Health Authority (VIHA) which occupies 100% of the leasable space. The property is located on a quiet street in close proximity to downtown Courtenay. The property has been renovated in the last 10 years and the second story was added. The lease with VIHA expires in October 2020.

Residential Portfolio

The Residential Portfolio includes the following residential properties: 1155 Stewart Avenue, 1155 England Ave, 432 11th Street, 825 Harmston Avenue, 1049 Stewart Avenue, 1600-1610 Comox Avenue, 1650 Comox Avenue, 1650A Comox Avenue, 60 Anderton Avenue, 355 Anderton Avenue, 1835 Cliffe Avenue, 750 Eighth Street, 720 Eighth Street, 675 Cumberland Road, 1331 England Avenue, 1800 Comox Avenue, 575 14th Street, 560 15th Street, 463 12th Street, 1081 Stewart Avenue, and 1170 Fitzgerald Avenue.



These properties are all located in the expanding Comox Valley where rental apartments are in high demand. The Residential Portfolio's properties were built between 1956 and 1995. The buildings are older but have been well maintained with upgrades and renovations. This attracts quality tenants and allows the Residential Portfolio to tap into the mid-range market.

The Residential Portfolio properties vary in size as they range from having three units to 68 units with a total of 334 units. 221 units (66%) are 2 bedroom, 102 units (31%) are one bedroom and the other 11 units (3%) are bachelor suites or three bedroom units. The unit rent per month in respect of the Residential Portfolio properties varies from \$623 to \$1,595 with an overall average rent per month of \$1,035.

The tenant profile of the Residential Portfolio is primarily composed of females over the age of 65. This is the ideal tenant profile for limiting wear and tear, lowering unit turnover, and limited rent delinquencies. For these reasons, the Vendor not only accepted these tenants, but actively pursued them as a management priority for many years from the broad demographics of the Comox Valley. In order to achieve the ideal tenant profile, the Vendor catered to the older affluent women with tenant benefits such as community activity rooms, quality building upgrades, attractive landscaping and pristine grounds.

The Residential Portfolio properties are maintained to a very high standard. Not only have the buildings been well maintained but the exterior aesthetics and foliage are also extensively upheld. Many of the Residential Portfolio properties are situated close to each other, including six separate clusters composed of multiple properties that are physically connected. The physical clustering of the smaller properties introduces management efficiencies, effectively allowing three to four smaller properties to be managed as though they were a single, bigger property.

Major renovations have been completed to keep the Residential Portfolio properties attractive and at a high standard. Some renovations completed on a substantial percentage of the buildings include exterior and interior repainting and staining, installing continuous curbs in the parking lots, installing new carpet and tile throughout the building, installing new light fixtures, replacing windows, updating sprinkler systems, and adding new earphone systems. The roofs have also been replaced or redone relatively recently, which is usually a large expenditure that can now be dated well into the future.

Above and beyond its normal course repairs and maintenance budget, the Trust maintains an active budget for replacement of major capital items and periodic base building upgrades ("**Capital Expenditures**") of the Properties in the

Residential Portfolio. The Trust budgets 5% - 9% of gross income for maintenance Capital Expenditures for major items such as roof replacements, HVAC replacements, and common area upgrades. The Trust addresses these replacement requirements on a scheduled, priority basis. An additional component of the total budget for Capital Expenditures is capital required to fund interior suite renovations on suites that are turning over in the residential properties. Given the low vacancy rate in the Trust's core market, these expenditures generate value added in the form of rental increases. As such, Capital Expenditures related to renovations generate an immediate return on capital for the Trust, which maintenance Capital Expenditures do not.

2.4 Long-Term Objectives

The long-term objectives of the Trust are:

- (a) to issue sufficient Units to permit the Trust to in turn acquire sufficient LP Units to allow the Limited Partnership to operate, maintain and finance the Properties comprising the Portfolios, and to acquire of additional income producing properties in the Trust Region on a commercially reasonable basis;
- (b) to provide Unitholders with profits derived from the Trust's investment in LP Units, and indirectly from the Limited Partnership's operation of the Portfolios and any additional properties; and
- (c) to distribute such profits among the Unitholders.

Subject to future events which may have an impact on the timing of such decisions, it is the current intention of the Trust to continue its business for an indefinite period of time.

2.5 Short-Term Objectives and How the Trust Intends to Achieve Them

The business objectives of the Trust for the next 12 months are to complete the offering of a sufficient number of Units pursuant to this Offering Memorandum to be able to indirectly acquire the Contracted Property and to purchase additional properties that are accretive to unitholder value. A portion of the proceeds received by the Limited Partnership from the issuance of LP Units to the Trust may also be used to pay due diligence and documentation costs relating to such property acquisitions, sales commissions where applicable, completion costs and other fees and expenses related to such acquisitions or properties. The specific additional properties in which the Trust may indirectly invest have not yet been determined

What the issuer must do and how it will do it	Target completion date or if not known, number of months to complete	Cost to complete
Contracted Property	May 31, 2019	\$2,125,000
Purchase additional properties	Ongoing – The specific additional properties in which the Trust may indirectly invest have not yet been determined.	unknown

2.6 Insufficient Funds

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

2.7 Material Agreements

The following is a list of agreements which are material to this Offering and to the Trust, all of which are in effect:

- (a) Trust Declaration dated March 1, 2017, as amended on May 29, 2018 between the Trustee and the Settlor creating the Trust under the laws of the Province of British Columbia. The Trust Declaration is described under Item 5.1 – "Terms of Units – Trust Units – Trust Declaration".
- (b) Limited Partnership Agreement dated March 1, 2017, as amended and restated May 1, 2019, among the General Partner, the Founding Limited Partner, and the Limited Partners. The Limited Partnership Agreement is described under Item 2.1 - "Structure" and Item 5.1 – "Terms of Units – LP Units – Limited Partnership Agreement".

- (c) Management Agreement dated March 29, 2017, as amended and restated May 1, 2019, between the Manager and the Limited Partnership. The Management Agreement is described under Item 2.7 – “Material Agreements – Management Agreement”.
- (d) Cost Sharing and Recovery Agreement dated March 29, 2017 between the Trust and the Limited Partnership. The Cost Sharing Agreement is described under Item 2.7 – “Material Agreements – Cost Sharing and Recovery Agreement”.
- (e) Administration Agreement dated March 1, 2017, as amended and restated May 1, 2019, between the Manager and the Trust. The Administration Agreement is described under Item 2.7 – “Material Agreements – Administration Agreement”.
- (f) Property Management Agreement between the Limited Partnership and Devon Properties Ltd. dated January 26, 2019. The Property Management Agreement is described under Item 2.7 – “Material Agreements – Property Management Agreement”.
- (g) Asset Manager Letter Agreement dated May 28, 2018 between the Manager and the Asset Manager. The Asset Manager Letter Agreement is described under Item 2.7 – “Material Agreements – Asset Manager Letter Agreement”.
- (h) Subscription Agreements – the agreement by which Subscribers will subscribe for and acquire Units on the terms and conditions described therein and in this Offering Memorandum. The Subscription Agreement is described under Item 5.2 – “Subscription Procedure”.

Copies of all contracts referred to above may be inspected during normal business hours at the principal office of the Manager, located at 450A Wentworth Street, Nanaimo, British Columbia V9R 3E1.

A. *Management Agreement*

Powers and Responsibilities of the Manager

Under the Management Agreement, the Manager has agreed to provide the following financing, asset management and supervision of property management services to the Limited Partnership, for which it will be paid the fees and reimbursed the expenses as set out below:

Acquisition and Financing Services

The Manager will provide the following acquisition and financing services to the Partnership:

- (a) structuring the acquisition and ownership by the Limited Partnership of the Properties or interests in the Properties, including overseeing the preparation, execution and delivery of all agreements, transfers, documents and instruments required for such acquisitions;
- (b) negotiating and arranging for Mortgage Loans in respect of the Properties, including overseeing the preparation, execution, delivery and registration of all documents required in connection therewith;
- (c) engaging such counsel and other professional advisers or consultants as the Manager considers advisable in order to perform its duties hereunder; and
- (d) completing all such other services, tasks and matters as may be necessary in respect of the foregoing or as may be reasonably requested by the Limited Partnership from time to time.

Asset Management Services

The Manager will provide the following asset management services to the Limited Partnership:

- (a) providing overall management, financial and business planning for the Limited Partnership, including overseeing the operations of the Properties;
- (b) establishing appropriate legal and accounting systems for the proper control of the Properties;

- (c) maintaining ongoing liaison with the lenders of the Mortgage Loans and using best efforts to arrange a refinancing of the Mortgage Loans at the expiration of their terms and any subsequent refinancings;
- (d) conducting ongoing analysis of market conditions to monitor the Limited Partnership's investment in the Properties; and
- (e) advising the Limited Partnership with respect to the disposition of the Properties, and negotiating and carrying out the disposition of the Properties on such terms and conditions and at such times as the Manager may determine.

Supervision of Property Management

The Manager will take all steps necessary to monitor and supervise the management of the Properties by any property manager appointed by the Limited Partnership for that purpose, including:

- (a) conducting regular visits to the Properties;
- (b) verifying proper maintenance of the Properties through ongoing site inspections and meetings with the property managers;
- (c) assessing the local rental market on a periodic basis to ensure that rents are maintained at optimal levels;
- (d) ensuring that vacancies are minimized;
- (e) establishing procedures with respect to internal financial controls;
- (f) reviewing the annual budget and monthly financial performance with respect to that budget; and
- (g) reviewing the need for any capital repairs on an ongoing basis.

Service Requirements

In providing services under the Management Agreement, the Manager shall:

- (a) comply with all instructions and directions given to it by the Limited Partnership;
- (b) devote sufficient time and attention to carry out its duties as required hereunder;
- (c) well and faithfully serve the Limited Partnership; and
- (d) comply with all applicable rules, laws and regulations of any kind whatsoever.

Fees

In consideration of the provision of the services described above, the Limited Partnership will pay the following fees to the Manager during the term of this Agreement:

- (a) the Asset Management Fee; and
- (b) an acquisition fee (the "**Acquisition Fee**") equal to 1% of the gross purchase price of each Property (or interest in a Property), plus GST if applicable, payable to the Manager upon the completion of the purchase of each such Property (or interest in a Property).

In addition, the Manager will be entitled to be reimbursed for any deposits paid and for all out-of-pocket expenses incurred by the Manager in completing any of the above duties and services, including deposits paid in respect of the purchase price of a Property or Properties.

Waiver of Asset Management Fee

The Manager, from time to time, may waive the obligation of the Limited Partnership to pay all or any portion of the Asset Management Fee for any year of the Term, or any one or more months within any such year, provided that the waiver of the obligation of the Limited Partnership to pay all or any portion of the Asset Management Fee in any year or month shall not act as a waiver of such obligation in subsequent years. The waived Asset Management Fee, or portion

thereof, is waived indefinitely and does not accrue. The Manager waived the obligation of the Limited Partnership to pay the Asset Management Fee in connection with the Acquisition of the Portfolios.

Termination

The Management Agreement will continue in full force and effect until the earlier of the sale of the last of the Properties to be sold and December 31, 2022. The Management Agreement will be automatically renewed thereafter for terms of five years, unless otherwise terminated in accordance with its terms.

Payment on Termination

Upon the termination of the Management Agreement, the Limited Partnership will continue to be responsible for the payment to the Manager of, and upon the Manager's demand therefor, will pay to the Manager any and all fees payable under the Management Agreement and all expenses incurred by the Manager for and on behalf of the Limited Partnership in connection with the performance of its duties and obligations under the Management Agreement.

Indemnities

The Limited Partnership will indemnify and save harmless the Manager from and against any and all suits, claims, demands, liabilities, actions, causes of action, costs and expenses in any way arising from or attributable to the performance by the Manager of its obligations under the Management Agreement, except as arise from or are attributable to the gross negligence or willful misconduct of the Manager or its employees acting within the scope of their employment.

The Manager will indemnify and save harmless the Limited Partnership from and against any and all suits, claims, demands, liabilities, actions, causes of action, costs and expenses which arise from or are attributable to the gross negligence or willful misconduct of the Manager or its employees acting within the scope of their employment, in the performance of the Management Agreement.

B. Cost Sharing and Recovery Agreement

Pursuant to the Cost Sharing and Recovery Agreement, the Limited Partnership has agreed to reimburse the Trust for all costs and expenses incurred or paid for directly by the Trust arising in connection with the Offering of Units by the Trust, the qualification for distribution by the Limited Partnership to the Trust of the LP Units which are acquired by the Trust with all of the proceeds from the issuance of the Units, and includes without limitation sales fees and expenses and the costs of legal, accounting and audit services, tax advice, printing, travel and securities filings (the "**Reimbursable Costs**").

The Limited Partnership will pay Reimbursable Costs within two Business Days after receipt from the Trust of a statement setting out the amount of Reimbursable Costs incurred by the Trust.

The Limited Partnership acknowledges and agrees that the Trust may pay Reimbursable Costs in respect of each closing of subscriptions for Trust Units and that the Trust may provide a statement of such costs and a request for payment by the Limited Partnership in respect of each such closing. Any portion of the Reimbursable Costs which is not paid when due will bear interest from the date due to the date paid at the rate of twelve (12%) percent per annum, calculated and compounded monthly.

C. Administration Agreement

Under the Administration Agreement, the Manager, as "administrator", has agreed to provide to the Trust general administrative services, including:

- (a) structuring the terms and conditions of the Units;
- (b) overseeing the sale of the Units, preparation of offering documents, and the completion of all matters related to the closing of subscriptions for Units and the investment by the Trust in LP Units;
- (c) preparing and filing all reports required in the jurisdictions in which Units have been sold in order to comply with applicable securities legislation;

- (d) establishing and maintaining bank accounts on behalf of the Trust;
- (e) receiving distributions from the Limited Partnership from the investment in LP Units and processing cash flow distributions to Unitholders;
- (f) establishing appropriate legal and accounting systems for the proper control of the Trust;
- (g) collecting and mailing financial and other reports and all other notices given by the Trust to Unitholders;
- (h) attending to all arrangements necessary for meetings of the Unitholders;
- (i) responding to inquiries by Unitholders and others;
- (j) providing Unitholders with detailed statements for income tax purposes;
- (k) distributing any excess funds;
- (l) ensuring that any regulatory or legislative matters affecting the Trust are dealt with in a timely manner;
- (m) preparing annual financial reports on the Properties and arranging for an audit of such annual financial reports;
- (n) engaging such counsel and other professional advisers or consultants as the Manager considers advisable in order to perform its duties hereunder; and
- (o) performing such other administrative duties as a reasonably prudent administrative manager would provide in the same or comparable circumstances and such other administrative duties as the Trust may reasonably request from time to time.

Under the Administration Agreement, the Manager will be paid a fee equal to \$10 per annum plus out-of-pocket expenses incurred by the Manager in completing any of the above duties.

The Administration Agreement will continue in full force and effect until the earlier of: (i) the termination of the Limited Partnership, the dissolution of the Trust and the distribution of all amounts due to Unitholders; and (ii) December 31, 2022. The Administration Agreement will be automatically renewed thereafter for terms of five years, unless otherwise terminated in accordance with its terms.

D. Property Management Agreement

Under the Property Management Agreement, Devon Properties Ltd. provides certain financial administration services and limited property management services to the Limited Partnership, including, among other things:

- (a) bookkeeping and related activities;
- (b) maintenance of current rent roll;
- (c) rent collection, with the assistance of the on-site staff;
- (d) monthly cash flow reporting;
- (e) developing and tracking of operating and capital budgets;
- (f) management of suppliers and contractors; and
- (g) tenancy agreement preparation and execution.
- (h) manage residential rentals, suite turnover capital expenditure, maintenance capital expenditure, property staff HR issues, and realty tax appeals;
- (i) ensure compliance with the Residential Tenancy Branch of British Columbia;

- (j) manage commercial leasing;

Under the Property Management Agreement, Devon Properties Ltd. will be paid a fee equal to 4% of the gross revenue derived from the residential properties and 5% of the gross revenue derived from the commercial properties. At any time after April 15, 2020, the Property Management Agreement can be terminated by either party following sixty (60) days' written notice to the other party.

E. Asset Manager Letter Agreement

Under the Asset Manager Letter Agreement, the Asset Manager provides portfolio management, property management and certain financial administration services to the Manager, including, among other things:

- (a) oversight of Devon Properties Ltd;
- (b) work with Devon Properties Ltd. to develop budgets;
- (c) ensure timely preparation of cash flow reports;
- (d) be the point of contact between the auditors and the property manager during the audit process;
- (e) ensure that financial controls are being implemented;
- (f) be a point of contact for mortgage lenders on info requests, re-financings, and other matters;
- (g) reporting to the board of directors of the Manager;
- (h) identify acquisitions;
- (i) prepare offering materials;
- (j) website development; and
- (k) coordinate closings of Unit sales, redemptions and communications with Unitholders.

Under the Asset Manager Letter Agreement, the Asset Manager will be paid an annual salary of \$90,000. The Asset Manager is entitled to a bonus, which is distributed at the discretion of the board of directors of the Manager. The Asset Manager shall receive one year's full salary should the Portfolios be sold within the first two years of employment and the Asset Manager not be employed by the purchaser of the Portfolios post sale.

ITEM 3 - DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

AIE Services Inc. is the Trustee of the Trust. The Trustee has no material assets or liabilities. It carries on no business activities other than acting as trustee of the Trust. The issued shares of the Trustee are owned directly by Patrick Dennis Sullivan.

AIE Management Inc. is the "administrator" of the Trust pursuant to the Administration Agreement, the Manager of the Limited Partnership pursuant to the Management Agreement and the General Partner of the Limited Partnership pursuant to the Limited Partnership Agreement. The issued shares of the Manager are owned directly by Patrick Dennis Sullivan, the Trustee and Integral Wealth Management.

3.1 Compensation and Securities Held

1. *The Trustee*

The following table sets out information about each director, officer and promoter of the Trustee and each person who directly or indirectly beneficially owns or controls 10% or more of any class of voting securities of the Trust (a “principal holder”).

Name and municipality of principal residence	Positions held (e.g. Director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by the Trust in the most recently completed financial year (or if the Trust has not completed a financial year, since inception) and the compensation anticipated to be paid in the current financial year	Number, percentage and type of securities of the Trust held after completion of minimum offering ⁽¹⁾⁽³⁾	Number, percentage and type of securities of the Trust held after completion of maximum offering ⁽²⁾⁽³⁾
Patrick Dennis Sullivan Nanaimo, BC	Director since February 28, 2017	\$2,000 every three months	135,658 (4.51% of voting securities) Class F	135,658 (4.51% of voting securities) Class F
Garth Lyle Busch Nanaimo, BC	Director since February 28, 2017	\$2,000 every three months	10,418 (0.35% of voting securities) Class F	10,418 (0.35% of voting securities) Class F
David Stewart Hammond Nanaimo, BC	Director since February 28, 2017	\$2,000 every three months	13,544 (0.45% of voting securities) Class F	13,544 (0.45% of voting securities) Class F
Bernard Adrian Vanderhorst Courtenay, BC	Director since September 4, 2018	\$2,000 every three months	0 (0% of voting securities)	0 (0% of voting securities)

Notes:

⁽¹⁾ There is no minimum offering.

⁽²⁾ There is no maximum offering.

⁽³⁾ Percentages are based on 922,751.174 Class A Units and 2,066,721.352 Class F Units issued and outstanding as of the date of this Offering Memorandum.

2. *The Manager*

The following table sets out information about each director, officer and promoter of the Manager and each person who directly or indirectly beneficially owns or controls 10% or more of any class of voting securities of the Trust (a “principal holder”).

Name and municipality of principal residence	Positions held (e.g. Director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by the Manager in the most recently completed financial year (or if the Manager has not completed a financial year, since inception) and the compensation anticipated to be paid in the current financial year	Number, percentage and type of securities of the Trust held after completion of minimum offering ⁽¹⁾⁽³⁾	Number, percentage and type of securities of the Trust held after completion of maximum offering ⁽²⁾⁽³⁾
Patrick Dennis Sullivan Nanaimo, BC	Director since February 28, 2017	Nil	135,658 (4.51% of voting securities) Class F	135,658 (4.51% of voting securities) Class F
Garth Lyle Busch Nanaimo, BC	Director since February 28, 2017	Nil	10,418 (0.35% of voting securities) Class F	10,418 (0.35% of voting securities) Class F
David Stewart Hammond Nanaimo, BC	Director since February 28, 2017	Nil	13,544 (0.45% of voting securities) Class F	13,544 (0.45% of voting securities) Class F
Bernard Adrian Vanderhorst Courtenay, BC	Director since May 1, 2019	Nil	0 (0% of voting securities)	0 (0% of voting securities)
Brendan James Bennett Sutton Victoria, BC	Officer since September 11, 2017	Most recently completed financial year ended December 31, 2018: \$67,516 Anticipated Current financial year: \$100,224 (\$90,000 annual salary and \$10,224 bonus payable in Units – 900 Units at a deemed price of \$11.36 per Unit)	5,047 (0.17% of voting securities) Class F	5,047 (0.17% of voting securities) Class F

Notes:

⁽¹⁾ There is no minimum offering.

⁽²⁾ There is no maximum offering.

⁽³⁾ Percentages are based on 922,751.174 Class A Units and 2,066,721.352 Class F Units issued and outstanding as of the date of this Offering Memorandum.

Under the Management Agreement, the Asset Management Fee is payable by the Limited Partnership to the Manager. The amount paid under the Asset Management Fee for the fiscal year ended December 31, 2018 was nil. The amount expected to be paid under the Asset Management Fee for the fiscal year ended December 31, 2019 is nil.

3.2 Management Experience

The following table discloses the principal occupations of the directors and senior officers of the Trustee and Manager over the past five years.

Name	Principal occupations and related experience
Patrick Dennis Sullivan Director of Trustee and Manager	<p>Mr. Sullivan is the founder of Sullivan Wealth Management Group Ltd. (formerly Patrick Sullivan & Associates Insurance and Investment Services Ltd.), of which he was the President from its incorporation in 1978 until 2013. In 1997, Mr. Sullivan and William Walker founded All Island Equity MIC. Mr. Sullivan's primary business focus is advancing the interests of the Trust and All Island Equity MIC.</p>
Garth Lyle Busch Director of Trustee and Manager	<p>Mr. Busch recently retired as MNP LLP's Regional Managing Partner for Vancouver Island and Northern BC. Mr. Busch has spent more than 40 years delivering accounting, tax, and consulting solutions for a wide variety of clients in diverse industries including private enterprise, public companies, construction and real estate, First Nations, educational institutions and government funded organizations. Mr. Busch has also been active as a principal in commercial and residential real estate construction and leasing since 1990.</p> <p>Mr. Busch has been active in many community organizations including being past President or Treasurer of Tourism Prince Albert Inc., the High Noon Optimist Club of Prince Albert, Club Bingo Inc. and North Saskatchewan Summer Games. He has been a member of rotary clubs, Prince Albert Elks Lodge, Junior Achievement, Vancouver Island Economic Alliance ("VIEA"), as well as serving on many community boards and committees. He is currently on the Board of the Nanaimo Deep Discovery Association. Mr. Busch has also served on Committees of the Institute of Chartered Accountants of Saskatchewan. Mr. Busch has also coached minor softball and acted as a certified fastball umpire. He has volunteered for many other community organizations through the years.</p> <p>Mr. Busch graduated from the University of Saskatchewan with a Bachelor of Commerce degree with Distinction in 1976 and received his Chartered Accountant designation in 1978.</p>
David Stewart Hammond Director of Trustee and Manager	<p>Mr. Hammond is a partner in the HB Real Estate Group at RE/MAX of Nanaimo. His practice is a combination of residential and commercial business. The commercial side of his practice includes multi-family, retail, office and industrial land. He has been active in real estate development on Vancouver Island both as an agent and as a principal.</p> <p>Mr. Hammond is a past director of the Vancouver Island Real Estate Board ("VIREB") and the commercial division of VIREB. His community service includes past Chair of the Nanaimo Hospital Foundation, past chair of the Nanaimo Schools Foundation, past Chair of the Nanaimo Hospice renovation project and many others. He is a long-time member of the Rotary Club of Nanaimo.</p> <p>He was awarded the Lifetime Achievement Award for Community Service from the Nanaimo Chamber of commerce.</p> <p>Mr. Hammond is a graduate of the University of British Columbia with a Bachelor of Commerce (Real Estate). Mr. Hammond has been a licensed realtor since 1978 and a realtor in Nanaimo since 1980.</p>
Bernard Adrian Vanderhorst Director of Trustee and Manager	<p>Mr. Vanderhorst served as Partner at Huxham & Co. Chartered Accountants in Courtenay from 1997 until the merger with MNP in 2004. Mr. Vanderhorst served as Partner of MNP LLP from 2004 until his retirement in 2012.</p> <p>Mr. Vanderhorst served as a board member of the Practice Review and Licensing Committee (ICABC) from 2000 to 2008, as Director of BC Assessment from 2011 to 2017, as Chair of the HR committee and CEO search committee, and as a member of the Audit and Risk Management Committee.</p> <p>Mr. Vanderhorst is a graduate of Simon Fraser University with a Bachelor of Arts and received his Chartered Accountant designation in 1996.</p>

Name	Principal occupations and related experience
Brendan James Bennett Sutton Officer of Manager	<p>Mr. Sutton has spent the last seven years working for Devon Properties Limited, the top multi-family property management company in Victoria, British Columbia. While at Devon Properties, Mr. Sutton was tasked with responsibilities in the areas of accounting, business development, and corporate development. Past work also includes consulting for the Halifax Municipality regarding the creation of affordable work and/or residential space for artists and for the Shoal Lake and Cowessess First Nations communities in Saskatchewan regarding the creation of Comprehensive Community-Based Plans.</p> <p>Mr. Sutton holds a Master of Urban Planning from Dalhousie University, has completed the Certified Management Accountant Accelerated Program, and is currently completing University of British Columbia's Urban Land Economics Diploma.</p>

3.3 Penalties, Sanctions and Bankruptcy

No penalty or sanction has been in effect during the last 10 years, no cease trade order has been in effect for a period of more than 30 consecutive days during the past 10 years, and no declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors, appointment of a receiver, receiver manager or trustee to hold assets has been in effect during the last ten years against or with regard to any:

- (a) director, executive officer or control person of the Trustee, or
- (b) any issuer of which any person referred to in sub-paragraph (a) above was a director, executive officer, or control person of at that time.

3.4 Loans

There are no debentures or loans due to or from the directors, management, promoters or principal holders of the Trustee as at the date of this Offering Memorandum.

3.5 Promoter

By reason of their initiative in forming and establishing the Trust and taking steps necessary for the public distribution of the Units, the Trustee and the Manager are the promoters of this Offering. The directors of the Trustee and the Manager are Patrick Dennis Sullivan, Garth Lyle Busch, David Stewart Hammond and Bernard Adrian Vanderhorst. Neither the Trustee nor the Manager will receive any benefits, directly or indirectly from the issuance of the Units other than as described in this Offering Memorandum.

ITEM 4 - CAPITAL STRUCTURE

4.1 Capital

A. The following are the details of the outstanding securities of the Trust as of the date of this Offering Memorandum:

Description of Security	Number Authorized to be Issued	Price per Security	Number Outstanding as of the date of this Offering Memorandum	Number outstanding after min. offering ⁽¹⁾	Number outstanding after max. offering ⁽¹⁾
Class A Unit	Unlimited	\$12.36	922,751.174	922,751.174	922,751.174
Class F Unit	Unlimited	\$12.36	2,066,721.352	2,066,721.352	2,066,721.352

Notes:

⁽¹⁾ There is no minimum or maximum offering.

4.2 Long Term Debt

The Trust has an indirect interest in the mortgages in respect of the Properties. The amounts and terms of these loans are outlined under Item 2.3 – “Development of the Business – Properties Acquired to Date – Property Debt Summary”.

4.3 Prior Sales

Within the last 12 months, the Trust issued Units as follows:

Date of Issuance	Type of Security	Number of securities issued	Price per security	Total funds received
29-Jun-18	Class A Units	9,054	\$11.36 ⁽¹⁾	\$102,859
29-Jun-18	Class F Units	15,288	\$11.36 ⁽¹⁾	\$173,673
25-Sep-18	Class A Units	6,147	\$11.36 ⁽¹⁾	\$69,827
25-Sep-18	Class F Units	10,379	\$11.36 ⁽¹⁾	\$117,901
30-Oct-18	Class A Units	6,008	\$11.36 ⁽¹⁾	\$68,246
30-Oct-18	Class F Units	10,489	\$11.36 ⁽¹⁾	\$119,159
26-Nov-18	Class A Units	122,791	\$11.36 ⁽¹⁾	\$1,394,906
26-Nov-18	Class F Units	185,307	\$11.36 ⁽¹⁾	\$2,105,088
20-Dec-18	Class A Units	6,761	\$11.36 ⁽¹⁾	\$76,807
20-Dec-18	Class F Units	11,941	\$11.36 ⁽¹⁾	\$135,646
25-Apr-19	Class A Units	5,756	\$12.36 ⁽²⁾	\$71,145
25-Apr-19	Class F Units	12,219	\$12.36 ⁽²⁾	\$151,023

Note:

⁽¹⁾ Issued pursuant to the Trust’s DRIP at a deemed price of \$11.36 per Unit.

⁽²⁾ Issued pursuant to the Trust’s DRIP at a deemed price of \$12.36 per Unit.

4.4 Redemption History

The Trust’s historical redemptions are set out below for the periods indicated.

	Number and Class of Units	Value (\$)
2017 (since March 1, 2017)		
Unpaid redemption requests, beginning of year	-	\$ -
Redemption requests	-	\$ -
Redemptions paid out	-	\$ -
Unpaid redemption requests end of year	-	\$ -
2018		
Unpaid redemption requests, beginning of year	-	\$ -
Redemption requests	6,075.246 Class A Units 31,181.823 Class F Units	\$69,014.79 \$354,225.51
Redemptions paid out	6,075.246 Class A Units 3,118.823 Class F Units	\$69,014.79 \$354,225.51
Unpaid redemption requests end of year	-	-

	Number and Class of Units	Value (\$)
2019 (up to May 1, 2019)		
Unpaid redemption requests, beginning of year	-	\$ -
Redemption requests	5,113.731 Class A Units 8,159.515 Class F Units	\$63,205.72 \$10,026.20
Redemptions paid out	5,113.731 Class A Units 8,159.515 Class F Units	\$63,205.72 \$10,026.20
Unpaid redemption requests end of year	-	-

ITEM 5 - SECURITIES OFFERED

5.1 Terms of Units

A. Trust Units

Units Offered and Subscription Price

The securities offered pursuant to this Offering Memorandum are Class A Units and Class F Units of the Trust, which comprise the only authorized Units of the Trust as of the date hereof.

The price per Class A Unit is \$12.36 and the price per Class F Unit is \$12.36, payable upon subscribing for a Unit in the initial closing. After the initial closing, the Subscription Price per Unit will be \$12.36 per Unit, unless determined otherwise by the Trustee and will be payable by a Subscriber upon subscribing for a Unit.

Trust Declaration

The rights and obligations of the Trust and the Unitholders are governed by the Trust Declaration. The following is a summary of the material provisions of the Trust Declaration. **This summary does not purport to be complete and reference should be to the Trust Declaration itself, a copy of which is available from the Trustee. Capitalized terms in this summary which are not defined in this Offering Memorandum are defined in the Trust Declaration.**

Units

The Trust is authorized to issue an unlimited number of Units. Except as provided in the Trust Declaration and this Offering Memorandum, each Unit entitles the Unitholder to the same rights and obligations as any other Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other Unitholders.

Subject to the provisions of the Trust Declaration relating to distributions, each Unit represents an equal undivided beneficial interest or share in any distribution from the Trust (whether of Distributable Cash Flow, Trust Income, Net Realized Capital Gains or other amounts, other than amounts in respect of a distribution *in specie* on a redemption of Units specifically to Unitholders who redeem their Units) and in Trust Property in the event of the termination or winding-up of the Trust. Each Unit entitles the holder of record thereof to one vote at all meetings of Unitholders. All Units rank among themselves equally and rateably without discrimination, preference or priority.

Units of different Classes may have different rights, benefits and other attributes from Units of other Classes. Subject to limitations and requirements determined from time to time by the Trustee, in its sole discretion, acting reasonably, and stated in this Offering Memorandum, any Unit of a particular Class of Units may be re-designated by the Trustee as a Unit of another Class of Units, upon request of a holder of Units, provided, however, that any such re-designation will not entitle the holder of the Units which are the subject of such re-designation to any Trust Property, or any redemption proceeds.

Classes of Units

The Trustee will have the power and authority, from time to time, for and on behalf of the Trust, to create one or more Classes of Units on such terms and conditions as may be determined by the Trustee, provided that such creation does not adversely affect the pecuniary value of the interest of any Unitholder in the Trust. All of the Units in any Class of Units will have the same rights, benefits and other attributes, and will rank equally, with every other Unit in such Class of Units and no Unit in a Class of Units will have any preference or priority over any other Unit of such Class of Units. The number of Units issued in any Class of Units is unlimited, unless the number of Units for such Class of Units is limited at the time the Class of Units is established.

Before the issue of a Class of Units, the Trustee will execute a supplemental indenture creating such Class of Units and establishing the terms thereof and confirming that the Unitholders who hold Units issued as part of such Class of Units are entitled to the benefits of the Trust in respect of such Class of Units.

Any Units in any Class of Units created by supplemental indenture will:

- (a) be designated by a letter by the Trustee; and
- (b) have such rights and restrictions with respect to subscription price and other terms and conditions of their offering and manner of subscription, sharing in the property of the Trust and other matters as the Trustee determines to be appropriate, which rights and restrictions may be different from the rights and restrictions which pertain to the Units of any other Class of Units.

At the option of the Trustee, the maximum number of Units of any Class of Units may be limited, such limitation to be expressed in the supplemental indenture providing for the creation of the Class of Units. As of the date of this Offering Memorandum, the only Classes of Units authorized by the Trust are Class A Units and Class F Units.

No Fractional Units

Except for a fraction of a Unit which is created as a result of a partial redemption of a Unit or the payment of distributions by the issuance of Units, no fractional Units are permitted.

Distributions of Distributable Cash Flow

The Trustee will, in respect of each Distribution Period, on or before each Distribution Record Date, declare payable to the Unitholders of record at the close of business on each Distribution Record Date, all or any part of the Distributable Cash Flow for the Distribution Period. Any such distribution will be payable to each Unitholder of record on such Distribution Record Date *pro rata* in proportion to the number of Units held as of record by such Unitholder on such Distribution Record Date. Subject to the terms of the Trust Declaration, any Distributable Cash Flow that has been declared to be payable to Unitholders in respect of a Distribution Period will be paid in cash on the Distribution Payment Date in respect of such Distribution Period.

Computation of Cash Flow of the Trust

The cash flow of the Trust for any Distribution Period (the “**Cash Flow**”) will be equal to:

- (a) the sum of all cash amounts received by the Trust for or in respect of such Distribution Period, including the amounts received as a limited partner holding LP Units in the Limited Partnership and all other income, interest, distributions, dividends, proceeds from the disposition (other than by way of security interest) of LP Units, returns of capital and repayments of indebtedness, as well as all amounts received by the Trust in any prior Distribution Period to the extent not previously distributed; less
- (b) all costs and expenses of the Trust that, in the opinion of the Trustee, may reasonably be considered to have accrued and become owing in respect of, or which relate to, such Distribution Period or a prior Distribution Period if not accrued in such prior period; less
- (c) (all amounts payable in cash that relate to the redemption or repurchase of Units and that have become payable by the Trust in such Distribution Period or prior Distribution Period; and less

- (d) any interest expense incurred by the Trust between distributions,

provided that any funds borrowed by the Trust or the proceeds of the issuance of Units or other securities of the Trust and related transactions in connection therewith will not be included in the calculations of Cash Flow in respect of any Distribution Period.

Computation of Income and Net Realized Capital Gains

Trust Income for any taxation year of the Trust will be the income for such year computed in accordance with the provisions of the Tax Act, other than paragraph 82(1)(b) and subsection 104(6) thereof, and taking into account such other amounts and adjustments as are determined in the discretion of the Trustee regarding the calculation of income for the purposes of determining the “taxable income” of the Trust; provided, however, that capital gains and capital losses will be excluded from the computation of Trust Income and, if an amount has been designated by the Trust under subsection 104(19) of the Tax Act, such designation shall be disregarded.

Net Realized Capital Gains for any taxation year of the Trust will be determined as the amount, if any, by which the aggregate of the capital gains of the Trust realized in such year exceeds the sum of (i) the aggregate of the capital losses of the Trust realized in such year; (ii) any capital gains that are realized by the Trust as a result of a redemption of Units pursuant to the Trust Declaration and that are payable to redeeming Unitholders under the Trust Declaration; and (iii) each amount determined by the Trustee in respect of any net capital loss for a prior taxation year that the Trust is permitted by the Tax Act to deduct in computing the taxable income of the Trust for such year multiplied by the reciprocal of the fraction applicable in determining the proportion of a capital gain for such prior taxation year that is a taxable capital gain.

Other Distributions

In addition to distributions of Distributable Cash Flow, the Trustee may allocate, declare payable and/or make distributions, from time to time, out of Trust Income, Net Realized Capital Gains, the capital of the Trust or otherwise, in any year, in such amount or amounts, and on such dates and to Unitholders of record on such dates, as the Trustee may determine.

The following amounts will be due and payable to Unitholders of record at the close of business on December 31 in each year:

- (a) the amount of Trust Income for such year not previously paid or made payable to Unitholders in such year; and
- (b) the amount of Net Realized Capital Gains for such year not previously paid or made payable to Unitholders in such year.

Allocation

Trust Income and Net Realized Capital Gains shall be allocated to the Unitholders for the purposes of the Tax Act in the same proportion as the total distributions received by Unitholders in the taxation year, subject to: (i) the discretion of the Trustee to adopt an allocation method that the Trustee considers to be more reasonable in the circumstances, and (ii) the Trustee’s ability pursuant to the Trust Declaration to designate as payable to redeeming Unitholders any capital gain and/or income realized by the Trust as a result of an in specie distribution.

Reclassification of Units

Subject to the consent of the Manager, in its role as administrator of the Trust, and any criteria established by the Manager, in its role as administrator of the Trust, Class A Unitholders may request to reclassify or switch their Class A Units into Class F Units. This is called a reclassification. The Trust will not charge any fees for the administration of reclassifications, but Unitholders should check with their dealers to confirm whether any fees will be charged by such dealers. Upon a reclassification from Class A Units to Class F Units, the number of Units held by the Unitholder will not change since both classes of Units have the same Net Asset Value per Unit.

Generally, reclassification or switches between classes of Units is not considered a disposition for tax purposes, which means that Unitholders will not realize a capital gain or loss. However, Unitholders should consult with their own tax advisors regarding any tax implications of reclassifying or switching between classes of Units. See Item 6 - "Summary of Income Tax Consequences and Eligibility."

Character of Distributions and Designations

In accordance with and to the extent permitted by the Tax Act and analogous provisions of any applicable Provincial income tax legislation, the Trustee in each year will make designations in respect of the amounts paid or payable to Unitholders for such amounts that the Trustee considers to be reasonable in all of the circumstances, including designations relating to taxable dividends received by the Trust in the year on shares of taxable Canadian corporations, net capital gains realized by the Trust in the year and foreign source income of and foreign taxes paid by the Trust for the year, as well as elect under subsection 104(13.1) and/or subsection 104(13.2) of the Tax Act that income be taxed to the Trust, rather than to the Unitholders. Distributions paid or payable to Unitholders pursuant to Article 6 of the Trust Declaration will be distributed from Trust Income, Net Realized Capital Gains, trust capital or other items in such amounts as the Trustee may, in its absolute discretion, determine. Any distribution of Net Realized Capital Gains will include the non-taxable portion of the capital gains of the Trust that are encompassed in such distribution.

Special Distribution Provisions

To the extent distributions are calculated in respect of a Distribution Period and payable at the end of such Distribution Period, if for any reason, including the termination of the Trust, such Distribution Period is not completed or such amounts are no longer payable, then the distribution will be pro-rated to the end of the shortened Distribution Period and be payable at the end of such shortened Distribution Period.

In the event that a Unitholder has held his Unit for less than the entire Distribution Period for which a distribution is payable, the Unitholder shall only be entitled to a proportionate share of the distributions based on the proportion that the number of days between the date of first issue of his Units and the last day of the Distribution Period bears to the aggregate total number of days in such Distribution Period.

The Trustee shall have the right but not the obligation to distribute and allocate Distributable Cash, Trust Income, Net Realized Capital Gains and any other applicable amounts among Unitholders in such a manner so as to ensure where possible that they are treated equitably taking into account differences that may arise as a result of the acquisition of Units at different times in a fiscal year or in different fiscal calendar years.

Enforceability of Right to Receive Distributions

Notwithstanding any provision of the Trust Declaration, each Unitholder will have the legal right to enforce payment on the Distribution Payment Date or December 31, as the case may be, of any amount payable to such Unitholder as a result of any distribution declared or otherwise made payable pursuant to the Trust Declaration on the applicable Distribution Record Date or the applicable December 31, as the case may be, to, and not yet received by, such Unitholder pursuant to the Trust Declaration.

Method of Payment of Distributions

Where the Trustee determines that the Trust does not have available cash in an amount sufficient to make payment of the full amount of any distribution that has been declared payable, or otherwise made payable, pursuant to the Trust Declaration on the due date for such payment or for any other reason cannot pay the distribution in cash, the payment may, at the option of the Trustee, include the issuance of additional Units, or fractions of Units, if necessary or desirable, having a value equal to the difference between the amount of such distribution declared to be payable and the amount of cash that has been determined by the Trustee to be available for the payment of such distribution. Such additional Units will be issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

The value of each Unit that is issued as in the above paragraph will be equal to the Subscription Price for such Unit, unless the Trustee determines that the value of a Unit is materially different than the Subscription Price, in which case the Unit will be issued at such different value.

Withholding Taxes

The Trustee may deduct or withhold from distributions payable to any Unitholder all amounts required by law to be withheld from such distributions. In the event of a distribution in the form of additional Units, the Trustee may sell Units of such Unitholder to pay such withholding taxes and to pay all of the Trustee's reasonable expenses with regard thereto and the Trustee shall have the power of attorney of such Unitholder to do so. Upon such sale, the affected Unitholder shall cease to be the holder of such Units.

Calculation of Net Asset Value

The Trustee will determine, or cause to be determined, the Net Asset Value and Net Asset Value Per Unit of the Trust as of each Valuation Time.

Method of Determining Value

The Net Asset Value, on a Valuation Date, will be equal to the aggregate value of the Trust Property on the Valuation Date, less the aggregate value of the Trust's liabilities on the Valuation Date and will be subject to valuation rules set by the Trust from time to time. The Net Asset Value as thus determined will be divided by the number of outstanding Units of the Trust (determined before giving effect to any reinvestment of net income, Net Realized Capital Gains or other distributions then payable to Unitholders and before giving effect to any redemptions or issuances of Units to be implemented as of the Valuation Date) to ascertain the Net Asset Value Per Unit as of the Valuation Date.

Redemption

Redemption - Generally

Redemption of Units by Unitholders is restricted under the terms of the Trust Declaration. In accordance with the process described below (as more particularly set out in the Trust Declaration), a Unitholder is entitled to make demand on the Trust to redeem such Unitholder's Units. The Trust Declaration describes the salient terms regarding Unitholders' redemption, including: the steps required by a Unitholder to redeem Units, the effect that providing notice to exercise redemption rights has on a Unitholder, the Redemption Price (as hereinafter defined) payable to the Unitholder, and how the Trust will pay the Redemption Price to a Unitholder.

Right of Redemption by Unitholders

Each Unitholder will be entitled to require the Trust to redeem at any time or from time to time at the demand of the Unitholder all or any part of the Units registered in the name of the Unitholder at the prices determined and payable in accordance with the Trust Declaration.

Exercise of Redemption Right

A Unitholder who desires to exercise its redemption rights must do so by delivering a written notice (the "**Redemption Notice**") to the Trust setting out the Unitholder's intention to redeem Units. By delivering a Redemption Notice to the Trust, the Unitholder will be deemed to have irrevocably surrendered the Units described in the Redemption Notice for redemption.

Effect of Redemption Notice

Upon receipt by the Trust of the Redemption Notice, the Unitholder will thereafter cease to have any rights with respect to the Units tendered for redemption (other than to receive the redemption payment therefor) including the right to receive any distributions that are declared payable to the Unitholders of record on a date that follows the date of receipt by the Trustee of the Redemption Notice. Units will be considered to be tendered for redemption on the date that the Trustee has, to the satisfaction of the Trustee, received the Redemption Notice and further documents or evidence the Trustee may reasonably require with respect to the identity, capacity or authority of the person giving such notice (the "**Redemption Date**").

The payment in cash by the Trust of the redemption price of Units will reduce the amount of cash available to the Trust for the payment of distributions to the Unitholders, since the payment of redemptions will take priority over the payment of cash distributions. See Item 8 - "Risk Factors".

Redemption Price

Unitholders whose Units are redeemed will be entitled to receive a redemption price (the “**Redemption Price**”) per Unit equal to either:

- (a) where the Units are listed on a stock exchange or similar market, an amount equal to the lesser of:
 - (i) 95% of the market price of the Units during the 10 trading day period after the Redemption Date; and
 - (ii) 100% of the closing market price of the Units on the Redemption Date; or
- (b) where the Units are not listed on a stock exchange or similar market, the Net Asset Value Per Unit as determined on the Valuation Date which immediately precedes the Redemption Date, subject to any administration and processing fees that may be determined and applied by the Trustee, in its sole discretion, from time to time.

Payment of Redemption Price in Cash

The Redemption Price per Unit multiplied by the number of Units tendered for redemption will be paid to a Unitholder by way of a cash payment no later than the last day of the calendar month following the calendar quarter in which the Redemption Date occurs, subject to the following limitations:

- (a) the total amount payable by the Trust by cash payment in respect of the redemption of Units for the calendar quarter in which the Redemption Date occurs will not exceed \$50,000; and
- (b) the total amount payable by the Trust by cash payment in respect of the redemption of Units in any twelve month period ending at the end of the calendar quarter in which the Redemption Date occurs will not exceed 1/4 of 1% of the aggregate Subscription Price of all Units that were issued and outstanding at the start of such twelve month period.

Payment of Redemption Price in Specie

If any of the conditions in (a) and (b) immediately above preclude the payment of the Redemption Price in cash, and the Trustee does not, in its sole discretion, waive such limitation in respect of all Units tendered for redemption in any particular calendar quarter, the Redemption Price shall be paid and satisfied by way of any of the following methods to be selected by the Trustee, using its sole discretion:

- (a) the issuance and delivery of a number of Trust Notes, each in the principal amount of \$100, having an aggregate principal amount equal to the redemption price per Unit multiplied by the number of Units tendered for redemption;
- (b) a distribution *in specie* to the Unitholder of a number of LP Units having an aggregate value determined on the redemption date based on the redemption price of the LP Units under the terms and conditions of the Limited Partnership Agreement, equal to the redemption price per Unit multiplied by the number of Units tendered for redemption; or
- (c) a distribution *in specie* to the Unitholder of a number of Debt Securities (each in the principal amount of \$100) having an aggregate principal amount equal to the redemption price per Unit multiplied by the number of Units tendered for redemption.

Notwithstanding the foregoing, the Trustee, in its sole discretion, may but will in no way be obligated to make cash payments on account of the Redemption Price in excess of the limits set out in subsections (a) and (b) immediately above.

Capital Gains and Income on In Specie Distribution

Where the Trust makes a distribution *in specie* of a *pro rata* number of LP Units on a redemption of Units, rather than by way of cash payment, pursuant to the Trust Declaration, the Trustee may designate as payable to the particular redeeming Unitholders receiving LP Units portions of the amount of the value of such LP Units: (i) not exceeding the

amount of any capital gain of the Trust as a result of the distribution of such property as an amount payable out of the Net Realized Capital Gains of the Trust, and (ii) not exceeding an allocable share of income in respect of the LP Units so distributed determined in accordance with the terms of the Limited Partnership Agreement together with any other income realized by the Trust as a result of a distribution of LP Units, as an amount payable out of Trust Income.

Order of Redemptions

Units will be redeemed according to the order in which Redemption Notices are received by the Trustee.

Trust's Right of Retraction

The Trust may retract the Units either in whole at any time or in part from time to time.

Partial Retraction

If the Trust elects to retract less than all of the outstanding Units, the Units to be retracted shall be retracted either:

- (a) on a *pro rata* basis;
- (b) be drawn by lot; or
- (c) be selected in such other manner as the Trustee, in its sole discretion, may determine, including the retraction of Units from one or more specified Unitholder.

For this purpose, the Trust may make, and from time to time amend, regulations with regard to the manner in which such Units will be selected for retraction and such regulations shall be binding upon all Unitholders.

Exercise of Right

The Trustee shall exercise the retraction right provided for in the Trust Declaration by causing notice to be given to a Unitholder or Unitholders (a "**Retraction Notice**"). Such notice will be irrevocable except with respect to any Units called for retraction in respect of which the retraction proceeds are not paid by the Trust on or before the date on which such payment is due and except as otherwise provided herein.

Retraction Price

Unitholders whose Units are retracted pursuant to the Trust Declaration will be entitled to receive payment (the "**Retraction Price**") per Unit equal to the Net Asset Value Per Unit as at the most recent Valuation Date.

Meetings of Unitholders

Annual meetings of Unitholders are not required. However, meetings of Unitholders may be called at any time by the Trustee and must be called by the Trustee upon a written request of Unitholders holding in the aggregate not less than 15% of the Units then outstanding, such request specifying the purpose or purposes for which such meeting is to be called. Meetings of Unitholders will be held in the City of Nanaimo. The Chair of any meeting will be a person designated by the Trustee for the purpose of such meeting except that in lieu of the person so designated or if no person has been so designated, on the motion of any Unitholder, any person may be elected as Chair by a majority of the votes cast at the meeting.

Quorum

A quorum for any meeting of Unitholders convened to consider such matter will consist of two or more Unitholders present in person or by proxy and representing not less than 10% of the Units then outstanding. If a quorum is not present at a meeting within 30 minutes after the time fixed for the meeting, the meeting, if convened pursuant to a request of Unitholders, will be cancelled, but otherwise will be adjourned to another day, not less than 10 days later, selected by the Trustee and notice will be given to the Unitholders of such adjourned meeting. The Unitholders present at any adjourned meeting will constitute a quorum.

Voting Rights

Only Unitholders of record will be entitled to vote and each Unit will entitle the holder or holders thereof to one vote on a poll. At any meeting of Unitholders, any Unitholder entitled to vote thereat may vote by proxy and a proxy holder need not be a Unitholder. The Trustee may solicit proxies from Unitholders in any matter requiring or permitting the Unitholders' approval or consent. When any Unit is held jointly by several persons, any one of them may vote at any meeting in person or by proxy in respect of such Unit, but if more than one of them is present at such meeting in person or by proxy, and such joint owners so present disagree as to any vote to be cast, such vote will not be received in respect of such Unit. Fractional Units are not entitled to vote.

Powers Exercisable Ordinary Resolution

The following matters require approval by Ordinary Resolution and shall be deemed approved, consented to or confirmed, as the case may be, upon the adoption of such Ordinary Resolution:

- (a) matters relating to the administration of the Trust for which the approval of the Unitholders is required by policies of the securities regulatory authorities or other applicable laws and regulations in effect from time to time, and such policies, laws or regulations do not require approval by Special Resolution;
- (b) subject to the requirements for a Special Resolution, any matter or thing required to be consented to or approved by the Unitholders; and
- (c) any matter which the Trustee considers appropriate to present to the Unitholders for their confirmation or approval.

Powers Exercisable Special Resolution

The following powers shall only be exercisable by Special Resolution passed by the Unitholders:

- (a) consenting to the amendment of the Trust Declaration except as provided therein;
- (b) changes to the investment objectives of the Trust;
- (c) the removal of the Trustee;
- (d) the appointment of a new trustee;
- (e) the termination of the Trust;
- (f) a reduction in the amount payable on any outstanding Units upon liquidation of the Trust; or
- (g) the alteration or elimination of any voting rights pertaining to any outstanding Units.

Notwithstanding the above or any other provision herein, no confirmation, consent or approval shall be sought or have any effect and no Unitholders shall be permitted to effect, confirm, consent to or approve, in any manner whatsoever, where the same increases the obligations of or reduces the compensation payable to or protection provided to the Trustee, except with the prior written consent of the Trustee.

Unitholder Meeting Information

Prior to each meeting of Unitholders, the Trust will provide to each Unitholder, together with the notice of the meeting:

- (a) a form of proxy which can be used by a Unitholder to appoint a proxy, who need not be a Unitholder, to attend and act at the meeting on behalf of the Unitholder, in the manner and to the extent authorized by the proxy; and
- (b) all information and certifications required by applicable law.

Termination of the Trust

The Trustee may at any time terminate and dissolve the Trust by giving written notice to each of the then Unitholders of its intention to terminate the Trust at least ninety (90) days before the date on which the Trust is to be terminated. Upon termination, the net assets of the Trust will be distributed to the Unitholders on a *pro rata* basis. Prior to the termination date, the Trustee will convert the assets of the Trust to cash. After payment of the liabilities of the Trust, each Unitholder registered as such at the close of business on the date fixed as the termination date will be entitled to receive from the Trustee his proportionate share of the value of the Trust in accordance with the number of Units which he then holds.

Amendments to the Trust Declaration

Subject to the restrictions described in "Meetings of Unitholders," any provision of the Trust Declaration may be amended, deleted, expanded or varied by the Trustee, if the amendment is, in the opinion of counsel for the Trustee, not a material change which adversely affects the pecuniary value of the interest of any Unitholders and does not relate to:

- (a) any material change in the position, authority or responsibility of the Trustee;
- (b) any change in the investment policy of the Trust; or
- (c) any change to the Trust Declaration, if such change is material or is otherwise required by the Trust Declaration.

Information and Reports

After the end of each calendar quarter, the Trustee will distribute or make available in accordance with applicable securities legislation to each Unitholder the Trust's accountant prepared and reviewed financial statements. On or before March 31 in each year, the Trustee will:

- (a) deliver or make available to each Unitholder the Trust's audited financial statements for the previous fiscal year and such other reports as are from time to time required by applicable securities or other laws; and
- (b) deliver to each person who received a distribution at any time during the previous calendar year, tax reporting information in such a manner as will enable such person to report the income tax consequences of investment in Units in their annual Canadian income tax return.

Such financial statements will be prepared in accordance with GAAP; provided that such statements and the obligations to deliver such statements may vary from such principles to the extent required to comply with applicable securities laws or securities regulatory requirements or to the extent permitted by applicable securities regulatory authorities.

Liability of Unitholders

No Unitholder, in its capacity as Unitholder, will incur or be subject to any liability, direct or indirect, absolute or contingent, in contract or in tort or of any other kind, to any person in connection with any Trust Liabilities. No Unitholder, in its capacity as such, will be liable to indemnify the Trustee or any other person with respect to any Trust Liabilities.

To the extent that, notwithstanding the provisions of the Trust Declaration, any Unitholder, in its capacity as such, may be determined by a judgement of a court of competent jurisdiction to be subject to or liable in respect of any Trust Liabilities, such judgement and any writ of execution or similar process in respect thereof will be enforceable only against, and will be satisfied only out of, the Units held by such Unitholder.

To the extent that, contrary to the provisions of the Trust Declaration, any Unitholder is held personally liable as such to any other person in respect of any Trust Liabilities, such Unitholder will be entitled to indemnity and reimbursement out of the Trust Property to the full extent of such liability and for all costs of any litigation or other proceedings in which such liability has been determined, including, without limitation, all fees and disbursements of counsel. The rights accruing to a Unitholder under the Trust Declaration do not exclude any other rights to which such Unitholder may be lawfully entitled, nor does anything herein contained restrict the right of the Trustee to indemnify or reimburse a Unitholder out of the

Trust Property in any appropriate situation not specially provided herein but, for greater certainty, the Trustee has no liability to reimburse a Unitholder for taxes assessed against them by reason of or arising out of their ownership of Units.

Powers of the Trustee

The Trustee is vested with and will have continuing, full, absolute and exclusive power, control, and authority and discretion over the Trust Property and over, and management of, the affairs and undertaking of the Trust, to the same extent as would the sole and absolute legal and beneficial owner of the Trust Property, and may, in respect of the Trust Property, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof without the necessity of applying to any court for leave to do so. Without restricting or limiting the generality of the foregoing, such powers of the Trustee will include the powers enumerated in the ensuing section and elsewhere in the Trust Declaration.

Specific Powers and Authorities

Subject only to the express limitations contained in the Trust Declaration, and in addition to any other powers and authorities conferred by the Trust Declaration or which the Trustee may have by virtue of any present or future statute or rule of law, the Trustee, without any action or consent by the Unitholders, will have and may exercise at any time and from time to time the following powers and authorities, which may be exercised by the Trustee in such manner and upon such terms and conditions as they may from time to time determine proper:

- (a) to supervise the activities and manage the investments and affairs of the Trust;
- (b) to hold the Trust Property in safekeeping, retaining moneys, securities, property, assets or investments, and investing moneys from time to time forming part of the Trust Property;
- (c) to ensure that the Subscription Proceeds are invested in LP Units;
- (d) to borrow money as necessary to pay distributions to Unitholders, and encumbering Trust Property in respect thereof;
- (e) to pay properly incurred expenses out of Trust Property;
- (f) to open, operate and close bank accounts and other similar credit, deposit and banking arrangements, to negotiate and sign banking and financing contracts and agreements and deposit monies from time to time forming part of the Trust Property in such accounts;
- (g) to possess and exercise rights, powers and privileges appertaining to ownership of or interests in Trust Property;
- (h) to hold legal title to the Trust Property;
- (i) to appoint the accountants of the Trust;
- (j) to ensure compliance with applicable securities legislation;
- (k) to prepare and file or cause to be prepared and filed all requisite returns, reports and filings;
- (l) to provide all requisite office accommodation and associated facilities;
- (m) to provide or cause to be provided to the Trust all other administrative and other services and facilities required by the Trust;
- (n) to maintain or cause to be maintained complete records of all transactions in respect of the investment portfolio of the Trust;
- (o) to prescribe any instrument provided for or contemplated by the Trust Declaration;
- (p) to effect payment of distributions to the Unitholders;

- (q) to collect, sue for and receive all sums of money or other property or items that are believed due to the Trust and obtain security, including encumbrances on assets, to secure the full payment of monies owed to the Trust and the performance of all obligations in favour of the Trust, and to exercise all of the rights of the Trust, and to perform all of the obligations of the Trust, under such security;
- (r) to possess and exercise all the rights, powers and privileges pertaining to the ownership of all or any part of the Trust Property, including the LP Units, to the same extent that any person might, unless as otherwise limited;
- (s) where reasonably required, to engage, employ, contract with or retain on behalf of the Trust any persons as agents, representatives, employees or independent contractors in one or more capacities;
- (t) except as prohibited by law, to delegate from time to time to the Trust's employees, consultants, agents and other persons the doing of such things and the exercise of such powers hereunder as the Trustee may from time to time deem expedient, so long as any such delegation is not inconsistent with any of the provisions of this Declaration and subject at all times to the general control and supervision of the Trustee as provided for in the Trust Declaration;
- (u) to issue and redeem Units pursuant to the terms and conditions of the Trust Declaration;
- (v) where desirable to make or cause to be made application for the listing or quotation on any stock exchange or market of Units, and to do all things which in the opinion of the Trustee may be necessary or desirable to effect or maintain such listing or quotation;
- (w) to use best efforts to do all such acts and things as are necessary to ensure that the Trust qualifies at Closing and at all times thereafter as a "mutual fund trust" pursuant to subsection 132(6) of the Tax Act, including *inter alia* those things set out in the Trust Declaration;
- (x) to pay all taxes or assessments, of whatever kind or nature, whether within or outside Canada, imposed upon or against the Trustee in connection with the Trust Property, undertaking or income of the Trust, or imposed upon or against the Trust Property in connection with the undertaking or income of the Trust, or any part thereof, and to settle or compromise disputed tax liabilities, and for the foregoing purposes to make such returns, take such deductions, and make such designations, elections, allocations and determinations in respect of Trust Income, Net Realized Capital Gains or any other amounts distributed, allocated and made payable to Unitholders in a year and any other matter as shall be permitted under the Tax Act and analogous provisions of any provincial income tax legislation, and to do all such other acts and things as may be deemed by the Trustee in its sole discretion to be necessary, desirable or convenient;
- (y) to do all such acts and things, and to execute, deliver and perform the obligations of the Trust under all such agreements and instruments as are necessary to complete the Offering or as are contemplated by the Prospectus; and
- (z) to do all such other acts and things and execute all such agreements and other instruments as are incidental to the foregoing, and to exercise all powers that are necessary or useful to carry on the purpose and activities of the Trust, to promote or advance any of the purposes or objectives for which the Trust is formed and to carry out the provisions of the Trust Declaration whether or not specifically mentioned in the Trust Declaration.

Resignation and Removal of Trustee

The Trustee or any successor trustee may resign upon 60 days' notice to Unitholders, or may be removed by a Special Resolution of the Unitholders by notice to the Trustee not less than 60 days prior to the date that such removal is to take effect, provided that a successor trustee is appointed or the Trust is terminated. In the event that the Trustee resigns or is removed or becomes incapable of acting or if for any cause a vacancy shall occur in the office of the Trustee, a successor trustee may forthwith be appointed by the Unitholders by Special Resolution to fill such vacancy.

Following the appointment of a successor trustee, the former Trustee will account to the new trustee for all Trust Property which the former Trustee holds as trustee and will execute and deliver such documents as the new trustee may require for the conveyance of any Trust Property held in the Trustee's name.

Indemnification of Trustee

The Trust Declaration provides that the Trustee will be indemnified out of the Trust Property in respect of any civil, criminal or administrative action or proceeding to which it, any of its officers or directors, or any officer or director of any of its affiliates, is made a party by reason of being or having been a Trustee or officer or director of the Trustee, and/or in respect of any and all taxes, penalties or interest in respect of unpaid taxes or other governmental charges imposed upon such parties as a result of the exercise of his or her powers or duties under the Trust Declaration. However, any such party will not be indemnified in respect of unpaid taxes or other governmental charges that result from his or her failure to act honestly and in good faith with a view to the best interests of the Trust, or as a result of his or her failure to exercise that degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, or, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where such party did not have reasonable grounds for believing that his or her conduct was lawful.

In addition, the Trust Declaration contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

Fees and Expenses

As part of the expenses of the Trust, the Trustee may pay or cause to be paid out of the Trust Property, reasonable fees, costs and expenses incurred in connection with the administration and management of the Trust, including (without limitation) fees of auditors, accountants, lawyers, appraisers and other agents, consultants and professional advisors employed by or on behalf of the Trust, the cost of reporting or giving notices to Unitholders, and sales fees in connection with the sale of Units, including trailer fees. All costs, charges and expenses properly incurred by the Trustee on behalf of the Trust will be payable out of the Trust Property.

Standard of Care

The Trustee is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Trust and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Conflicts of Interest

The Trustee or a director or officer of the Trustee who directly or indirectly has a material interest in a material contract or transaction or proposed material contract or transaction with the Trust, other than an affiliate of the Trust, must disclose in writing to the Trust the nature and extent of such interest forthwith after becoming aware of the material contract or transaction or proposed material contract or transaction. Such director or officer of the Trustee must not vote on any resolution to approve the material contract or transaction, unless the material contract or transaction is one relating primarily to his or her remuneration as a director or officer, one for indemnity or insurance, or one with any affiliate of the Trust.

Where the Trustee or any director or officer of the Trustee fails to disclose his or her interest in a material contract or transaction, the Trustee or any Unitholder, in addition to exercising any other rights or remedies in connection with such failure exercisable at law or in equity, may apply to a court for an order setting aside the material contract or transaction and directing that the Trustee or such director or officer account to the Trust for any profit or gain realized, provided that if the Trustee or director or officer is acting honestly and in good faith, he or she will not be accountable to the Trust or to the Unitholders for any profit or gain realized from such material contract or transaction, and such material contract or transaction will not be void or voidable and may not be set aside, if: (i) the material contract or transaction was reasonable and fair to the Trust at the time it was approved; (ii) the material contract or transaction is confirmed or approved at a meeting of the Trust duly called for that purpose; and (iii) the nature and extent of the Trustee's or director's or officer's interest in such contract or transaction is disclosed in reasonable detail in the notice calling the meeting of the Trustee.

Rights of Unitholders

A Unitholder has similar protections, rights and remedies as a shareholder would have under the *Canada Business Corporations Act* (the “CBCA”), although there are many important differences, as described herein. Many of the provisions of the CBCA respecting the governance and management of a corporation have been incorporated in the Trust Declaration. For example, Unitholders are entitled to exercise voting rights in respect of their Units in a manner comparable to shareholders of a CBCA corporation, and provisions relating to the calling and holding of meetings of Unitholders included in the Trust Declaration are comparable to those of the CBCA. Unlike shareholders of a CBCA corporation, Unitholders do not have a comparable right of a shareholder to make a proposal at a general meeting of the Trust. The matters in respect of which Unitholder approval is required under the Trust Declaration are generally less extensive than the rights conferred on the shareholders of a CBCA corporation. The appointment of auditors is reserved to the Trustee rather than the Unitholders. Unitholders do not have recourse to a dissent right under which shareholders of a CBCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, the sale of all or substantially all of its property, or a going private transaction). As an alternative, Unitholders seeking to terminate their investment in the Trust are entitled to receive, subject to certain conditions and limitations, their *pro rata* share of the Trust’s net assets through the exercise of the redemption rights described above under “Redemption”. Unitholders similarly do not have recourse to the statutory oppression remedy that is available to shareholders of a CBCA corporation where the corporation undertakes actions that are oppressive, unfairly prejudicial or disregard the interests of security holders and certain other parties.

Shareholders of a CBCA corporation may apply to a court to order the liquidation and dissolution of the corporation in certain circumstances, whereas Unitholders may rely only on the general provisions of the Trust Declaration which permit the winding-up of the Trust with the approval of a Special Resolution of the Unitholders. Shareholders of a CBCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The CBCA also permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its subsidiaries, with the leave of a court. The Trust Declaration does not include comparable rights.

Constraint on Non-Resident Unitholders

At no time may Non-residents be the beneficial owners of more than 49% of the Units then outstanding. Additionally, at no time shall Non-residents hold or beneficially own, directly or indirectly, Units or any other rights or options, including convertible debentures (“Options”) that may entitle them to acquire Units that would result in more than 49% of the Units, at any time, being held or beneficially owned, directly or indirectly, by Non-Residents.

The Trustee may require declarations as to the jurisdictions in which beneficial owners of Units and/or Options are resident. If the Trustee becomes aware that the beneficial owners of 40% of the Units and/or Options then outstanding are or may be Non-residents, or that such a situation is imminent, the Trustee shall not accept a subscription for Units or Options from or issue or register a transfer of Units or Options to a person unless the person provides a declaration that the person is not a Non-resident. If the Trustee determines that 45% or more of the Units and/or Options then outstanding are beneficially held by Non-residents, the Trustee shall send a notice to such Non-resident Unitholders, chosen in inverse order to the order of acquisition or in such other manner as the Trustee may consider equitable and practicable, requiring them to dispose of their Units and/or Options or a portion thereof within a specified period of not less than 10 Business Days to residents of Canada or partnerships which are “Canadian partnerships” for the purposes of the Tax Act.

If the Unitholders receiving such notice have not disposed of the specified number of Units and/or Options or provided the Trustee with satisfactory evidence that they are not Non-Residents within such period, the Trustee may, on behalf of such Unitholders, dispose of such Units and/or Options without further notice and, in the interim, shall suspend the voting and distribution rights attached to such Units and/or Options. For all purposes of such disposition, the Trustee shall be deemed to be the agents and lawful attorneys of such Non-Resident. Upon such disposition the affected holders shall cease to be holders of Units and/or Options and their rights shall be limited to receiving the net proceeds of disposition upon surrender of the Unit certificates representing such Units, subject to the right to receive payment of any distribution declared by the Trustee which is unpaid and owing to such Unitholders. The Trustee shall have no liability for the amount received provided that it acts in good faith.

The Trustee shall have the sole right and authority to make any determination required or contemplated. If the Trustee considers that there are reasonable grounds for believing that a contravention of the non-resident ownership restriction has occurred or will occur, the Trustee shall make a determination with respect to the matter. Any such determination shall be conclusive, final and binding except to the extent modified by any subsequent determination by the Trustee.

The Trustee may determine not to take any of the actions described above if the Trustee has been advised by counsel to the Trust that the failure to take any such actions would not adversely impact the status of the Trust as a "mutual fund trust" for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of the Trust as a "mutual fund trust" for purposes of the Tax Act.

The foregoing is a summary only of certain of the material provisions of the Trust Declaration. For a complete understanding of all of the provisions of the Trust Declaration, reference should be made to the Trust Declaration itself, a copy of which is available from the Trustee.

B. LP Units

Limited Partnership Agreement

The rights and obligations of the General Partner and the Limited Partners are governed by the Limited Partnership Agreement. The following is a summary of all of the material provisions of the Limited Partnership Agreement. **This summary does not purport to be complete and reference should be to the Limited Partnership Agreement itself, a copy of which is available from the General Partner.**

Capitalized terms in this summary which are not defined in this Offering Memorandum, are defined in the Limited Partnership Agreement.

Capital in the Limited Partnership

The capital of the Limited Partnership consists of an unlimited number of LP Units, plus the interest held by the Limited the General Partner.

The General Partner has made a capital contribution of \$10 to the Limited Partnership, and has no further obligation to contribute capital. Patrick Sullivan, as the Founding Limited Partner, has also made a capital contribution of \$10.00 to the Limited Partnership, which capital contribution will be returned to him upon the completion of the initial subscription for LP Units. Limited Partners will contribute to the Limited Partnership \$10.00, or such other amount as the General Partner may determine, per Unit subscribed for.

Allocation of Net Income and Net Loss

The Net Income (LP) shall be allocated among the partners on the following basis:

- (a) firstly, the General Partner shall be allocated .01% of the Net Income (LP) to a maximum of \$100 per annum;
- (b) secondly, Limited Partners shall be allocated the Minimum Return, *pro rata* in accordance with their respective Income Shares;
- (c) thirdly, Limited Partners shall be allocated the Net Income (LP), *pro rata* in accordance with their respective Income Shares, until they have received repayment of the Cash Proceeds in full; and
- (d) fourthly, the balance of Net Income (LP) shall be allocated 80% to the Limited Partners, *pro rata* in accordance with their respective Income Shares, and 20% to the General Partner.

The Net Loss (LP) shall be allocated among the Partners on the following basis:

- (a) firstly, the General Partner shall be allocated .01% of the Net Loss (LP) to a maximum of \$100 per annum; and

- (b) secondly, the balance of Net Loss (LP) shall be allocated to the Limited Partners.

Notwithstanding the foregoing, if any Limited Partner has a negative balance in his, her or its capital account, the General Partner shall have the right to allocate Net Income (LP) to that Limited Partner in priority to other Limited Partners to the extent of the negative balance. The General Partner shall not allocate Net Loss (LP) to a Limited Partner if after the allocation, the Limited Partner would have a negative balance in his, her or its capital account.

The taxable income, taxable loss, capital gain and capital loss of the Limited Partnership, determined in accordance with the Limited Partnership Agreement, shall be allocated among the partners on the same basis on which Net Income (LP) and Net Loss (LP) are allocated to the General Partner and Limited Partners.

Distributions

Subject to distributions on dissolution of the Limited Partnership:

- (a) distributable cash shall be distributed quarterly, as cash flow permits, as follows:
- (i) firstly, to the Limited Partners, *pro rata* in accordance with their respective Income Shares, an amount equal to the Minimum Return until each has received an amount which, when aggregated with all previous distributions is equal to (but not in excess of) the sum of such Limited Partner's Minimum Return from the respective date of issue of his, her or its LP Units;
 - (ii) secondly, to the Limited Partners until the Limited Partners have received repayment in full of the Cash Proceeds, to the extent the Cash Proceeds have not been paid from previous distributions of distributable cash or extraordinary net cash receipts; and
 - (iii) as to the balance, 80% to the Limited Partners, *pro rata* in accordance with their respective Income Shares, and 20% to the General Partner;
- (b) extraordinary net cash receipts, being the net proceeds from a Sale or Refinancing calculated in accordance with the Limited Partnership Agreement, will be distributed as and when funds are received and are available for distribution, as follows:
- (i) firstly, in the event of a Sale of a Property, to pay any costs involved in the Sale, and to pay all amounts required to discharge any mortgages or encumbrances registered against the assets;
 - (ii) secondly, to pay to the Limited Partners that amount which is estimated by the General Partner to be required by the Limited Partners to pay any income or other taxes arising as a result of the Sale;
 - (iii) thirdly, to pay all current obligations of the Limited Partnership, including without limitation, mortgage loans and any loans advanced by the General Partner or the Limited Partners, plus accrued interest, and the Asset Management Fee payable under the Management Agreement;
 - (iv) fourthly, if the Limited Partners have not received cash distributions from distributable cash or extraordinary net cash receipts equal to the Minimum Return, to the Limited Partners until they have received the full Minimum Return in proportion to their accrued but unpaid Minimum Return and until each has received an amount which, when aggregated with all previous distributions is equal to (but not in excess of) the sum of such Limited Partner's Minimum Return from the respective date of issue of his, her or its LP Units;
 - (v) fifthly, to the Limited Partners until the Limited Partners have received repayment in full of the Cash Proceeds, to the extent that such amount has not been paid from previous distributions of distributable cash or extraordinary net cash receipts;
 - (vi) sixthly, if the Limited Partners and the General Partner are allocated Net Income (LP) or Net Loss (LP) in excess of the Minimum Return and the repayment in full of the Cash Proceeds, extraordinary net cash receipts will be distributed concurrently to:

- (A) the Limited Partners in proportion to the share of the excess attributable to the Limited Partners until each has received an amount which, when aggregated with all previous distributions is equal to (but not in excess of) the sum of such Limited Partner's Minimum Return and Cash Proceeds from the respective date of issue of his, her or its LP Units plus such Limited Partner's share of such excess; and
- (B) the General Partner in proportion to the share of the excess attributable to the General Partner until it has received an amount which is equal to (but not in excess of) General Partner's share of such excess; and
- (vii) seventhly, the balance of extraordinary net cash receipts will be distributed 80% to the Limited Partners, *pro rata* in accordance with their respective Income Shares, and 20% to the General Partner.

Additional Capital Contributions

No Limited Partner is required to make additional capital contributions to the Limited Partnership over and above the purchase price paid for such Limited Partner's LP Units.

Partner Loans

If the Limited Partnership requires additional funding, the General Partner may request that one or more Limited Partners voluntarily loan funds to the Limited Partnership. If a Limited Partner elects to make a loan to the Limited Partnership, the Limited Partnership will be required to repay such loan, together with interest thereon, in priority to any distributions of amounts in respect of cash flow from the operations of the Properties, and in priority to any distributions of net proceeds received by the Limited Partnership from any capital transaction in respect of the Properties.

Distributions upon Wind-up, etc.

Upon the liquidation, dissolution or wind-up of the Limited Partnership, the assets of the Limited Partnership will be liquidated and the proceeds of dissolution will be distributed in the following order:

- (a) in the event that dissolution occurs upon the sale of the last of the Properties, to pay any costs involved in the sale, and to pay all amounts required to discharge any Mortgage Loans or encumbrances registered against the Properties;
- (b) to pay all expenses incurred in the winding-up of the Limited Partnership;
- (c) to pay all of the liabilities of the Limited Partnership, including any loans or advances made by Limited Partners, any amounts owing to the General Partner in respect of costs and expenses owing to it pursuant to the Limited Partnership Agreement, and to the extent then payable the Asset Management Fee payable under the Management Agreement, in the manner required by law;
- (d) to establish such reserves as the General Partner considers necessary;
- (e) to return to each Limited Partner the Net Equity;
- (f) to return to the General Partner the balance in its capital account;
- (g) to pay to the Limited Partners any unpaid portion of their Minimum Return; and
- (h) to distribute any balance then remaining 80% to the Limited Partners, *pro rata* in accordance with their respective Income Shares, and 20% to the General Partner.

Management and Control of the Limited Partnership

The General Partner is given full power and authority to manage, control, administer and operate the business of the Limited Partnership, except for certain matters being subject to votes of the Limited Partners. No Limited Partner is permitted to take part in the management of the business of the Limited Partnership. The General Partner has unlimited liability for the debts, liabilities and obligations of the Limited Partnership. A Limited Partner will not be liable for any debts, liabilities or obligations of the Limited Partnership in excess of such Limited Partner's paid capital contributions and any unpaid capital contributions agreed to be paid in respect of such Limited Partner's LP Units, provided such Limited Partner does not take part in the control or management of the business of the Limited Partnership.

Removal of the General Partner

The Limited Partners may, by Special Resolution and upon 60 days' written notice to the General Partner, remove the General Partner without cause, and may remove the General Partner for cause, if such cause is not remedied after reasonable notice from the Limited Partners. In either such case, the Limited Partners will appoint, concurrently with the removal, a replacement general partner to assume all of the responsibilities and obligations of the removed General Partner, and the removed General Partner will be released of its liabilities under the Limited Partnership Agreement and indemnified for any damages and expenses with respect to events which occur in relation to the Limited Partnership after the appointment of the new General Partner.

The removal and replacement of the General Partner will not dissolve the Limited Partnership, and the business of the Limited Partnership will be continued by the new General Partner.

Voting

Each LP Unit has attached to it the right to exercise one vote at meetings of the Limited Partnership. Certain powers, relating generally to the existence and fundamental powers of the Limited Partnership, are specified in the Limited Partnership Agreement to be exercisable only by way of a Special Resolution passed by the Limited Partners.

Financial Information

The General Partner has agreed under the Limited Partnership Agreement to distribute a copy of audited annual financial statements to each Limited Partner within 90 days after the end of each fiscal year of the Limited Partnership, and to provide each Limited Partner with annual income tax information for each fiscal year by March 31 of the following year to facilitate the declaration by each Limited Partner of his, her or its share of the Limited Partnership's income. All financial statements will be prepared in accordance with IFRS applied on a consistent basis, and will contain a breakdown of any expenses for which Related Parties have been reimbursed. The General Partner will also provide interim financial and management reports regarding the affairs of the Limited Partnership on a semi-annual basis.

Residency

Under the terms of the Limited Partnership Agreement, LP Units may only be held by persons or entities that are residents of Canada for Canadian income tax purposes. If, at any time, a Limited Partner becomes a non-resident for Canadian income tax purposes, such non-resident Limited Partner may be required to sell such Limited Partner's LP Units to a resident of Canada.

The foregoing is a summary only of all of the material provisions of the Limited Partnership Agreement. For a complete understanding of all of the provisions of the Limited Partnership Agreement, reference should be made to the Limited Partnership Agreement itself, a copy of which is available from the General Partner.

5.2 Subscription Procedure

The Units are being offered for sale in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario. The Units are conditionally offered if, as and when Subscriptions are accepted by the Trust and subject to prior sale. Subscriptions for Units will be received by the Trust subject to rejection or allotment in whole or in part and the Trust's right is reserved to close the subscription books at any time without notice.

This offering is being made in accordance with certain statutory prospectus exemptions and, where applicable, registration exemptions, contained in securities legislation in the jurisdictions in which the Units are being offered. Such exemptions relieve the Trust from provisions under such statutes requiring the Trust to file a prospectus and, in certain cases, to utilize a registered securities dealer to sell the Units. As such, Subscribers: (i) may not receive the benefits associated with the involvement of such registrants; and (ii) will not receive the benefits associated with purchasing the Units pursuant to a filed prospectus, including the review of the material by the securities commissions or similar regulatory authority in such jurisdictions.

The Units are being offered on a continuous basis pursuant to exemptions from the prospectus and, where applicable, registration requirements of applicable securities legislation. In order to subscribe for Units, Subscribers must agree to provide the Trust with such information and to execute and deliver to the Trust the form of Subscription Agreement (including the certificates, acknowledgements, questionnaires and other documents as the Trust may request) in order to enable it to determine the availability of an exemption, including the following:

- (a) if the Subscriber is relying on “offering memorandum” exemption to the prospectus requirement in section 2.9 of National Instrument 45-106 *Prospectus Exemptions* (“**NI 45-106**”) (the “**Offering Memorandum Exemption**”) and the Subscriber is resident in or otherwise subject to the securities laws of British Columbia, two copies of a Risk Acknowledgement Form (Form 45-106F4);
- (b) if the Subscriber is relying on the Offering Memorandum Exemption and the Subscriber is resident in or otherwise subject to the securities laws of Manitoba:
 - (i) two copies of a Risk Acknowledgement Form (Form 45-106F4), and
 - (ii) if the Subscriber is investing more than \$10,000 pursuant to the Offering Memorandum Exemption, the Subscriber must meet the definition of “eligible investor” (as defined in NI 45-106) and an “Eligible Investor Questionnaire”;
- (c) if the Subscriber is relying on the Offering Memorandum Exemption and the Subscriber is resident in or otherwise subject to the securities laws of Alberta, Ontario or Saskatchewan:
 - (i) two copies of a Risk Acknowledgement Form (Form 45-106F4), and
 - (ii) if the Subscriber is an individual, two copies of Schedule 1 and Schedule 2 attached to the Risk Acknowledgement Form (Form 45-106F4). Subscriber investing more than \$10,000 in a 12-month period must meet the definition of “eligible investor”. Subscriber investing more than \$30,000 (but not more than \$100,000) in a 12 month period must meet the definition of “eligible investor” and have received suitability advice with respect to the investment from a portfolio manager, investment dealer or exempt market dealer. These limits do not apply to “accredited investors” (as defined in NI 45-106 or the Securities Act (Ontario)) or persons described in section 2.5 of NI 45-106 (however, such Subscriber must complete Schedule 1 and Schedule 2 attached to the Risk Acknowledgement Form (Form 45-106F4);
- (d) if the Subscriber is relying on the “accredited investor” exemption to the prospectus requirement in section 2.3 of NI 45-106 and the Subscriber is resident in or otherwise subject to the securities laws of British Columbia, Alberta, Manitoba, Ontario or Saskatchewan:
 - (i) the Subscriber must be an “accredited investor” as defined in NI 45-106 or section 73.3 (2) of the Securities Act (Ontario), and
 - (ii) if applicable, two copies of a Risk Acknowledgment Form for Individual Accredited Investors (Form 45-106F9);
- (e) if the Subscriber is relying on the “minimum investment” exemption (\$150,000) to the prospectus requirement in section 2.10 of NI 45-106 and the Subscriber is resident in or otherwise subject to the securities laws of British Columbia, Alberta, Manitoba, Ontario or Saskatchewan:
 - (i) the Subscriber is not an individual (as defined in applicable securities laws), and

- (ii) the conditions of section 2.10 of NI 45-106 are satisfied;
- (f) if the Subscriber is relying on the “family, friends and business associates” exemption to the prospectus requirement in section 2.5 of NI 45-106 (subject to section 2.6 of NI 45-106 for Saskatchewan residents and 2.6.1 of NI 45-106 for Ontario residents) and the Subscriber is resident in or otherwise subject to the securities laws of British Columbia, Alberta, Manitoba, Ontario or Saskatchewan:
 - (i) such supporting documentation that the Trust or its legal counsel may request to establish the Subscriber’s qualification to rely on such exemption, and
 - (ii) if applicable, two copies of:
 - A. a Risk Acknowledgment Form (Form 45-106F12) (Ontario residents); or
 - B. a Risk Acknowledgement Form (Form 45-106F5) (Saskatchewan residents), as applicable.

In addition to the foregoing, Units may be issued pursuant to other available exemptions from the prospectus requirements of applicable securities legislation provided the conditions of such exemptions are satisfied.

Subscribers may subscribe for Units by returning to the Agent at 181 University Avenue, Suite 1600, Toronto, Ontario, M5H 3V5 the following:

- (a) a completed Subscription Agreement (including all applicable schedules, appendices, acknowledgements, certificates and other documents requested by the Trust); and
- (b) a certified cheque or wire transfer (instructions to be provided) payable to the Agent.

In accordance with the requirements of NI 45-106, the Agent will hold the subscription monies advanced by each Subscriber in trust for the Subscriber until midnight on the second business day after the Subscription Agreement is signed by the Subscriber.

Subscriptions received will be subject to rejection or allotment by the Trust in whole or in part in the Trustee’s sole discretion. The Trust is not obliged to accept any subscription. If any subscription is not accepted, the Trust will promptly return to the subscriber the Subscription Agreement and the money comprising such subscription. Confirmation of acceptance of a subscription will be forwarded to the subscriber by the Trust. The Trust reserves the right to close the subscription books at any time without notice.

The Trust intends to accept subscriptions for Units on a continuous basis, on such days as the Trustee may determine from time to time. For convenience, subscription funds which are received by the Trust prior to any acceptance date will be held in a separate bank account of the Trust until subscriptions are accepted by the Trust. The deposit of subscription funds by the Trust into such bank account shall not constitute acceptance of the subscription for Units in respect of which such funds have been delivered.

The Units have not been and will not be registered under the *United States Securities Act* of 1933, as amended, and subject to certain exceptions, may not be offered or sold in the United States.

All subscription documents should be reviewed by prospective subscribers and their professional advisers prior to subscribing for Units.

ITEM 6 - SUMMARY OF INCOME TAX CONSEQUENCES AND ELIGIBILITY

6.1 Summary of Income Tax Consequences

PROSPECTIVE PURCHASERS SHOULD OBTAIN INDEPENDENT ADVICE FROM THEIR OWN TAX AND LEGAL ADVISORS REGARDING THE INCOME TAX CONSEQUENCES APPLICABLE TO THEIR OWN PARTICULAR CIRCUMSTANCES.

The following is a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a Unitholder who acquires Units pursuant to this Offering and who, for purposes of the Tax Act and at all relevant times, is resident in Canada for the purposes of the Tax Act, deals at arm's length and is not affiliated with the Issuer and holds the Units as capital property. Generally, the Units will be considered to be capital property to a Unitholder provided such Units are not held in the course of carrying on a business and have not been acquired 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 treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such Unitholders should consult their own tax advisors regarding their particular circumstances as such election would affect the Canadian federal income tax treatment of dispositions by the Unitholder of all of their "Canadian securities" (as defined in the Tax Act).

This summary is not applicable to a Unitholder that is a "financial institution" for purposes of the "mark-to-market" rules or a "specified financial institution", or a Unitholder an interest in which is a "tax shelter investment" (all as defined in the Tax Act). This summary does not address the tax considerations of Unitholders borrowing money to acquire Units. All such Unitholders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of the Units acquired pursuant to this Offering. This summary describes certain principal Canadian federal income tax considerations based on the application of specific provisions of the Tax Act to the transactions described in the Offering Memorandum, and does not address any tax consequences which could arise as a result of any potential application of the general anti-avoidance rule in subsection 245(2) of the Tax Act to any particular transaction or series of transactions.

This summary is based on the facts set out in this Offering Memorandum. This summary is also based upon the provisions of the Tax Act and the regulations (the "**Regulations**") thereunder in force as of the date hereof and on the publicly available administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**") published prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act and the regulations made thereunder which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (collectively, the "**Proposed Amendments**"). There can be no assurance that these proposals will be enacted in their current form or at all, or that the CRA will not change its administrative policies and assessing practices.

This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action. There can be no assurances that such changes, if made, might not be retroactive. Modification or amendment of the Tax Act or Proposed Amendments could significantly alter the tax status of the Trust and the tax consequences of investing in Units. **This summary also does not take into account provincial, territorial, U.S., State, or other foreign tax legislation or considerations, which may differ significantly from those discussed in this summary.**

This summary does not address any Canadian federal income tax considerations applicable to Unitholders who are not resident in Canada for the purposes of the Tax Act. Non-resident Unitholders should consult their own tax advisors regarding the tax consequences of acquiring and holding Units. All distributions to non-residents will be net of any applicable withholding taxes.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. The income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the particular circumstances applicable to each Unitholder. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Units. The Trust has not obtained, nor sought, an advance tax ruling from the CRA in respect of this Offering. Prospective purchasers should consult their own tax advisors for advice with respect to the tax consequences of an investment in Units based on their particular circumstances.

Tax Status of the Trust

Qualification as a “Mutual Fund Trust”

This summary assumes that the Trust has qualified at all times since inception, currently qualifies and will continue to qualify as a “mutual fund trust” as defined in the Tax Act. If the Trust does not qualify or ceases to qualify as a mutual fund trust, the Canadian federal income tax considerations described below would be materially different from those described in this summary, and in particular, adverse consequences may arise including that (i) the Trust may become liable to pay certain additional taxes (with the result that the amount of cash available for distribution by the Trust would be reduced and Unitholders may otherwise be adversely affected), and (ii) unless at such time the Units are listed on a designated stock exchange, the Units will not be qualified investments for Deferred Plans (with the result that a Deferred Plan, its annuitant or holder thereof may become liable to pay additional tax or penalties or may be otherwise adversely affected).

To qualify as a mutual fund trust at any particular time, the Trust must satisfy certain requirements including: (i) the Trust must be a unit trust (as defined in the Tax Act) resident in Canada; (ii) the Trust must not reasonably be considered to be established or maintained primarily for the benefit of non-residents of Canada; (iii) the only undertaking of the Trust must be the investing of its funds in property (other than real property or an interest in real property or an immovable or a real right in an immovable), or the acquiring, holding, maintaining, improving, leasing or managing of real property (or an interest in real property) or an immovable (or real right in immovables) that is capital property of the Trust, or any combination of such activities; and (iv) the Trust must comply with certain prescribed requirements including that the Units be qualified for distribution to the public and that at all relevant times there must be no fewer than 150 beneficiaries of the Trust each of whom holds at least one “block of units” (as defined in the Regulations) having an aggregate fair market value of not less than \$500 each. For the Trust to qualify as a unit trust, the interest of each Unitholder must be described by reference to units of the Trust and the Units must have conditions requiring the Trust to accept, at the demand of a Unitholder and at prices determined and payable in accordance with the conditions, the surrender of the Units that are fully paid.

The SIFT Measures

The Tax Act contains rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the “**SIFT Measures**”). The SIFT Measures effectively tax certain income of a publicly-traded trust or partnership that is distributed to its investors on the same basis as would have applied had the income been earned through a taxable corporation and distributed by way of dividend to its shareholders. The SIFT Measures apply to any “specified investment flow-through” (a “**SIFT**”) and its investors.

Neither the Trust nor the Limited Partnership have any immediate plans to list the Units or LP Units on any stock exchange or other public market.

Consequently the Trust expects, and this summary assumes, that the Trust and the Limited Partnership will not be liable to SIFT tax under the SIFT Measures. If the Units, the LP Units, or any other securities or investments in the Trust or the Limited Partnership become listed or traded on a stock exchange or public market, and if the Trust or the Limited Partnership do not qualify for certain other exceptions set out in the Tax Act they could become subject to the SIFT provision and the income tax considerations could be materially different from those described in this summary.

Taxation of the Trust

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

The Trust will generally be required to include in computing income for a particular taxation year its allocated share of the income or loss of the Limited Partnership for the fiscal period of the Limited Partnership ending on or before the year-end of the Trust. Any dividend received by the Limited Partnership will retain its character as a dividend when allocated to the Trust. The Trust’s ability to deduct any losses allocated to it by the Limited Partnership will be limited by certain rules

under the Tax Act. The Trust may also realize a capital gain or loss on the disposition or deemed disposition of LP Units (including from any distribution *in specie* of LP Units), from the disposition of foreign currency or upon the allocation of a capital gain or loss from the Limited Partnership, as described below under “Taxation of the Limited Partnership”. Also, as described under “Taxation of the Limited Partnership” below, cash flow distributed by the Limited Partnership to the Trust will be generally received free from tax, except to the extent that such distributions reduce the adjusted cost base of LP Units held by the Trust to a negative amount at the end of a fiscal year of the Limited Partnership.

In computing its income for purposes of the Tax Act, the Trust may generally deduct reasonable administrative costs, interest and other expenses of a current nature incurred by it for the purpose of earning income. The Trust will be entitled to deduct reasonable expenses incurred by it in the course of issuing Units on a five-year straight line basis (subject to pro-rata for short taxation years), to the extent such costs are not reimbursed.

The Trust will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the “**capital gains refund**”). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the Trust’s tax liability for that taxation year arising in connection with the distribution of its property on the redemption of Units. The Trust Declaration provides that all or a portion of any income or taxable capital gain realized by the Trust as a result of that redemption may, at the discretion of the Trustee, be treated as income or taxable capital gain paid to, and designated as income or taxable capital gain of, the redeeming Unitholders, and thus generally deductible by the Trust in computing its income.

Under the Trust Declaration, an amount equal to the net income (including taxable capital gains) of the Trust (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), plus the non-taxable portion of any net capital gain realized by the Trust, but excluding:

- (i) income and capital gains arising on or in connection with an *in specie* distribution on the redemption of Units which are paid or payable and designated by the Trust to redeeming Unitholders;
- (ii) capital gains, which may be offset by capital losses, if any, carried forward from prior years or, if not so offset, tax on which is recoverable by the Trust; and
- (iii) income, which may be offset by non-capital losses, if any, carried forward from prior years,

may be payable in the year to Unitholders, subject to the qualifications described below.

The Trust Declaration provides that, to the extent cash of the Trust is unavailable for distributions, and the income of the Trust in a taxation year exceeds the cumulative cash distributions for that year, such excess income may be distributed to Unitholders in the form of additional Units or otherwise. Income of the Trust payable to Unitholders, whether in cash, additional Units or otherwise, will generally be deductible by the Trust in computing its taxable income.

Losses incurred by the Trust in a particular taxation year cannot be allocated to Unitholders, but may be deducted by the Trust, in the case of non-capital losses in the particular year and in the ensuing twenty taxation years, and in the case of capital losses in the particular year and in any future taxation year to the extent of capital gains in computing taxable income of the Trust in accordance with, and subject to, applicable provisions of the Tax Act.

Taxation of the Limited Partnership

The Limited Partnership is not subject to tax under the Tax Act. Each partner of the Limited Partnership (including the Trust) is required to include in computing the partner’s income for a particular taxation year the partner’s share of the income or loss of the Limited Partnership for its fiscal year ending in or on the partner’s taxation year-end, whether or not any of that income or loss is distributed to the partner in the taxation year. For this purpose, the income or loss of the Limited Partnership must be computed for each fiscal year as if each partnership was a separate person resident in Canada, and will be required to be allocated to partners on the basis of their respective shares of that income or loss as provided for in the Limited Partnership Agreement, subject to certain provisions of the Tax Act in that regard.

If the Limited Partnership incurs losses for purposes of the Tax Act, a limited partner, including the Trust, will be entitled to deduct in the computation of its income for purposes of the Tax Act its share of any such losses for any fiscal year to the extent of that limited partner’s “at-risk amount” in respect of the Limited Partnership. In general, the “at-risk amount”

of a limited partner in respect of the Limited Partnership for any taxation year will be the adjusted cost base of the limited partner's partnership interest at the end of the year, plus any undistributed income allocated to the limited partner for the year, less any amount owing by the limited partner (or a person with whom the limited partner does not deal at arm's length) to the Limited Partnership (or a person with whom it does not deal at arm's length), and less the amount of any benefit that the limited partner (or a person with whom the limited partner does not deal at arm's length) is entitled to receive or obtain for the purpose of reducing, in whole or in part, any loss of the limited partner from the investment.

On the sale or other disposition of all or some of the Properties, the Limited Partnership, as applicable, must allocate the net proceeds of disposition (gross proceeds less costs of disposition) on a reasonable basis among each separate asset which comprises the property sold. On dispositions of Properties that are capital properties for purposes of the Tax Act, a capital gain will be realized on the amount by which the net proceeds of disposition allocated to a particular depreciable property exceed the capital cost of that property (no capital loss can be realized on depreciable property). A capital gain (or capital loss) will be realized on the amount by which the net proceeds of disposition allocated to a non-depreciable capital property exceed (or are less than) its adjusted cost base.

Taxation of Unitholders

Distributions

A Unitholder will generally be required to include in computing income for a particular taxation year the portion of the net income for purposes of the Tax Act of the Trust for a taxation year, including net realized taxable capital gains, that is paid or payable by the Trust to the Unitholder in the particular taxation year, whether that amount is received in cash, additional Units, or otherwise. Any loss of the Trust for purposes of the Tax Act cannot be allocated to Unitholders.

The non-taxable portion of any net realized capital gains of the Trust that is paid or payable to a Unitholder in a taxation year will not be required to be included in computing the Unitholder's income for the year and should not reduce the adjusted cost base of Units held by the Unitholder. Any other amount paid or payable by the Trust in that year (other than as proceeds of disposition) that is in excess of the Trust's net income for that year will not generally be required to be included in the Unitholder's income for the year. However, where such an amount is paid or payable to a Unitholder, the Unitholder will be required to reduce the adjusted cost base of the Units by that amount. To the extent that the adjusted cost base of a Unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain and the adjusted cost base of the Unit to the Unitholder will immediately thereafter be nil.

A Unitholder which is a "Canadian-controlled private corporation" (as defined in the Tax Act) may also be liable to pay an additional refundable tax on certain investment income, including taxable capital gains.

Purchases of Units

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

Dispositions of Units

On the disposition or deemed disposition of a particular Unit, a Unitholder will realize a capital gain (or capital loss) equal to the amount by which the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of such particular Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the Trust that is otherwise required to be included in the Unitholder's income, including any capital gain realized by the Trust in connection with a redemption which has been designated by the Trust to the redeeming Unitholder. The taxation of capital gains and capital losses is described below.

The adjusted cost base of a Unit to a Unitholder will include the amount paid by the Unitholder for the Unit, subject to certain adjustments. The cost to a Unitholder of additional Units received in lieu of a cash distribution of income (including net capital gains) will be the amount of income (including the applicable non-taxable portion of net capital gains) distributed by the issue of those respective Units. For the purpose of determining the adjusted cost base to a

Unitholder of Units, when a Unit is acquired, the cost of the newly acquired Unit must be averaged with the adjusted cost base of all of the Units owned by the Unitholder as capital property immediately before that acquisition. The non-taxable portion of distributions (other than the non-taxable portion of any net capital gains) received on a Unit will generally reduce the adjusted cost base of the Unit.

Where Units are redeemed and the redemption price is paid by the delivery of Debt Securities to the redeeming Unitholder, the proceeds of disposition to the Unitholder of the Units will be equal to the fair market value of the Debt Securities so distributed less any income or capital gain realized by the Trust in connection with the redemption of those Units, and which has been designated by the Trust to the Unitholder. Where any income or capital gain realized by the Trust in connection with the distribution of Debt Securities on the redemption of Units has been designated by the Trust to a redeeming Unitholder, the Unitholder will be required to include in computing the Unitholder's income the income or taxable portion of the capital gain so designated.

Where Units are redeemed and the redemption price is paid by the delivery of Debt Securities as described above, the redeeming Unitholder will be required to include in income any interest on Debt Securities acquired (including interest that accrued prior to the date of the acquisition of such Debt Securities by the Unitholder that is designated as income to the Unitholder by the Trust) in accordance with the provisions of the Tax Act. The cost of any Debt Securities distributed by the Trust to a Unitholder upon redemption of Units will be equal to the fair market value of those Debt Securities at the time of the distribution less any accrued interest on such Debt Securities. Similarly, where Units are redeemed and the redemption price is paid by the delivery of LP Units as described above, a redeeming Unitholder will be required to include in income the Unitholder's allocable share of income or loss of the Limited Partnership for purposes of the Tax Act for the year that includes the redemption (and the Unitholder's allocable share of income or loss of the Limited Partnership for all years during which the Unitholder holds the LP Units), in accordance with the provisions of the Limited Partnership Agreement and the detailed rules of in the Tax Act in that regard. In the case of the Unitholder's allocable share of loss of the Limited Partnership for any given fiscal year, the Unitholder, will be entitled to deduct in the computation of its income for purposes of the Tax Act only to the extent of that Unitholder's "at-risk amount" as described above under "Taxation of the Limited Partnership". The cost of any LP Units distributed by the Trust to a Unitholder upon a redemption of Units will be equal to the fair market value of those LP Units at the time of the distribution.

Where Units are redeemed and the redemption price is paid by the issuance to the redeeming Unitholder of Trust Notes, the proceeds of disposition to the Unitholder of Units will be equal to the fair market value of the Trust Notes issued. The cost of the Trust Notes issued to a Unitholder by the Trust upon redemption of Units will be equal to the fair market value of the Units disposed in exchange. The Unitholder will thereafter be required to include in computing income for purposes of the Tax Act interest on the Trust Notes, in accordance with the terms of such Trust Notes and the provisions of the Tax Act.

Reclassifications of Units

Generally, the reclassification of one class of Units as another class of Units of the Trust will not be considered to be a disposition for tax purposes and accordingly, the Unitholder will realize neither a gain nor a loss as a result of a reclassification. However, Unitholders should consult with their own tax advisors regarding any tax implications of reclassifying between classes of Units.

Taxation of Capital Gains and Capital Losses

One-half of any capital gain realized by a Unitholder on a disposition or deemed disposition of Units and the amount of any net taxable capital gains designated by the Trust in respect of a Unitholder must generally be included in the Unitholder's income as a taxable capital gain in the taxation year in which the disposition occurs or in respect of which a net taxable capital gains designation is made by the Trust. One-half of any capital loss realized by a Unitholder on a disposition or deemed disposition of Units generally may be deducted by the Unitholder against taxable capital gains of the Unitholder in the year of disposition, and to the extent such losses exceed such gains, in the three preceding taxation years or in any subsequent taxation year in accordance with the provisions of the Tax Act.

A Unitholder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may also be liable to pay an additional refundable tax computed with reference to its "aggregate investment income" (as defined in the Tax Act) for the year, which includes amounts in respect of taxable capital gains.

Alternative Minimum Tax

The Tax Act provides for an “alternative minimum tax” applicable to certain taxpayers including individuals and certain trusts, depending on the amount of their “adjusted taxable income”. In general terms, adjusted taxable income of a Unitholder who is an individual or a trust (and therefore the exposure of such Unitholder to liability for alternative minimum tax) must be increased by, among other things, any capital gains realized by such Unitholder on the disposition of Units and by any net income of the Trust that is paid or payable to such Unitholder and that has been designated as a taxable dividend or as a taxable capital gain.

6.2 Eligibility For Deferred Plans

Provided that at a particular time the Trust qualifies as a mutual fund trust within the meaning of the Tax Act, the Units will be “qualified investments” (as defined in the Tax Act and the Regulations) at that time for Deferred Plans.

Generally, if at any time the Trust does not qualify or ceases to qualify as a mutual fund trust, the Units will not be, or will cease to be, qualified investments for Deferred Plans at that time. Debt Securities, Units or Trust Notes that may be issued by the Trust to holders of Units, on or in connection with redemption of Units, will generally not be qualified investments for Deferred Plans. Where a Unit, a Debt Security or Trust Note held by a Deferred Plan is not a qualified investment, adverse tax consequences will generally arise to the Deferred Plan and the annuitant, beneficiary or holder of the Plan, including, depending on the circumstances, that the Plan and the annuitant, beneficiary or holder may become subject to additional taxes and penalties, or that the annuitant, beneficiary or holder may be deemed to have received income from the Deferred Plan.

Notwithstanding that the Units may be a qualified investment for Deferred Plans as described above, an annuitant or holder of a Deferred Plan will be subject to a penalty tax if the Units held in the Deferred Plan are a “prohibited investment”, as defined in the Tax Act, for the Deferred Plan. The Units will generally be a “prohibited investment” for a particular Deferred Plan if the annuitant or holder of the Deferred Plan does not deal at arm’s length with the Trust for the purposes of the Tax Act, or has a “significant interest”, as defined in the Tax Act, in the Trust. Generally, an annuitant or holder will have a significant interest in the Trust if the Deferred Plan, the annuitant or holder (as applicable), and other persons not at arm’s length with the annuitant or holder together, directly or indirectly, hold more than 10% of the outstanding Units of the Trust.

In light of the foregoing, Subscribers should consult their own tax advisors before acquiring Units in Deferred Plans and again before deciding to exercise the redemption rights attached to such Units held in Deferred Plans.

ITEM 7 - COMPENSATION PAID TO SELLERS AND FINDERS

The Trust may pay a sales fee to registered securities dealers and exempt market dealers, or where permitted, non-registrants, in an amount not to exceed 3% of the subscription monies obtained by such persons, regardless of the Class of Units sold by them, determined by the Trustee in its discretion, acting reasonably, or pursuant to any agreements entered into with such parties payable at the time of the investment.

The Trust may also pay an annual trailer fee of up to 1% of the Net Asset Value of the Class A Units, in aggregate, to registered securities dealers and exempt market dealers, or where permitted, non-registrants selling Class A Units, but not Class F Units, on each Distribution Record Date, payable in any manner determined by the Trustee, in its discretion, including by way of a reduction in the distributions otherwise payable to the affected Class A Unitholders.

The Trust is unable to determine the amount that will be payable on account of the trailer fee at this time because it cannot estimate how many investors will subscribe for Class A Units.

ITEM 8 - RISK FACTORS

The purchase of Units involves a number of risk factors. In addition to the factors set forth elsewhere in this Offering Memorandum, prospective Subscribers should consider the following factors.

Investment Risk

1. *This is a Blind Pool Offering*

This is primarily a “blind pool” Offering. The Trust expects that the available net proceeds of the Offering will be applied by the Trust to indirectly acquire the Contracted Property (as defined herein) and to purchase additional properties, however, the specific additional properties in which the Trust may indirectly invest have not yet been determined.

2. *No Market for Units*

There currently is no market whatsoever for the Units and it is not anticipated that any market will develop. Consequently, holders of such securities may not be able to sell them readily, and Units may not be readily accepted as collateral for a loan. Subscribers should be prepared to hold these securities indefinitely and cannot expect to be able to liquidate their investment even in the case of an emergency. Accordingly, an investment in Units is suitable solely for persons able to make and bear the economic risk of a long-term investment.

3. *Highly Speculative*

The purchase of Units is highly speculative. A potential Subscriber should buy them only if it is able to bear the risk of the entire loss of its investment and has no need for immediate liquidity. An investment in the Units should not constitute a major portion of a Subscriber’s portfolio.

4. *No Guaranteed Return*

There is no representation made by the Trustee that an investment in the Trust will have a guaranteed return to Unitholders, nor that losses will not be incurred by the Trust. The return on an investment in the Units is not comparable to the return on an investment in a fixed-income security. This Offering is not suitable for Subscribers who cannot afford to assume significant risks in connection with their investments.

5. *Payment of Retraction Price by Promissory Note or in Kind*

The Trustee may determine that funds are not currently available for the payment of the redemption price of any Units in respect of which a Unitholder has requested a redemption, in which case the Trustee may elect to delay payment or pay the redemption price for such Units by way of promissory note or in kind. Therefore, there can be no assurance that Unitholders will be able to redeem any or all of their Units for cash payment when they wish to do so.

6. *Marketability of Units*

There is currently no market for the Units and it is not anticipated that any market will develop. Securities legislation, rules, policies and other requirements may prohibit or restrict transferability of Units. Consequently, holders of Units will not be able to resell their Units. See Item 10 - “Resale Restrictions”.

7. *Conflict of Interest*

An affiliate of the Agent owns shares of the Manager and the Agent has also been engaged by the Trust for certain advisory services for which the Agent is entitled to compensation in connection therewith. Consequently, the Trust may be considered a “connected issuer” of the Agent within the meaning of applicable Canadian securities legislation. See Item 13 “Relationship Among the Trust and the Agent.”

Issuer Risk

1. *Reliance on Key Personnel*

The success of the Trust is highly dependent on the services of certain management personnel of the Manager. The loss of the services of such personnel could have an adverse effect on the Trust.

2. *Uninsured Losses*

The Manager arranges for comprehensive insurance, including fire, liability and extended coverage, of the type and in the amounts customarily obtained for properties similar to the Properties and endeavours to obtain coverage where warranted against earthquakes and floods. However, in many cases certain types of losses (generally of a catastrophic nature) are either uninsurable or not economically insurable. Should such a disaster occur with respect to one or more of the Properties, the Trust could suffer a loss of capital invested and not realize any profits which might be anticipated from the ownership of the Properties.

3. *Limitations on Non-Resident Ownership*

The Trust Declaration provides that at no time may Non-residents be the beneficial owners of more than 49% of the Units then outstanding. The limitation on ownership of the Units by Non-residents may have an adverse impact on the liquidity of the Units.

4. *Tax Matters*

The return on the Unitholders; investment in the Units is subject to changes in Canadian federal and provincial tax laws, tax proposals, other governmental policies or regulations and governmental, administrative or judicial interpretation of the same. There can be no assurance that tax laws, tax proposals, policies or regulations, or the interpretation thereof, will not be changed in a manner which will fundamentally alter the tax consequences to Unitholders of acquiring, holding or disposing of Units.

5. *Net Worth of the Trustee; Limited Recourse.*

The Trustee and the Manager are companies without material assets. Should a claim be made against any of them, it will likely be difficult to realize upon any judgment which might be obtained against it.

6. *Major Assets; Geographic Concentration*

Properties indirectly acquired by the Trust in the Trust Region represent the major asset of the Trust and therefore the Trust's financial performance is directly tied to the performance of these particular assets. The Trust, through the Limited Partnership, does not expect to have a large portfolio of diverse real estate assets; therefore, its success is dependent on the success of the Properties to be acquired by Limited Partnership.

7. *Vacancy Rates of Properties*

The Trust's Properties, including the Properties which comprise the Commercial Portfolio, are, from time to time, susceptible to high vacancy rates. Distributable Cash Flow will be adversely affected if a significant number of tenants of the Properties were to become unable to meet their obligations under their leases or if a significant amount of available space in the Properties is not able to be leased on economically favourable lease terms.

8. *Interest Rate Fluctuations*

It is anticipated that the value of 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 value of 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 the interest rates may also have effects on vacancy rates, rent levels, repositioning costs and other factors affecting the Trust's business and profitability. The mortgage loans arranged by the Limited Partnership may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in the Limited Partnership's cost of borrowing.

9. *Minimal Operating History*

The Trust has minimal operating history. As such, prospective Subscribers are not able to evaluate the likely performance of the Trust on the basis of an established operating history.

10. *Revenue Shortfalls*

Revenues from the Properties may not increase sufficiently to meet increases in operating expenses or debt service payments under mortgages or to fund changes in the variable rates of interest charged in respect of such loans.

Industry Risk

1. *Risks of Real Estate Investment*

Investment in real estate is subject to numerous risks, including the highly competitive nature of the real estate industry, changes in general or local conditions, failure of tenants to pay rent, changes in neighbourhood property values, interest rates, availability of mortgage funds, increases in real estate tax rates and other operating expenses, the possibility of competitive overbuilding and of the inability to obtain full occupancy of the properties, governmental rules and fiscal policies, including rent control legislation, which limit potential rent increases, and other events and factors which are beyond the control of the Trust.

There is no assurance that the Trust will be able to obtain sufficient mortgage financing to finance the acquisition of real estate investments, or on commercially acceptable terms, or that any such mortgage financing will be renewed upon maturity or, if renewed, renewed on the same terms and conditions (including the rate of interest). The real estate properties may not generate sufficient funds to service the mortgage financing taken out in respect of them. If a default occurs, a property could be foreclosed upon. Indebtedness with variable interest rates will result in fluctuations in the Trust's cost of borrowing.

2. *Illiquidity of Real Estate*

Investments in real estate properties are relatively illiquid. Such illiquidity will tend to limit the Trust's ability to change its portfolio promptly in response to changing economic or investment conditions.

3. *Market & Regulatory Risks*

The economic performance and value of the Partnership's interest in properties acquired by it will be subject to all of the risks associated with investing in real estate, including, but not limited to:

- changes in the national, regional and local economic climate;
- local conditions, including a reduction in demand for properties like the properties acquired by the Trust;
- the attractiveness of the properties acquired by the Trust to purchasers and renters;
- competition from other available similar projects; and
- changes in laws and governmental regulations, including those governing usage, zoning, the environment and taxes.

4. *Competition*

The Trust competes with other investors and owners of similar properties to those to be acquired by the Trust in the surrounding areas. Certain of these competitors may have greater financial and other resources and greater operating flexibility than the Trust. The existence of competing parties could have a material adverse effect on the revenues or profitability of the Trust and its ability to meet its debt obligations.

5. *Potential Liability under Environmental Protection Legislation*

Environmental and ecological legislation and policies have become increasingly important in recent years. Under various laws, as the owner of real estate properties the Trust or its related entities could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on, from or in one or more of the properties. The failure to remove or remediate such substances, if any, may adversely affect the Trust's ability to sell such a property or to borrow using a property as collateral.

For all of the aforesaid reasons and others set forth and not set forth herein, the Units involve a certain degree of risk. Any person considering the purchase of the Units should be aware of these and other factors set forth in this Offering

Memorandum and should consult with his/her legal, tax and financial advisors prior to making an investment in the Units. The Units should only be purchased by persons who can afford to lose all of their total investment.

ITEM 9 - REPORTING OBLIGATIONS

As the Trust is not a “reporting issuer” as defined in the applicable securities legislation, the continuous reporting requirements of those acts do not generally apply to the Trust.

The Trust is not required to send you any documents on an annual or ongoing basis. The Trust will, however, on or before March 31 in each calendar year, provide to each Unitholder audited annual financial statements for the financial year ended December 31 and all other information required to file Canadian income tax returns.

ITEM 10 - RESALE RESTRICTIONS

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.

Unless permitted under securities legislation, you cannot trade the securities before the date that is four months and a day after the date the Trust becomes a reporting issuer in any province or territory of Canada. The Trust does not intend to become a reporting issuer at any time, with the result that the Unitholders may never be able to trade or re-sell their Units.

For trades in Manitoba, unless permitted under securities legislation, you must not trade the securities without the prior written consent of the regulator in Manitoba unless: (a) the Trust has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus; or (b) you have held the securities for at least 12 months. The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

The Trust has no current intention of becoming a reporting issuer in any jurisdiction and therefore the foregoing restriction on trading will continue indefinitely (subject to the availability of certain limited exemptions which may not apply in the circumstances).

ITEM 11 - PURCHASERS' RIGHTS

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

11.1 Two Day Cancellation Right for a Subscriber

You can cancel your agreement to purchase the Units. To do so, you must send a notice to us by midnight on the second business day after you sign the agreement to buy the Units.

11.2 Rights of Action in the Event of a Misrepresentation

Applicable securities laws in the offering jurisdictions provide you with a remedy to sue to cancel your agreement to buy the Units or for damages if this Offering Memorandum, or any amendment thereto, contains a misrepresentation. Unless otherwise noted, in this section, a “**misrepresentation**” means an untrue statement or omission of a material fact that is required to be stated or that is necessary in order to make a statement in this Offering Memorandum not misleading in light of the circumstances in which it was made.

These remedies are available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities. In addition, these remedies, or notice with respect thereto, must be exercised or delivered, as the case may be, by you within the strict time limit prescribed in the applicable securities laws.

The applicable contractual and statutory rights are summarized below. Subscribers should refer to the applicable securities laws of their respective offering Jurisdiction for the particulars of these rights or consult with professional advisors.

Investors in British Columbia

If you are a resident in British Columbia and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, you have a statutory right to sue:

- (a) the Trust to cancel your agreement to buy the Units; or
- (a) for damages against the Trust, the Trustee, every person who was a director of the Trustee at the date of this Offering Memorandum, and every person or company who signed this Offering Memorandum.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, this Offering Memorandum, the misrepresentation is deemed to be contained in this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Units. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action or commence your action for damages within the earlier of: (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the transaction that gave rise to the cause of action.

Investors in Alberta

If you are a resident in Alberta and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, you have a statutory right to sue:

- (a) the Trust to cancel your agreement to buy the Units; or
- (b) for damages against the Trust, the Trustee, every person who was a director of the Trustee at the date of this Offering Memorandum, and every person or company who signed this Offering Memorandum.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, this Offering Memorandum, the misrepresentation is deemed to be contained in this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Units. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action or commence your action for damages within the earlier of: (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the transaction that gave rise to the cause of action.

Investors in Ontario

If you are a resident of Ontario and there is a misrepresentation in this Offering Memorandum, together with any amendment to it, you have a statutory right to sue:

- (a) the Trust to cancel your agreement to buy the Units; or
- (b) for damages against the Trust.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Units. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action.

You must commence your action for damages within the earlier of: (i) 180 days after the plaintiff 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.

A misrepresentation is defined in the *Securities Act* (Ontario) as 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 in order to make any statement therein not misleading in light of the circumstances in which it is made. A material fact, when used in relation to securities issued or proposed to be issued, is defined in the *Securities Act* (Ontario) as a fact that significantly affects, or would reasonably be expected to have a significant effect on, the market price or value of such securities.

Investors in Saskatchewan

If you are resident in Saskatchewan and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, subject to certain limitations, you have a statutory right to sue:

- (a) the Trust to cancel your agreement to buy the Units; or
- (b) for damages against:
 - (i) the Trust, the Trustee, every person who was a director or the promoter of the Trust or the Trust, respectively, at the date of this Offering Memorandum,
 - (ii) every person or company whose consent has been filed respecting the Offering, but only with respect to reports, opinions or statements that have been made by them,
 - (iii) every person who, or company that, in addition to the persons or companies mentioned in clauses (i) and (ii), signed this Offering Memorandum, and
 - (iv) every person who, or company that, sells the Units on behalf of the Trust under this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Units. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action.

You must commence your action for damages within the earlier of: (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or (ii) six years after the date of the transaction that gave rise to the cause of the action.

In addition, subject to certain limitations, where any advertising or sales literature (as such terms are defined in the Saskatchewan securities legislation) 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 the Trust, the Trustee, every promoter and director of the Trust or the Trustee, respectively, as the case may be, 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 and the verbal statement is made either before or contemporaneously

with the purchase of Units, the purchaser has a right of action for damages against the individual who made the verbal statement.

Investors in Manitoba

If you are a resident in Manitoba and this Offering Memorandum, together with any amendments hereto, contains a misrepresentation, you have a statutory right to sue:

- (a) the Trust to cancel your agreement to buy the Units; or
- (b) for damages against the Trust, the Trustee, every person who was a director of the Trustee at the date of this Offering Memorandum, and every person or company who signed this Offering Memorandum.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, this Offering Memorandum, the misrepresentation is deemed to be contained in this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Units. If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations.

You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action or commence your action for damages within the earlier of: (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) two years after the day of the transaction that gave rise to the cause of action.

You should refer to the applicable provisions of the securities legislation for particulars of the rights or consult with a lawyer.

You should consult your own legal advisers with respect to your rights and the remedies available to you. The rights discussed above are in addition to and without derogation from any other rights or remedies, which you may have at law.

THE SECURITIES LAWS OF ALBERTA, BRITISH COLUMBIA, MANITOBA, SASKATCHEWAN AND ONTARIO ARE COMPLEX. THE FOREGOING IS A SUMMARY ONLY AND SUBJECT TO INTERPRETATION. REFERENCE SHOULD BE MADE TO THE APPLICABLE SECURITIES LEGISLATION, THE REGULATIONS AND THE RULES THEREUNDER FOR THE COMPLETE TEXT OF THE PROVISIONS UNDER WHICH THE FOREGOING RIGHTS ARE CONFERRED. THE FOREGOING SUMMARY IS SUBJECT TO THE EXPRESS PROVISIONS THEREOF.

THE RIGHTS DISCUSSED ABOVE ARE IN ADDITION TO, AND WITHOUT DEROGATION FROM, ANY OTHER RIGHTS OR REMEDIES WHICH THE SUBSCRIBERS MAY HAVE AT LAW. SUBSCRIBERS SHOULD CONSULT THEIR OWN LEGAL ADVISORS WITH RESPECT TO THEIR RIGHTS AND THE REMEDIES AVAILABLE TO THEM.

ITEM 12 - FINANCIAL STATEMENTS

ALL ISLAND EQUITY REIT
Consolidated Financial Statements

Year Ended December 31, 2018
Expressed in Canadian Dollars

Independent Auditor's Report



To the Unitholders of All Island Equity REIT:

Opinion

We have audited the financial statements of All Island Equity REIT (the "REIT"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of earnings, consolidated statements of changes in unitholders' equity and consolidated statements of cash flows for the year ended December 31, 2018 and period from May 14, 2017 (date of inception) to December 31, 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the REIT as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the year ended December 31, 2018 and the period from May 14, 2017 (date of inception) to December 31, 2017 in accordance with International Financial Reporting Standards

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the 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.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 REIT's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the REIT's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the REIT to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Vancouver, British Columbia

March 20, 2019

MNP LLP

Chartered Professional Accountants

Page

Independent Auditors' Report

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All Island Equity REIT
Consolidated Statements of Financial Position
Expressed in Canadian Dollars

As at December 31, 2018 and 2017	2018	2017
ASSETS		
Current		
Cash and cash equivalents (Note 4)	\$ 1,977,768	\$ 5,968,547
Trade and other receivables	39,010	40,479
Prepaid expenses and deposits	85,020	70,034
	2,101,798	6,079,060
Equipment (Note 5)	-	2,438
Investment properties (Note 6)	70,773,308	67,348,232
	70,773,308	67,350,670
Total assets	\$ 72,875,106	\$ 73,429,730
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Trade payables and accruals	311,903	365,520
Security deposits	207,403	171,214
Deferred revenue	42,239	31,613
Current portion of long-term loans (Note 7)	989,207	700,897
	1,550,752	1,269,244
Long term portion of loans (Note 7)	34,208,750	41,823,216
Total liabilities	35,759,503	43,092,460
Unitholders' equity (Note 8)	37,115,604	30,337,270
Total liabilities & unitholders' equity	\$ 72,875,106	\$ 73,429,730

Nature of operations and basis of presentation (Note 1 and 2)

Approved on behalf of the Trustee of All Island Equity REIT

"Garth Busch" Director

"Ben Vanderhorst" Director

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

All Island Equity REIT
Consolidated Statements of Earnings
Expressed in Canadian Dollars

Year ended December 31, 2018 and period from May 14, 2017 (date of inception) to December 31, 2017	2018 (12 months)	2017 (7.5 months)
REVENUES		
Rental income	\$ 5,011,431	\$ 3,073,306
RENTAL EXPENSES		
Insurance	166,162	104,368
Property taxes	481,498	297,931
Property operating expenses	588,897	381,318
Repairs and maintenance	320,176	163,877
	1,556,732	947,494
NET RENTAL INCOME	3,454,699	2,125,812
ADMINISTRATIVE EXPENSES		
Bank charges	2,605	2,222
Consulting fees	67,387	47,341
Director's fees (Note 13)	26,000	-
Depreciation (Note 5)	2,438	271
Interest and accretion expense (Note 7)	1,672,601	1,378,780
Management fees	336,087	193,656
Office and miscellaneous expense (Note 9)	155,642	58,159
Professional fees	80,102	50,768
	2,342,862	1,731,197
NET OTHER INCOME (EXPENSES)		
Other revenue	67,454	44,302
Fair value adjustments to investment properties (Note 6)	2,861,686	3,702,530
Gain on disposal of investment properties (Note 6)	-	444,962
	2,929,140	4,191,794
NET EARNINGS FOR THE YEAR	\$ 4,040,976	\$ 4,586,409
Earnings per trust units		
Basic and diluted	\$ 1.49	\$ 2.16
Weighted average number of trust units		
Basic and diluted	2,705,278	2,124,145

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

All Island Equity REIT
Consolidated Statements of Changes in Unitholders' Equity
Expressed in Canadian Dollars

	Number of Class A units	Amount	Number of Class F units	Amount	Number of Class A DRIP units	Amount	Number of Class F DRIP units	Amount	Total Units	Total
Balance, May 14, 2017	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Unit Contributions	877,499	8,774,990	1,781,879	17,818,790	-	-	-	-	2,659,378	26,593,780
Unit Retractions	(700)	(7,000)	(2,000)	(20,000)	-	-	-	-	(2,700)	(27,000)
Unit issuance costs	-	-	-	-	-	-	-	-	-	(815,919)
Net earnings for the period	-	-	-	-	-	-	-	-	-	4,586,409
Balance, December 31, 2017	876,799	\$ 8,767,990	1,779,879	\$ 17,798,790	-	\$ -	-	\$ -	2,656,678	\$ 30,337,270

	Number of Class A units	Amount	Number of Class F Units	Amount	Number of Class A DRIP units	Amount	Number of Class F DRIP units	Amount	Total Units	Total
Balance, January 1, 2018	876,799	\$ 8,767,990	1,779,879	\$17,798,790	-	\$ -	-	\$ -	2,656,678	\$ 30,337,270
Unit Contribution - Raised	11,760	133,593	13,289	150,963	111,031	1,451,274	172,018	1,764,163	308,098	3,499,993
Unit Contribution - Distribution	-	-	-	-	27,970	-	48,097	-	76,067	-
Distribution Paid	-	-	-	-	-	-	-	-	-	(184,377)
Unit Redemptions	(2,000)	(22,720)	(28,000)	(318,080)	(4,075)	(46,295)	(3,182)	(36,146)	(37,257)	(423,240)
Class Switch	5,044	-	13,566	-	(37,183)	-	18,574	-	-	-
Unit Issuance Costs	-	-	-	-	-	-	-	-	-	(155,018)
Net earnings for the year	-	-	-	-	-	-	-	-	-	4,040,976
Balance, December 31, 2018	891,603	\$8,878,864	1,778,734	\$ 17,631,673	97,742	\$ 1,404,979	235,507	\$ 1,728,017	3,003,586	\$ 37,115,604

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

All Island Equity REIT
Consolidated Statements of Cash Flows
Expressed in Canadian Dollars

Year ended December 31, 2018 and period from May 14, 2017 (date of inception) to December 31, 2017	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 4,040,976	\$ 4,586,409
Items not affecting cash:		
Accretion of mortgage transaction costs	261,928	88,328
Depreciation	2,438	271
Gain on sale of properties	-	(444,962)
Fair value adjustment to investment properties	(2,861,686)	(3,702,530)
Changes in non-cash working capital items:		
Increase in receivables	1,289	(40,479)
Increase in prepaid expenses	(14,986)	(70,034)
Increase in accounts payable and accruals	(53,616)	365,520
Increase in security deposits	36,189	171,214
Increase in deferred revenue	10,626	31,613
Net cash received from operating activities	1,423,158	985,350
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment property portfolio	-	(65,057,000)
Transaction costs related to acquisition of portfolio	-	(1,777,848)
Purchase of equipment	-	(2,709)
Proceeds from sale of commercial properties	-	3,954,000
Capital additions to investment properties	(563,390)	(319,892)
Net cash used in investing activities	(563,390)	(63,203,449)
CASH FLOWS FROM FINANCING ACTIVITIES		
Gross proceeds from issuance of units	3,499,993	26,593,780
Cash distribution	(184,377)	(27,000)
Unit redemption	(423,240)	
Issuance costs and commissions	(154,838)	(815,919)
Mortgage proceeds received	11,915,515	47,325,207
Mortgage transaction costs	(453,599)	(366,568)
Repayment of mortgages	(19,050,000)	(4,522,854)
Net cash received from (used in) financing activities	(4,850,547)	68,186,646
Net change in cash and cash equivalents	(3,990,781)	5,968,547
Cash and cash equivalents, beginning of year	5,968,547	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,977,768	\$ 5,968,547

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

1. NATURE OF OPERATIONS

All Island Equity REIT (the "REIT") is a limited purpose, unincorporated open-ended investment trust, governed by the terms and conditions of a Declaration of Trust dated March 1, 2017 and by the general laws of trusts and the laws of British Columbia, Canada. The principal office of the REIT is in Nanaimo, BC.

The REIT commenced operations on May 14, 2017. The principal activities of the REIT are the ownership and management of a diversified portfolio of retail and commercial mixed-use properties.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

a. Statement of compliance

These consolidated financial statements have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") incorporating interpretations issued by the IFRS Interpretations Committee ("IFRICs") and effective for the year ended December 31, 2018.

These consolidated financial statements for the year ended December 31, 2018 were authorized for issue by the Board of Directors of the Trustee (the "Board") on March 20, 2019.

b. Basis of measurement

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

The preparation of these consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the REIT's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3(N).

c. Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the REIT's functional currency. All amounts presented have been rounded to the nearest dollar.

Assets and liabilities related to properties held in a foreign entity with a functional currency other than the Canadian dollar are translated at the rate of exchange at the consolidated balance sheet dates. Revenues and expenses are translated at average rates for the period unless exchange rates fluctuate significantly during the period in which case the exchange rates at the dates of the transactions are used. The resulting unrealized foreign currency translation adjustments are recognized in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

A. Basis of consolidation

The consolidated financial statements comprise the financial statements of the REIT and its subsidiary, over which the REIT has control. Control exists when the REIT has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The financial statements of subsidiaries are consolidated from the date that control commences and continue to be consolidated until the date that control ceases.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency with those used by other members of the group.

Intra-group transactions and balances are eliminated in preparing the consolidated financial statements. The consolidated financial statements reflect the financial position, results of operations and cash flows of the REIT and its 99.99% owned subsidiary, All Island Equity REIT Limited Partnership (the "REIT LP") (collectively, the "Limited Partnership").

The REIT has entered into an agreement with this party in the form of a limited partnership. After adopting IFRS 10, *Consolidated Financial Statements*, and IFRS 11, *Joint Arrangements*, the REIT determined that it has control over the Limited Partnership.

B. Property acquisitions and business combinations

Where property is acquired, management considers the substance of the agreement in determining whether the acquisition represents an asset acquisition or a business combination. The basis of the judgment is set out in Note 3(N).

Where such acquisitions are not determined to be a business combination, they are treated as an asset acquisition. The cost to acquire the property is allocated between the identifiable assets acquired and liabilities assumed based on their relative fair values at the acquisition date. Otherwise, acquisitions are accounted for as a business combination.

All acquisitions to date have been determined to be asset acquisitions.

C. Investment properties

Investment properties comprise of properties held to earn rental revenue or for capital appreciation or both. Investment properties are measured initially at cost including acquisition costs. Acquisition costs include transfer taxes, professional fees for legal services, acquisition fees and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, investment properties are measured using the fair value model. The REIT defines fair value to be the value a third party is willing to pay, in an arm's length transaction, for an investment property. Therefore, the fair value of recently acquired investment property would be the purchase price. Any subsequent valuations performed on an investment property, after acquisition date, would be the new basis for the fair value recorded on the investment property. Gains or losses arising from changes in fair values are included in the consolidated statement of earnings in the year which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Investment properties (continued)

Investment property is derecognized when it has been disposed of or 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 statement of net income and other comprehensive income in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset on the date the transaction occurred.

D. Cash and cash equivalents

Cash consists of cash on hand and cash held at banks. Cash equivalents include guaranteed investment certificates that are readily redeemable into cash with original maturities of twelve months or less from the purchase date.

E. Allocation of net income or net loss

Net income or loss of the Limited Partnership from the ordinary course of operations of the properties will be allocated as follows:

- Firstly, 0.01% to each of the General Partners to a maximum of \$100 per annum;
- Secondly, the Limited Partners will be paid the amount of the Limited Partner's Minimum Return which is calculated on a non-compounded, cumulative basis, such that in the years when the Limited Partners' Minimum Return is not available from cash flow, it will accumulate and be paid from cash flow in subsequent years; and
- Remaining balance shall be distributed 80% to the Limited Partners, pro rata in accordance with their respective Income Shares, and 20% to the Manager.

F. Equity issuances and redemption

Issuances of units are recorded as increases in equity equal to the gross proceeds received while redemption of units are recorded as decreases in equity equal to its original subscription price. Incremental costs directly attributable to the issuance of new units are recorded as reductions in equity as issuance costs.

G. Revenue recognition

Rental revenue is recognized in income on a straight-line basis over the lease term subject to ultimate collection being reasonably assured. Revenue includes recoveries of specified operating expenses, in accordance with the terms of the lease agreements. Recoveries are recognized in the period in which the related operating expense was incurred, and collectability is reasonably assured. Parking and other incidental income are recognized in the period when the services were performed.

H. Net earnings per unit

Basic net earnings per unit has been calculated based on the weighted average number of units outstanding.

I. Equipment

Upon initial acquisition, equipment is valued at cost, being the purchase price and the directly attributable costs of acquisition required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management. In subsequent periods, equipment is stated at cost less accumulated depreciation and any impairment in value.

Each component or part of equipment with a cost that is significant in relation to total cost of the item will be depreciated separately unless there is no difference in depreciation on the respective components.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Depreciation

Equipment is deprecating using the straight-line method based on its estimated useful life. Where significant parts of an asset have differing useful lives, depreciation is calculated on each separate part. Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates which affect depreciation are accounted for prospectively.

The expected useful life for equipment is 5 years.

K. Financial instruments

All financial instruments must be recognised, initially, at fair value on the Statements of Financial Position. The REIT has classified each financial instrument into amortized cost. Subsequent measurement of the financial instrument is based on their respective classification. Financial instrument classified as amortized cost are subsequently measured at amortized cost using the effective interest method.

Financial asset/liability	Classification
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Trade payables and accruals	Amortized cost
Security deposits	Amortized cost
Loans	Amortized cost

Amortized cost

Financial assets and liabilities are initially recognized at their fair value. Fair value is determined by recent arm's length market transactions for the same instrument/approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the settlement date.

The financial assets and liabilities are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the expected life of the financial asset or financial liability, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset or a financial liability is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method or any difference between that initial amount and the maturity amount, and for financial assets, adjusted for any loss allowances. Net gains and losses from changes in fair value are recognized in profit (loss) upon derecognition or impairment.

Impairment of financial assets

Financial assets carried at amortized cost are assessed at each reporting date on whether they are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Company applies expected credit loss approach in determining provisions for financial assets carried at amortized cost. The Company has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. The approach that the Company has taken for trade receivables is a provision matrix approach where by life time expected credit losses are recognized based on aging characterization and credit worthiness of the franchisee. Specific provisions may be used where there is information that a specific franchisee's expected credit losses have increased. The specific accounts are only written off once all the collection avenues have been explored or when legal bankruptcy has occurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Financial instruments (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. The credit risk on a financial asset is considered to have increased significantly if it is more than 90 days past due.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of income and comprehensive income.

L. Income taxes

The REIT is taxed as a "mutual fund trust" under the Income Tax Act (Canada). Pursuant to the Declaration of Trust and subject to the specific investment flow through ("SIFT") rules, the Board intends to distribute or designate all taxable income to the unitholders of the REIT and to deduct such distributions and designations for Canadian Income Tax purposes. Accordingly, the REIT is not taxable on its income provided all of its taxable income is distributed to the unitholders.

M. Fair value

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. In certain circumstances, the initial fair value may be based on other observable current market transactions, without modification or on a valuation technique using market-based inputs.

Fair value measurements recognized in the consolidated statement of financial position are categorized in accordance with the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

The REIT measures investment properties at fair value at the end of each reporting period. Management estimates the fair value of its investment properties using the direct capitalization income method. For the direct capitalization income method, the fair value is determined by applying a capitalization rate to stabilized net operating income. The result is further adjusted for potential leasing costs, capital expenditures, and costs to stabilize income. Since significant adjustments are made to key inputs, the REIT measures the fair value under level 3 of the fair value hierarchy.

N. Significant accounting judgments and estimates

Judgments estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities are reviewed on an ongoing basis. Actual results may differ from these estimates.

a. Judgments

In the process of applying the REIT's accounting policies, management has made the following critical judgments, which have the most significant effects on the amounts recognized in the consolidated financial statements:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Significant accounting judgments and estimates (continued)

a. Judgments (continued)

(i) Asset acquisitions

The REIT acquires individual investment properties. At the time of acquisition, the REIT considers whether or not the acquisition represents the acquisition of a business. The REIT accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the property (e.g., maintenance, cleaning, security, bookkeeping, etc.).

When the acquisition of a property does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized. All acquisitions to date have been determined to be asset acquisitions.

(ii) Lease contracts

The REIT has entered into property leases on its investment property portfolio. The REIT makes judgments in determining whether certain leases, in particular those leases with long contractual terms, are operating or finance leases. The REIT must assess each lease separately against land and building. The REIT has determined that all of its leases of land and buildings are operating leases.

b. Estimates

The significant areas of estimation include the following:

Valuation of investment properties

The fair value of the investment properties is determined by management, using recognized valuation techniques supported, in certain instances, by independent real estate valuation experts.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (based on factors such as tenant profiles, future revenue streams and overall repair and condition of the property), capitalization rates and discount rates applicable to those assets. These estimates are based on market conditions existing at the reporting date.

The following approaches, either individually or in combination, are used by management, together with the appraisals, in their determination of the fair value of the investment properties:

The Income Approach derives market value by estimating the future cash flows that will be generated by the property and then applying an appropriate capitalization rate or discount rate to those cash flows. This approach can utilize the direct capitalization method and/or the discounted cash flow analysis.

The Direct Comparison Approach involves comparing or contrasting the recent sale, listing or optioned prices of properties comparable to the subject and adjusting for any significant differences between them.

Management reviews each appraisal obtained and ensures the assumptions used by the appraisers are reasonable and the final fair value amount reflects those assumptions used in the various approaches above. Where an appraisal is not obtained at the reporting date, management reviews the approaches described above, for each investment property, and estimates the fair value.

The significant assumptions used by management in estimating the fair value of investment property are set out in Note 6.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Provisions

Provisions are recognized by the REIT when: i) the REIT has a present legal or constructive obligation as a result of past events; ii) it is probable that an outflow of resources will be required to settle the obligation; and iii) the amount can be reasonably estimated. If the time value of money is material, provisions are discounted using a current rate that reflects the risk profile of the liability, and the increase to the provision due to the passage of time will be recognized as interest expenses.

P. New and revised standards and interpretations

New Accounting Standards Adopted

The following standards have been adopted by the REIT as of January 1, 2018. There were no material impact on the financial statements as a result of the adoption of these standards and interpretations:

a. IFRS 9 Financial instruments: classification and measurement

IFRS 9 was issued by the IASB on October 28, 2010, and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing 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. Financial assets are classified and measured based on the three categories: amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit and loss (FVTPL). Two measurement categories continue to exist to account for financial liabilities in IFRS 9; fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative host contracts not within the scope of this standard. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative host contracts not within the scope of this standard.

The following table summarizes the classification impact upon adoption of IFRS 9. The adoption of new classification requirements under IFRS 9 did not result in significant changes in measurement or the carrying amount of the financial assets and liabilities.

Financial asset/liability	Classification under IAS 39	Classification under IFRS9
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Trade payables and accruals	Other financial liabilities	Amortized cost
Security deposits	Other financial liabilities	Amortized cost
Loans	Other financial liabilities	Amortized cost

Impairment under IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The ECL model requires considerable judgement, including consideration of how changes in economic factors affect ECLs. The new impairment model is applied at each balance sheet date, to financial assets measured at amortized cost or to those measured at fair value through other comprehensive income. The REIT adopted the practical expedient to determine ECL on account receivables using a provision matrix based on historical credit loss experiences to estimate lifetime ECL. The ECL models applied to other financial assets also required judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. The provision matrix applied did not have a material impact on REIT's financial assets/liabilities upon the adoption of IFRS 9. As a result, no adjustments have been made to opening balances.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

P. New and revised standards and interpretations (continued)

b. IFRS 15 Revenue from contracts with customers

IFRS 15, issued in May 2014, will specify how and when entities recognize, measure, and disclose revenue. The standard will supersede all current standards dealing with revenue recognition, including IAS 11 Construction contracts, IAS 18 Revenue, IFRIC 13 Customer loyalty programs, IFRIC 15 Agreements for the construction of real estate, IFRIC 18 Transfers of assets from customers, and SIC 31 Revenue – barter transactions involving advertising services. The adoption of this standard did not have a material impact on the measurement and recognition of the REIT's revenue. As a result, there was no adjustment to opening retained earnings.

New accounting standards not yet adopted

The listing below includes issued standards, amendments, and interpretations that the REIT reasonably expects to be applicable at a future date and intends to adopt when they become effective.

a. IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, *Leases*. The new standard brings most leases on balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. This standard would be effective for annual periods beginning on or after January 1, 2019. The REIT does not expect a significant impact to its consolidated financial statements on the adoption of this standard.

4. CASH AND CASH EQUIVALENTS

The REIT's cash and cash equivalents balances are as follows:

	December 31, 2018	December 31, 2017
Cash in bank	\$ 1,827,796	\$ 968,547
Guaranteed investment certificates ("GICs")	149,972	5,000,000
	\$ 1,977,768	\$ 5,968,547

The REIT's GICs mature within one year, earn interest between 1.9% per annum and are fully redeemable at any time.

5. EQUIPMENT

	Equipment
Cost	\$
Balance, May 14, 2017	-
Additions	2,709
Balance, December 31, 2017	2,709
Additions	-
Balance, December 31, 2018	2,709
Accumulated depreciation	
Balance, May 14, 2017	-
Additions	271
Balance, December 31, 2017	271
Additions	2,438
Balance, December 31, 2018	2,709
	2,438
Net book value, December 31, 2017	
Net book value, December 31, 2018	-

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6. INVESTMENT PROPERTIES

On May 14, 2017, the REIT LP completed the acquisition of a portfolio of properties (the "Portfolio"), which consist of commercial & residential use properties in the Comox Valley, BC for \$65,057,000 (which includes equipment for \$40,000) plus standard closing costs and adjustments. The Portfolio was assigned to the REIT LP from 1305 Capital Inc., an arm's length party.

In June 2017, the REIT sold its interests in two commercial properties (910 Fitzgerald and 450 8th Street) for gross proceeds of \$3,954,000 less standard closing costs, real estate commission and adjustments. The REIT's mortgage on these properties was repaid in full upon closing of the sale.

The gain on disposal during the period ended December 31, 2017 of the investment properties was determined as follows:

		910 Fitzgerald and 450 8 th Street
Gross proceeds	\$	3,954,000
Carrying value of investment properties		(3,509,038)
Gain on disposal of investment properties	\$	444,962

The balance of the investment properties as at December 31, 2018 and December 31, 2017 is as follows:

	2018	2017
Balance, beginning of year	67,348,232	-
Portfolio acquisition	-	65,057,000
Acquisitions costs	-	1,777,848
Capital additions	563,390	319,892
Disposal of investment properties	-	(3,509,038)
Changes in fair value adjustments to investment properties	2,861,686	3,702,530
Balance, end of year	70,773,308	67,348,232

The fair value of recently acquired investment property would be the purchase price plus acquisition costs and capital additions since acquisition.

In subsequent years, the fair value of the investment properties will be determined on a market value basis. In arriving at their estimates of market values, management and the independent appraisers will use their market knowledge and professional judgment and will not rely solely on historical transactional comparisons. The appraisals will be performed by accredited independent appraisers with recognized and relevant professional qualifications and with recent experience in the location and category of the investment property being valued. Management will review each appraisal and ensure that the assumptions used are reasonable and the final fair value amount will reflect those assumptions, which are used in the determination of the fair market values of the properties.

As set out in Note 3(N), the REIT measures the fair value of investment properties under level 3 of the fair value hierarchy. The significant assumptions made relating to the valuations as at December 31, 2018 and December 31, 2017 are set out below:

For December 31, 2018	Weighted average	Range
Capitalization rate (%)	4.92%	4.60% - 6.25%
Net operating income (\$)	\$251,500	\$16,617 - \$609,158

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6. INVESTMENT PROPERTIES (continued)

For December 31, 2017	Weighted average	Range
Capitalization rate (%)	4.97%	3.94% - 7.27%
Net operating income (\$)	\$243,178	\$15,048 - \$609,158

Valuations determined by direct capitalization income method are most sensitive to changes in capitalization rates. The table below summarizes the sensitivity of the fair value of investment properties to changes in the capitalization rate as at December 31, 2018 and 2017.

For December 31, 2018:

Change in capitalization rate	Fair value	Change in fair value	Percentage change
- 0.45%	\$ 77,902,143	\$ 7,128,564	10.07%
- 0.30%	75,371,580	4,598,000	6.50%
- 0.15%	73,000,249	2,226,669	3.15%
December 31, 2018	70,773,579	—	0.00%
+ 0.15%	68,678,726	2,094,853	-2.96%
+ 0.30%	66,704,320	4,069,259	-5.75%
+ 0.45%	64,840,264	5,933,315	-8.38%

For December 31, 2017:

Change in capitalization rate	Fair value	Change in fair value	Percentage change
- 0.45%	\$ 74,054,543	\$ 6,706,311	9.96%
- 0.30%	71,675,475	4,327,243	6.43%
- 0.15%	69,444,509	2,096,277	3.11%
December 31, 2017	67,348,232	—	—
+ 0.15%	65,374,805	(1,973,427)	(2.93%)
+ 0.30%	63,513,735	(3,834,497)	(5.69%)
+ 0.45%	61,755,693	(5,592,539)	(8.30%)

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7. LOANS

Loans are recorded at amortized cost and is secured by first charges on the REIT's investment properties, with a carrying and fair value of \$35,197,957 and \$35,667,868 (2017 - \$42,524,113 and \$42,802,353), respectively. Included in loans are unamortized mortgage transaction costs, which are amortized over the term of each mortgage using the effective interest rate method.

As at December 31,	2018	2017
Institutional Mortgage Capital Mortgage Loans, consisting of two advances: (1) initial advance bearing interest at prime plus 1.9% per annum, interest only payments, with term expiring on September 1, 2019 and (2) second advance bearing interest at prime plus 6.3% per annum, interest only payments, with term expiring on March 1, 2019. Both advances are secured by certain investment properties	19,050,000	19,050,000
Less: repayment	(19,050,000)	-
Less: unamortized mortgage transaction costs	-	(207,779)
	-	18,842,221
CMLS Financial Ltd. Mortgage Loan, bearing interest at 3.26%, payable in monthly blended installment payments of \$20,197, with a term expiring on June 1, 2022, secured by certain investment properties	3,984,246	4,095,640
Less: unamortized mortgage transaction costs	(22,981)	(29,703)
	3,961,265	4,065,937
Coast Capital Savings Credit Union Term Loans, bearing interest between 3.15% to 3.47%, payable in total monthly blended installment payments of \$63,474, with terms expiring on June 1, 2022, secured by certain investment properties	11,846,749	12,207,588
Less: unamortized mortgage transaction costs	(25,054)	(32,382)
	11,821,695	12,175,206
Industrial Alliance Financial Group Term Loans, bearing interest between 3.00% to 3.45%, payable in total monthly blended installment payments of \$39,128, with terms expiring between March 1, 2020 and April 1, 2022, secured by certain investment properties	7,215,127	7,449,125
Less: unamortized mortgage transaction costs	(6,406)	(8,377)
	7,208,721	7,440,748
Vancity Loans, bearing interests at 3.99%, payable in a total monthly blended installment payment of \$2,760, with terms expiring April 25, 2021	516,713	-
Less: unamortized mortgage transaction costs	(50,622)	-
	466,091	-
People's Trust loan, bearing 3.22%, payable in a total monthly blended installment payment of \$52,961, with terms expiring March 01, 2028	12,105,038	-
Less: unamortized mortgage transaction costs	(364,853)	-
	11,740,185	-
	35,197,957	42,524,113
Current portion	989,207	700,897
Long-term portion	34,208,750	41,823,216

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7. LOANS (continued)

During the year ended December 31, 2018, the REIT incurred interest expense of \$1,410,673 (2017 - \$1,290,452) and accretion expense of \$261,928 (2017 - \$88,328). Under the terms of the loan agreements, the REIT is required to comply with certain loan covenants. As at December 31, 2018 and 2017, all covenants were met.

Principal repayments based on scheduled repayments to be made on the long-term debt are as follows:

As at December 31,	2018	2017
2018	-	700,897
2019	989,211	19,774,295
2020	4,055,723	3,785,534
2021	3,494,908	2,735,076
2022	16,083,905	-
Thereafter	<u>11,044,121</u>	<u>15,806,550</u>
	<u>35,667,868</u>	<u>42,802,353</u>

8. UNITHOLDERS' EQUITY

Under the Declaration of Trust, the REIT is authorized to issue unlimited number of redeemable REIT units without par value. The Trustee will have the power and authority, from time to time, for and on behalf of the REIT, to create one or more classes or series of units on such terms and conditions as may be determined by the Trustee. All the units in any class or series will have the same rights, benefits and other attributes and will rank equally with every other unit in such class or series.

The REIT currently has two classes of units being Class A and Class F Units. All units of each class are entitled to participate equally with respect to all distributions made by the REIT to the unitholders, including distributions of net income and net realized capital gains, if any.

As at December 31, 2018, total unitholders equity was \$37,115,604 (2017 - \$30,337,270) which consists of unitholder contributions, issuance costs and net earnings for the year ended December 31, 2018.

a. Class A units

During the year ended December 31, 2018, the REIT issued 11,760 (2017 - 877,499) Class A units for gross proceeds of \$133,594 (2017 - \$8,774,990). The price per Class A unit is \$11.36 (2017 - \$10.00).

All Class A Units allow for a Trailer Fee (an annual fee which may be paid by the Trust to registered securities dealers and exempt market dealers) commencing after the first anniversary of the any subscriptions for Class A Units, of up to 1% of the Net Asset Value.

b. Class F units

During the year ended December 31, 2018, the REIT issued 13,289 (2017 - 1,781,879) Class F units for gross proceeds of \$150,963 (2017 - \$17,818,790). The price per Class F unit is \$11.36 (2017 - \$10.00).

c. Class A DRIP units

During the year ended December 31, 2018, the REIT issued 111,031 (2017 - Nil) Class A DRIP units for gross proceeds of \$1,451,274 (2017 - Nil). The price per Class A DRIP unit is \$11.36 (2017 - Nil).

d. Class F DRIP units

During the year ended December 31, 2018, the REIT issued 172,018 (2017 - Nil) Class F DRIP units for gross proceeds of \$1,764,163 (2017 - Nil). The price per Class F DRIP unit is \$11.36 (2017 - Nil).

e. Redemption rights

Redemption of units by unitholders is governed under the terms of the Trust Declaration whereby each unitholder is entitled to require the REIT to redeem at any time or from time to time all or any part of the unit. The redemption price per unit is equal to either:

8. UNITHOLDERS' EQUITY (continued)

e. Redemption rights (continued)

- Where the units are listed on a stock exchange or similar market, an amount equal to the lesser of:
 - 95% of the market price of the Units during the 10-trading day period after the redemption date; and
 - 100% of the closing market price of the units on the redemption date; or
- Where the units are not listed on a stock exchange, the Net Asset Value per unit as determined on the valuation date which immediately precedes the redemption date

During the year ended December 31, 2018, the REIT redeemed 2,000 (2017 – 700) Class A units, 28,000 (2017 - 2,000) Class F units, 4,075 (2017 - Nil) Class A DRIP units, and 3,182 (2017 – Nil) Class F DRIP units for payments of \$22,720 (2017 - \$7,000), \$318,080 (2017 - \$20,000), \$46,295 and \$36,146, respectively, which were returned to treasury.

f. Distributions

The REIT's Declaration of Trust endeavours to maintain quarterly distribution payments to unitholders. The REIT determines the distribution rate by, among other considerations, its assessment of cash flows as determined using adjusted cash flows from operating activities of its Limited Partnerships. The distribution rate is determined by the Board, at their sole discretion, based on what they consider appropriate given the circumstances of the REIT. Distributions may be adjusted for amounts paid in prior periods if the actual adjusted cash flows from operating activities for those prior periods are greater or less than the estimates used for those prior periods. In addition, the Board may declare distributions out of the income, net realized capital gains, net recapture income and capital of the REIT to the extent such amounts have not already been paid, allocated or distributed.

During the year ended December 31, 2018, \$1,048,494 was distributed to unitholders for \$27,349, \$317,739, \$157,027 and \$546,378 for Class A Pay, Class A DRIP, Class F Pay and Class F DRIP, respectively (2017 – no distribution). Of the \$1,048,494 distributed out of the Trust, \$864,117 was reinvested by unitholders under the Distribution Reinvestment Plan (DRIP) resulting in the issuance of a total of 76,067 Units of which 27,970 was issued as Class A DRIP and 48,097 was issued as a Class F DRIP (2017 - no distributions).

9. OFFICE AND MISCELLANEOUS EXPENSE

During the year ended December 31, 2018, the REIT recorded a one-time GST expense of \$48,688 which has been included in the office and miscellaneous expense.

10. OPERATING LEASES – REIT as a lessor

The REIT has entered into leases with tenants on its investment property portfolio. The leases typically have initial lease terms ranging between one and five years with periodic upward revision of the rental charge according to the prevailing market conditions.

Future minimum lease payments for commercial tenants under non-cancellable operating leases in the aggregate and for each of the following periods are as follows:

	2018	2017
Within one year	525,885	766,788
Two to five years	893,186	713,347
Over five years	-	-
	1,419,072	1,480,135

10. OPERATING LEASES – REIT as a lessor (continued)

As all residential tenants have signed lease agreement that are one year in duration and is extendable on a month to month basis after one year, the minimal lease payments associated with these residential tenants have been excluded from the table above.

11. CAPITAL MANAGEMENT

The REIT defines capital as the aggregate of unitholders' equity and long-term debt. The REIT's objectives in managing capital are to maintain a level of capital that complies with investment and debt restrictions pursuant to the offering memorandum, complies with existing debt covenants, funds its business strategies and builds long-term unitholders' value. The REIT's capital structure is approved by the Board through its periodic reviews. The REIT is not subject to externally imposed capital requirements.

12. FINANCIAL INSTRUMENTS

Fair value of financial instruments

For certain REIT financial instruments, including cash and cash equivalents, trade and other receivables, trade payable and accruals and security deposits, the carrying amounts approximate their fair values due to the immediate or short-term maturity of these financial instruments.

The fair values of debt are determined by discounting the future contractual cash flow under current financing arrangements at discount rates that represent borrowing rates presently available to the REIT for loans with similar terms and maturity and measured under level 2 fair value hierarchy since the discount rates are either provided by the lenders or are observable on the open market.

The following table presents the carrying amounts and fair values of the REIT's financial instruments:

As at December 31,	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	1,977,768	1,977,768	5,968,547	5,968,547
Trade and other receivables	39,011	39,011	40,479	40,479
Trade payable and accruals	311,904	311,904	365,520	365,520
Security deposits	207,403	207,403	171,214	171,214
Loans	35,197,957	35,667,868	42,524,113	42,802,353

Financial risk management

The Board of the REIT has the overall responsibility for the establishment and oversight of the REIT's risk management framework. The REIT's risk management policies are established to identify and analyze the risks faced by the REIT, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in response to the REIT's activities.

In the normal course of business, the REIT is exposed to several risks from its use of financial instruments. These risks, and the actions taken to manage them, are as follows:

a. Credit risk

Credit risk is the risk of financial loss to the REIT if a tenant or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the REIT's receivables from tenants.

The REIT's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The REIT minimizes the risk by checking tenants' credit histories, requesting security deposits and initiating a prompt collection process.

12. FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments (continued)

a. Credit risk (continued)

Trade and other receivables are comprised primarily of current balances owing and the REIT has not experienced any significant receivable write-offs. The REIT performs frequent reviews of its receivables and has determined there is no significant provision for doubtful accounts as at December 31, 2018 and 2017. The table below shows trade receivables due from tenants:

Aged trade receivables	December 31, 2018	December 31, 2017
Current	\$ 17,771	\$ 38,484
Past due 31 – 60 days	1,066	60
Past due 61 – 90 days	-	-
Past due 90+ days	20,174	1,935
	\$ 39,011	\$ 40,479

The REIT places its cash and cash equivalents (which includes GICs) with Canadian financial institutions with high credit ratings, credit ratings are actively monitored, and these financial institutions are expected to meet their obligations.

b. Interest rate risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The REIT is exposed to interest rate risk from the interest rate differentials between the market rate and the rates used on these financial instruments.

The REIT was exposed to interest rate risk on its variable rate debt it carries against the investment properties. Based on the total outstanding variable rate debt balance of \$19,050,000 as at December 31, 2017, a 0.5% decrease in the weighted average interest rate, keeping all other variables constant, would result in an annual increase in net income of \$95,250. A 0.5% increase in the interest rate would have an equal but opposite effect on the net income of the REIT. As at December 31, 2018, there is no interest rate risk to the REIT as all loans were subject to fixed interest rates.

c. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The REIT is not subject to foreign currency risk as the REIT's financial instruments are denominated in Canadian dollars.

d. Liquidity risk

Liquidity risk is the risk that the REIT will not be able to meet its financial obligations as they fall due. Real estate 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 the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the REIT was required to liquidate a real estate property investment, the proceeds to the REIT might be significantly less than the aggregate carrying value of such property.

The REIT's approach to managing liquidity is to ensure that it will have sufficient cash available to meet its liabilities when due. As at December 31, 2018, the REIT had sufficient cash to settle current liabilities.

12. FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments (continued)

d. Liquidity risk (continued)

The following are the contractual maturities of financial liabilities as at December 31, 2018.

	Amortized cost	Due in 1 year	Over 1 year
Trade payable and accrued liabilities	311,904	311,904	-
Long-term debt	35,197,957	989,207	34,208,750
	35,509,861	1,301,111	34,208,750

e. Environmental risk

The REIT is subject to various federal, provincial/state and municipal laws relating to the environment. These laws could result in liability for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in investment properties or disposed of at other locations. Failure to remove or remediate such substances, if any, could adversely affect the ability to sell real estate, or to borrow using real estate as collateral, and could potentially result in claims or other proceedings. The REIT is not aware any material non-compliance with environmental laws at any properties. The REIT is also not aware of any material pending or threatened investigations or actions by environmental regulatory authorities in connection with, or conditions at, the properties. The REIT has policies and procedures to review and monitor environmental exposure, and has made, and will continue to make, the necessary capital expenditures for compliance with environmental laws and regulations. Environmental laws and regulations can change rapidly, and the REIT may become subject to more stringent environmental laws and regulations that could have an adverse effect on the financial condition or results of operations.

f. Redemption risk

The total amount payable by the REIT by cash payment in respect of the redemption of units in any fiscal year or the REIT will not exceed the redemption price payable in respect of 10% of the issued and outstanding units. The Trustee may, in its sole discretion, redeem by cash payment such excess units, if in the opinion of the Trustee, doing so will adversely affect the REIT.

g. Lease rollover risk

Lease rollover risk arises from the possibility that the REIT may have trouble renewing leases as they expire or in re-leasing space vacated by tenants upon lease expiry. The REIT tries to sign long term leases with commercial tenants to minimize lease rollover risk. As at December 31, 2018, the occupancy rate across all the commercial properties is 89.74% (2017 - 86.5%). For any vacant space, the REIT uses qualified third-party leasing agents to actively market the space.

13. RELATED PARTY TRANSACTIONS

The REIT's related parties consist of its subsidiaries and key members of management. These transactions were in the normal course of operations and were measured at fair value, which represented the amount of consideration established and agreed to by the related parties.

Transactions with All Island Equity Management Inc. (the "Manager")

The Manager is related to the REIT by virtue of having officers and directors in common with the REIT. The Manager is also the General Partner of the Limited Partnership.

In connection with the services provided by the Manager under the Management Fee Agreement with the REIT LP, the following amounts will be payable to the Manager:

- a.* An acquisition fee equal to 1.00% of the gross purchase price of each property (or interest in a property), plus GST if applicable, payable to the Manager upon completion of the purchase of each such property (or interest in a property).

For the year ended December 31, 2018 and period ended December 31, 2017, there were no such fees incurred as management determined that the foundation portfolio was not subject to an acquisition fee.

- b.* An asset management fee up to 0.50% of the Gross Asset Value (2018 - \$72,875,106 and 2017 - 73,429,730) (defined as the fair market value of all assets of the Trust, as measured on the financial statements of the Trust as at the end of each month) payable quarterly, no later than the last day of each quarter. The Manager may waive the obligation of the REIT LP to pay all or any portion of the asset management fee for any year or any one or more months within any such year, provided that the waiver of the obligation shall not act as a waiver of such obligation in subsequent years.

For the year ended December 31, 2018, the Manager was entitled to asset management fees totaling \$364,375 (2017 - \$229,468) of which \$364,375 (2017 - \$229,468) was waived during the period, as 0.50% of the gross asset value.

- c.* As at December 31, 2018 and 2017, there were \$nil balances includes in trade payables and accrued owing to the Manager.

Transactions with All Island Equity Services Inc. (the "Trustee")

The Trustee is related to the REIT by virtue of having officers and directors in common with the REIT. The Trustee has no business activities other than acting as Trustee of the Trust.

During the year ended December 31, 2018 and 2017, there were no transactions with the Trustee.

During the year ended December 31, 2018, the REIT paid director fees of \$26,000 to four directors based on a rate of \$2,000 per quarter (2017 - \$Nil).

14. SEGMENTED DISCLOSURE

The REIT operates in one business segment, being the owning and operating of investment properties in Canada. As at December 31, 2018, the Realty Trust operates twenty-six investment properties located in British Columbia, Canada.

15. SUBSEQUENT EVENTS

Subsequent to December 31, 2018, the REIT closed the purchase of an investment property located in Courtenay, British Columbia for \$806,000.

Subsequent to December 31, 2018, the REIT redeemed 3,846.824 Class A DRIP units for payments of \$43,700 to unitholders.

ITEM 13 - RELATIONSHIP AMONG THE TRUST AND THE AGENT

An affiliate of the Agent currently owns approximately 31% of the outstanding shares of the Manager and as such, the Agent may be able to (indirectly) exercise a degree of control, direction and influence over the business and affairs of the Manager (in its capacity as a shareholder of the Manager) and may be entitled to dividends, distributions or other amounts (including on the sale of its shares in the Manager) in its capacity as a shareholder of the Manager, however neither the Agent nor any affiliate thereof, has an ownership interest, directly or indirectly, in the Trustee, and does not have the ability to elect or appoint any directors of the Trustee. The Manager is the “administrator” of the Trust pursuant to the Administration Agreement, the manager of the Limited Partnership pursuant to the Management Agreement and the General Partner of the Limited Partnership pursuant to the Limited Partnership Agreement. See Item 2.7 "Material Agreements – Management Agreement " and "Material Agreements – Administration Agreement" and Item 5.1 – "Terms of Units – LP Units – Limited Partnership Agreement". Additionally, the Agent has been engaged by the Trust to provide various advisory services, including establishing internal controls for the Trust, identifying risks and opportunities within the Trust's portfolio, guidance and management in respect of the optimal capital structure for the Trust, the formulation of a distribution policy for the Trust and advice on business development initiatives and strategic direction of the Trust that aligns with market forces and available capital sources. Such engagement may be terminated by either party on 30 days written notice (subject to a minimum two month commitment) and entitles the Agent to a fee of \$5,000 per month (plus applicable taxes). Accordingly, the Trust may be considered a “connected issuer” of the Agent under applicable Canadian securities legislation.

A portion of the net proceeds of the Offering may be used by the Trust to pay the advisory fees to the Agent as described above and in respect of sales commissions from the proceeds of the Offering, including to the Agent, as described Item 1 – “Use of Available Funds”. Other than in respect of the foregoing, the proceeds of the Offering will not be applied for the benefit of the Agent. The decision to distribute the Units and the determination of the terms of the Offering were made through negotiations between the Trust and the Agent, however the Offering was not required, suggested or consented to by the Agent.

ITEM 14 - DATE AND CERTIFICATE

Dated May 22, 2019

This Offering Memorandum does not contain a misrepresentation.

On behalf of the Trustee and as Promoter:

AIE SERVICES INC.

"Patrick Dennis Sullivan"

Name: Patrick Dennis Sullivan

Title: Director and Acting Chief Executive Officer

"Garth Lyle Busch"

Name: Garth Lyle Busch

Title: Director and Acting Chief Financial Officer

"David Stewart Hammond"

Name: David Stewart Hammond

Title: Director

"Bernard Adrian Vanderhorst"

Name: Bernard Adrian Vanderhorst

Title: Director

On behalf of the Manager and as Promoter:

AIE MANAGEMENT INC.

"Patrick Dennis Sullivan"

Name: Patrick Dennis Sullivan

Title: Director

"Garth Lyle Busch"

Name: Garth Lyle Busch

Title: Director

"David Stewart Hammond"

Name: David Stewart Hammond

Title: Director

"Bernard Adrian Vanderhorst"

Name: Bernard Adrian Vanderhorst

Title: Director